



## **Financial Statements**

**for the period from 01/01/2019 to 31/12/2019**

according to IFRS, in the form approved by the European Union

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## I. BASIC FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	For the period:	For the period:	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: 1 EUR =	4.3018		4.2669	
Sales revenue	551,429	621,284	128,186	145,605
Gain (loss) on operating activities	18,983	19,689	4,413	4,614
Pre-tax gain (loss)	9,584	7,454	2,228	1,747
Net gain (loss)	7,386	6,271	1,717	1,470
Total income for the net financial year	7,386	6,271	1,717	1,470
Net cash flows from operating activities	82,211	71,368	19,111	16,726
Net cash flows from investment activities	-44,735	-10,721	-10,399	-2,513
Net cash flows from financial activities	2,117	-27,736	492	-6,500
Total net cash flows	39,593	32,911	9,204	7,713
net gain (loss) per share in PLN/EUR	0.08	0.08	0.02	0.02
net gain (loss) diluted per share in PLN/EUR	0.08	0.08	0.02	0.02

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Asset and liability items according to the average exchange rate set by the National Bank of Poland as at the reporting date, respectively: 1 EUR =			4.2585	4.3000
Total assets	681,754	645,631	160,092	150,147
Liabilities and provisions for liabilities	406,871	388,041	95,543	90,242
Long-term liabilities	200,304	125,486	47,036	29,183
Short-term liabilities	206,567	262,556	48,507	61,059
Equity	274,883	257,589	64,549	59,904
Share capital	9,174	8,249	2,154	1,918
Number of shares (in pieces)	91,744,200	82,492,500	91,744,200	82,492,500
Book value per share in PLN/EUR	3.00	3.12	0.70	0.73
Diluted book value per share in PLN/EUR	3.00	3.12	0.70	0.73

## II. GENERAL INFORMATION ABOUT THE ENTITY

Name of the issuer:	MIRBUD S.A.
Issuer's registered office	Skierniewice
Legal form	joint-stock company
Country of registered office:	Poland
NIP (tax identification number)	836-170-22-07
REGON	750772302
Address details	ul. Unii Europejskiej 18 96-100 Skierniewice
Telephone	+ 48 (46) 833 98 65
Fax:	+ 48 (46) 833 97 32
E-mail	sekretariat@mirbud.pl
Website:	www.mirbud.pl

MIRBUD S.A. was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the Code of Commercial Companies. The Company was registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register under the KRS number 0000270385 on 22 December 2006.

### Core activities

The Issuer's core business in accordance with its Articles of Association and the entry in the National Court Register is as follows:

- General construction and civil engineering
- Freight transport by road
- Rental of construction and demolition equipment with operator service
- Advertising and publishing activities
- Renting of premises for own account
- Wholesale of materials for the construction industry

### Duration

The duration of the Issuer shall be unlimited.

**Management Board and Supervisory Board**

<b>Management Board</b>	
Jerzy Mirgos	President of the Management Board
Sławomir Nowak	Vice-President of the Management Board
Paweł Korzeniowski	Member of the Management Board
Tomasz Sałata	Member of the Management Board
<b>Supervisory Board</b>	
Wiesław Kosonóg (from 31 May 2019)	Chairman of the Supervisory Board
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Wiktoria Braun (from 31 May 2019)	Member of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board

On 31 May 2019, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 23/2019 on appointing Mr. Wiesław Krzysztof Kosonóg to the Company's Supervisory Board, and Resolution No. 24/2019 on appointing Ms. Wiktoria Braun to the Company's Supervisory Board.

On 24 June 2019, Ms. Krystyna Lachowicz resigned from the position of member of the Supervisory Board as of 24 June 2019.



### III. BASIC INFORMATION ON THE FINANCIAL STATEMENTS

#### **Basis of preparation**

The Financial Statements have been prepared pursuant to § 55(5) of the Accounting Act of 29 September 1994, in accordance with the International Financial Reporting Standards (IFRS) approved for use by the European Union. The financial statements were prepared on the basis of the adopted accounting policies which were relevant to the conducted business activity and in accordance with International Financial Reporting Standards.

#### **Representations of the Management Board**

The Management Board represents that, to the best of its knowledge, the annual financial statements for the period from 01/01/2019 to 31/12/2019 and comparatives have been prepared in accordance with the applicable accounting policies, which give a true, fair and clear view of the Company's financial and asset position. The Management Board's report on business activities presents a comprehensive view of the development, achievements and the financial and asset situation, including a detailed description of fundamental threats and risk. The Management Board's report on activities is a development of the data contained in these statements and is published together with them.

The entity entitled to audit financial statements which carried out the annual audit of the financial statements, was selected in accordance with the provisions of law. This entity and the expert auditors who carried out the audit met the requirements allowing them to issue an unbiased and independent opinion, in accordance with the applicable provisions and professional standards.

#### **Business continuity**

These financial statements have been prepared based on the assumption that the business activity will continue in the foreseeable future. As of the day of presentation of these financial statements there are no circumstances indicating a threat to the continuation of the activity.

#### **Functional currency**

The reporting currency for the financial statements is the Polish zloty (PLN). The financial statements have been prepared in PLN thousand (PLN thousand), and all values, unless indicated otherwise, are given in PLN thousand. Any differences between the total amount and the sum of their components are due to rounding.

#### IV. STATEMENTS OF COMPREHENSIVE INCOME

INCOME STATEMENT	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Continued activities</b>			
Sales revenue	17	551,429	621,284
Own cost of sales	18	-509,784	-589,655
<b>Gross gain from sales</b>		<b>41,645</b>	<b>31,629</b>
Share in gains or losses of associates and joint ventures accounted for in accordance with the equity method	19		
Other operating and investment activity revenue	20	7,201	17,424
Other costs of operating and investment activities	20	-29,863	-29,364
<b>EBIT</b>		<b>18,983</b>	<b>19,689</b>
Financial costs	21	-9,399	-12,234
<b>Pre-tax activity gain (loss)</b>		<b>9,584</b>	<b>7,454</b>
Income tax attributable to continuing activities	22	-2,198	-1,183
<b>Gain (loss) on continuing activities</b>		<b>7,386</b>	<b>6,271</b>
<b>Discontinued activities</b>	<b>23</b>		
Revenue from discontinued operations			
Costs of discontinued operations			
<b>Pre-tax gain (loss) on discontinued operations</b>			
Income tax attributable to discontinued operations			
<b>Gain (loss) on discontinued activities</b>			
<b>NET GAIN (LOSS)</b>		<b>7,386</b>	<b>6,271</b>
Assigned to non-controlling shares			
<b>Assigned to the owners of the parent</b>	<b>-</b>	<b>7,386</b>	<b>6,271</b>
Other total income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Components which will not be subsequently reclassified to the income statement			
Components which will be reclassified into gain or loss when certain conditions are met			
<b>Other total net income</b>	<b>24</b>		
Assigned to non-controlling shares			
<b>Assigned to the owners of the parent</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Total comprehensive income		7,386	6,271

Assigned to non-controlling shares			
<b><u>Assigned to the owners of the parent</u></b>	-	<b><u>7,386</u></b>	<b><u>6,271</u></b>

## V. STATEMENTS OF FINANCIAL POSITION

ASSETS	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2019	31/12/2018
<b>Fixed assets</b>		<b>429,787</b>	<b>383,648</b>
Tangible fixed assets	1	43,368	43,741
Investment property	2		
Intangible assets	3	1,492	1,777
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	380,892	335,064
Investments measured using the equity method.	5		
Long-term trading and other receivables	6		
Biological assets	7		
Deferred income tax assets	22	3,936	2,824
Other fixed assets not elsewhere classified (including prepayments and accruals)	8	97	243
<b>Current assets</b>		<b>251,967</b>	<b>261,982</b>
Inventories	9	8,445	7,834
Receivables on account of the income tax	22		
Trading receivables and other receivables	6	153,894	203,142
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4		478
Cash and cash equivalents	10	89,001	49,408
Other current assets not elsewhere classified (including prepayments and accruals)	8	627	1,120
Fixed assets held for sale	11		
<b>Total assets</b>	-	<b>681,754</b>	<b>645,631</b>

CAPITALS AND LIABILITIES	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2019	31/12/2018
<b>Equity</b>	<b>12</b>	<b>274,883</b>	<b>257,589</b>
Issued share capital		9,174	8,249
Gain (loss) attributable to owners of the entity		7,386	6,271
Other capitals		258,323	243,068
Capital attributable to non-controlling shares			
<b>Long-term liabilities and provisions for liabilities</b>		<b>200,304</b>	<b>125,486</b>
Provisions under deferred income tax	22	9,108	9,174
Other provisions for long-term liabilities	13	125	135
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	78,996	78,536
Long-term trading and other liabilities	15	112,075	37,640
Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments)	16		
<b>Short-term liabilities and provisions for liabilities</b>		<b>206,567</b>	<b>262,556</b>
Provisions for short-term liabilities	13	1,627	1,434
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	51,308	49,340
Trading and other liabilities	15	150,329	207,475
Liabilities under deferred income tax	22	1,822	492
Other liabilities and short-term provisions not elsewhere classified (including accruals and prepayments)	16	1,482	3,815
Liabilities directly related to fixed assets classified as held for sale	11		
<b>Total capitals and liabilities</b>	<b>-</b>	<b>681,754</b>	<b>645,630</b>

## VI. STATEMENTS OF CASH FLOWS

STATEMENTS OF CASH FLOWS	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Pre-tax gain</b>		<b>9,584</b>	<b>7,454</b>
Amortisation		4,537	4,320
Gain / loss under exchange rate differences			
Gain / loss on sale of fixed assets and intangible assets		-798	-503
Borrowing costs		6,686	12,234
Change in liabilities with the exclusion of financial liabilities		17,289	24,650
Change in receivables		49,247	25,627
Change in inventories		-610	688
Change in provisions		182	427
Gain / loss on other financial instruments		-163	-3,438
Other changes in working capital		-1,695	895
<b>Cash from operating activity</b>		<b>84,258</b>	<b>72,354</b>
Income tax paid		-2,046	-986
<b>Net cash from operating activities</b>		<b>82,211</b>	<b>71,368</b>
Sale of tangible fixed assets and intangible assets		990	634
Purchase of tangible fixed assets and intangible assets		-59	-147
Sale of investment property			
Purchase of investment property			
Repayment of loans granted			
Granting of loans			
Sale of other investments			
Purchase of other investments		-45,829	-14,645
Dividends and interest received		163	3,438
Other inflows from investment activities			
Other expenses related to investment activity			
<b>Net cash from investment activity</b>		<b>-44,735</b>	<b>-10,721</b>
Inflows from shareholders		9,908	
Payments to owners			
Commitment of liabilities under loans and credits		16,426	17,001
Repayment of liabilities under loans and credits		-14,520	-28,243
Repayment of liabilities under leasing		-3,490	-4,260
Repayment of other financial liabilities			

Interest paid and other debt service expenditure		-6,686	-12,234
Other financial inflows		478	
Other financial outflows			
<b>Cash from financial activity</b>		<b>2,117</b>	<b>-27,736</b>
Cash and cash equivalents at the beginning of the period		49,408	16,497
<b><u>Net increases (decreases) in cash and cash equivalents</u></b>	-	<b><u>39,593</u></b>	<b><u>32,911</u></b>
Effect of changes in foreign exchange rates on cash denominated in foreign currencies			
<b>Closing balance of cash</b>		<b>89,001</b>	<b>49,408</b>
including cash and cash equivalents with restricted availability		67,449	15,764

## VII. STATEMENTS OF CHANGES IN EQUITY

CHANGES IN EQUITY	Share capital	Retained earnings attributable to the shareholders of the parent	Write-downs from net gain during the financial year concerning the shareholders of the parent	Accumulated other total income attributable to the shareholders of the parent	Other capitals attributable to the shareholders of the parent	Net gain (loss) attributable to the shareholders of the parent	Foreign exchange gains/losses on translation	Capital attributable to non-controlling shares	TOTAL
<b>As at 01/01/2018</b>	<b>8,249</b>	<b>136,948</b>			<b>106,121</b>				<b><u>251,318</u></b>
Impact of retrospective application of changes in accounting policies									
Impact of retrospective restatement									-
Total gains (losses) for the period						6,271			<u>6,271</u>
Total other comprehensive income (issue of shares)									-
Owner contributions									
Payments to owners									-
Changes in ownership interests in subsidiaries not resulting in a loss of control									
Other changes in equity									-
<b>As at 31/12/2018</b>	<b>8,249</b>	<b>136,948</b>			<b>106,121</b>	<b>6,271</b>			<b><u>257,589</u></b>
Settlement of unpaid financial result		6,271				-6,271			-



CHANGES IN EQUITY	Share capital	Retained earnings attributable to the shareholders of the parent	Write-downs from net gain during the financial year concerning the shareholders of the parent	Accumulated other total income attributable to the shareholders of the parent	Other capitals attributable to the shareholders of the parent	Net gain (loss) attributable to the shareholders of the parent	Foreign exchange gains/losses on translation	Capital attributable to non-controlling shares	TOTAL
<b>As at 01/01/2019</b>	<b>8,249</b>	<b>143,218</b>			<b>106,121</b>				<b><u>257,589</u></b>
Impact of retrospective application of changes in accounting policies									-
Impact of retrospective restatement									
Total gains (losses) for the period						7,386			<u>7,386</u>
Total other comprehensive income (issue of shares)	925				8,983				<u>9,908</u>
Owner contributions									-
Payments to owners									
Changes in ownership interests in subsidiaries not resulting in a loss of control									-
Other changes in equity									
<b>As at 31/12/2019</b>	<b>9,174</b>	<b>143,218</b>			<b>115,104</b>	<b>7,386</b>			<b><u>274,883</u></b>

## VIII. ACCOUNTING POLICIES APPLIED BY THE GROUP

### Intangible assets

The Capital Group includes in intangible assets the assets which meet the following criteria: they may be excluded or separated from the business entity and sold, transferred, licensed or put to use for consideration to third parties, both individually and together with related contracts, components of assets or liabilities, or arise from contractual or other legal rights, regardless of whether they are transferable or separable from the business entity or from other rights or liabilities.

The initial recognition of a component of intangible assets is made according to their acquisition prices or cost of production.

The acquisition price includes the purchase price of an asset component (i.e. the amount due to the seller less deductible value added tax and excise tax), public and legal charges (in the case of imports) and expenditures directly attributable to the purchase and adaptation of the asset component for its intended use. Rebates and discounts granted by the seller and other similar reductions and recoveries reduce the acquisition price of an asset component.

If an intangible asset component is acquired in exchange for capital instruments of the Company preparing the financial statements, the acquisition price of an asset component corresponds to the fair value of the issued capital instruments, which equals the fair value of a given asset component.

In accordance with IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

At least as at the balance sheet date, intangible assets are measured at acquisition price or production cost less amortisation write-downs, as well as impairment losses.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. The revaluation write-downs under impairment losses are recognised in the income statement.

Amortisation write-downs of intangible assets are done by spreading their initial value over their estimated economic useful lives. Amortisation is made beginning from the first day of the month in which the intangible assets are accepted for use. Amortisation is interrupted at the end of the month in which the accumulated amortisation value equals the initial value or in which the intangible and legal asset component is to be liquidated, sold or found to be in short supply.

Amortisation write-downs of intangible assets components are done on a straight-line basis at the following rates:

The correctness of the amortisation rates applied to individual intangible asset components shall be verified at least annually. Any changes resulting from the verification of amortisation rates affect (as a change of estimated values) the appropriate adjustment made in the amortisation write-downs for the current financial year and in subsequent financial years.

Intangible assets with indefinite useful lives and those not yet in use (in progress) are tested for impairment on an annual basis in relation to individual assets or at the level of a cash-generating unit. In the case of other intangible assets, an annual assessment is carried out whether there is any indication that their value may be impaired. Any possible revaluation write-downs are recognised in the profit or loss.

Except for development works, intangible assets generated by the entity itself are not included in assets, and expenditures incurred for their production are included in costs of the period in which they were incurred.

The cost of an intangible asset component (development work) comprises all costs incurred by the entity in the period in which it was constructed or adapted for use until its date of acceptance for use (or until the balance sheet date if the component is not yet available for use), including non-deductible VAT and excise taxes.

A given intangible asset item may be de-recognised from the balance sheet upon disposal or when no economic benefits are expected from the further use of such asset component. Gains or losses resulting from sale/liquidation or cessation of use of intangible assets are defined as the difference between sales revenue and the net value of these assets, and are recognised in the income statement.

### **Cost of research and development works**

Research costs are recognised in the income statement when incurred. Expenditures incurred on development works performed as part of a given project are carried forward to the next period if it can be deemed that they will be recovered in the future. After the initial recognition of development expenditures, the historical cost model is applied, according to which asset components are recognised at acquisition prices less accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the estimated period in which it will generate revenue from the sale of a given project.

The costs of development works are assessed for possible impairment annually - if an asset has not yet been put into use, or more frequently - if during the reporting period there is an indication of impairment indicating that its balance sheet value may not be recoverable.

### **Goodwill**

Goodwill under the acquisition of a business entity is initially recognised at acquisition cost, being the excess of the cost of business entities' merger over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is disclosed at acquisition cost less any accumulated impairment losses. Testing for impairment is carried out once a year or more frequently if there are indications of impairment. Goodwill is not subject to amortisation. As at the acquisition date, the acquired goodwill is allocated to each of the cash-

generating units which may benefit from the merger synergy. Impairment is determined by estimating the recoverable amount of a cash-generating unit to which goodwill relates. If the recoverable amount of a cash-generating unit is lower than its balance-sheet value, an impairment loss is recognised. An impairment loss is not reversed in a subsequent period. If goodwill forms part of a cash-generating unit and part of the operations within that unit is sold, then when determining the gain or loss on the sale of such operations, goodwill related to the operations sold is included in its balance-sheet value; in such circumstances, the goodwill sold is determined on the basis of the relative value of the activities sold and the value of the retained part of the cash-generating unit.

## Tangible fixed assets

Tangible fixed assets are initially recognised at acquisition price or production cost. The acquisition price is increased by all costs directly related to the purchase and adjustment of the asset component to its usable condition. Costs incurred after the date of commissioning of a fixed asset, such as maintenance and repair costs, are recognised in the income statement at the moment they are incurred.

Fixed assets at the time of their acquisition are divided into components being items of significant value to which separate useful lives can be assigned. The costs of general overhauls, as well as significant spare parts and equipment, if used for a period longer than one year, are also included.

After initial recognition, tangible fixed assets are disclosed at acquisition cost or production price less accumulated amortisation and any revaluation write-downs under impairment losses.

In accordance with IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

Depreciation is calculated on a straight-line basis over the estimated useful life of a given asset component, and the amortisation rates for particular groups of tangible fixed assets are as follows:

TITLE	ANNUAL DEPRECIATION RATE
Land (right of perpetual usufruct)	is not depreciated
Buildings and structures	1.5% – 2.5%
Machines and technical equipment	7% – 30%
Means of transport	10-20%
Investments in third-party fixed assets	in proportion to the useful life of the main asset

Amortisation commences in the first monthly period following the month in which the asset is brought into use. The correctness of the applied amortisation rates is periodically verified (once a year), causing the adjustment of amortisation write-downs in subsequent years.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of tangible fixed assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. Revaluation write-downs under impairment losses are recognised in the income statement under “other operating costs”.

An item of tangible fixed assets may be de-recognised from the balance sheet upon disposal or when no future economic benefits are expected from the further use of such asset component. Gains or losses resulting from sale/liquidation or cessation of use of fixed assets are defined as the difference between revenue from sale and the net value of these fixed assets and are recognised in the income statement.

Fixed assets under construction or assembly are disclosed at acquisition price or production cost. Fixed assets under construction are not amortised until their construction is completed and they are put to use.

In the case of permanent abandonment of expenditures for fixed assets under construction, all costs incurred in relation to the works performed so far shall be charged to the costs of the period. Investments may be suspended if there is a justified intention to continue such investments in subsequent periods. The investment is suspended based on the decision of the Company's Management Board. As at each balance-sheet date, expenditures on fixed assets under construction are subject to analysis regarding impairment and the necessity to make possible impairment write-downs.

Advance payments paid for the purchase of Tangible Fixed Assets are presented in the financial statements under other short-term receivables.

### **The right of perpetual usufruct of land**

The right of perpetual usufruct of land acquired by way of an administrative decision is recognised in the balance sheet at fair value. The fair value of a right is deemed to be one of two values: its market value, if the Company has such information, or the value determined by an expert.

The excess of the fair value determined in this manner over the costs incurred to acquire the right of perpetual usufruct of land by way of an administrative decision is disclosed correspondingly in the “gain from previous years”.

The right of perpetual usufruct of land acquired on the secondary market is measured at acquisition price and is not subject to revaluation.

The right of perpetual usufruct of land is amortised proportionally to the period for which it was granted.

## Leasing

Financial lease contracts under which the carry-over takes place of substantially the entire risk and practically all benefits arising from the ownership of the subject of lease onto the lessee, are activated as at the date of the inception of lease according to the lower of the following two values: the fair value of the subject of lease, or the current value of minimum lease charges. The minimum lease charges are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.

Fixed assets used under finance lease agreements are depreciated according to the same rules as those applied to own assets. However, if it is not reasonably certain that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from the ownership of the subject of lease are classified as operating lease contracts. Lease rents under operating lease are recognised as the costs in the income statement with the straight-line method throughout the term of lease.

Assets leased under financial leases are presented in the balance sheet as receivables in the amount equal to the net investment. The net investment is the sum of the minimum lease payments due to the lessor under the finance lease agreement and any unguaranteed residual value attributed to the lessor discounted at the interest rate of the lease. Finance income arising from a finance lease of an asset is recognised in a manner that reflects a constant periodic rate of return on the net investment in the lease.

## Non-renewable natural resources

Non-renewable natural resources are initially recognised at cost.

The purchase price is increased by all costs directly related to the purchase or adaptation of the asset for use.

Costs incurred after the date of including non-renewable natural resources in the records (use) are recognised in the income statement at the time they are incurred.

After initial recognition, non-renewable natural resources are carried at acquisition price or production cost less any accumulated amortisation and any accumulated revaluation write-downs under impairment losses. Depreciation is calculated naturally.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of non-renewable natural resources may not be recoverable, the asset is reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is

determined for the cash-generating unit to which the component belongs. Revaluation write-downs under impairment losses are recognised in the income statement under “other operating costs”.

An item of non-renewable natural resources may be de-recognised on disposal or when no future economic benefits are expected from further use of such asset component. Gains or losses resulting from sale/liquidation or cessation of use of non-renewable natural resources are defined as the difference between revenue from sale and the net value of these assets and are recognised in the gain and loss account.

### **Fixed assets and groups of assets held for sale**

Fixed assets and groups of net assets are classified as held for sale if their balance sheet value will be recovered primarily as a result of a sale transaction and not as a result of their further use. This condition is considered to be met only if the asset component (or a group of net assets held for sale) is available for immediate sale in its present condition and a sale transaction is highly probable within one year from the moment of reclassification.

Fixed assets classified as held for sale and groups of net assets held for sale are measured at the lower of the two values: balance-sheet value or fair value less sale costs.

### **Simplifications applied to non-investment fixed assets**

Depreciation (amortisation) of fixed assets and intangible assets with a low initial value (not exceeding PLN 3,500) is carried out in a simplified manner by making one-off write-downs of the entire initial value of such fixed assets.

The Company applies a simplification, according to which the moment of acceptance of a fixed asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the fixed asset for use took place.

The Company applies simplification, according to which the moment of acceptance of an intangible asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the intangible asset for use took place.

The verification of amortisation rates is considered to have been carried out when all fixed asset components with a net value exceeding PLN 50 thousand are included in the verification.

### **Investment property**

Investment property means land and buildings and structures acquired for the purpose of deriving economic benefits from the increase in the value of these assets or from other benefits, e.g., revenue from rent. These assets are not used by the Company.

Investment real properties are initially measured at acquisition cost or production cost, including transaction costs. After initial recognition, investment real properties are measured at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. The fair value of investment property reflects market conditions as at the balance-sheet date.

## Inventories

During the financial year, direct and indirect materials are recognised at acquisition price or purchase cost. Direct and indirect materials are distributed according to the FIFO method. The adopted purchase price may constitute the purchase price, provided that the costs incurred in connection with the purchase of materials constitute insignificant value in relation to the purchase cost. The purchase price of materials processed also includes storage costs necessary during the production process.

During the financial year, goods are recognised at acquisition price or purchase cost. The goods are distributed according to FIFO prices.

Land and property intended for resale, treated as goods, are recorded and spent according to the principle of detailed identification.

Finished products, semi-finished products and products in progress are measured according to actual costs incurred for the production of finished products.

In the case of development activities, all expenditures related to the execution of the task are capitalised in inventories as work in progress.

The acquisition price or production cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The inventory acquisition costs comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the tax authorities), transport, loading and unloading costs, and other costs directly attributable to the acquisition of finished goods, materials and services. Discounts, rebates and other similar items shall be deducted in determining purchase costs.

The expenditures incurred to complete the construction contract before the contract is entered into, provided that it is probable that they will be recovered, are also recognised as work in progress.

As at the balance-sheet date, inventories are measured at acquisition or purchase prices or production cost, however, not higher than their net selling price (net realisable value). Net realisable value is the difference between the estimated selling price in the ordinary course of business and the estimated costs of completion and the costs necessary to make the sale.

Revaluation write-downs of tangible current asset components, related to impairment or measurement as at the balance-sheet date are charged to other operating expenses. If the reason for making a revaluation write-down ceases to exist, the value of tangible current assets is credited to other operating income. Circumstances indicating the need to make a revaluation write-down on inventories include in particular:

- impairment of the value in use of inventories (destruction, overdue inventories),
- the balance of inventories exceeds the demand and the possibility of sale by the Company,
- low inventory turnover,
- the loss of market value due to lower sales prices of competitors.

As at the date, an ageing analysis of inventories is prepared, broken down by assortment, and the amount of revaluation write-downs is determined.



## Receivables

Trade receivables and other receivables are recognised and disclosed at initially invoiced amounts. After the initial recognition, receivables are measured at amortised cost using the effective interest rate, taking into account revaluation write-downs on the value of receivables.

For trade receivables measured at amortised cost, the Company applies a simplified model to determine the expected impairment over the entire life cycle, using matrices of payment delays based on historical data, taking into account the requirements of the standard in relation to current and forecast economic conditions of the standard in relation to current and forecast economic conditions.

Receivables from customers are initially recognised at the transaction price. After the initial recognition, receivables are measured as follows:

- receivables not transferred to full factoring: in the amount of depreciated cost including write-downs for expected credit loss (however, receivables from customers with maturity below 12 months from the date of origin are not discounted),
- receivables transferred to full factoring: at fair value through profit or loss, but due to the short period of time between recognition of the receivables and their transfer to the factor and the low credit risk of the counterparty (factor), the fair value of these receivables is close to their carrying amount.

Receivables also include the un-invoiced portion of revenue which will arise from the estimation of the value of revenue under unfinished construction contracts and other long-term contracts.

## Accruals and prepayments

In order to maintain matching of revenue and costs related to their achievement, costs and revenue related to particular reporting periods are separated. Prepaid expenses and costs, i.e. those related to future periods, are disclosed under prepayments, whereas accruals include amounts classified as costs of the current period, even though they will be covered in the future reporting period. Write-downs of deferrals or accruals of expenses are made on the time basis or on the basis of the amount of benefits. The time and the method of accruals and prepayments should depend on the nature of the accrued costs and subject to the prudence principle. The scope of typical expenditures settled over time includes in particular:

- prepaid press subscriptions,
- property insurance contributions,
- lease costs (rents),
- fees for occupation of roadway,

Items in the amount of probable liabilities related to the current reporting period are recognised in the accrual item.

## **Income accruals and prepayments**

Income accruals and prepayments include mainly cash received to finance the acquisition of fixed assets under construction and intangible assets, which are accounted for in parallel with amortisation write-downs on fixed assets financed from such sources.

## **Financial instruments**

Any contract that gives rise to a financial asset component of one party and a financial liability or capital instrument of the other party simultaneously is a financial instrument, provided that the contract between two or more parties has a clear economic effect.

The entity preparing the financial statements classifies the financial instruments into the following categories:

- financial asset components or financial liabilities measured at fair value through income statement - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term gain taking;
- held-to-maturity investments - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Capital Group has the positive intention and ability to hold to maturity;
- loans and receivables - non-derivative financial assets with fixed or determinable payments that are not traded on an active market;
- financial assets available for sale - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investments or financial assets measured at fair value through financial result.

## **Recognition and de-recognition of a financial asset component and a financial liability**

A financial asset or financial liability is disclosed on the balance sheet when it becomes a party to the contractual provisions of that instrument. Regular-way purchase and sale transactions of financial assets and financial liabilities are recognised on the date of the transaction.

A financial asset is de-recognised from the balance sheet when the rights to economic benefits and risks arising from the contract have been exercised, cancelled or have expired.

## **Measurement of financial instruments as at the day of their creation**

As at the date of acquisition, financial assets and liabilities are measured by the Capital Group at fair value, i.e. most often at the fair value of the payment made in the case of an asset component or the amount received in the case of a liability.

The Capital Group includes the transaction costs in the initial value of measurement of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through income statement.

**Measurement of financial instruments as at the balance-sheet date**

The valuation of financial instruments as at the balance-sheet date is carried out as follows:

- at amortised cost, taking into account the effective interest rate: held-to-maturity investments, loans and receivables and other financial liabilities; measurement may also be performed at the value requiring payment if the discount effects are not significant;
- at fair value: financial assets and liabilities of the category measured at fair value through income statement and the category of financial assets available for sale.

The effects of measurement of financial assets available for sale are recognised in equity.

The effects of measurement of financial assets and liabilities classified into other categories are recognised in the income statement.

**Hedge accounting**

Derivative instruments hedging cash flows with a highly probable planned transaction are recognised at fair value taking into account changes in such value:

- in the part deemed to be an effective hedge - directly in the equity,
- in the part deemed ineffective - in the income statement.

Derivative instruments hedging the fair value of assets and liabilities are recognised at fair value. The effects of a change in the fair value of these instruments are recognised in the income statement.

**Discontinuation of hedge accounting**

The person preparing financial statements ceases to apply hedge accounting to cash flows if:

- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative gain or loss on the hedging instrument which is recognised directly in equity shall remain separately recognised in equity until the planned transaction occurs;
- the hedge no longer meets the criteria for hedge accounting. In such a case, the cumulative gain or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated gain or loss related to the hedging instrument, recognised directly in equity, is recognised in the income statement.

**Equity**

Equity is recognised in the accounting books with the division into types and according to the principles determined by the provisions of law and the provisions of the articles of association of the Company.

Capital from the sale of shares above their nominal value is created from the surplus of the issue price of shares, above their nominal value reduced by the costs of the issue. The costs of shares issue incurred at the establishment of a joint-stock company or increase in the initial capital reduce capital

of the issue of shares above the nominal value of the surplus of the issue value over the nominal value of shares.

Undistributed financial result includes: amounts resulting from gain distribution, undistributed result from previous years, effects of errors from previous periods.

Minority capitals are a separate item of equity.

### **Bank credits and loans**

All bank credits, loans and debt securities are initially recognised at their purchase price corresponding to the fair value of cash received, less costs related to obtaining a given credit or loan.

After initial recognition, interest-bearing credits, loans and debt securities are subsequently measured at adjusted acquisition price in the form of amortised cost, using the effective interest rate method. When calculating the adjusted purchase price, the costs related to obtaining a credit or loan, as well as discounts or premiums obtained at the settlement of the liability, shall be taken into account.

### **Liabilities**

After initial recognition, all liabilities, except those measured at fair value, are measured, as a rule, at adjusted acquisition price using the effective interest rate method.

However, liabilities with a maturity of no more than 12 months after the balance-sheet date are not discounted.

Liabilities are presented in the financial statements divided into long-term and short-term liabilities. Moreover, liabilities towards related entities and liabilities towards other entities are separated.

Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries. The commitments also include amounts relating to the settlement of construction and other long-term services.

Amounts retained by suppliers are disclosed separately in the financial statements.

### **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised in the financial statements because:

- it is not probable that an outflow of resources containing economic benefits will be required to settle the obligations, or
- the amount of the obligation cannot be measured with sufficient reliability.

The identified contingent liabilities are subject to presentation in the financial statements in additional notes and explanations.

## Provisions

Provisions are created when the person preparing the financial statements has a present obligation (legal or constructive) arising from past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of that liability.

If the reporting entity expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset component, but only if there is a sufficient assurance that the reimbursement will actually be made.

Costs related to a given provision are disclosed in the income statement, less all reimbursements.

The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.

If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money and the possible risks specific to the liability. If the discounting method is applied, an increase in the provision due to the passage of time is recognised as borrowing costs.

Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision.

The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

## Provisions for employee benefits

The reporting entity creates a provision for the costs of accumulating paid absences, which it will have to incur as a result of the entitlement unused by the employees, and which accrued as at the balance-sheet date, as well as for retirement severance pay.

Provisions for unused leave are calculated on the basis of the actual number of days of unused leave in the current period, increased by the number of days of unused leave in previous periods. The provision for the cost of accumulating compensated absences is recognised after deducting any amounts already paid. The leave reserve is not discounted.

The provision for retirement severance pays is created on the basis of the number of employees and the number of years remaining until the date of retirement. The provision for retirement severance pays is subject to discounting.

## Revenue

The amount of revenue is determined by the Entity according to the fair value of the payment received or due. The fair value of the consideration is determined by discounting all future cash inflows using the imputed interest rate. The imputed interest rate is most simply set at the interest rate for a similar financial instrument issued by an issuer of similar creditworthiness, or at the rate that discounts the nominal value of the financial instrument to the current cash selling price of the goods or service.

The difference between the nominal and fair value of receivables (discount) is recognised as costs of the activity to which the receivables relate.

The amount of revenue arising from a transaction is usually determined by contract between the Entity and the buyer or user of the asset component. It is measured at the fair value of the consideration paid, taking into account the amount of trade discounts and wholesale rebates granted by the Entity. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the transaction is recognised based on the stage of completion of the transaction at the balance-sheet date. The result of a transaction can be reliably estimated if all of the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity,
- the degree of execution of the transaction at the balance-sheet date can be determined reliably,
- the costs incurred in connection with the transaction and the costs of completing the transaction can be measured reliably.

The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the periods in which the services are rendered. Revenue recognition based on this method provides useful information about the extent of service activities and their results for a given period. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. When there is uncertainty about the recoverability of an amount already included in revenue, the entity recognises the unrecoverable amount or the amount for which recovery has ceased to be probable as an expense, rather than as an adjustment of the amount of revenue originally recognised.

The person preparing the financial statements applies the completion method based on the ratio of costs incurred to total costs expected for the performance of a given service.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses incurred that are expected to be recoverable. If the outcome of the transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and expenditure incurred is recognised as an expense. When the uncertainty which prevented the outcome of the contract from being estimated reliably has been removed, revenue from transactions shall be recognised on the basis of the stage of completion of the transaction at the balance-sheet date.

Interest income arising from an entity transferring an asset to another entity for use (e.g. a loan, financial lease) is recognised taking into account the effective interest rate.

Royalties (e.g. under licences or similar entitlements) are recognised on an accrual basis in accordance with the substance of the contracts entered into.

Dividends are recognised at the moment the entity's right to obtain them is established. Revenue from barter transactions is recognised only if it has an economic substance.

## Costs

The entity preparing the financial statements recognises costs in accordance with the principle of matching revenue and costs and the precautionary principle.

Own cost of sales as at the balance-sheet date is adjusted by the change in the fair value of financial instruments which hedge cash flows when the transaction is no longer effective and when the hedged item is realised.

Costs are accounted for by cost centres and by nature, with the basic cost reporting format used in the income statement being the cost accounting format.

The total cost of products, goods and materials sold includes:

- production cost of products sold,
- production cost of services sold,
- value of goods and materials sold,

In addition, the costs of the reporting period, which affect the financial result, are other operating costs, related indirectly to the operating activity, including in particular:

- Overheads.
- Costs of sales.
- Loss on sale of tangible fixed assets and intangible assets.
- Donations made.
- Established provisions for disputes, penalties, damages and other costs indirectly related to operating activities, as well as financial costs related to financing the activity.

## Transactions in foreign currencies

Transactions expressed in currencies other than the Polish zloty are converted into Polish zlotys using the exchange rate in force on the date of the transaction or the exchange rate defined in the forward-type contract accompanying a given transaction.

As at the balance sheet date, monetary items expressed in currencies other than the Polish zloty are converted into the Polish zloty at the closing rate (spot rate) applicable at the end of the reporting period, i.e. the spot rate of exchange applicable at the balance-sheet date. Non-monetary balance sheet items denominated in foreign currencies are disclosed at the historical exchange rate as at the transaction date. Exchange differences resulting from such translation are disclosed under financial income or expenses or, in cases provided for in the accounting policies, capitalised in the value of assets, except for cash items constituting a hedge of exchange risk, which are recognised directly in capital in accordance with the cash flows hedge accounting policies.

The exchange rate applicable on the transaction date shall be the average exchange rate of the National Bank of Poland (NBP) announced on the day preceding the transaction date.

Immediate realisation rate as at the balance sheet date shall be the average exchange rate of the NBP announced as at the balance-sheet date.

## Income tax

Obligatory encumbrances on the result include: current tax and deferred tax. Current tax

encumbrance is calculated based on the tax result (tax base) of a given financial year. The tax gain (loss) differs from the net book gain (loss) due to exemption of taxable revenue and costs constituting costs of obtaining revenue in subsequent years and cost and revenue items which will never be subject to taxation. Tax encumbrances are calculated using tax rates applicable for a given financial year.

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future. Deferred tax is calculated on the basis of differences between the balance-sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base. Deferred tax provisions are created for all taxable temporary differences, whereas deferred tax asset components are recognised to the extent that it is probable that they will be available, against which the deductible temporary differences can be utilised against recognised future taxable gains. An asset component is also created on the basis of tax losses which can be settled and are carried forward, as well as unused tax exemptions.

The deferred income tax asset component and provisions may be offset when it is expected that the deferred tax asset component and provision will be realised in the same tax period.

An item of assets or a tax liability does not arise if the temporary difference results from goodwill or from the initial recognition of another asset component or liability in a transaction which does not affect either the tax result or the accounting result. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, unless the entity is able to control the timing of the reversal and it is probable that the reversal will not occur in the foreseeable future.

The value of a deferred tax asset is subject to analysis as at each balance-sheet date, and in the event that the expected future tax gains are not sufficient for the realisation of an asset component or a part thereof, it is written down. Deferred tax is calculated at tax rates which will apply at the moment when the asset item is realised or the liability becomes due. Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In the latter case, the deferred tax is also settled directly in equity.

### **Earnings per share (EPS)**

Earnings per share are calculated by dividing the net gain for the period attributable to ordinary share holders by the weighted average number of shares outstanding during a given period.

Diluted earnings per share for each period are calculated by dividing the net gain for a given period adjusted for possible changes in gain resulting from the change of potential ordinary shares into ordinary shares by the adjusted weighted average number of ordinary shares.

### **Mergers and consolidation**

Subsidiaries are all economic entities (including structured entities) controlled by the Compiler of financial statements. The Compiler of financial statements controls an entity when it is exposed to, or has the right to variable returns from, its involvement in that entity, and has the ability to influence those returns in its power over the entity. Subsidiaries are subject to full consolidation as of the date the control is transferred to the Group. Consolidation shall cease as from the date on which control ceases.

The Compiler of financial statements recognises business mergers using the purchase method. The



consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed from former owners of the acquiree and the capital interests issued by the group. The consideration transferred shall include the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business merger are initially measured at their acquisition-date fair values. As at the acquisition date, the Compiler of financial statements shall recognise all non-controlling interests in the acquiree, either at fair value or at the proportional share value (corresponding to the non-controlling share) in the acquiree's identifiable net assets. In the case of a business merger achieved in stages, the acquirer shall remeasure the balance sheet value of its previously held capital share in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss. A contingent consideration that is classified as part of equity is not subject to a revaluation and its subsequent settlement is accounted for within equity. Intragroup transactions and settlements and unrealised gains arising from intragroup transactions shall be eliminated.

Changes in ownership interests in subsidiaries which do not result in a loss of control, transactions with non-controlling shareholders which do not cause the loss of control, are recognised as capital transactions, i.e. transactions with owners acting in their capacity as capital holders. The difference between the fair value of the consideration transferred and the share acquired in the balance sheet value of the subsidiary's net assets is recognised in equity. Gains or losses on sale of non-controlling interests are also recognised in equity.

Upon loss of control by the Group, any retained interest in the entity is measured at fair value as at the date of loss of control, with a change in the balance sheet value recognised in the financial result. Fair value constitutes the initial balance sheet value for the purpose of subsequent recognition of a retained interest as an associate, joint venture or financial asset component. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are recognised as if the group had directly sold the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the financial result.

Associates are all entities on which the Compiler of financial statements has significant influence, but which it does not control, which is usually the case when holding between 20% and 50% of the voting rights. Investments in associates measured are recognised using the equity method. Under this method, the investment in the associate is initially recognised at cost and the balance sheet value is increased or decreased to recognise the investor's share in the associate's results after the date of acquisition. The Group's investment in associates includes goodwill as at the acquisition date. If the ownership share in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is appropriately reclassified to the result. The share of the Compiler of financial statements in the financial result after the acquisition is recognised in the result report and its share in other comprehensive income after the acquisition is recognised in other comprehensive income together with an appropriate adjustment to the balance sheet value of the investment. When the Compiler of financial statements share in losses of an associate becomes equal to or greater than its share in that associate, including any other unsecured receivables, the reporting Compiler of financial statements shall de-recognise further losses unless it has assumed legal obligations or constructive obligations or made payments on behalf of the associate.

At each reporting date the Group determines whether there is objective evidence that an investment in an associate is impaired. If an impairment loss has been incurred, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its balance sheet value, and recognises that amount, in addition to its "share in the associate's gain/(loss)", in the result report.

A business merger under common control is a business merger in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. This applies in particular to transactions such as the transfer of companies or undertakings between Group entities or the merger of a parent and its subsidiary.

The Company applies the pooling of shares method to settle the effects of mergers between entities under common control.

### **Principle of no-offsetting**

This principle applies to the prohibition of offsetting assets and liabilities, unless IFRS requires or permits offsetting.

Income and expense items may be offset only when:

- offset is required by IFRS,
- Gains, losses and related costs arising from the same or similar transactions or events are not material.

The following transactions, presented by way of offsetting, are accepted by the Capital Group:

- gains and losses on the sale of fixed assets, including investments and assets used in operating activities, are recognised in the amount of the difference between the revenue earned on the sale and the balance sheet value of a given asset component plus selling expenses;
- expenditure related to the provision which is contractually reimbursed by a third party (e.g. supplier's guarantee) is offset against the corresponding amount of reimbursement;
- deferred income tax assets and liabilities are disclosed as surplus assets or provisions;
- advance payments received for the performance of work under construction contracts are offset against the value of revenue due under those contracts, provided that compensation is possible under the terms of the contract;
- gains and losses arising from a group of similar transactions are recognised in the net amount, e.g. foreign exchange difference gains and losses or gains and losses arising from the measurement of financial instruments held for trading and hedging recognised in the financial result, gains or losses arising from the discounting of long-term settlements;
- and liabilities under settlement of input VAT and due VAT, concerning future settlement periods.

### **Cash flow statement**

The cash flow statement is drawn up using the indirect method.

### **Changes in principles, changes in estimates, errors of previous years**

A change in accounting policies is made when the legal regulations concerning accounting are changed, and when this results in the increase of reliability of financial statements containing information on the impact of transactions, other events and conditions on the financial position, financial result or cash flows.

In the case of changes in the accounting policy, it is assumed that the new accounting policies have always been applied. Related adjustments are shown as equity adjustments - in the item of gain/loss from previous years. In order to ensure comparability of data, the financial statements (comparable

data) for previous years should be amended accordingly, so that the statements also reflect the changes made to accounting policies.

The items of the financial statements determined on the basis of estimates are subject to verification in the event of changes in the circumstances on which the estimates were based or as a result of obtaining new information or gaining greater experience.

Adjustments caused by the removal of material errors from previous periods are charged to equity - in the item of gains/losses from previous years. In preparing the financial statements, it is assumed that the error has already been corrected at the time of the occurrence of the error. This means that the amount of the adjustment relating to a prior period shall be included in the gain and loss account for that period.

### Exceptional items

Exceptional items are disclosed separately in the financial statements when necessary for an understanding of the financial position and the results of the Compiler of financial statements. These are significant items of income or expense which have been separately disclosed because of the materiality of the amounts or the nature of the event.

### Business segments

In accordance with the requirements of IFRS 8, the Company identifies operating segments on the basis of internal reports which are regularly verified by the Management Board in order to allocate resources to particular segments and assess the results of their activities.

Segment activities are assessed mainly on the basis of revenue and results at the EBIT level.

The following segments are identified within the group within which the entity operates:

CONSTRUCTION AND ASSEMBLY ACTIVITY	REAL ESTATE DEVELOPMENT ACTIVITY	ACTIVITY CONNECTED WITH LEASE OF INVESTMENT PROPERTY	EXHIBITION AND TRADE FAIR ACTIVITY	OTHER
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To the Other group other ancillary activities are assigned which do not affect the assessment of the financial position of the entity. All assets and liabilities are assigned to the main activity segments.

### Items based on estimates and professional judgment

Lease contract classification - The Compiler of financial statements classifies leasing as an operating or finance lease based on an assessment of the extent to which risks and rewards incidental to ownership of the leased item are attributable to the lessor, and to which to the lessee. This assessment is based on the substance of each transaction.

The Compiler of financial statements makes judgments as to whether the result of the construction contract can be estimated reliably. The assessment shall be based on an analysis of the likelihood of the economic benefits associated with a given contract. Revenue from the performance of

construction contracts is determined proportionally to the degree of advancement, measured as the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. Contract budgets are subject to a formal updating process. If the stage of advancement of the service cannot be reliably determined as at the balance-sheet date, the revenue is determined at the amount of contract costs incurred, for which it is probable that they will be recovered.

The Compiler of financial statements assesses whether there is any indication that an asset is impaired. Impairment of an asset occurs when the balance sheet value of an asset or a cash-generating unit exceeds its recoverable amount, understood as the fair value less sales costs or the value in use of an asset component or cash-generating unit, whichever is higher. The assessment is based on the estimation of future cash inflows and outflows from the continuing use of the asset component and from its ultimate sale, and the application of an appropriate discount rate to these future cash inflows.

The Compiler of financial statements assesses whether there is any indication that shares (stocks) in subsidiaries are impaired. The impairment test for a cash-generating unit is based on the estimation of future discounted cash flows (DCF method) generated by the company. Similarly, goodwill is tested for impairment.

The Compiler of financial statements assesses the probability of payment of receivables by taking into account their past due date, collaterals established and the debtor's situation, on a transaction-by-transaction basis.

The entity preparing the financial statements makes judgements with respect to the expenditures necessary to fulfil a given obligation as at the balance-sheet date, related to the pending court disputes. The assessment is based on an estimate of the amount the entity would be required to pay to settle the obligation at the balance-sheet date.

The Compiler of financial statements recognises a deferred tax asset component on the basis of the assumption that taxable gain shall be achieved in the future, against which it can be utilised. A decrease in tax income in the future could make this assumption unjustified.

The Compiler of financial statements applies the method of percentage advancement of works in the settlement of long-term contracts. Application of this method requires the Entity to estimate the proportion of contract costs incurred to date to total estimated contract costs. In justified cases, when this method would not reliably reflect the stage of completion of the contract, another method may be applied, reliably reflecting the stage of completion of the contract.

Amortisation rates are determined based on the anticipated useful economic life of tangible fixed asset components and intangible assets. The useful economic lives are reviewed annually by the Entity based on current estimates.

The entity measures investment property at fair value using the DCF method based on estimation of future discounted cash flows.

## IX. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL STATEMENTS

In the current financial year, the Compiler of financial statements did not make any significant changes in the accounting policy concerning the measurement method and the scope of disclosures,

other than those required by law, mainly resulting from changes in IFRS approved for use by the European Union (significant changes, if any, described in a separate part of the statements - chapter X).

## X. IMPACT ON THE FINANCIAL STATEMENTS OF CURRENT AND FUTURE CHANGES IN THE ACCOUNTING REGULATIONS

The following new standards and amendments to standards were issued by the IASB and approved for application in the EU and came into force on 1 January 2018.	Impact on financial statements / reference
IFRS 9 "Financial Instruments" - approved by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15" - approved by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 2 "Share-Based Payments" - Classification and measurement of share-based payments (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Instruments" (effective for annual periods beginning on or after 1 January 2018 or at the time of first application of the IFRS 9 "Financial Instruments")	had no significant impact on the financial statements
Amendments to IFRS 15 "Revenue from Contracts with Customers" - Explanations to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IAS 7 "Presentation of Financial Statements" - Initiative with respect to disclosures (effective for annual periods beginning on or after 1 January 2017)	had no significant impact on the financial statements
Amendments to IFRS 12 "Share-Based Payments" - Recognition of deferred tax assets from unrealised losses (effective for annual periods beginning on or after 01 January 2017)	had no significant impact on the financial statements
Amendments to IFRS 40 "Share-Based Payments" - Transfers of investment property (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to various standards "Improvements to IFRS (2014-2016 cycle)" - amendments made under the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mainly at resolving inconsistencies and clarifying vocabulary (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
IFRIC 22 Interpretation "Foreign Currency Transactions and Advance Payments" (applicable to annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or contribution of assets between the investor and its associate or joint venture and subsequent amendments (the effective date of the amendments has been deferred until the completion of research on the equity method)	will not have any significant impact on the financial statements
The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2019	Impact on financial statements / reference
IFRS 16 "Leasing" (effective for reporting periods commencing on or after 1 January 2019)	will not have any significant impact on the financial statements
Amendments to IAS 28: "Investments in Associates" - measurement of long-term investments	will not have any significant impact on the financial statements
Annual amendment programme 2015 - 2017:	will not have any

	significant impact on the financial statements
- Amendments to IFRS 3 "Entity Mergers" - measurement of interests in joint operations at the time of obtaining control	will not have any significant impact on the financial statements
- Amendments to IFRS 11 "Joint Arrangements" - measurement of interests in joint operations at the time of obtaining joint control	will not have any significant impact on the financial statements
- Amendments to IAS 12 "Income Taxes" - recognition of tax consequences of dividend payments	will not have any significant impact on the financial statements
- Amendments to IAS 23: "Borrowing Costs" - classification of liabilities incurred specifically to obtain a qualifying asset when the activities necessary to prepare the asset for use or sale are completed	will not have any significant impact on the financial statements
Amendments to IAS 19 "Employee Benefits" - amendments to a defined benefit plan	will not have any significant impact on the financial statements
IFRIC 23 "Uncertainty Relating to the Recognition of Income Taxes"	will not have any significant impact on the financial statements
<b>The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2020</b>	<b>Impact on financial statements / reference</b>
Amendments to the scope of references to Conceptual Assumptions in IFRS	will not have any significant impact on the financial statements
Amendments to IFRS 3: "Business combinations" - definition of the project	will not have any significant impact on the financial statements
Amendments to IAS 2 and IAS 8 - the definition of "significant"	will not have any significant impact on the financial statements
<b>The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2021</b>	<b>Impact on financial statements / reference</b>
IFRS 17 "Insurance Contracts"	will not have any significant impact on the financial statements

# XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 Tangible fixed assets

OWNERSHIP STRUCTURE OF FIXED ASSETS	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Own tangible fixed assets	26,498	28,222
Tangible fixed assets used under operating lease, rent, hire or similar	16,870	15,519
<b>Total</b>	<b>43,368</b>	<b>43,741</b>

BORROWING COSTS CAPITALISED IN THE VALUE OF FIXED ASSETS	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Interest		
Foreign exchange differences		
Other borrowing costs		
<b>Total</b>		

There were no borrowing costs activated in tangible fixed assets.

FIXED ASSETS USED UNDER A FINANCE LEASE AGREEMENT	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Costs	33,111	29,334
Depreciation	-16,241	-13,815
<b>Total</b>	<b>16,870</b>	<b>15,519</b>

FIXED ASSETS BY TYPES	LAND	BUILDINGS AND STRUCTURES	TECHNICAL EQUIPMENT AND MACHINERY	MEANS OF TRANSPORT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	FIXED ASSETS HELD FOR SALE	TOTAL
<b>As at 01/01/2018</b>								
Costs	2,163	30,428	24,605	12,835	1,204			71,235
Depreciation and revaluation write-downs		-6,646	-15,230	-8,009	-1,132			-31,018
<b>Net book value</b>	<b>2,163</b>	<b>23,782</b>	<b>9,375</b>	<b>4,827</b>	<b>72</b>	-	-	<b>40,218</b>
Increases			5,195	2,318	30			7,543
including revaluation surplus								
Decreases		-803	-2,092	-1,095	-30			-4,020
including amortisation and depreciation		-803	-2,044	-1,012	-30			-3,889
Foreign exchange differences								
<b>As at 31/12/2018</b>								
<b>Net book value</b>	<b>2,163</b>	<b>22,978</b>	<b>12,478</b>	<b>6,050</b>	<b>72</b>	-	-	<b>43,741</b>
<b>As at 01/01/2019</b>								
Costs	2,163	30,428	29,012	14,041	1,234			76,878
Depreciation		-7,450	-16,535	-7,991	-1,162			-33,137
Revaluation write-downs								
Net book value	2,163	22,978	12,478	6,050	72			43,741
<b>As at 31/12/2019</b>								
Costs	1,996	30,253	30,264	15,758	1,234			79,505
Increases including:			1,576	2,527				4,103
- acquisition			1,576	2,527				4,103
-acquisition of a subsidiary								
-revaluation surplus								
-carry-over								
-other								
Decreases including :	-167	-175	-324	-810				-1,476
- sale	-167	-175	-324	-810				-1,476
-reallocation to the group held for sale								
- other								
<b>Depreciation</b>		<b>-8,175</b>	<b>-18,441</b>	<b>-8,334</b>	<b>-1,187</b>			<b>-36,137</b>
Increases including:		-797	-2,171	-1,130	-25			-4,123
- amortisation and depreciation		-797	-2,171	-1,130	-25			-4,123
-acquisition of a								



subsidiary								
- other								
Decreases		72	264	787				1,123
- sale		-72	264	787				979
-reallocation to the group held for sale								
-transfers								
- other								
Revaluation write-downs								
-revaluation write-downs								
-reversals of revaluation write-downs								
Foreign exchange differences								
<b>Net value</b>	<b>1,996</b>	<b>22,078</b>	<b>11,823</b>	<b>7,424</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>43,368</b>
FIXED ASSETS BY TYPES	LAND	BUILDINGS AND STRUCTURES	TECHNICAL EQUIPMENT AND MACHINERY	MEANS OF TRANSPORT	OTHER FIXED ASSETS	FIXED ASSETS IN PROGRESS	FIXED ASSETS HELD FOR SALE	TOTAL

No oversize expenditures on fixed assets are planned for the upcoming reporting periods under the approved investment plans.

**Note 2 Investment property**

Neither in the current nor in the previous reporting period, the entity did not have any investments in property.

However, the company has a capital commitment in subsidiaries for which property investment is a significant part of the activities.

Estimated cash flows from these properties were part of the impairment test for capital investments in subsidiaries.

The Consolidated Financial Statements of the JHM Development S.A. Group provide more detailed information on this item. JHM Development is a company listed on the Warsaw Stock Exchange and the financial statements of the Group are published on the website of the parent:

<http://jhmdevelopment.pl/>

### Note 3 Intangible assets

INTANGIBLE ASSET OWNERSHIP STRUCTURE	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Own intangible assets	1,492	1,361
Intangible assets used under operating lease, rental, lease and similar		
<b>Total</b>	<b>1,492</b>	<b>1,361</b>

BORROWING COSTS CAPITALISED IN THE VALUE OF INTANGIBLE ASSETS	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Interest		
Foreign exchange differences		
Other borrowing costs		
<b>Total</b>	<b>-</b>	<b>-</b>

Borrowing costs capitalised in the value of intangible assets did not occur.

INTANGIBLE ASSETS USED UNDER FINANCIAL LEASE CONTRACTS	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Costs		
Depreciation		
<b>Total</b>	<b>-</b>	<b>-</b>

Intangible assets used under financial lease contracts did not occur.

	Costs of research and development	Goodwill	Programs and licenses	Other intangible assets	Advance payments for intangible assets	TOTAL
<b>As at 01/01/2018</b>						
Costs			3,377			3,377
Depreciation and revaluation write-downs			-1,600			-1,600
Net book value			1,777			1,777
Increases						
including revaluation surplus						
Decreases			-416			-416
including amortisation and depreciation			-416			-416
Foreign exchange differences						
<b>As at 31/12/2018</b>						
<b>Net book value</b>	-	-	<b>1,361</b>	-	-	<b>1,361</b>
<b>as at 01/01/2019</b>						
Costs			3,377			3,377
Depreciation			-1,600			-1,600
Revaluation write-downs						
<b>Net book value</b>	-	-	<b>1,777</b>	-	-	<b>1,777</b>
<b>as at 31/12/2019</b>						
<b>Costs</b>			<b>3,509</b>			<b>3,509</b>
Increases including:			132			132
- acquisition			132			132
-acquisition of a subsidiary						
-revaluation surplus						
-carry-over						
-other						
Decreases including :						
- sale						
-transfers to the group held for sale						
- other						
<b>Depreciation</b>			<b>-2,017</b>			<b>-2,017</b>
Increases including:			-416			-416
- amortisation and depreciation			-416			-416
-acquisition of a subsidiary						
- other						
Decreases						
- sale						
-transfers to the group held for sale						
-transfers						
- other						
Revaluation write-downs						
-revaluation write-downs						
-reversals of revaluation write-downs						
Foreign exchange differences						
<b>Net value</b>	-	-	<b>1,492</b>	-	-	<b>1,492</b>

The main component of intangible assets is the SAP system. The program has a useful life of 20 years and its residual value is PLN 0.00.

#### Note 4 Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)

Shares in other entities are initially recognised at fair value plus transaction costs. In later periods they are recognised at fair value.

After the initial recognition, the Company measures all investments in equity instruments at fair value. For all the investments being set, the Company chose the option to present gains and losses on changes in fair value of equity instruments in other comprehensive income. If such a choice is made, gains and losses on the change in fair value are not subsequently reclassified to gain or loss when the investment is no longer disclosed. Impairment write-downs (and reversals of write-downs) in respect of equity investments measured at fair value through other comprehensive income are not presented on other changes in fair value.

Dividends from such investments are recognised in profit or loss when the Company's right to receive payment is established.

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Capital investments in subsidiaries	380,892	335,064
Other		478
<b>Total</b>	<b>380,892</b>	<b>335,542</b>

Capital investments in subsidiaries	JHM Development S.A.	PBDiM Kobylarnia S.A.	Expo Mazury S.A.	Mirbud Ukraina Sp. z o.o.	TOTAL
<b>As at 01/01/2018</b>	<b>196,365</b>	<b>49,554</b>	<b>74,500</b>		<b>320,419</b>
Increases			14,525	120	<b>14,645</b>
Decreases					
Foreign exchange differences					
<b>As at 31/12/2018</b>	<b>196,365</b>	<b>49,554</b>	<b>89,025</b>	<b>120</b>	<b>335,064</b>
Increase under increase of shares in share capital	15,404				<b>15,404</b>
Subsidies to capitals		24,800	5,480	145	<b>30,425</b>
Reversals of revaluation write-downs					
Re-qualification under obtaining control					
Re-qualification from other categories					
Other increases					
Sale of shares in subsidiaries					
Revaluation write-downs					
Re-qualification under loss of control					

Connections with subsidiaries					
Re-qualification to other categories					
Other reductions					
<b>as at 31/12/2019</b>	<b>211,769</b>	<b>74,354</b>	<b>94,505</b>	<b>265</b>	<b>380,892</b>

Other financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand			
	As at:	Increases	Decreases	As at:
	31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018	31/12/2018
<b>Long-term financial assets</b>	-	-	-	-
<b>in related entities</b>	-	-	-	-
- other securities (bonds)				
- loans granted				
- other long-term financial assets				
<b>in other entities</b>	-	-	-	-
- shares				
- financial assets available for sale				
- financial assets held to maturity				
- assets under derivative instruments				
- loans granted				
- other long-term financial assets				
<b>Short-term financial assets</b>			-478	478
<b>in subsidiaries and jointly controlled entities</b>	-	-	-	-
- shares available for trade				
- other securities				
- loans granted				
- other short-term financial assets				
<b>in associates</b>				
- shares available for trade				
- other securities				
- loans granted				
- other short-term financial assets				
<b>in other entities</b>			-478	478
- shares (listed)				
- other shares				
- financial assets measured at fair value by financial result				
- financial assets available for sale				
- held-to-maturity financial assets				

- assets under derivative instruments				
- loans granted			-478	478
- other short-term financial assets				
<b>Total</b>	-	-	<b>-478</b>	<b>478</b>

Basic financial data of main, directly controlled subsidiaries	JHM Development S.A.	PBDiM Kobyłarnia S.A.	Expo Mazury S.A.
Total assets	378,650	250,516	157,712
Long-term liabilities	26,429	30,960	23,606
Short-term liabilities	55,798	137,023	29,071
Equity	295,945	82,533	105,036
Direct share in capital	100.00%	100.00%	67.71%
Share in equity (direct and indirect)	100.00%	100.00%	99.99%
Sales revenue	93,399	358,813	8,032
Net gain (loss)	9,095	1,086	461
Total income for the net financial year	9,095	1,086	461
Total net cash flows	-416	3,534	1,276

Basic financial data of the main indirectly controlled subsidiaries	Marywilka 44 Sp. z o.o.	JHM 1 Sp. z o.o.	JHM 2 Sp. z o.o.
Total assets	186,874	19,011	14,733
Long-term liabilities	33,099	7,044	3,796
Short-term liabilities	15,700	618	471
Equity	138,075	11,167	10,387
Share in equity (direct and indirect)	100.00%	100.00%	100.00%
Sales revenue	44,053	1,017	907
Net gain (loss)	7,230	606	984
Total income for the net financial year	7,230	606	984
Total net cash flows	1,120	-1,547	133

## Note 5 Investments measured using the equity method

Neither in the current nor in the previous reporting period did the item occur.

## Note 6 Trading and other receivables

Trading and other receivables	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b><u>Long-term receivables</u></b>	-	-
trade receivables from related entities		
trade receivables from other entities		
other receivables from related entities		
other receivables from other entities		
<b><u>Short-term receivables</u></b>	<b><u>153,894</u></b>	<b><u>203,142</u></b>
trade receivables from related entities	17,951	11,849
trade receivables from other entities	59,479	112,173
retained amounts under execution of contracts from related entities		2,960
retained amounts under execution of contracts from other entities	18,276	18,381
other receivables from related entities		
other receivables from other entities	12	5
amounts transferred for deliveries	2,396	1,190
budget receivables except for corporate income tax settlements		
disputed receivables brought before the court	15,500	24,487
calculation of receivables on account of settlement of long-term contracts	40,280	32,095
<b><u>Total</u></b>	<b><u>153,894</u></b>	<b><u>203,142</u></b>

Age structure of short-term receivables	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b><u>Gross trade receivables</u></b>	<b><u>158,860</u></b>	<b><u>203,142</u></b>
<b><u>not past due, including:</u></b>	<b><u>119,827</u></b>	<b><u>130,334</u></b>
payable up to 1 month	46,547	50,798
payable from 1 to 3 months	13,922	29,060
payable from 3 to 12 months	58,556	50,477
payable from 1 to 5 years		
<b><u>past due, including:</u></b>	<b><u>39,033</u></b>	<b><u>72,808</u></b>
past due up to 1 month	12,784	29,663
past due from 1 to 3 months	4,182	15,234
past due from 3 to 6 months	1,954	5,505
past due from 6 to 12 months	147	1,688
past due over 12 months	20,767	20,718
receivables revaluation write-down	-4,402	
write-down of receivables in respect of which credit risk has significantly increased	-563	
<b><u>Net trade receivables</u></b>	<b><u>153,894</u></b>	<b><u>203,142</u></b>



Receivables revaluation write-downs	Trade receivables	Disputed receivables	Other	Total
<b>As at 01/01/2018</b>	-	-	-	-
Increases				
Releases				
Utilisation				
<b>As at 31/12/2018</b>	-	-	-	-
Increases	-4,965			-4,965
Releases				
Utilisation				
<b>As at 31/12/2019</b>	-4,965			-4,965

### Revaluation write-downs in respect of credit losses

The Company uses a simplified write-down matrix to calculate expected credit losses. In order to determine expected credit losses, trade receivables were grouped based on probability of credit risk characteristics and past due bands. The Company states that it has one hegemonic group of receivables.

The liability default rate was established on the basis of historical data from 2016 to 2018.

The recoverability is estimated on the basis of historical data as the balance includes a group of dispersed items grouped according to the probability of credit risk and customer behaviour in the past. A further adjustment is then made to take account of the impact of future factors not reflected in the historical data.

The liability default rate and calculation of write-downs as at 31/12/2019 is presented in the table below:

BALANCE SHEET DATA	receivables	unit write-down	remaining	Write-down %	Write-down, PLN thousand
time limit	116,638.00		116,638.00	1.63%	1,907.00
0-30	12,784.00		12,784.00	2.07%	265.00
31-90	4,182.00		4,182.00	4.04%	169.00
91-180	1,954.00		1,954.00	10.05%	196.00
181-360	147.00		147.00	18.69%	27.00
over	20,768.00	4,642.00	16,126.00	45.16%	2,641.00
<b>Total write-downs</b>					<b>5,205.00</b>

### Note 7 Biological assets

Neither in the current nor in the previous reporting period did the item occur.

**Note 8 Other fixed assets not elsewhere classified (including prepayments and accruals)**

Other assets	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b><u>Other long-term assets</u></b>	<b><u>97</u></b>	<b><u>243</u></b>
Long-term prepayments and accruals	97	243
Other long-term assets not elsewhere classified		
<b><u>Other short-term assets</u></b>	<b><u>627</u></b>	<b><u>1,120</u></b>
Short-term cost prepayments	627	1,120
Other short-term assets not elsewhere classified		
<b><u>Total</u></b>	<b><u>724</u></b>	<b><u>1,363</u></b>

**Note 9 Inventories**

Inventories	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Materials	657	45
Semi-finished products and work in progress		
Finished products	13	14
Goods	7,775	7,775
<b>Total</b>	<b>8,445</b>	<b>7,834</b>

Inventory revaluation write-downs	Materials	Semi-finished products and work in progress	Finished products	Goods
<b><u>As at 01/01/2018</u></b>	-	-	-	-
Increases				
Releases				
Utilisation				
<b><u>As at 31/12/2018</u></b>	-	-	-	-
Increases				
Releases				
Utilisation				
<b><u>as at 31/12/2019</u></b>	-	-	-	-

There were no circumstances indicating the need to make revaluation write-downs on inventories.

## Note 10 Cash and cash equivalents

Cash and cash equivalents	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Cash on hand and with banks	21,553	33,645
including: funds accumulated on the split payment account	5,264	11
Term deposits	67,449	15,764
<b>Total</b>	<b>89,001</b>	<b>49,408</b>

Term deposits in the amount of PLN 16,987 thousand are interest-bearing funds constituting a security for proper performance of construction contracts.

Term deposits in the amount of PLN 50,462 thousand are cash obtained from advances from investors of MIRBUD S.A.

As a result, they are limited in their use.

write-downs for impairment of cash and cash equivalents have been determined individually for each balance relating to a given financial institution. External rankings of banks and publicly available information on the default rates for individual rankings were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date. The Company used the simplification allowed by the standard and the impairment write-down determined on the basis of 12-months' credit losses.

## Note 11 Fixed assets held for sale and liabilities related to them

Neither in the current nor in the previous reporting period did the item occur.

## Note 12 Capitals

Capitals and liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Issued share capital	9,174	8,249
Retained earnings attributable to the shareholders of the parent	143,219	136,948
Write-downs from net gain during the financial year concerning the shareholders of the parent		
Accumulated other income attributable to the shareholders of the parent		
Other capitals attributable to the shareholders of the parent	115,103	106,120
Net gain (loss) attributable to the shareholders of the parent	7,386	6,271
Foreign exchange gains/losses on translation		
Capital attributable to non-controlling shares		
<b>Total</b>	<b>274,883</b>	<b>257,589</b>

On 11 September 2019, the National Court Register - Register of Entrepreneurs registered the increase in the Company's share capital as a result of acquisition by eligible persons of 2,873,947 series J ordinary bearer shares. The Company informed about the indicated acquisition of shares and increase of the share capital in the current report No. 37/2019 of 12 July 2019. The share capital increase disclosed in the National Court Register took place as part of the conditional share capital increase, on the basis of the authorisation contained in Resolution No. 5/2019 of the Extraordinary General Meeting of 17 May 2019 and § 10A of the Company's Articles of Association. The amount of the share capital after the share capital increase was PLN 8,536,644.70 and was divided into 85,366,447 shares. The share capital disclosed in the National Court Register was divided into shares with a nominal value of PLN 0.10 each. The total number of votes resulting from all issued shares disclosed in the National Court Register was 85,366,447 votes at the General Meeting of Shareholders.

On 30 September 2019, 6,377,753 series K shares were registered by the National Depository for Securities and issued to the person who acquired the series K shares as part of the conditional capital increase by recording them on the securities account. In connection with the issuance of series K shares, the share capital was increased from PLN 8,536,644.70 to PLN 9,174,420, i.e. by PLN 637,775.30.

Following the issuance of series K shares, the Company's share capital is divided into 91,744,200 ordinary bearer shares with a nominal value of PLN 0.10 each, entitling to 91,744,200 votes at the General Meeting of Shareholders.

Share capital structure	Number of shares	Value of capital	Share nominal value	Registration date	Method of coverage
	thousand Pieces	in PLN thousand	in PLN	dd/mm/yyyy	
A series ordinary shares	19,500	1,950	0.10	22/12/2006	Contribution in cash
B series ordinary shares	14,625	1,463	0.10	22/12/2006	Contribution in cash
C series ordinary shares	2,264	226	0.10	22/12/2006	Contribution in cash
D series ordinary shares	3,611	361	0.10	22/12/2006	Contribution in cash
E series ordinary shares	5,000	500	0.10	11/12/2019	Contribution in cash
F series ordinary shares	10,000	1,000	0.10	03/03/2010	Contribution in cash
G series ordinary shares	10,000	1,000	0.10	19/05/2010	Contribution in cash
H series ordinary shares	10,000	1,000	0.10	18/08/2010	Contribution in cash
I series ordinary shares	7,493	749	0.10	25/06/2014	Contribution in cash
J series ordinary shares	2,874	287	0.10	11/09/2019	Contribution in cash
K series ordinary shares	6,378	638	0.10	30/09/2019	Contribution in cash
<b>Total at the beginning of the period</b>	<b>82,493</b>	<b>8,249</b>	-	-	-
<b>Total at the end of the period</b>	<b>91,744</b>	<b>9,174</b>	-	-	-

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other shareholders
<b>As at 31/12/2018</b>			
Owned ordinary shares	34,159,333	10,193,049	38,140,118
Preference shares held			
Share in capital	41.41%	12.36%	46.23%
Share in gain	41.41%	12.36%	46.23%
Share in voting	41.41%	12.36%	46.23%
<b>As at 31/12/2019</b>			
Owned ordinary shares	40,937,453	10,281,837	40,524,910
Preference shares held			
Share in capital	44.62%	11.21%	44.17%
Share in gain	44.62%	11.21%	44.17%
Share in voting	44.62%	11.21%	44.17%

## Note 13 Provisions

Provisions	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b><u>Long-term provisions</u></b>	<b><u>125</u></b>	<b><u>135</u></b>
provision for retirement severance pay	125	135
other long-term provisions	0	0
<b><u>Short-term provisions</u></b>	<b><u>1,627</u></b>	<b><u>1,434</u></b>
provision for retirement severance pay	596	403
provisions for warranty repairs	1,000	1,000
provisions for losses under settlements of long-term contracts	0	0
other short-term provisions	31	31
<b><u>Total</u></b>	<b><u>1,751</u></b>	<b><u>1,569</u></b>

# Note 14 Financial liabilities, except for provisions, trading liabilities and other liabilities

Bank loans and credits and other debt instruments	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b>Long-term financial liabilities, except for provisions, trading liabilities and other liabilities</b>	<b>78,996</b>	<b>78,536</b>
Financial liabilities towards related entities		
Loans and credits from other entities	71,641	71,518
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	7,354	7,018
Other		
<b>Short-term financial liabilities, except for provisions, trading liabilities and other liabilities</b>	<b>51,308</b>	<b>49,340</b>
Financial liabilities towards related entities		
Loans and credits from other entities	48,019	46,236
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	3,290	3,104
Other		
<b>Total</b>	<b>130,304</b>	<b>127,876</b>

Debt instruments structure	in PLN thousand					
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	Total
<b>As at 01/01/2018</b>	<b>128,996</b>	-	-	<b>6,986</b>	-	<b>135,981</b>
Accrued interest	7,457			334		7,791
Interest paid	-7,369			-334		-7,703
Drawdown	17,001			7,396		24,397
Repayment	-28,243			-4,260		-32,503
Average liability level	123,375			8,554		131,929
Real interest rate	6.04%			3.90%		5.91%
<b>As at 31/12/2018</b>	<b>117,754</b>			<b>10,122</b>		<b>127,876</b>
minimum payments up to 1 month	882			262		1,144
minimum payments from 1 to 3 months	1,765			515		2,280
minimum payments from 3 to 12 months	43,589			2,327		45,916
minimum payments up to 1 year	46,236			3,104		49,340
minimum payments within 1 to 5 years	71,518			7,018		78,536
minimum payments over 5 years						
interest due up to 1 year	7,118			395		7,513
interest due from 1 to 5 years	17,291			1,096		18,387
interest due over 5 years						
Approximate fair value	121,677			9,742		131,419
<b>as at 01/01/2019</b>	<b>117,754</b>			<b>10,122</b>		<b>127,876</b>
Accrued interest	6,334			440		6,774
Interest paid	-6,246			-440		-6,686
Drawdown	16,426			4,012		20,438
Repayment	-14,520			-3,490		-18,010
Average liability level	118,707			10,383		129,090
Real interest rate	5.34%			4.24%		5.25%
<b>As at 31/12/2019</b>	<b>119,660</b>			<b>10,644</b>		<b>130,304</b>



minimum payments up to 1 month	880			322		1,202
minimum payments from 1 to 3 months	1,760			662		2,422
minimum payments from 3 to 12 months	45,379			2,306		47,686
minimum payments up to 1 year	48,019			3,290		51,309
minimum payments within 1 to 5 years	71,641			7,354		78,995
minimum payments over 5 years						
interest due up to 1 year	6,385			451		6,836
interest due from 1 to 5 years	15,291			1,247		16,538
interest due over 5 years						
Approximate fair value	121,283			10,104		131,387

**Table: Liabilities under credits and loans of MIRBUD S.A. as at 31 December 2019.**

Name of the entity	Registered office	Amount of credit, loan acc. to the contract	currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	Warsaw	10,000	PLN		2,624	WIBOR 1M + margin	25/06/2020	capped mortgage on property
PKO BP S.A.	Warsaw	5,000	PLN		5,000	WIBOR 1M + margin	25/06/2020	capped mortgage on property
PKO BP S.A.	Warsaw	21,000	PLN	3,294	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK	Warsaw	20,000	PLN	16,900		WIBOR 1M + margin	30/06/2021	assignment of a business receivable
PEKAO S.A.	Warsaw	10,000	PLN		10,000	WIBOR 1M + margin	30/11/2020	assignment of a business receivable
BGK	Warsaw	15,000	PLN		14,824	WIBOR 1M + margin	31/03/2020	assignment of a business receivable
Industrial Development Agency	Warsaw	40,000	PLN	19,000	9,000	WIBOR 1M + margin	28/02/2023	mortgages on property
Mercedes-Benz Leasing Polska S.A.	Warsaw	635	PLN		94	5%	31/07/2020	assignment from the insurance policy
BOŚ BANK	Warsaw	35,000	PLN	32,447		WIBOR 1M + margin	31/07/2021	assignment of a business receivable, mortgage
MFACTORING	Warsaw	10,000	PLN		2	WIBOR 1M + margin	14/03/2020	assignment of a business receivable, mortgage
KUKE Finanse		5,000	PLN		5,000			
interest on credits					11			
Total credits and loans				71,641	48,019	119,660		

## Note 15 Trading and other liabilities

Trading and other liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b>Long-term liabilities</b>	<b>112,075</b>	<b>37,640</b>
Trade liabilities to related entities		
retained amounts to related entities		
Other liabilities towards related entities		
Trade liabilities to other entities		
Retained amounts to other entities	42,400	37,640
advances received	69,675	
<b>Short-term liabilities</b>	<b>150,329</b>	<b>207,475</b>
Trade liabilities to related entities	9,379	19,596
retained amounts to related entities		
Other liabilities towards related entities		
Trade liabilities to other entities	94,500	116,625
Liabilities under settlement of long-term contracts		
Advance payments received	5,950	25,190
Bills of exchange liabilities		
Budget liabilities except for corporate income tax settlements	19,894	27,177
Remuneration settlements	1,737	1,604
Retained amounts to other entities	18,868	17,253
Other liabilities due to other entities	1	29
<b>Total</b>	<b>262,404</b>	<b>245,115</b>

Age structure of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b>Trade liabilities</b>	<b>262,404</b>	<b>245,115</b>
<b>not past due, including:</b>	<b>236,580</b>	<b>211,368</b>
payable up to 1 month	79,243	105,237
payable from 1 to 3 months	20,444	26,047
payable from 3 to 12 months	24,818	42,443
payable from 1 to 5 years	112,075	37,640
<b>past due, including:</b>	<b>25,824</b>	<b>33,747</b>
past due up to 1 month	18,987	27,831
past due from 1 to 3 months	6,837	4,374
past due from 3 to 6 months		1,542
past due from 6 to 12 months		
past due over 12 months		

# **Note 16 Other liabilities and short-term provisions not elsewhere classified (including accruals and prepayments)**

Other liabilities and provisions not classified, including accruals and prepayments	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b>Long-term</b>		
Revenue settled in time		
Cost prepayments		
Other items		
<b>Short-term</b>	<b>1,482</b>	<b>3,815</b>
Revenue settled in time		
Cost prepayments	1,482	3,815
Other items		
<b>Total</b>	<b>1,482</b>	<b>3,815</b>

## Note 17 Sales revenue

Structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Net revenue from sales of products and services</b>	<b>548,782</b>	<b>618,617</b>
- to related entities	107,410	64,633
- to other entities	441,372	553,984
<b>Net revenue from sales of goods</b>		
- to related entities		
- to other entities		
<b>Net revenue from sales of materials</b>	<b>2,647</b>	<b>2,667</b>
- to related entities		
- to other entities	2,647	2,667
<b>Total</b>	<b>551,429</b>	<b>621,284</b>

Geographical structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Net revenue from sales of products and services</b>	<b>548,782</b>	<b>618,617</b>
- domestic sales	548,782	618,617
- export sales		
<b>Net revenue from sales of goods</b>		
- domestic sales		
- export sales		
<b>Net revenue from sales of materials</b>	<b>2,647</b>	<b>2,667</b>
- domestic sales	2,647	2,667
- export sales		
<b>Total</b>	<b>551,429</b>	<b>621,284</b>

Settlement of gains or losses on long-term services in progress	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Revenue invoiced for services in progress	349,713	805,048
Adjustment of revenue under the settlement of the progress of construction services	40,280	32,095
<b>Total</b>	<b><u>389,993</u></b>	<b><u>837,143</u></b>
Costs incurred for services in progress	-331,749	-737,271
Adjustment of costs under the settlement of the progress of construction services		
<b>Total</b>	<b><u>-331,749</u></b>	<b><u>-737,271</u></b>
Losses on contracts in progress		
<b>Impact on the current financial result</b>	<b><u>40,280</u></b>	<b><u>32,095</u></b>
<b>Impact on the accumulated results of contracts unfinished as at the balance-sheet date</b>	<b><u>58,245</u></b>	<b><u>99,872</u></b>

In the construction industry there is a seasonality of annual sales resulting from the production processes taking place in the construction industry and from the cycle on the construction and assembly services market. Due to technological and atmospheric conditions, the majority of construction works are carried out in the period from March to November. Possible delays resulting from atmospheric conditions are assumed in the investment implementation schedules and do not threaten their timely completion.

## Note 18 Own cost of sales

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Production cost of products sold</b>	<b>-507,140</b>	<b>-586,995</b>
- to related entities	-114,256	-69,910
- to other entities	-392,883	-517,085
<b>Value of goods sold</b>		
- to related entities		
- to other entities		
<b>Value of materials sold</b>	<b>-2,644</b>	<b>-2,661</b>
- to related entities		
- to other entities	-2,644	-2,661
<b>Total</b>	<b>-509,784</b>	<b>-589,655</b>

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Production cost of products sold</b>	<b>-507,140</b>	<b>-586,995</b>
- own costs of domestic sales	-507,140	-586,995
- own costs of export sales		
<b>Value of goods sold</b>		
- own costs of domestic sales		
- own costs of export sales		
<b>Value of materials sold</b>	<b>-2,644</b>	<b>-2,661</b>
- own costs of domestic sales	-2,644	-2,661
- own costs of export sales		
<b>Total</b>	<b>-509,784</b>	<b>-589,655</b>

Cost structure by types	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Amortisation	-4,537	-4,320
Consumption of materials and energy	-57,904	-70,552
Outsourcing	-404,583	-492,981
Taxes and fees, including:	-982	-710
Remunerations	-26,457	-25,127
Social insurance and other benefits	-4,829	-4,758
Other costs by type	-28,525	-7,028
Value of goods and materials sold	-2,644	-2,661
Manufacturing cost of products for internal purposes		
<b>Total</b>	<b>-530,459</b>	<b>-608,136</b>

Recognition of costs by type in the financial statements	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
In own cost of sales	-509,784	-589,655
In the change of balance of assets	392	443
In cost of sales		
In overheads	-21,068	-18,923
In other items		
<b>Total:</b>	<b>-530,459</b>	<b>-608,136</b>

## Note 19 Share in gains or losses of associates and joint ventures accounted for in accordance with the equity method

The item did not occur in the current and previous financial year.



## Note 20 Other revenue and costs

Other revenue and costs of operating and investment activities	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Costs of sales		
Overheads	-21,068	-18,923
Revaluation write-downs of non-investment assets	-4,205	-74
Reversal of write-downs on non-investment assets		
Restructuring costs		
Court proceedings settlement result		
Result of sale of non-investment fixed assets	798	503
Revenue from revaluation of investment property		
Costs under revaluation of investment property		
Result of sale of investment property		
Profit/loss on sale of all or part of subordinate entities		
Profit/loss on sale of other financial investments		
Dividends		1,791
Interest, sureties	3,949	5,156
Result of revaluation of other financial investments measured at fair value through financial result		
Result of measurement of investments recognised using the equity method		
Revaluation write-downs of other financial assets		
Reversal of revaluation write-downs of other financial assets		
Foreign exchange differences of operating and investment activities	-1,248	1,881
Other revenue	2,453	8,092
Other costs	-3,342	-10,366
<b>Total revenue</b>	<b>7,201</b>	<b>17,424</b>
<b>Total costs</b>	<b>-29,863</b>	<b>-29,364</b>

Share in gains or losses of associates and joint ventures accounted for in accordance with the equity method	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Revenue from increase in the value of investments measured according to the equity method		
Costs of decrease in the value of investments measured according to the equity method		
<b>Total</b>		

The above items did not occur.

Structure of revaluation write-downs of non-investment assets	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Tangible fixed assets</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Intangible assets</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Receivables</b>		
-revaluation write-down created	-4,965	
-revaluation write-down reversal		1,299
<b>Inventories</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Fixed assets held for sale</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Other</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Total write-downs on assets</b>	<b>-4,965</b>	<b>-</b>
<b>Total reversal of revaluation write-downs</b>	<b>-</b>	<b>1,299</b>

Revenue and costs from investment property	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Revenue from sales to related entities		
Revenue from sales to other entities		
Own cost of sales to related entities		
Own cost of sales to other entities		
Increase in fair value of investment property		
Decrease of fair value of investment property		
<b>Result on investments in property</b>		

The above items did not occur.

Revenue and costs from financial investments	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Dividends to related entities		1,791
Dividends to other entities		
Interest to related entities	3,786	3,510
Interest to other entities	163	1,646
Revenue from the sale of all or part of subordinate entities		
Own cost of sales of all or part of subordinate entities		
Revenue from increase in the value of derivative instruments		
Costs of decrease in the value of derivative instruments		
Revenue from ineffective hedging instruments		
Costs from ineffective hedging instruments		
Reversal of revaluation write-downs of other financial assets		
Revaluation write-downs of other financial assets		
Revenue from increase in investments measured at fair value through profit or loss		
Costs of decrease in investments measured at fair value through profit or loss		
Foreign exchange gains		
Foreign exchange losses		
<b>Profit/loss on financial investment activities</b>	<b>3,949</b>	<b>6,947</b>

Other revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Subsidies received	172	119
Other revenue from other entities - re-invoices	1,546	4,193
Other revenue from other entities	735	3,780
<b>Total</b>	<b>2,453</b>	<b>8,092</b>

Other costs	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Other costs from related entities		
Other costs from other entities - re-invoices	-1,546	-4,193
Other costs from other entities	-1,796	-6,173
<b>Total</b>	<b>-3,342</b>	<b>-10,366</b>

## Note 20 Financial costs

Financial costs	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Interest on credits		-5,855	-6,421
Interest on loans from related entities			
Interest on loans from other entities			
Interest on bonds for related entities			
Interest on bonds for other entities			
Interest on liabilities under finance lease agreements from related entities			
Interest on liabilities under finance lease agreements from other entities		-440	-334
Other interest for related entities		-1,663	-2,339
Other interest for other entities		-351	-1,004
Valuation of equity instruments			
Interest on factoring agreements		-479	-1,036
Foreign exchange differences on financial liabilities			
Other financial costs for related entities			
Other financial costs for other entities		-611	-1,100
<b>Total financial costs</b>		<b>-9,399</b>	<b>-12,234</b>

## Note 21 Income tax

Income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Income tax current part	-3,377	-1,224
Income tax deferred part	1,179	41
Other tax burdens on the financial result		
Adjustments relating to previous years		
<b>Total income tax</b>	<b>-2,198</b>	<b>-1,183</b>

Agreement on effective tax rate	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Pre-tax gain (loss)	9,584	7,454
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-1,821	-1,416
Tax effect of the received dividend		340
Tax exemptions		
Assets under tax loss for the reporting period not recognised in deferred tax		
Tax effect of other revenue and costs permanently not constituting revenue and tax costs	-377	-107
Other		
<b>Income tax in the result account</b>	<b>-2,198</b>	<b>-1,183</b>

Deferred tax	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
<b>Deferred tax asset</b>	<b>3,936</b>	<b>2,824</b>
- for provisions for employee benefits	113	103
- for other provisions	2,452	2,317
- on account of accrued interest		17
- for write-downs on current assets	787	
- on account of investment valuation		
- for settlement of construction contracts		
- for losses from previous years		
- for tax and balance sheet differences in the value of fixed assets and lease agreements		
- for exchange rate differences		32
- other	584	355

<b>Deferred tax liability</b>	<b>9,108</b>	<b>9,174</b>
- on account of accrued interest	703	249
- on account of investment valuation		
- for settlement of construction contracts	4,472	5,028
- under tax and balance sheet differences in the value of fixed assets and lease contracts	3,848	3,665
- under foreign exchange differences		108
- for goodwill		
- other	85	124
<b>Net deferred income tax assets (Provision)</b>	<b>-5,172</b>	<b>-6,351</b>

Net deferred income tax assets (Provision)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Opening balance of net deferred income tax assets (Provision)</b>	<b>-6,351</b>	<b>-6,391</b>
Reference to financial result	1,180	41
Relation to other total income		
Other relation to equity		
Subsidiaries		
<b>Deferred net income tax assets (provisions) at the end of the period</b>	<b>-5,172</b>	<b>-6,351</b>

Receivables (income tax liabilities)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Opening balance of receivables (income tax liabilities)</b>	<b>-492</b>	<b>-294</b>
Payment (repayment) of income tax	2,046	1,026
Current income tax accrual	-3,377	-1,224
<b>Receivables (liabilities under deferred income tax) at the end of the period</b>	<b>-1,822</b>	<b>-492</b>

## Note 21 Other total income

Other total income	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
<b>Components which will not be subsequently reclassified to the income statement</b>		
Exchange differences on translation of foreign entities		
Actuarial gains and losses		
Income tax relating to components that will not be carried forward in later periods		
<b>Components which will be reclassified into gain or loss when certain conditions are met</b>		
Effects of measurement of financial instruments by other comprehensive income		
Effective part of hedge accounting		
Effects of revaluation of fixed assets		
Carry-over to the report on income statement		
Income tax related to the items presented in other comprehensive income		
<b>Other total net income</b>	-	-
Assigned to non-controlling shares		
<b>Assigned to the owners of the parent</b>	-	-

Neither in the current period nor in the comparative period did any items occur which affected other total income.

## Note 22 Earnings per share (EPS)

Earnings per share	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Gain (loss) on continued operations attributable to owners of the parent	7,386	6,271
Gain (loss) on discontinued operations attributable to owners of the parent		
<b>Total</b>	<b>7,386</b>	<b>6,271</b>
<b>Weighted average number of ordinary shares in thousands of pieces</b>	<b>91,744</b>	<b>82,493</b>
<b>Basic gain per share</b>	<b>0.08</b>	<b>0.08</b>
Costs of interest on convertible bonds (net of tax)		
<b>Gain (loss) to determine diluted earnings per share</b>	<b>7,386</b>	<b>6,271</b>
Share options issued in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
<b>Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces</b>	<b>91,744</b>	<b>82,493</b>
<b>Diluted earnings per share</b>	<b>0.08</b>	<b>0.08</b>



**Note 23 Operating segments**

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. The Issuer's activity focuses on the provision of construction and assembly services, therefore, for the purposes of these financial statements, operating segments are not presented. In the Capital Group, where the Issuer is a parent, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.

Other activities, which do not have a significant effect on the financial and asset situation of the Compiler of the financial statements, have been assigned to other items.

Selected items of the income statement for segments in PLN thousand in the reporting period	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019
<b>Continued activities</b>	-	-	-	-	-	-	-	-
Sales revenue	549,419				2,010	551,429		551,429
Own cost of sales	-507,226				-2,557	-509,784		-509,784
Gross gain from sales	42,193				-548	41,645		41,645
EBIT	19,530				-548	18,983		18,983
Pre-tax activity gain (loss)	10,131				-548	9,584		9,584
Income tax attributable to continuing activities	-2,302				104	-2,198		-2,198
Gain (loss) on continuing activities	7,829				-444	7,386		7,386
<b>Discontinued activities</b>	-	-	-	-	-	-	-	-
Gain (loss) on discontinued activities								
<b>NET GAIN (LOSS)</b>	-	-	-	-	-444	-444	-	-444
<b>Assigned to the owners of the parent</b>	7,829	-	-	-	-444	7,386	-	7,386

Concentration of recipients by business activity segments	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019
Recipient 1	94,165					94,165		94,165
Recipient 2	49,882					49,882		49,882
Recipient 3	46,117					46,117		46,117
<b>TOTAL</b>	<b>203,409</b>					<b>203,409</b>		<b>203,409</b>

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019
Fixed assets	429,787					429,787		429,787
Current assets	251,967					251,967		251,967
<b>Total assets</b>	<b>681,754</b>	-	-	-	-	<b>681,754</b>	-	<b>681,754</b>
Equity	274,883					274,883		274,883
Long-term liabilities and provisions for liabilities	200,304					200,304		200,304
Short-term liabilities and provisions for liabilities	206,567					206,567		206,567
<b>Total capitals and liabilities</b>	<b>681,754</b>	-	-	-	-	<b>681,754</b>	-	<b>681,754</b>

Selected items of the income statement for segments in PLN thousand in the comparative period	Construction and assembly activity	Real estate development activity	Activities connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 31/12/2018
<b>Continued activities</b>	-	-	-	-	-	-	-	-
Sales revenue	619,274				2,010			621,284
Own cost of sales	-587,098				-2,557			-589,655
Gross gain from sales	32,176				-548			31,629
EBIT	20,237				-548			19,689
Pre-tax activity gain (loss)	8,002				-548			7,454
Income tax attributable to continuing activities	-1,287				104			-1,183
Gain (loss) on continuing activities	6,715				-444			6,271
<b>Discontinued activities</b>	-	-	-	-	-	-	-	-
Gain (loss) on discontinued activities								
<b>NET GAIN (LOSS)</b>	<b>6,715</b>	-	-	-	<b>-444</b>	-	-	<b>6,271</b>
<b>Assigned to the owners of the parent</b>	<b>6,715</b>	-	-	-	<b>-444</b>	-	-	<b>6,271</b>

Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period	Construction and assembly activity	Real estate development activity	Activities connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
Fixed assets	383,648					383,648		383,648
Current assets	261,982					261,982		261,982
<b>Total assets</b>	<b>645,630</b>	-	-	-	-	<b>645,630</b>	-	<b>645,630</b>
Equity	257,589					257,589		257,589
Long-term liabilities and provisions for liabilities	125,486					125,486		125,486
Short-term liabilities and provisions for liabilities	262,555					262,555		262,555
<b>Total capitals and liabilities</b>	<b>645,629</b>	-	-	-	-	<b>645,629</b>	-	<b>645,629</b>

## Note 24 Transactions with related entities

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital connections		Members of the Management Board and Supervisory Board and key personnel	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Sales revenue	107,410	64,633						
Revenue from the sale of fixed assets								
Revenue from interest	3,786	-3,510						
Other revenue								
Acquisition of inventories and other costs capitalised at the value of current assets								
Acquisition of services and other operating costs	-840	-21,560						
Acquisition of fixed assets								
Cost of interest	-1,663	-2,339						
Other costs								
Loans received								
Loans granted								
Costs of remuneration							-3,946	-3,770
Loan receivables								
Trading and other receivables	17,951	14,810						
Liabilities on account of loans								
Trading and other liabilities	-9,379	-26,068						

Remuneration of key personnel	Entity	Position	Remunerations		Loans granted to key personnel		Additional information
			in PLN thousand		in PLN thousand		
			31/12/2019	31/12/2018	31/12/2019	31/12/2018	
Jerzy Mirgos	MIRBUD S.A.	President of the Management Board	1,122	1,323			The remuneration comprises the remuneration under the employment contract, performance of the function of the President of the Management Board and revenue under sureties granted to the entity.
Sławomir Nowak	MIRBUD S.A.	Vice-President of the Management Board	990	900			
Paweł Korzeniowski	MIRBUD S.A.	Member of the Management Board	660	540			
Tomasz Sałata	MIRBUD S.A.	Member of the Management Board	647	514			
Ewa Przybył	MIRBUD S.A.	Proxy	313	276			
Wiesław Kosonóg	MIRBUD S.A.	Chairman of the Supervisory Board	21				
Waldemar Borzykowski	MIRBUD S.A.	Deputy Chairman of the Supervisory Board	36	36			
Hubert Bojdo	MIRBUD S.A.	Member of the Supervisory Board	30	30			
Agnieszka Bujnowska	MIRBUD S.A.	Secretary of the Supervisory Board	36	36			
Andrzej Zakrzewski	MIRBUD S.A.	Member of the Supervisory Board	30	30			
Dariusz Jankowski	MIRBUD S.A.	Member of the Supervisory Board	28	55			
Krystyna Lachowicz	MIRBUD S.A.	Member of the Supervisory Board	17	30			
Wiktoria Braun	MIRBUD S.A.	Member of the Supervisory Board	16				
Total			3,946	3,770			

## Note 25 Statutory Auditor's remuneration

Statutory Auditor's remuneration	in PLN thousand	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Remuneration for the audit of the individual and consolidated financial statements	31	31
Remuneration for the interim review of individual and consolidated financial statements	19	19
Other services		
<b>Total</b>	<b>50</b>	<b>50</b>



## Note 26 Financial instruments

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Loans granted	-	-	-	-		478	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other receivables					153,894	203,142		
Cash and cash equivalents					89,001	49,408		
Other financial assets								
<b>Total financial assets</b>	-	-	-	-	<b>242,896</b>	<b>253,028</b>	-	-
Revenue from dividends								
Revenue from interest	-	-	-	-	3,949	5,156	-	-
Foreign exchange gains (losses)					-1,248	1,881		
Reversal (creation) of write-downs	-	-	-	-			-	-
Gains (losses) on valuation and implementation								
Gains (losses) on derivative instruments	-	-	-	-			-	-
<b>Total impact of financial assets on the income statement</b>	-	-	-	-	<b>2,701</b>	<b>7,037</b>	-	-

Financial liabilities according to IAS 39	Equity instruments		Measured at fair value by financial result		Measured at amortised cost		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Credits	-	-	-	-	130,304	127,876	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other liabilities					262,404	245,115		
Other financial liabilities								
<b>Total financial liabilities</b>	-	-	-	-	<b>392,708</b>	<b>372,991</b>	-	-
Interest	-	-	-	-	-6,334	-7,457	-	-
Foreign exchange gains (losses)								
Gains (losses) on valuation and implementation	-	-	-	-	-	-	-	-
Gains (losses) on derivative instruments								
<b>Total impact on the income statement of financial liabilities</b>	-	-	-	-	<b>-6,334</b>	<b>-7,457</b>	-	-

Financial instruments according to the fair value hierarchy	Level I		Level II		Level III	
	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
<b><u>Assets</u></b>	-	-	-	-	-	-
Derivative financial instruments in assets	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial assets	-	-	-	-	-	-
<b><u>Liabilities</u></b>	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial liabilities	-	-	-	-	-	-

Both in the current and the comparative period, there were no financial instruments measured at fair value.

## Note 27 Errors related to previous reporting periods

No material errors were found in the previous reporting period.

## Note 28 Transactions with non-controlling shareholders

This item does not exist.

## Note 29 Business combinations

There were no business mergers in the current period.

## Note 30 Significant planned capital expenditures

As at the date of approval of these financial statements for publication, no material capital expenditures were planned.

## Note 31 Material events after the balance-sheet date

In the period between the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events that would not be included in these financial statements.

## Note 32 Employment structure

Employment structure	full-time equivalent	
	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2018 to 31/12/2018
Non-production employees	163	144
Production employees	137	142
<b>Total</b>	<b>300</b>	<b>286</b>

## Note 33 Dividends declared and paid

Shares of all series are ordinary shares, one share entitles to one vote at the General Meeting of Shareholders. Shares of all series carry the same right to dividend and return on capital. As at the balance-sheet date, there were no dividend restrictions.

The Issuer did not declare or pay any dividends in the current or comparative period.

### Note 34 Effects of division, restructuring and discontinued activities

In the reporting period there were no changes regarding the merger of business entities, acquisition or sale of entities from the Issuer's capital group, long-term investments, division, restructuring or discontinuation of activity.

### Note 35 Limitations on disposition and collaterals established on assets

Title of collateral	Type of collateral	Value of debt	Value of collateral in PLN thousand			Balance sheet value of the object of collateral in PLN thousand		expiry date
		As at:	As at:	As at:	As at:	As at:		
		31/12/2019	31/12/2019	31/12/2018	31/12/2019	31/12/2018	dd/mm/yyyy	
Credit collateral 202-129/3/II/2/2008	mortgage	4,758	26,700	26,700	22,078	25,141		01/03/2023
<b>Total</b>	-	<b>4,758</b>	<b>26,700</b>	<b>26,700</b>	<b>22,078</b>	<b>25,141</b>		-

Assets as security of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Tangible fixed assets	22,078	25,141
Investment property		
Financial assets		
Intangible assets		
Other assets		
<b>Total</b>	<b>22,078</b>	<b>25,141</b>

**Note 36 Litigation**

As at 31/12/2019, there was litigation pending concerning liabilities against MIRBUD S.A., for the total value of the object of dispute of PLN 44,834 thousand.

As at 31/12/2019 there was litigation pending concerning receivables brought by MIRBUD S.A., for the total value of the object of dispute of PLN 19,902 thousand.

Provisions for future liabilities which may arise from pending litigation are created by way of a detailed analysis of the risk of their occurrence.

Revaluation write-downs on receivables are created by means of a detailed analysis of the receivables repayment risk.

Unrecoverable receivables are removed from the accounting books by write-down from costs.

## Note 37 Contingent liabilities

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		surety expiry date
		As at:	As at:	As at:	As at:	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018	dd/mm/yyyy
<b>To related entities</b>	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	49,500	49,500	27,273	30,546	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	10,000	10,000		1,579	30/09/2022
JHM DEVELOPMENT S.A.	Collateral for the ALIOR BANK S.A. credit	89,912	89,912			31/05/2023
JHM DEVELOPMENT S.A.	Collateral for the BPS S.A. credit		1,050			30/09/2021
JHM DEVELOPMENT S.A.	Collateral for the BPS S.A. credit		44,587		9,980	30/09/2021
JHM DEVELOPMENT S.A.	Collateral for the BPS S.A. credit		9,000			30/09/2021
JHM 1 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	10,007	10,098	7,612	8,869	30/09/2031
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	15,000	30,000	3,466	1,684	30/09/2020
EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	75,000	19,556	22,386	27/03/2029
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	7,440	21,143			15/02/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	9,318		5,467		31/12/2029
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	11,970				15/02/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	37,500		21,080		31/07/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	22,500	22,500	8,073		06/06/2020
<b>Total</b>		<b>338,147</b>	<b>362,790</b>	<b>92,527</b>	<b>75,044</b>	

	in PLN thousand	
	As at: 31/12/2019	As at: 31/12/2018
Under proper performance guarantee contract	239,620	130,229
Under rectifying faults and defects	124,292	71,824
Under advance return guarantee	92,377	
<b>Total</b>	<b>456,289</b>	<b>202,053</b>



## Note 38 Objectives and principles of risk management

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on profit or loss	Effect of risk on equity
<i>Risk related to the coronavirus pandemic</i>	Administrative restrictions on carrying out construction and assembly activities	low	high	high	high
	Manpower availability and supply chain disruption	average	average	average	average
<i>External financial risks</i>	changes in interest rates	low	average	average	average
	changes in exchange rates	high	high	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
<i>Downturn risk</i>	change in the macroeconomic situation and economic downturn in Poland	high	high	high	average
	in the construction industry	high	high	high	average
<i>Risks related to competition</i>	in the construction industry	high	high	high	high
<i>External legal risks</i>	changes in provisions of law, in particular tax law	average	average	average	average
	related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property	low	high	high	average
<i>Risks related to the current activities</i>	related to the implementation of the development strategy	average	high	average	average
	related to financing development with bank credits	high	high	average	high
	related to the building infrastructure	low	average	low	low
	related to liability for breach of environmental regulations	low	average	average	low
	related to penalties for non-performance or untimely performance of orders	low	average	average	low
	related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works	low	average	average	low
	related to the production process	low	high	average	low

**Risk related to the coronavirus pandemic**

As at the date of publication of this report, according to the best knowledge of the Management Board of the Issuer, it is not possible to precisely determine the impact of the coronavirus epidemic on the activity of the Issuer in the medium- and long-term perspective.

In the short-term perspective, it is possible that the further spread of the coronavirus epidemic will have a negative impact on the financial results of the Issuer.

In the area of construction and assembly services, there are no delays in the execution of construction contracts due to the state of epidemic threat. However, it cannot be ruled out that, if this state continues, delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:

- lack of continuity in the supply chains for construction sites,
- disruptions to the continuity of projects' financing,
- absence of employees,
- subcontractors' delays,
- restrictions on the functioning of public authorities,
- decisions of the Contracting Authority or state administration to suspend the works,
- other events which are difficult to predict.

With regard to the current settlement period, the Management Board does not expect a significant effect of this risk on the profit or loss and equity of the Issuer.

The Issuer reports that operations in all segments are, as a rule, conducted under continuous supervision. To the best knowledge of the Management Board of the Issuer, on the basis of the conducted analyses, the financial situation of the Issuer is stable.

The Management Board of the Issuer monitors the economic situation in Poland and worldwide on an ongoing basis, as well as the risks associated with the activities of the Issuer. The Issuer indicates that, to the extent required by law, it will inform about new conditions having a significant impact on its operations, financial results and prospects of the Issuer.

**Financial risk management**

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Company finances its operations in 65% based on foreign capital through:

- credits,
- loans,
- advances,
- leasing,
- factoring.

The Companies make efforts to diversify their third-party financing, both in terms of the financing institution and the financial products used. The Company's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing in the coming years, and for a gradual reduction of debt in the long-term perspective.

Monitoring of the effectiveness of financial resources management is carried out, among others, using the following ratios:

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**Debt ratio = *Total liabilities / Assets***

**Long-term debt ratio = *Long-term liabilities / Assets***

**Short-term debt ratio = *Short-term liabilities / Assets***

**Debt to equity ratio = *Liabilities / Equity***

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While conducting business activity, the Company is exposed to the following risks: credit risk, currency risk, interest rate risk, liquidity risk.

### **Credit risk management**

Credit risk results from the balances of trade receivables of loans and cash and cash equivalents. The customers of the Company's services are domestic entities. The customers of products and services provided by MIRBUD S.A. can be divided into two groups:

- commercial entities,
- entities subject to the provisions of the Public Procurement Law.

With regard to commercial customers, the Company manages the credit risk and analyses it for each new customer before concluding a contract, among others, by using reports from business intelligence agencies and the contractor's documentation of the source of financing for the construction contract.

With respect to entities subject to the provisions of the Public Procurement Law (e.g. GDDKiA, Self-governments), due to the obligation of these entities to budget the costs of the concluded construction works contract in advance, the credit risk is, according to the Management Board, negligible.

The Company maintains deposits - deposits in financial institutions, which have a high credit rating.

### **Liquidity risk management**

The Parent Management Board is responsible for managing financial liquidity in the Group. The main objectives of the Group's financial resources and liquidity management are as follows:

- ensuring stable and effective financing of the Group's operations,
- continuous monitoring of the Group's debt level,
- effective management of working capital,
- the Parent's coordination of liquidity management processes at the Group Companies.

The Company manages the liquidity risk by maintaining sufficient cash, the possibility of financing with bank credits and maintaining sufficient credit lines to repay liabilities as they become due.

The Company's liquidity management includes projecting cash flows for all currencies and considering what level of liquid assets is needed to repay liabilities.

Note 15 contains an analysis of the Company's (Group's) liabilities, in relevant age brackets, based on the contractual maturity date.

Monitoring of the effectiveness of liquidity management is carried out, among others, using the following ratios:

Current liquidity ratio = Current assets / Short-term liabilities

Accelerated liquidity ratio = (Current assets - Inventories - Short-term prepayments) / Short-term liabilities

Cash liquidity ratio = Cash / Short-term liabilities

### Risk of significant changes in interest rates

The Company to a large extent uses bank credits to finance its investment activities. The costs of interest on credits are affected by the amount of the WIBOR base rate for credits taken out in Polish zlotys and EURIBOR for credits in EURO. An increase in the value of WIBOR/EURIBOR indices through an increase in interest on loans may have an adverse effect on the Company's financial situation. If a risk of changes in interest rates is identified. In the case of long-term financing, the Company's Management Board considers the possibility of concluding interest rate hedging transactions (interest rate swaps - IRS strategy, CIRS).

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Liabilities under credits and loans	130,304	127,876		
Loans granted		478		
Other financial assets				
Other financial liabilities				
<b>Total</b>	<b>130,304</b>	<b>128,354</b>	-	-

### Risk of changes in interest rates - sensitivity to changes

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 31 December 2019 and 31 December 2018 at the level of - 1.0/+1.0 percentage point (as at 31 December 2018 at the same level) for the Polish zloty and the Euro.

The effect of the change in interest rates on the net result and the balance sheet total as at 31 December 2019 and 31 December 2018 is presented below.

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
Liabilities under credits and loans	130,304	-1,055	1,055	1,303	-1,303
Loans granted					
Other financial assets					
Other financial liabilities					
<b>Total</b>	<b>130,304</b>	<b>-1,055</b>	<b>1,055</b>	<b>1,303</b>	<b>-1,303</b>

## Risk of changes in foreign exchange rates

In 2019, MIRBUD S.A. generated over 21% of revenue in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenue and gains. In order to minimise the exchange rate risk, the Company hedges the exchange rate level by entering into FORWARD-type transactions. In 2019, the Issuer hedged approximately 50% of its foreign currency revenue with forward currency sales transactions.

Items exposed to change in foreign exchange rates	EUR		USD	
	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Liabilities under credits and loans				
Loans granted				
Trading and other receivables	3,699	24,403		
Trading and other liabilities				
Cash	1,102	3,722		
Other financial assets				
<b>Total</b>	<b>4,801</b>	<b>28,125</b>	-	-

## Risk of changes in interest rates - sensitivity to changes

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 31 December 2019 and as at 31 December 2018.

The table below shows the sensitivity of the net financial result to reasonably possible changes in exchange rates, assuming that other factors remain unchanged.

Sensitivity analysis for items exposed to exchange rate changes (Euro)	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 10%	decrease by 10%	increase by 1%	decrease by 1%
Liabilities under credits and loans					
Loans granted					
Trading and other receivables	3,699	300	-300	370	-370
Trading and other liabilities					
Cash	1,102	89	-89	110	-110
Other financial assets					
<b>Total</b>	<b>4,801</b>	<b>389</b>	<b>-389</b>	<b>480</b>	<b>-480</b>

The Issuer's Management Board estimates that in 2020 the share of revenue in the Euro currency will decrease to the level of approx. 10% of the total sales revenue. As at 31/12/2019, the Issuer had approximately 80% of its estimated foreign currency revenue hedged against exchange risk.

## Risk related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits

At present, banks in Poland, acting on the basis of EU directives, maintain tightened credit policy both towards companies operating in the development sector and towards people applying for

mortgage credits.

When planning subsequent projects, the Company tries to take into account the market situation by adapting its portfolio to the expected financial and credit capabilities of potential customers.

The introduction of any restrictions towards the availability of credits may have a material and adverse effect on the Company's activities, financial situation and its development prospects.

### **Risk related to the general macroeconomic situation and economic situation in Poland**

#### **- change in the macroeconomic situation and economic downturn in Poland**

Revenue of MIRBUD S.A. is earned in full on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an impact on the financial results achieved by the Company: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

Possible negative changes in the stability of the macroeconomic situation and general economic situation of Poland may have a negative impact on the activity, financial situation or development prospects of the Company.

#### **- in the construction industry**

The activities of the Company are closely correlated with the overall economic situation in Poland. The financial results achieved by the Company are most affected by the level of investments in enterprises, GDP growth rate, inflation rate, value of construction and assembly production, tax policy and increase in interest rates. There is a risk that negative changes in the above mentioned ratios, in particular the slowdown in the economic growth rate, the increase in the inflation rate caused by the increase in the prices of materials or the increase in interest rates, may have a negative impact on the activity and results of the Company.

In order to minimise downturn fluctuations, the Issuer enters into long-term construction contracts with public Contracting Authorities in order to ensure stable sources of revenue over a period of 2-3 years.

### **Risks related to competition:**

#### **- in the construction industry**

The economic growth in Poland and the accumulation of many construction investments at the same time, both infrastructural and volumetric, translates into limited availability of materials and services of subcontractors, which causes an increase in prices and intensifies competition by offering the most convenient payment terms for suppliers and subcontractors.

Further intensification of competition in the markets in which the Company operates may have a material adverse effect on its operations, results, financial position or prospects for development.

The Management Board of the Company, based on many years of experience, tries to build a portfolio of contracts that will enable it to achieve an appropriate profit or loss.

**External legal risks****- changes in provisions of law, in particular tax law**

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provision which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies. The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Company's operations, financial situation or its development prospects.

**Risks related to the current activities****- Risk associated with the implementation of the development strategy**

The Polish market and the situation on local markets where MIRBUD S.A. operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the Companies' future financial performance, development and market position depend on its ability to develop and implement a long-term strategy in an uncertain and changing market environment.

In particular, the implementation of the MIRBUD S.A.'s strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Company's governing bodies, and which cannot always be predicted.

Such factors also include those of a general nature, such as:

- unpredictable market events, such as the occurrence of an economic crisis or recession in Poland or other European Union countries,
- radical and sudden changes in legal regulations or the methods of their interpretation (e.g. influencing the issuance of development conditions),
- natural disasters, epidemics in the areas where the Company operates,
- other operational risks described in these statements.

The Company makes every effort to ensure that the assumed strategy is implemented and tries to analyse on an ongoing basis all market and industry factors which have and may have an effect on the implementation of the strategy,

**- related to financing development with bank credits**

The Company finances its development and current activities with the use of bank credits and leasing. In the future, the Company intends to use bank credits to finance the demand for working capital related to the increase in the scale of activities. However, there is a risk that in the future, in the event of adverse changes in the Company's activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, it will have difficult access to financing using credits, their cost will be higher than the current one, or it will be forced to repay or refinance its existing debt on worse terms. This may contribute to a slower than planned growth rate and deterioration of the financial results obtained.

The Management Board considers the current level of debt to be safe and does not see any threats to its timely service. Despite the Company's good financial standing, it cannot be ruled out that in the future, as a result of unfavourable market processes, it will be unable to meet all their obligations

resulting from credit contracts and loans. In the event of a situation where the Company is not able to settle its debts under credit contracts and loans on an ongoing basis, repayments may become due and payable immediately. As a result, in order to satisfy its creditors, the Company will be forced to sell a part of its assets. The strategy of the Company provides for a gradual exchange of short-term debt for long-term financing and that the newly acquired credit financing will be appropriate for the implementation of specific construction work contracts.

The occurrence of the aforementioned factors may have an adverse effect on the activities, financial position or development prospects. In order to limit the risk, the Company performs on an ongoing basis an analysis of debt and the possibility of settling liabilities.

**- related to the building infrastructure**

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform additional infrastructure works as part of the investment project. The authorities may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project implementation, but which may be expected by the authorities as an investor's contribution to the development of the local community in connection with the investment.

The occurrence of any of the above factors, translating into delays in the implementation of projects or additional project costs, may have a material and adverse effect on the Company's activities, financial situation or its development prospects.

**- related to liability for breach of environmental regulations**

Pursuant to the applicable environmental protection regulations, entities which are owners or users of plots where hazardous substances are present, or where there has been an adverse transformation of the natural configuration of the land, may be required to remove them, or bear the cost of land reclamation or pay a fine. In order to minimise the risk of breaching environmental regulations, the Companies carry out technical analyses of future projects in terms of the risk related to liability for breach of environmental regulations. Until the date of preparing the statements, the Companies were not obliged to bear the costs of land reclamation or to pay any administrative penalties for this. However, it cannot be precluded that in the future the Company will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.

The occurrence of any of the aforementioned factors may have an adverse effect on the Company's activities, financial position or its development prospects.

**- related to penalties for non-performance or untimely performance of orders**

The entity acts as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Company and determine the consequences of non-performance of the assumed obligations. Such contracts, first of all, very precisely specify the deadlines - both for the performance of the ordered works, as well as the performance of other activities, e.g. removal of possible defects during the warranty period. If these deadlines are not met, the Company may be at risk of paying contractual penalties.

In order to limit the risk of investors making a claim for payment for non-performance or improper performance of the Company's orders, the Company has taken the following actions:



- provision of insurance coverage for contracts, including activities of the subcontractors,
- implementation and application of the Management System according to EN ISO 9001:2000 in the scope of:

a) general construction, civil engineering, road and motorway construction,

b) industrial facilities construction,

c) installation works.

- transfer of risks to cooperation contracts concluded by the Company with producers, suppliers and subcontractors (product responsibility, responsibility for services, differences between the ordered and delivered assortment, price increases, etc.).

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Company's profit or loss. It should be noted, however, that in the years 2005-2018, the Company did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

#### **- related to the production process**

Construction contracts contain a number of clauses concerning proper and timely performance of the contract, proper removal of defects and faults, which involves the provision of a guarantee deposit or securing the contract with an insurance or bank guarantee. The security is usually provided in the form of an insurance guarantee, bank deposit or cash deposit within a specific period of time after the contract is signed and settled after the contract completion. The amount of the security depends on the type of contract. Typically, it is between 5 and 10% of the contract price.

As the necessity to lodge a security in the form of a deposit may have an impact on the limitation of the Company's financial liquidity, the Company prefers to lodge the security in the form of an insurance guarantee. If access to insurance or bank guarantees is restricted and the cost of obtaining them increases, the Company bears the risk of increasing the costs and freezing financial resources, which in turn may lead to a decrease in the Company's profitability or financial liquidity.

In order to minimise the risk, the Company's contracts with subcontractors require subcontractors to secure proper performance of the contract in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

### **Note 39 Management of capital**

The objective of capital risk management is to protect the ability to continue with the activities, so that returns for shareholders and benefits for other stakeholders can be performed, and to maintain an optimal capital structure in order to reduce the cost of capital.

The tools used to maintain and correct the capital structure may include:

- change in the amount of declared dividends to be paid;
- return of capital to shareholders;
- issue of shares and other capital instruments;
- the sale of assets in order to reduce debt.

Capital monitoring is carried out by means of the debt ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as the sum of financial debt (including current and long-term credits and loans and other financial debt disclosed in the consolidated balance sheet), less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the consolidated balance sheet, together with net debt.

Calculation of the debt ratio	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Total credits	130,304	127,876
Cash and cash equivalents	-89,001	-49,408
<b>Net debt</b>	<b>41,303</b>	<b>78,467</b>
Equity	274,883	257,589
<b>Total capital</b>	<b>316,186</b>	<b>336,056</b>
<b>Debt ratio</b>	<b>13%</b>	<b>23%</b>

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Net debt	41,303	78,467
EBITA	23,520	24,008
Equity	274,883	257,589
Total assets	681,754	645,630
<b>net debt/EBITDA</b>	<b>1.8</b>	<b>3.3</b>
<b>equity/total assets</b>	<b>0.4</b>	<b>0.4</b>

## XII. APPROVAL FOR PUBLICATION

The financial statements were approved for publication and signed by the Management Board on 24/04/2020.

Jerzy Mirgos	Sławomir Nowak
President of the Management Board	Vice-President of the Management Board

Paweł Korzeniowski	Tomasz Sałata
Member of the Management Board	Member of the Management Board

Anna Sołwińska
Person entrusted with bookkeeping