ERBUD S.A.

Condensed Separate Financial Statement for the period ended on 30 September 2019

drawn up in compliance with the International Financial Reporting Standards



STATEMENT OF PROFIT / LOSS

		For a 9-month-period, ended on 30 September 2019	For a 9-month-period, ended on 30 September 2018	For a 3-month-period, ended on 30 September 2019	For a 3-month-period, ended on 30 September 2018
	GOING CONCERN OPERATIONS				
Note 4.1.	Revenues from sales of products and services	1 187 638	1 052 397	325 543	434 005
Note 4.2.	Cost of products and services sold	1 142 159	1 045 207	310 901	418 241
	Gross profit/(loss) on sales	**45 479**	**7 190**	**14 642**	**15 764**
	General and administrative (G&A) costs	35 146	36 121	11 034	10 479
	Other operating income	8 717	4 880	45	1 276
	Other operating expenses	1 113	7 187	774	768
	(Loss)/Reversal of the value of financial assets and contract valuation assets	(597)	(13)	482	(2 789)
Note 4.1.	**Operating profit /(loss)**	**17 340**	**(31 251)**	**3 361**	**3 004**
	Financial revenues	9 470	15 216	483	(2 051)
	Financial expenses	5 571	5 401	2 237	2 191
	Gross profit /(loss) from continued operations	**21 239**	**(21 436)**	**1 607**	**(1 238)**
Note 4.3.	Income tax	3 255	(6 025)	876	(825)
	Net profit /(loss) from continued operations	**17 984**	**(15 411)**	**731**	**(413)**
	Net profit /(loss) for the accounting period	**17 984**	**(15 411)**	**731**	**(413)**
	Profit /(loss) in the accounting period	17 984	(15 411)	732	(413)
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859	12 811 859	12 811 859
	Net profit/loss from continued operations per share (in PLN)	1.40	(1.20)	0.06	(0.03)
	Net earnings per share from core activity (in PLN)	**1.40**	**(1.20)**	**0.06**	**(0.03)**
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859	12 811 859	12 811 859
	Diluted net earnings from continued operations per share (in PLN)	1.40	(1.20)	0.06	(0.03)
	Diluted earnings per share (in PLN)	**1.40**	**(1.20)**	**0.06**	**(0.03)**
	ADDITIONAL INFORMATION ON STATEMENT OF PROFIT OR LOSS, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS				
	Amortization and depreciation	3 313	1 889	183	184
Note 4.1.	**EBITDA**	20 653	(29 362)	3 544	3 188

STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 9-month-period, ended on 30 September 2019	For a 9-month-period ended on 30 September 2018	For a 3-month-period, ended on 30 September 2019	For a 3-month-period ended on 30 September 2018
Gross profit/loss	**17 984**	**(15 411)**	**731**	**(413)**
Pricing of hedging instruments	-	(1 768)	-	381
Other comprehensive income (including tax effect) subject to reclassification into profit	**-**	**(1 768)**	**-**	**381**
Comprehensive income in the accounting period	**17 984**	**(17 179)**	**731**	**(32)**
Total income from:				
Going concern operations	17 984	(17 180)	732	(32)
	17 984	**(17 180)**	**732**	**(32)**

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

For a 9-month-period ended on 30 September 2018 and for a 9-month-period ended on 30 September 2019	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income: Pricing of hedging instruments	Accumulated losses	Equity of non-controlling stakeholders	Equity
Posting of a revaluation entry pursuant to IFRS 9 standard as of 1 January 2018	**-**	**-**	**-**	**-**	**(8 357)**	**-**	**(8 357)**
As of 1 Jan. 2018	**1 281**	**222 245**	**11 103**	**1 762**	**(15 940)**	**-**	**220 451**
Net result in the accounting period	-	-	-	-	(15 411)	-	**(15 411)**
Comprehensive income in the accounting period	-	-	-	(1 768)	-	-	**(1 768)**
Other comprehensive income	**-**	**-**	**-**	**(1 768)**	**(15 411)**	**-**	**(17 179)**
Dividend	-	(2 979)	-	-	(12 539)	-	**(15 518)**
Revaluation of fixed assets	-	-	-	-	846	-	**846**
As of 30 Sept. 2018	**1 281**	**219 266**	**11 103**	**(6)**	**(43 044)**	**-**	**188 600**
As of 1 Jan. 2019	**1 281**	**219 266**	**11 103**	**-**	**(39 344)**	**-**	**192 306**
Net result in the accounting period	-	-	-	-	17 984	-	**17 984**
Other comprehensive income	**-**	**-**	**-**	**-**	**17 984**	**-**	**17 984**
Other	-	-	-	-	-	-	**-**
As of 30 Sept. 2019	**1 281**	**219 266**	**11 103**	**-**	**(21 360)**	**-**	**210 290**

STATEMENT OF FINANCIAL POSITION

		30 Sept. 2019	31 Dec. 2018
	ASSETS	**711 994**	**775 876**
	Tangible fixed assets	16 128	12 087
Note 5.1.	Financial assets	6 728	7 195
	Investments into subsidiaries	112 039	111 936
Note 4.3.	Deferred tax assets	17 149	20 404
	Receivables under building contracts - bid bonds	7 594	7 572
	Fixed assets	**159 638**	**159 194**
	Inventory	367	311
	Receivables under building contracts - bid bonds	43 031	35 701
Note 2.1.	Receivables under building contracts - pricing	146 077	113 336
Note 6.2.	Trade receivables and other receivables	316 155	323 500
Note 5.1.	Financial assets	6 005	8 363
	Cash and cash equivalents	36 060	126 007
	Cash at VAT account	5	5 525
	Short-term prepayments	4 656	3 939
	Current assets	**552 356**	**616 682**
	LIABILITIES	**711 994**	**775 876**
Note 3.1.	Share capital	1 281	1 281
	Share premium	219 266	219 266
	Reserve capital	11 103	11 103
	Accumulated other comprehensive income	-	-
	Accumulated losses	(21 360)	(39 344)
	Equity of shareholders of the Parent Company	210 290	192 306
	Equity	**210 290**	**192 306**
Note 3.2.-3.4	Interest debt	62 762	55 461
	Provisions	1 701	1 248
Note 4.3.	Deferred tax liabilities	-	-
	Building contract liabilities - bid bonds	10 216	8 612
	Other liabilities	-	-
	Long-term liabilities	**74 679**	**65 321**
Note 3.2.-3.4	Interest debt	24 340	6 456
	Provisions	26 142	24 873
	Building contract liabilities - bid bonds	105 944	94 841
Note 2.1.	Building contract liabilities - pricing	92 279	78 818
Note 6.7.	Trade payables and other liabilities	166 228	287 614
	Prepaid deliveries	12 092	25 647
	Short-term liabilities	**427 025**	**518 249**

CASH FLOW STATEMENT

		For a 9-month-period, ended on 30 September 2019	For a 9-month-period ended on 30 September 2018	For a 3-month-period, ended on 30 September 2019	For a 3-month-period ended on 30 September 2018
	OPERATIONAL CASH FLOWS				
	Gross profit/loss	21 238	(21 436)	1 607	(1 238)
	Amortization and depreciation	3 313	1 951	183	247
	Foreign exchange gains/losses	(816)	(356)	(532)	223
	Interest and share in profits (dividend)	(5 369)	(9 356)	945	981
	Other non-cash adjustments	(232)	18	(61)	(63)
	Income tax returned/paid	(682)	(3 434)	(2 233)	(1 438)
Note 6.4.	Change in balance of working capital	(133 703)	21 148	11 347	48 555
	Operational cash flows, net	**(116 251)**	**(11 465)**	**11 256**	**47 267**
	INVESTMENT ACTIVITY CASH FLOWS				
	Proceeds from the sales of interest in a subsidiary	3	-	-	-
	Inflows from credits/loans extended	7 350	7 697	-	901
	Other inflows	8 436	2 041	2 079	-
	Expenditures on the acquisition of tangible fixed assets	(1 860)	(849)	(414)	(104)
	Expenditures on the acquisition of investment real properties	-	-	-	-
	Loans extended expense	(5 030)	(957)	-	-
	Expenditures on the acquisition of shares in companies	(106)	(28 113)	-	(4 422)
	Investment activity cash flows, net	**8 793**	**(20 181)**	**1 665**	**(3 625)**
	FINANCIAL ACTIVITY CASH FLOWS				
	Income from credits and loans taken	36 574	59 670	-	9 463
	Other inflows	-	-	-	-
	Debt (principal) repayment expense	(16 193)	(51 633)	(14 828)	(45 138)
	Debt (interest) repayment expense	(2 870)	(3 933)	(962)	(1 695)
	Dividend payment	-	(14 093)	-	-
	Other expenses	-	(3 950)	-	-
	Financial activity cash flows, net	**17 511**	**(13 939)**	**(15 790)**	**(37 370)**
	NET CASH FLOWS	**(89 947)**	**(45 585)**	**(2 869)**	**6 272**
	Opening cash balance	**126 007**	**92 274**	**38 927**	**40 415**
	Closing cash balance, of which:	**36 060**	**46 690**	**36 060**	**46 690**
	- restricted cash	13 781	14 489	13 781	14 489

BASIC DATA CONVERTED INTO EURO

	30 Sept. 2019		31 Dec. 2018	
	PLN	EUR	PLN	EUR
Fixed assets	159 638	36 500	159 194	37 022
Current assets	552 356	126 293	616 682	143 414
Equity	210 290	48 082	192 306	44 722
Liabilities and provisions for liabilities	501 704	114 712	583 570	135 714

	For a 9-month-period, ended on 30 September 2019		For a 9-month-period ended on 30 September 2018	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	1 187 638	275 644	1 052 397	247 419
Cost of products and services sold	1 142 159	265 088	1 045 207	245 729
Gross profit/(loss) on sales	45 479	10 555	7 190	1 690
Operating profit /(loss)	17 340	4 025	(31 251)	(7 347)
Gross profit /(loss) from continued operations	21 239	4 929	(21 436)	(5 040)
Net profit /(loss) from continued operations	17 984	4 174	(15 411)	(3 623)

	For a 9-month-period, ended on 30 September 2019		For a 9-month-period ended on 30 September 2018	
	PLN	EUR	PLN	EUR
Operational cash flows, net	(116 251)	(26 981)	(11 465)	(2 695)
Investment activity cash flows, net	8 793	2 041	(20 181)	(4 745)
Financial activity cash flows, net	17 511	4 064	(13 939)	(3 277)
Net cash flows	(89 947)	(20 876)	(45 585)	(10 717)
Opening cash balance	126 007	29 304	92 274	22 123
Closing cash balance	36 060	8 245	46 690	10 931

1. BACKGROUND INFORMATION ---------- 8

1.1. INTRODUCTION ---------- 8
1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT ---------- 10
1.3. NEW STANDARDS ---------- 11
1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union 12

2. BULDING CONTRACTS ---------- 15

2.1. RECONCILLIATION OF FIGURES RELATED TO NON-COMPLETED BUILDING CONTRACTS ---------- 17

3. CAPITAL MANAGEMENT AND DEBT ---------- 25

3.1. CAPITAL MANAGEMENT ---------- 25
3.2. CREDIT AND LOAN LIABILITIES ---------- 26
3.3. DEBT RELATED TO ISSUED BONDS ---------- 27
3.4. LEASE LIABILITIES ---------- 27

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME ---------- 28

4.1. ACCOUNTING SEGMENTS ---------- 28
4.2. COST OF GOODS SOLD (COGS) ---------- 32
4.3. TAXATION ---------- 32

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT ---------- 36

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

6. OTHER NOTES ---------- 39

6.1 FIXED ASSETS IMPAIRMENT ---------- 39
6.2 TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES ---------- 39
6.3 TRADE PAYABLES AND OTHER LIABILITIES ---------- 41
6.4 EXPLANATORY NOTES TO THE CASH FLOW STATEMENT ---------- 42
6.5 GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES ---------- 42
6.6 EVENTS THAT HAPPENED AFTER CLOSING OF ACCOUNTING PERIOD ---------- 44

The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

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

Erbud S.A. was established on 28 August 1990 and entered into the National Court Register on 8 August 2001 under entry No. 0000034299.

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

The Company is the parent company.

The Company draws up consolidated financial statements of the Erbud Group.

The condensed financial statements have been prepared following the historical cost principle.

Pursuant to the Instruction in the Art. 45 Section 1b of the Accounting Act: "The financial statements of entities that are members of a group, where parent company draws up consolidated financial statements pursuant to the IAS standard, may be drawn up pursuant to the IAS standard.

Effective from 1 January 2018 the Company formally and legally began to apply the International Financial Reporting Standards approved by the European Union (EU IFRS) for the preparation of separate financial statements. The decision on drawing up separate financial statements pursuant to EU IFRS standard was taken by the approving authority - the Minutes of the Extraordinary General Meeting of Shareholders of 16 January 2019.

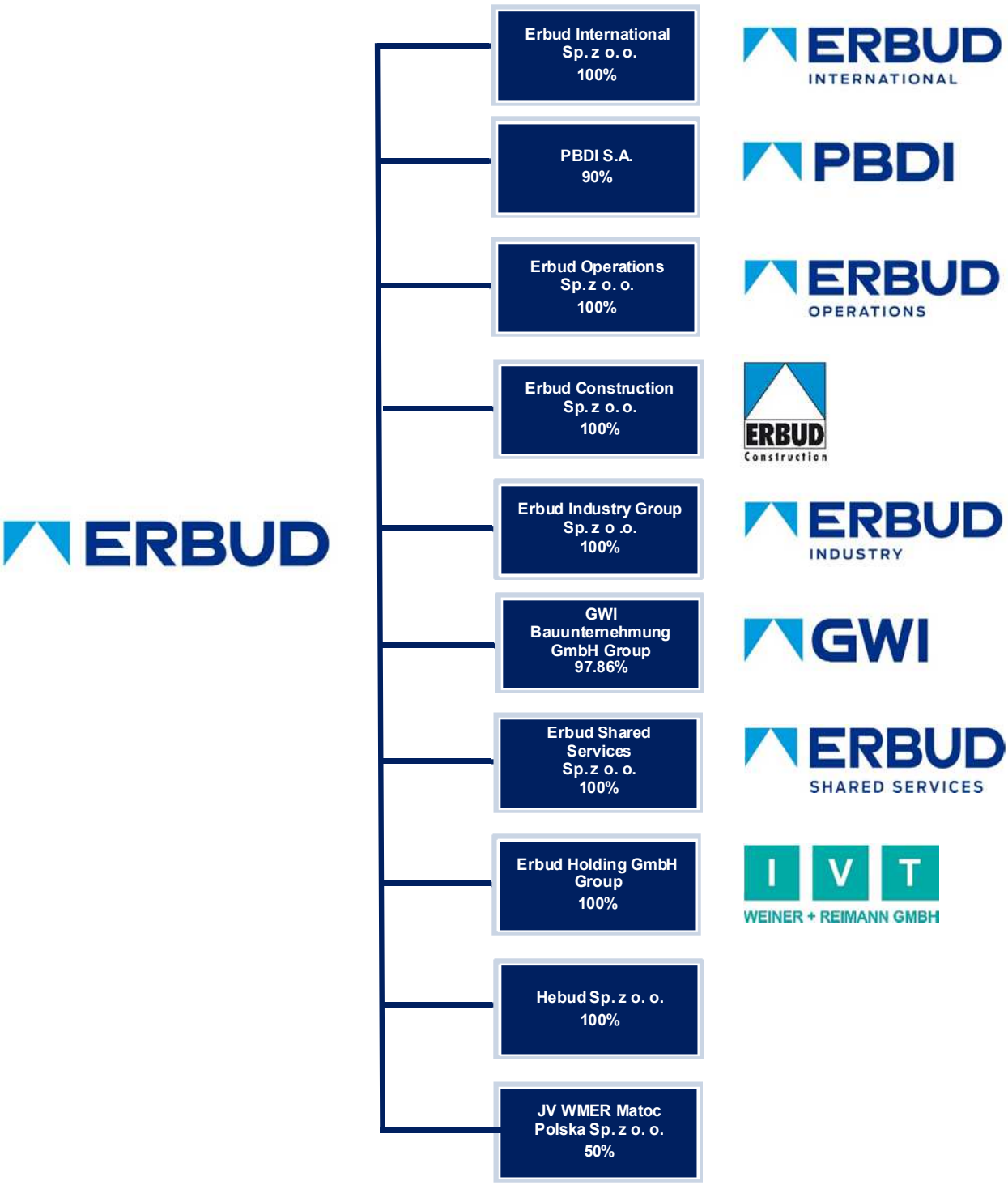
These condensed financial statements have been drawn up pursuant to the following documents effective in the EU at the date of drawing up the financial statements:

- International Financial Reporting Standards,

- International Accounting Standards,

- Interpretations developed by the IFRS Interpretations Committee (IFRIC) or by the previously existing Standing Interpretations Committee (SIC).

1. BACKGROUND INFORMATION



1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

This Condensed Financial Statement of the Company has been drawn up in compliance with the International Accounting Standard No. 34.

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

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

This Financial Statement has been approved for publication by the Management Board on 14 November 2019.

Going Concern

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

Pricing at fair value

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

Conversion of position into foreign currencies

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

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

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

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

a) Modification of Accounting Principles – application of IFRS standards for the first time

The condensed financial statements have been prepared following the historical cost principle.

Pursuant to the Instruction in the Art. 45 Section 1b of the Accounting Act: "The financial statements of entities that are members of a group, where parent company draws up consolidated financial statements pursuant to the IAS standard, may be drawn up pursuant to the IAS standard.

Effective from 1 January 2018 the Company formally and legally began to apply the International Financial Reporting Standards approved by the European Union (EU IFRS) for the preparation of separate financial statements. The decision on drawing up separate financial statements pursuant to EU IFRS standard was taken by the approving authority - the Minutes of the Extraordinary General Meeting of Shareholders of 16 January 2019.

These condensed financial statements have been drawn up pursuant to the following documents effective in the EU at the date of drawing up the financial statements:

- International Financial Reporting Standards,

- International Accounting Standards,

- Interpretations developed by the IFRS Interpretations Committee (IFRIC) or by the previously existing Standing Interpretations Committee (SIC).

While drawing up these condensed financial statements, mandatory exemptions were applied and some exemptions from full retrospective application of IFRS were used.

Except for the presentation adjustments described below, the implementation of IFRS standards did not have a material impact on the Company's performance and equity in the comparative periods.

Comparative data in the balance sheet was presented pursuant to IAS. The impact of the implementation of IFRS standards as of 31 December 2018 was presented in the Company's 2018 financial statements.

No significant impact of IFRS implementation on the Profit and Loss Account and Cash Flow Statement for in the period ended 31 December 2017 was found.

1.3. NEW STANDARDS

Standards and interpretations published and approved by the European Union, but which have not yet come into force and have not been applied by the Company before

Below are described those amendments to IFRS which were published in the form of European Commission regulations and thus were approved for application in the European Union, but have not yet come into force and at the same time the Company did not decide to apply them earlier.

a) New IFRS 16 "Leases"

The new standard regulating lease contracts (including hire and rent contracts) includes a new definition of lease.

Significant changes apply to the lessee: the standard requires recognition in the balance sheet, for each lease contract, the value of the "right to use an asset" and an analogous financial liability. The right to use the assets is then depreciated, while the liability is priced in the amortized cost. Simplifications are foreseen for short-term contracts (up to 12 months) and low-value assets.

The accounting approach to leases from the lessor's side is similar to the principles set forth in the previous IAS 17.

The changes apply to annual periods beginning on or after 1 January 2019. The Company will use the simplified approach if the standard is applied for the first time and the impact of this event will be recognised in the opening balance of retained earnings as of the date of the first application.

According to the calculations made by the Company, according to the calculations assuming the application of the lessee's Marginal Interest Rate (MRi), the total assets and liabilities of the Company went up by PLN 4.5 million as of 1 January 2019 and the total assets and liabilities of the Company went up by PLN 3.1 million as of 30 September 2019.

The Company will take advantage of the exemption under which it did not have to classify low value assets under lease. The threshold value was established for the Company at the level of PLN 15 000 for each new single asset. The Company also enjoys the exemption for short-term contracts, including extension options and the break-up probability.

1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union

IFRS in the shape endorsed by the European Union do not differ significantly now from regulations adopted by the International Accounting Standards Board (IASB), except for the cases discussed below, which as of the date of signing this Condensed Financial Statement have not been endorsed yet for application:

a) IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017.

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

As required by the International Accounting Standards Board (IASB), this standard will be effective for annual reporting periods beginning on or after 1 January 2021 but as of the date of drawing up this Condensed Financial statement, the standard was not yet endorsed by the European Union, so the actual effective date may still be subject to change.

The Management Board is currently analysing the effects of this standard on the Company's Condensed Financial Statement.

b) Annual Amendments to IFRS 2015 - 2017

In December 2017 the International Accounting Standards Board published the "Annual Amendments to IFRS 2015-2017", which modified 4 standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

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

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

c) IAS 19 Employee Benefits

On 7 February 2018 the International Accounting Standards Board published amendments to IAS 19 "Employee Benefits". The amendments to the standard specify the requirements related to the accounting treatment of modifications, limitations or settlements of the defined benefit plan.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

d) Amendments to the scope of references to IFRS Conceptual Assumptions

Amendments to the references to the IFRS Conceptual Assumptions were published by the International Accounting Standards Board on 29 March 2018.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

The Management Board is currently analysing the effects of these amendments for the Company's Condensed Financial Statement.

e) IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3 "Business Combinations", the definition of "business" was modified. The current definition has been narrowed down and is likely to result in more acquisitions being qualified as asset acquisitions.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

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

On 31 October 2018 the International Accounting Standards Board published amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which clarify the definition of materiality and enhance consistency between the standards. The amendments are not expected to have a significant impact on drawing up the financial statements.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

g) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its associates or joint ventures

On 11 September 2014 the International Accounting Standards Board published amendments to IFRS 10 "Consolidated Financial Statements", IAS 28 "Investments in Associates and Joint Ventures". The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28.

Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

Where a non-monetary asset is a 'business', the investor will show a full gain or loss from the transaction. If the assets do not meet the business definition criteria, the investor recognises a gain or loss excluding the portion that represents the interest of other investors.

The effective date of the amended standards was not set by the International Accounting Standards Board. The endorsements of these amendments has been postponed by the European Union.

In the opinion of the Management Board, the above changes may have a potentially material impact on future transactions entered into by the Company.

h) IFRS 14 "Regulatory Deferral Accounts"

On 30 January 2014 the International Accounting Standards Board published IFRS 14 "Regulatory Deferral Accounts". This standard allows entities that drawn up financial statements for the first time (on or after 1 January 2016) pursuant to IFRS to recognize amounts resulting from operations with regulated prices, in compliance with the previously applied accounting principles. To enhance comparability with entities that already apply IFRS and do not post such amounts, under published IFRS 14 amounts resulting from operations with regulated prices should be presented separately in both the statement of financial position, in the profit and loss account and the statement of other comprehensive income.

By virtue of the European Union's decision, IFRS 14 will not be endorsed and thus will not affect the condensed separate financial statement.

There are no other IFRS standards or IFRIC interpretations that are not yet effective and which might have a material impact on the Company, as expected.

In this Condensed Financial Statement, the Group applied the following provisions of IFRS 9 and IFRS 15 that came into force.

2. BULDING CONTRACTS



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

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

On the other side, the pricing results (i.e. the determination of revenues and costs using the progress rate method) are recognized as "Receivables (or liabilities) under building contracts - pricing".

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

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 6.3) The Group retains a portion of payments to subcontractors in relation to the performance bond, and recognizes it the line "Building contract liabilities - bid bonds". The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.1.

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position - see Note 4.3.

2. BULDING CONTRACTS

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

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

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

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

The accounting policies in the area of revenues have been described in detail in the 2018 financial statements.

2. BULDING CONTRACTS

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

	30 Sept. 2019	31 Dec. 2018
Revenues under building contracts, YTD	2 654 039	1 847 616
Invoiced receivables from customers, YTD	2 673 762	1 867 895
Balance of payments under building contracts - revenues	**(19 723)**	**(20 279)**
including:		
(1) Receivables for completed, non-invoiced construction works	44 259	28 063
Write-off for contract pricing	-	(332)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	44 259	27 731
(2) Payables for non-completed, invoiced construction works - liabilities under contracts - liabilities under building contracts	63 982	48 010
Costs related to building contracts, YTD	2 473 598	1 701 220
Losses on YTD basis	-	575
Costs invoiced by the customers, YTD	2 547 119	1 755 685
Balance of payments under building contracts - expenses	**73 521**	**54 465**
including:		
(3) Receivables for non-completed, invoiced construction works	101 818	85 273
(4) Liabilities for completed, non-invoiced construction works	28 297	30 808
	-	-
Balance of payments under building contracts	**53 798**	**34 186**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	146 077	113 336
Liabilities under building contracts - pricing [(2)+(4)]	92 279	78 818

Information about material events that occurred within six months of 2019 and after the balance sheet date.

On 11 January 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

The Issuer acts in the Contract as a Partner of Consortium established with PBDI S.A. with its registered office in City of Toruń (Consortium Leader) - a 90% subsidiary of the Issuer, and Electrum Sp. z o.o. with its registered office in the City of Białystok (Consortium Partner).

1. Contract Date: 10 January 2019

2. Investor: Windfarm Polska II Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Koszalin, at ul. Wojska Polskiego 24-26 75-712 Koszalin;

3. Total net contract value: PLN 41 350 000.00 The net value of the scope performed by Electrum Sp. z o.o. totals PLN 11 850 400.00;

4. Works under contract: design, works performance, equipment, supply, construction, testing and commissioning of construction and electrical infrastructure for the project involving the construction of a wind at a locality of Barwice, Poland, consisting of 14 wind turbines, 1 electrical substation and connection to the 110 kV transmission grid;

5. Contract execution date: by 29 February 2020;

On 4 February 2019 an annex to the construction works contract of 12 June 2018 concerning the development of a detailed design, construction and commissioning of the Potęgowo - East wind farm with a capacity of PLN 101.25 MW was concluded by the Consortium of PBDI S.A. companies with its registered office in the City of Toruń (the Issuer's Subsidiary), the Issuer, Electrum sp. z o.o. with its registered office in the City of Białystok.

The annex implemented the following changes:

1. Remuneration was increased up to PLN 128 701 845 net including the value of works performed by Electrum Sp. z o.o. PLN 43 276 000.20 net The original contract value totalled PLN 122 981 846.12. The contract value was changed due to an increase of a remuneration for the execution of Phase 2 of construction.

2. The conditional nature of the contract remains unchanged.

On 17 April 2019 ERBUD S.A. signed a contract with a subsidiary of Vantage Development S.A. - spółka VD spółka z ograniczoną odpowiedzialnością Mieszkania XVIII sp.k. (Employer). It was a general contracting agreement executed as part of the general contracting process for the execution of the Legnicka 33 development project in the City Wrocław (the Investment Project).

The value of contract amounts to PLN 67.2 M, net.

Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot at Legnicka 33 along with internal and external technical infrastructure, land development and buried infrastructure, including small architecture and greenery, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment by the Employer. The Investment Project will involve 239 apartments and 11 service units. The occupancy permit is expected to be granted within 82 weeks from the date of delivery of the works commencement order.

2. BULDING CONTRACTS

On 26 April 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

Contract for construction works concerning reconstruction and expansion of the indoor municipal swimming pool located at the Sports and Leisure Centre OSiR Stargard Sp. z o.o. in the City of Stargard.

THE INVESTOR: Sports and Leisure Centre OSiR Stargard Spółką z ograniczoną odpowiedzialnością with its registered office in the City of Stargard at ul. Szczecińska No. 35 73-110 Stargard

EXECUTION TIMEFRAME: from 6 May 2019 to 26 October 2020.

SCOPE OF WORKS: execution of demolition works, construction works together with installation works, land development and accompanying technical infrastructure, execution of swimming pool basins, supply of equipment, along with facility maintenance for 1 year.

CONTRACT VALUE: PLN 31 620 658 82 M, net

EXECUTION SITE: Stargard, at ul. Szczecińska 35

On 6 May 2019 a contract was signed to perform building shell: UNT UpperNord Tower with hotel, residential part, office part, catering part and underground car park facility under the following conditions:

1. Subject of the contract: construction of the UNT UpperNord Tower with a hotel and underground car park facility, at Mercedesstraße 2/2a, 40470 Düsseldorf

2. The contracting parties:

a) Customer: UpperNord Tower GmbH & Co. KG, Wilmersdorfer Str. 39 10627 Berlin

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf

3. Contract value: EUR 23 980 000.00 net (converted at the average exchange rate of the National Bank of Poland as of 6 May 2019): PLN 102 747 106.00) + applicable VAT tax, gross, EUR 28 536 200.00 (calculated at the average exchange rate of the National Bank of Poland as of 6 May 2019: PLN 122.269.056 14

4. Execution timeframe: 1 July 2019 – 20 Sept. 2021

On 13 May 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor: DEVELOPMENT PARK III - ECHO PROJECT - 112 SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ -SPÓŁKA KOMANDYTOWA, 25-323 Kielce, Al. Solidarności 36 , Tax ID (NIP) No.: 6572904450 REGON Statistical No.: 26056624300000

2. The contract value equals to PLN 33 350 000.00 million, net

3. Subject of the contract: General Contractor for the whole facility - Guesthouse building - Warsaw ul. Suwak 13

4. Contract execution site at: ul. Suwak 13 (former Woronicza 37), Warsaw

5. Execution timeframe: Start Date - 13 May 2019 End Date - 4 December 2020

2. BULDING CONTRACTS

On 15 May 2019 the Issuer's subsidiary GWI GMbH signed two contracts for various construction activities with PflegeQuartier Düren GmbH for the same project: construction of the Neue Jülicher Straße 52 52353 Düren senior citizens' complex. In PflegeQuartier Düren GmbH company, GWI GmbH holds 51% shareholding.

The contracts were signed under the following terms and conditions:

Construction 1

1. Subject of the contract: Building shell works - construction of the Neue Jülicher Straße senior citizens' complex 52 52353 Düren
2. Contract Date: 15 May 2019
3. The contracting parties:

a) Customer: PflegeQuartier Düren GmbH, Hansaallee 247 b, 40549 Düsseldorf

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf;

4. Contract value: EUR 6 706 499.68 net
5. Execution period: 16 May 2019 – 31 December 2019.

On 23 May 2019 PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Work Agreement under terms and conditions specified below:

1. Contract Date: 23 May 2019
2. Investor (exact name and registered office): Windfarm Gaworzyce Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Warsaw, at ul. Wybrzeże Kościuszkowskie 41 in the City of Warsaw, postal code 00-347;
3. Total contract value, net: PLN 24 764 741.62 net
4. Subject of the contract: Construction works concerning the Żukowice wind farm;
5. Contract execution date: by 30 June 2020.

On 30 May 2019 the Issuer's Subsidiary - Erbud Operations Sp. z o.o. signed a substantive construction contract under terms and conditions specified below:

1. Date of entering into annexes to the Contract: 30 May 2019
2. Investor: "Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie Sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), 31-826 Kraków os. Złotej Jesieni 1
3. Contract value: PLN 41 807 700.00 gross "(PLN 33 990 000.00 net)
4. Subject of the contract "Execution of thermal modernisation works of the main building of the Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), (constructed using ""Design & Build"" formula)
5. Contract execution site: Kraków
6. Execution timeframe: 30 months.

2. BULDING CONTRACTS

On 6 June 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

1. Investor "Independent Public Teaching Hospital No. 4 in Lublin, ul. "ul. Dr K. Jaczewskiego 8, 20-954 Lublin,"
2. Contract value: PLN 45 414 060.00 gross, PLN 36 922 000.00 net
3. Subject of the contract "Name of order: "Thermal modernisation of the Main Hospital Building and the Polyclinic Building in order to improve energy efficiency of the Independent Public Hospital Clinic No. 4 in Lublin".

The scope of work includes: modernisation of the heating system, insulation of flat roofs and roofs, modernisation of the hot water preparation system, modernisation of the lighting system, insulation of all external walls, external ceilings, replacement of parts of windows and doors, land development components. A photovoltaic system will be installed under this project.

4. Contract execution site: "ul. Dr. K. Jaczewskiego 8 20-954 Lublin,"
5. Contract execution date: until 6 September 2021.

On 17 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT concerning the project involving the execution of

a complex of two multi-family residential buildings with service premises on the ground floor, with an underground car park facility and the necessary technical infrastructure at ul. Milczańska in the City of Poznań.

INWESTOR Bouygues Immobilier Polska Sp. z o.o.

Al. Armii Ludowej 14

00 - 638 Warsaw

EXECUTION TIMEFRAME: 19 July 2019 - 21 July 2021

SCOPE OF WORKS: comprehensive execution of civil works, installation works, land development with accompanying technical infrastructure.

CONTRACT VALUE: PLN 83 143 824.84 net - lump sum payment

EXECUTION SITE: the City of Poznań, at ul. Milczańska

2. BULDING CONTRACTS

On 24 July 2019 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT" concerning a public procurement contract carried out in the form of an open tender for: construction of a Maritime Scientific Centre named after Prof. Jerzy Stelmach in the City of Szczecin"

INVESTOR: Maritime Scientific Center named after Prof. Jerzy Stelmach in the City of Szczecin

EXECUTION DATE: 20 months from the Contract Date

CUBIC CAPACITY (in m³) 49 031.6 m^3

TOTAL FLOOR AREA (in m²): 10 711 7 m2; USEFUL FLOOR AREA: 6 949.1 m2

SCOPE OF WORKS: execution of civil and installation works, land development with accompanying technical infrastructure, supply of equipment, mechanical and process start-up.

CONTRACT VALUE: PLN 74 265 594.46 net - lump sum payment

EXECUTION SITE: Szczecin, Tadeusza Apolinarego Wendy 6, 71-899 Szczecin

On 25 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, at ul. Szopena 2, 35-055 Rzeszów
2. The contract value equals to PLN 29 180 251.69 NET
3. Subject of the contract: "Reconstruction, superstructure and extension of the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów together with building systems: water supply and sewage discharge, central heating, gas distribution, mechanical ventilation and air-conditioning, cooling, electrical, telecommunication and medical gases systems; demolition of a part of the Subcarpathian Pulmonary Disease Centre building - B segment; extension, alteration of the medical gases building together with building systems: wiring, ICT and medical gases, central heating, mechanical ventilation systems; construction of transformer station and power generating unit; construction equipment: parking places, roads, pedestrian access roads, retaining wall, oxygen tank, air intake; outdoor ground systems: water supply, central heating, central hot water, process heat, gas distribution, sanitary sewerage system, central heating, medical gases, rainwater drainage system, electrical LV, alteration of electrical systems, outdoor lighting of the area and cable ducts; connections and networks: alteration of the sanitary sewage system, MV electrical connection, alteration of ICT networks" located on the plots of land Nos. 69/19 69/17 69/14 69/20 69/21 precinct 207 in the City Rzeszów at ul. Rycerska 2 – PHASE 1"
4. Contract execution site: "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów, ul. Rycerska 2 35-241 Rzeszów
5. Execution timeframe from 25 July 2019 to 25 March 2021.

On 30 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) Lake Hill Sp. z o.o. Al. Jana Pawła II 12, 00-124 Krakow
2. The contract value equals to PLN 26 408 721.00
3. Subject of the contract: construction of Lake Hill II investment project including HOTEL BUILDINGS C & D together with land development at the locality of Sosnówka
4. Contract execution site: Sosnówka, the Podgórzyn Municipality
5. Execution timeframe: July 2019 - December 2020

On 23 May 2019 PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Work Agreement under terms and conditions specified below:

1. Investor: Lichnowy Windfarm Spółka z ograniczoną odpowiedzialnością with its registered office at ul. Żupnicza 11, Warsaw 03-821
2. Net contract value: PLN 22 980 431.77 net
3. Subject of the contract: Construction works concerning the Lichnowy wind farm;
4. End date of Contract execution: 1 June 2020

On 14 August 2019 PBDI S.A. of Toruń (90% subsidiary of the Issuer) signed 4 follow-up contracts for the construction of Photovoltaic Power Plants with Special Purpose Vehicles (SPVs) of the R. Power Group with its registered office in Warsaw at ul. Puławska 2:

1. Investor: PV SUN-G Sp. z o.o. with its registered office at ul. Puławska 2, Warsaw, 02-566

Total net contract value: PLN 1.325.000 00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Dąbrówka Królewska, the Gruta Municipality

2. Investor: Elektrownia PV 3 Sp. z o.o. with its registered office at ul. Puławska 2, Warsaw 02-566

Total net contract value: PLN 1.295.000 00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Kamienica, the Paczków Municipality

3. Investor: Elektrownia PV 4 Sp. z o.o. with its registered office at ul. Puławska 2, Warsaw 02-566

Total net contract value: PLN 1.373.989 00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Dąbrówka Wyłazy II, the Skórzec Municipality

4. Investor: Elektrownia PV Łaszczewiec Sp. z o.o. with its registered office at ul. Puławska 2 in Warsaw, 02-566

Total net contract value: PLN 1.354.791 00

Subject of the Contract: Construction of the Photovoltaic Power Plant in the locality of Bukowina Bobrzańska, the Żagań Muncipality

Given the above the total value of contracts signed with the special purpose vehicles of the R. Power Group in the last 12 months amounts to PLN 24 704 855.00.

Commercial terms applicable to all contracts concluded:

1. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 20 days from the invoice receipt date;

2. Execution timeframe: The execution of a single contract does not exceed 7 months on average. The last contract is scheduled for completion on 31 March 2020.

2. BULDING CONTRACTS

On 30 August 2019 the Issuer was informed about the sale of the development project "Retirement Home in Düren" by Pflegequartier Düren GmbH, with its registered office in 40549 Düsseldorf - a 51% subsidiary of GWI GmbH (a subsidiary of ERBUD S.A.) under the following terms and conditions:

1. Seller: Pflegequartier Düren GmbH with registered office at: 40549 Düsseldorf, Hansaallee 247b (51% shareholding in the company is held by GWI GmbH)
2. Buyer: Corpus Sireo Health Care IV SICAV-FIS, 4a, rue Albert Borschette, L - 1246 Luxemburg
3. Subject of the Contract: Retirement Home - A (retirement home), B (39 apartments with care) and C (day care, 2 nursing groups and 8 apartments with care), Neue Jülicher Straße, 52353 Düren
4. Price: EUR 26 100 000.00 (PLN 114 432 840.00 at the average exchange rate of the National Bank of Poland as of 30 August 2019). - – 4 3844)
5. The final financial settlement will take place once the facility has been constructed and acquired by the Buyer, i.e. 2020.

On 23 September 2019 ERBUD S.A. signed a contract for the execution of the following investment project: Execution of the investment project titled: "Setting up of the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Professor Zbigniew Religa" following the „design and build" procedure following terms and conditions presented below.:

1. Investor: Silesian Centre for Heart Diseases in the City of Zabrze, ul. Marii Curie – Skłodowskiej 9 , 41-800 Zabrze
2. Contract value: PLN 107.659 024.39, net; PLN 132 056 100.00, gross
3. Execution of the investment project titled: "Setting up of the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Professor Zbigniew Religa" following the "design and build" procedure
4. Contract execution site at: The City of Zabrze
5. Execution date: 35 months from Contract Date

On 24 October 2019 Erbud S.A. signed a Contract for construction works under terms and conditions specified below:

1. Investor: "AN3 Spółka z ograniczoną odpowiedzialnością (AN3 Ltd.), with registered office at ul. Prosta 68, 00-838 Warszawa
2. Total net contract value: PLN 115 045 000

   Subproject 1: PLN 44 544 500

   Subproject 2: PLN 70 500 500
3. Subject of the Contract "Construction of one multi-storey residential building with an underground car park facility underneath ("Subproject 1") and construction of three multi-storey buildings with one underground car park facility underneath ("Subproject 2")".
4. Contract execution site: Kraków, ul. Rakowicka
5. Execution timeframe "Subproject 1: from 24 October 2019 to 31 October 2021

Subproject 2: 26 months from the ultimate receipt of building permit"

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

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

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

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

Reserve capitals are created from retained earnings for the purposes indicated in the Articles of Association.

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

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

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

Share capital

As at 30 September 2019 the share capital consisted of 12 811 859 shares with the total value of PLN 1 281 thousand. The table below shows all shareholders holding more than 5% shareholding and Management Board members who are shareholders, and entities controlled by them.

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	4 152 865	32.41%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2 136 260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1 200 000	9.37%
AVIVA Open-End Pension Fund Aviva Santander	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%
PKO BP Bank Open-Ended Pension Fund	715 279	5.58%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz	412 087	3.22%
Józef Zubelewicz	259 500	2.03%
Agnieszka Głowacka	4 077	0.03%
Other shareholders	1 974 745	15.42%
Total	**12 811 859**	**100%**

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-à-vis Erbud S.A., and in particular do not grant the right to appoint members of Erbud's Management or Supervisory Boards.

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

3.2. CREDIT AND LOAN LIABILITIES



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

	30 Sept. 2019	31 Dec. 2018
Long-term		
Bank loans	4 074	-
Short-term		
Overdraft facilities	18 246	-
Loans	4 192	4 201
	22 438	4 201
Total credit and loan liabilities	**26 512**	**4 201**

3. CAPITAL MANAGEMENT AND DEBT

3.3. DEBT RELATED TO ISSUED BONDS

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

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

Issue date	Type of issued bonds	Currency (specify whether functional or foreign currency)	Interest rate	Maturity date	Purpose of financing	Par value of shares		
							30 Sept. 2019	31 Dec. 2018
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 3% margin	27 September 2021	financing of an increased working capital requirement	1	52 000	52 000
			Total short and long-term liabilities			1	**52 000**	**52 000**
			Liabilities due to accrued interest disclosed under "Trade liabilities and other liabilities".			-	-	-

3.4. LEASE LIABILITIES

Period		30 Sept. 2019 Nominal value of minimum payments	31 Dec. 2018 Nominal value of minimum payments
Below 1 year	Short-term	1 902	2 255
1 - 5 years	Long-term	6 767	3 735
		8 669	**5 990**
Lease financial costs		79	274
Present value of minimum payments		**8 590**	**5 716**

In the line "Long-Term Liabilities" , the Company recognized liabilities under lease and tenancy agreements in accordance with IFRS 16 "Leases" totalling PLN 3 084 thousand.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ACCOUNTING SEGMENTS

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

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

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

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

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

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

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Basic information on segments in the accounting periods 01.2019 - 09.2019 and 01.2018 - 09.2018

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

	For a 9-month-period, ended on 30 September 2019			For a 9-month-period ended on 30 September 2018		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers incl.	1 166 562	21 076	**1 187 638**	1 031 397	21 000	**1 052 397**
Accrued and deferred income	1 165 049	21 076	**1 186 125**	1 029 955	21 000	**1 050 955**
Income recognized at point in time	-	-	**-**	-	-	**-**
Other income recognized at point in time	1 513	-	**1 513**	1 442	-	**1 442**
Fixed assets other than financial instruments and deferred tax assets	22 856	-	**22 856**	113 686	-	**113 686**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Data concerning revenues and results as well as assets and liabilities in individual accounting segments are presented in the table below.

						For a 9-month-period, ended on 30 September 2019
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	Total continued activities
Total income						
Inter-segment sales	-	-	-	-	-	-
Sales to third party customers	1 143 770	21 076	-	22 792	-	**1 187 638**
Total sales revenues	**1 143 770**	**21 076**	**-**	**22 792**	**-**	**1 187 638**
Segments' results and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	1 100 308	19 198	-	22 653	-	**1 142 159**
Other operating profit/loss	(25 992)	(1 556)	-	(33)	(558)	**(28 139)**
Segment performance – EBIT	**17 470**	**322**	**-**	**106**	**(558)**	**17 340**
EBIT margin	2%	2%	0%	0%	0%	**1%**
Financial activity gains/losses	3 560	339	-	-	-	**3 899**
Gross profit/loss excluding discontinued activities	**21 030**	**661**	**-**	**106**	**(558)**	**21 239**
Income tax	3 255	-	-	-	-	**3 255**
Net profit/loss excluding discontinued activities	**17 775**	**661**	**-**	**106**	**(558)**	**17 984**
Amortization and depreciation	3 313	-	-	-	-	**3 313**
Segment performance – EBITDA	**20 783**	**322**	**-**	**106**	**(558)**	**20 653**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

						For a 9-month-period ended on 30 September 2018
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Other segments	Total continued activities
Total income						
Inter-segment sales	-	-	-	-	-	**-**
Sales to third party customers	1 031 054	21 000	-	331	12	**1 052 397**
Total sales revenues	**1 031 054**	**21 000**	**-**	**331**	**12**	**1 052 397**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group						
Cost of goods sold (COGS)	1 025 512	19 322	-	373	-	**1 045 207**
Other operating profit/loss	(31 092)	(1 253)	-	(88)	(6 008)	**(38 441)**
Segment performance – EBIT	**(25 550)**	**425**	**-**	**(130)**	**(5 996)**	**(31 251)**
EBIT margin	-2%	2%	0%	-39%	-49967%	**-3%**
Financial activity gains/losses	9 152	663	-	-	-	**9 815**
Gross profit/loss excluding discontinued activities	**(16 398)**	**1 088**	**-**	**(130)**	**(5 996)**	**(21 436)**
Income tax	(6 025)	-	-	-	-	**(6 025)**
Net profit/loss excluding discontinued activities	**(10 373)**	**1 088**	**-**	**(130)**	**(5 996)**	**(15 411)**
Amortization and depreciation	1 889	-	-	-	-	**1 889**
Segment performance – EBITDA	**(23 661)**	**425**	**-**	**(130)**	**(5 996)**	**(29 362)**

4.2. COST OF GOODS SOLD (COGS)

	For a 9-month-period, ended on 30 September 2019	For a 9-month-period ended on 30 September 2018	For a 3-month-period, ended on 30 September 2019	For a 3-month-period ended on 30 September 2018
Third party services	924 265	824 565	247 419	315 720
Material and energy consumption	192 788	172 800	49 244	58 020
Employee benefit expenses	69 894	66 251	23 281	20 421
Amortization and depreciation	3 313	1 889	183	185
Taxes and charges	2 940	2 707	1 078	721
Other cost categories	3 248	3 383	995	1 105
Value of products and materials sold	-	-	-	-
Total costs by type	**1 196 448**	**1 071 595**	**322 200**	**396 172**
Change in the balance of products, work in progress and accrued expenses under building contracts	(19 143)	9 733	(266)	32 548
General management and administration costs (negative value)	(35 146)	(36 121)	(11 034)	(10 479)
Manufacturing costs of products sold	**1 142 159**	**1 045 207**	**310 900**	**418 241**

4.3. TAXATION

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

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

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

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

The Companyrecognizes deferred tax asset based on the assumption that in the future profit will be generated for tax purposes that will allow to realise the asset.

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realisation of the deferred tax asset.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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

	For a 9-month-period, ended on 30 September 2019	For a 9-month-period ended on 30 September 2018
Gross profit /loss before tax on continued activities	**21 239**	**(21 436)**
Tax according to the statutory tax rate applicable in Poland - 19%	**4 035**	**(4 073)**
Adjustments of current income tax carried forward	-	-
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	(780)	(1 952)
Surplus of non-taxable income	-	-
Tax posted into Profit and Loss Account, of which:	**3 255**	**(6 025)**
Current tax	-	-
Deferred tax	3 255	(6 025)
Effective tax rate	**15.33%**	**28.11%**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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

			Impact on			Impact on		
		1 Jan. 2018	Net profit/loss	Other comprehensive income	31 Dec. 2018	Net profit/loss	Other comprehensive income	30 Sept. 2019
	Deferred tax assets							
	Receivables under building contracts - pricing	27 338	(5 710)	-	21 628	6 144	-	27 772
	Provisions	4 160	803	-	4 963	504	-	5 467
	Tax loss	798	8 260	-	9 058	(3 687)	-	5 371
	Margin on sales within the Group	-	-	-	-	-	-	-
	Accrued wages and salaries, and charges	-	42	-	42	(41)	-	1
Note 6.2.	Receivables revaluation write-downs	1 681	382	1 960	4 023	-	-	4 023
	Other financial liabilities	1 002	84	-	1 086	(40)	-	1 046
	Deferred expenses	2 267	(483)	-	1 784	(277)	-	1 507
	Other	215	(340)	-	(125)	244	-	119
	Total	**37 461**	**3 038**	**1 960**	**42 459**	**2 847**	**-**	**45 306**
	Deferred tax liabilities							
	Building contract liabilities - pricing	22 951	(1 348)	-	21 603	6 158	-	27 761
	Asset revaluation	-	11	153	164	(17)	-	147
	Financial expenses activated	-	-	-	-	-	-	-
	Balance sheet pricing and liabilities discount	104	36	-	140	81	-	221
	Accrued interest on debt	208	(163)	-	45	-	-	45
	Accrued revenues	-	-	-	-	-	-	-
	Other	413	102	(412)	103	(120)	-	(17)
	Total	**23 676**	**(1 362)**	**(260)**	**22 055**	**6 102**	**-**	**28 157**
	Offset assets and liabilities	13 785			20 404			17 149
	Post offset balance	**13 785**			**20 404**			**17 149**
	Assets	13 785			20 404			17 149
	Liabilities	-			-			-
	Net impact of changes in the period		**4 400**	**2 220**		**(3 255)**	**-**	

In the years ended on 30 September 2019 and 31 December 2018 there were no negative temporary differences on which no deferred tax assets were recognised.

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

Information about income tax receivables and liabilities figures is presented in Notes 6.2 and 6.3.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

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

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

Financial assets priced at amortized cost include primarily:

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

Financial liabilities priced at amortized cost comprise mainly:

	Building contract liabilities - bid bonds
Note 2.1.	Building contract liabilities - pricing
Note 6.3.	Trade payables and other liabilities

5.1.1. FINANCIAL ASSETS – LOANS EXTENDED

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

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

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

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

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

5.2.1 MARKET RISK – CURRENCY RISK

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

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

5.2.2 MARKET RISK – INTEREST RATE RISK

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

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

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

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

5.2.3 CREDIT RISK

Cash and cash equivalents

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

Trade receivables and receivables under construction contracts

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

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

Changes in the write-down of receivables are presented in the Note 6.2.

5.2.4 LIQUIDITY RISK

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

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

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

6. OTHER NOTES

6.1 FIXED ASSETS IMPAIRMENT

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

Tangible fixed assets impairment

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

Goodwill impairment

Goodwill is tested for impairment at least once a year. Potential impairment is recognized immediately as a decrease in goodwill and recognized in the Profit and Loss Account, additionally it is not subject to reversal in subsequent reporting periods.
To carry out possible impairment test, the goodwill is allocated to the cash generating units. In the event of a disposal of an operation within a cash-generating centre to which goodwill has been allocated, the goodwill associated with the disposal shall be included in the carrying amount of the operation when determining the gain or loss on disposal.

The Company did not identify any factors that could indicate grounds for impairment of fixed assets, therefore no impairment test was performed as of 30 September 2019.

6.2 TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

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

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

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there is any indication of impairment or not. For trade receivables which, on the basis of a portfolio analysis, were assessed as not impaired, the estimation of possible revaluation write-downs is based on the use of a write-down matrix based on historical data adjusted for the impact of future factors. For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-downs were set up depending on the assessment of their recoverability.
If the value of money in time is material, the value of receivables is determined through discounting projected future cash flows to the present value, using a gross discount rate reflecting current market-based appraisals of time value of money. If the discounting method has been applied, an increase of receivable value over time is posted as financial income.

6. OTHER NOTES

	30 Sept. 2019			31 Dec. 2018		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	315 246	24 902	290 344	331 829	24 215	307 614
Receivables from corporate income tax	5 915	-	5 915	5 232	-	5 232
Other receivables	21 106	1 210	19 896	11 864	1 210	10 654
Total	**342 267**	**26 112**	**316 155**	**348 925**	**25 425**	**323 500**

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

	For a 9-month-period, ended on 30 September 2019	For a 12-month-period, ended on 31 Dec. 2018
Opening balance of write-downs	**25 425**	**13 077**
Impact of IFRS 9 - opening balance	-	9 640
Setting up	1 497	4 425
Reversal	810	1 613
Utilisation	-	-
Other	-	(104)
FX gains and losses from translation	-	-
Closing balance of write-downs	**26 112**	**25 425**

6.3 TRADE PAYABLES AND OTHER LIABILITIES

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

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

The received advance payments refer mainly to payments from contractors for the performance of construction contracts and are recognized at the nominal value of the payment received.

Wage and salary payables are recognized at the value due for the work performed, calculated in accordance with the concluded contracts.

Tax liabilities (including tax on goods and services, corporate income tax, personal income tax) are recognized at the amount requiring payment by the Group in compliance with the effective and applicable legislation.

	30 Sept. 2019	31 Dec. 2018
Trade payables	**143 941**	**257 622**
including to related entities	11 846	11 178
Financial liabilities in relation to	**-**	**-**
dividends	-	-
Liabilities vis-à-vis budget in relation to:	**19 288**	**27 485**
VAT tax	15 535	23 924
corporate income tax	-	-
personal income tax	657	813
Social Insurance Institution	2 688	2 534
State Fund for the Rehabilitation of the Disabled	41	36
holiday accrual (Belgium tax)	280	126
Other	87	52
Other liabilities	**2 999**	**2 507**
wages & salaries	1 773	1 705
accruals	1	-
Other	1 225	802
Total	**166 228**	**287 614**

6.4 EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital for the period from 1 January to 30 September 2019 and for the period from 1 January to 30 September 2018.

	Change in balance of Cash Flow Statement in the period from Jan. 2019 to Sept. 2019	Change in balance of Cash Flow Statement in the period from Jan. 2018 to Sept. 2018
Change in provision balance	**1 723**	731
Change in provisions	**(57)**	233
Change of receivables balance	**6 863**	(84 324)
Change in balances of short-term liabilities, excl. credits and loans	**(122 234)**	54 939
Change in balance of prepayments and accruals	**(19 998)**	49 569
Change in balance of working capital	**(133 703)**	**21 148**

6.5 GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES

Interests and shares in subsidiaries and jointly controlled entities

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

Non-financial fixed assets impairment

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

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

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

As at each day ending the accounting period, the Company assesses whether there is any evidence that an impairment loss recognised in prior periods for a certain asset is unnecessary or should be reduced. If such evidence exists, the Company estimates the recoverable amount of the asset. Previously posted writedown is reversed only when from the moment of posting the last writedown the estimated values applied to determination of the recoverable value of a certain asset have changed. In such a case, the carrying amount of the asset is increased to its recoverable amount.

6. OTHER NOTES

Parent Company's share in equity (equal to the voting rights held)

#	Name of entity	Registered office	Scope of activities	30 Sept. 2019	31 Dec. 2018
	Shares held directly				
1	Erbud International Sp. z o.o.	The City of Toruń	Construction services	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	The City of Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	The City of Rzeszów	Construction services	**100.00%**	93.00%
4	Erbud Construction Sp. z o.o. *	The City of Toruń	Construction services	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	The City of Toruń	Engineering services	**100.00%**	100.00%
6	GWI GmbH	Düsseldorf, Germany	Construction services	**97.86%**	97.86%
7	Erbud Shared Services Sp. z o.o.	City of Warsaw	Support services	**100.00%**	100.00%
8	Erbud Holding GmbH	Düsseldorf, Germany	Management services	**100.00%**	100.00%
9	Hebud Sp. z o.o.	Minsk, Belorussia	Construction services	**100.00%**	100.00%
10	Toruńska Sportowa w likwidacji Sp. z o.o.*	The City of Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp. z o.o	City of Warsaw	Construction services	**50.00%**	100.00%

Shares of Parent Company held indirectly (corresponding to the voting rights held)

#	Name of entity	Registered office	Scope of activities	30 Sept. 2019	31 Dec. 2018
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services in the industrial segment	**100.00%**	100.00%
3	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
6	Efektywność Energetyczna dla Polski Sp. z o.o.	The City of Szczecin	Consulting services	**0.00%**	50.00%
7	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
8	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
10	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%

6.6 EVENTS THAT HAPPENED AFTER CLOSING OF ACCOUNTING PERIOD

Between the balance sheet date and the date of drawing up the financial statements, no events occurred that were not, but should have been, recognised in the accounts.

Signatures of all Management Board members:

Józef Zubelewicz /A Management Board member/	Dariusz Grzeszczak /A Management Board member/
Agnieszka Głowacka /A Management Board member/	Mariola Zielińska /A person responsible for book-keeping/

Warsaw, 14 November 2019