ERBUD CAPITAL GROUP

Condensed Consolidated Financial Statement for the accounting period ended on 30 September 2019

drawn up in compliance with the International Financial Reporting Standards



ERBUD

CONSOLIDATED STATEMENT OF RESULT

		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	1 789 044	1 624 564	590 322	664 802
Note 4.2.	Cost of products and services sold	1 688 125	1 572 595	552 003	622 848
	Gross profit/(loss) on sales	**100 919**	**51 969**	**38 319**	**41 954**
	Cost of sales	4 075	4 048	1 357	1 295
	General and administrative (G&A) costs	69 393	69 716	19 004	24 204
	Other operating income	15 590	3 182	5 441	1 339
	Other operating expenses	3 812	2 950	2 875	2 368
	(Loss)/Reversal of the value of financial assets and contract valuation assets	4 488	(5 550)	(2 004)	(2 120)
	Share in net profits/losses of equity-accounted subsidiaries	175	(31)	-	(8)
Note 4.1.	**Operating profit /(loss)**	**43 892**	**(27 144)**	**18 520**	**13 298**
	Financial revenues	1 796	5 932	912	(2 381)
	Financial expenses	8 042	7 859	2 796	3 288
	Gross profit /(loss) from continued operations	**37 646**	**(29 071)**	**16 636**	**7 629**
Note 4.3.	Income tax	9 313	(4 290)	4 451	2 498
	Net profit /(loss) from continued operations	**28 333**	**(24 781)**	**12 185**	**5 131**
	Net profit /(loss) for the accounting period	**28 333**	**(24 781)**	**12 185**	**5 131**
	Profit /(loss) generated in the accounting period appropriated to:				
	Shareholders of Parent Company	27 444	(23 611)	11 619	4 814
	Non-Controlling Stakeholders	889	(1 169)	567	317
	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)	2.21	(1.93)	0.95	0.40
	Net earnings per share from core activity (in PLN)	**2.21**	**(1.93)**	**0.95**	**0.40**
	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)	2.21	-1.93	0.95	0.40
	Diluted earnings per share (in PLN)	**2.21**	**(1.93)**	**0.95**	**0.40**
	ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF PROFIT, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS				
	Amortization and depreciation	14 095	10 317	3 709	3 081
Note 4.1.	**EBITDA**	57 987	(16 827)	22 229	16 379

CONSOLIDATED 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
Consolidated profit / (loss), net	**28 333**	**(24 781)**	**12 185**	**5 131**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	6	776	-	674)
Pricing of hedging instruments	811	(1 768)	1 315	381
Other comprehensive income (including tax effect) subject to reclassification into profit	**817**	**(992)**	**1 315**	**(293)**
Comprehensive income in the accounting period	**(29 150**	**(25 773)**	**13 500**	**4 838**
Appropriated to:				
Shareholders of Parent Company	28 271	(24 403)	12 935	4 803
Non-Controlling Stakeholders	879	(1 370)	565	35
Comprehensive income attributable to the Shareholders of Parent Company due to:				
Going concern operations	28 271	(24 402)	12 935	4 803
	28 271	**(24 402)**	**12 935**	**4 803**

Statement of Changes in Equity of the Shareholders of the Parent Company

For a 6-month-period ended on 30 September 2018 and for a 6-month-period ended on 30 September 2019

	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income: Foreign exchange gains/losses resulting from conversion of foreign unit	Accumulated other comprehensive income: Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Equity
Posting of a revaluation entry pursuant to IFRS 9 as of 1 January 2018	**-**	**-**	**-**	**-**	**-**	**(9 528)**	**(9 528)**	**-**	**(9 528)**
As of 1 Jan. 2018	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**47 654**	**275 857**	**9 999**	**285 856**
Net result in the accounting period	-	-	-	-	-	(23 612)	**(23 612)**	(1 169)	**(24 781)**
Comprehensive income in the accounting period	-	-	-	962	(1 768)	15	**(791)**	(201)	**(992)**
Other comprehensive income	**-**	**-**	**-**	**962**	**(1 768)**	**(23 597)**	**(24 403)**	**(1 370)**	**(25 773)**
Dividend	-	(1 554)	-	-	-	(12 539)	**(14 093)**	(958)	**(15 051)**
Other	-	-	-	-	-	-	**-**	44	**44**
As of 30 Sept. 2018	**1 281**	**211 643**	**11 103**	**1 822**	**(6)**	**1 990**	**227 833**	**7 715**	**235 548**
As of 1 Jan. 2019	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**
Net result in the accounting period	-	-	-	-	-	27 444	**27 444**	889	**28 333**
Comprehensive income in the accounting period	-	-	-	821	6	-	**827**	(10)	**817**
Other comprehensive income	**-**	**-**	**-**	**821**	**6**	**27 444**	**28 271**	**879**	**29 150**
Dividend	-	-	-	-	-	-	**-**	(623)	**(623)**
Buyback of shares in subsidiaries	-	-	285	-	-	-	**285**	(385)	**(100)**
Other	-	-	-	-	-	24	**24**	-	**24**
As of 30 Sept. 2019	**1 281**	**211 931**	**11 388**	**2 843**	**-**	**34 311**	**261 754**	**7 608**	**269 362**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 Sept. 2019	31 Dec. 2018
	ASSETS	**1 143 212**	**1 098 400**
	Goodwill	39 744	39 462
	Tangible fixed assets	99 950	72 498
Note 5.1.	Financial assets	2 605	5 750
Note 4.3.	Deferred tax assets	32 308	30 410
	Receivables under building contracts - bid bonds	8 723	9 535
	Fixed assets	**183 330**	**157 655**
	Inventory	81 377	20 100
	Receivables under building contracts - bid bonds	53 520	53 362
Note 2.1.	Receivables under building contracts - pricing	203 398	176 425
Note 6.4.	Trade receivables and other receivables	488 836	463 660
Note 5.1.	Financial assets	3 420	7 493
	Cash and cash equivalents	121 627	206 608
	Cash at VAT account	1 328	7 249
	Short-term prepayments	6 376	5 848
	Current assets	**959 882**	**940 745**
	LIABILITIES	**1 143 212**	**1 098 400**
Note 3.1.	Share capital	1 281	1 281
	Share premium	211 931	211 931
	Reserve capital	11 388	11 103
	Accumulated other comprehensive income	2 843	2 016
	Retained earnings	34 311	6 843
	Equity of shareholders of the Parent Company	261 754	233 174
	Equity of non-controlling stakeholders	7 608	7 737
	Equity	**269 362**	**240 911**
Notes 3.2.-3.4	Interest debt	99 012	82 179
	Provisions	19 353	17 658
Note 4.3.	Deferred tax liabilities	2 383	2 697
	Building contract liabilities - bid bonds	20 399	10 405
	Long-term liabilities	**141 147**	**112 939**
Note 3.2.-3.4	Interest debt	81 875	45 976
	Provisions	44 708	40 690
	Building contract liabilities - bid bonds	114 460	108 097
Note 2.1.	Building contract liabilities - pricing	163 489	116 313
Note 6.3.	Trade payables and other liabilities	311 260	404 984
	Prepaid deliveries	16 911	28 490
	Short-term liabilities	**732 703**	**744 550**

CONSOLIDATED 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	37 646	(29 071)	16 636	7 629
	Amortization and depreciation	14 095	10 317	3 709	3 079
	Foreign exchange gains/losses	(886)	582	(19)	598
	Interest and share in profits (dividend)	3 117	302	1 069	953
	Other non-cash adjustments	(1 576)	(810)	(1 531)	(478)
	Income tax paid	(6 615)	(7 530)	(2 867)	(4 021)
Note 6.4.	Change in balance of working capital	(147 962)	(43 837)	5 691	41 135
	Operational cash flows, net	**(102 181)**	**(70 047)**	**22 688**	**48 895**
	INVESTMENT ACTIVITY CASH FLOWS				
	Proceeds from the sales of interest in a subsidiary	3	-	-	-
	Inflows from credits/loans extended	7 459	4 131	-	-
	Other inflows	2 478	5 714	1 740	2 330
	Expenditures on the acquisition of tangible fixed assets	(10 375)	(5 055)	(2 822)	(1 390)
	Loans extended expense	-	(4 503)	-	-
	Expenditures on the acquisition of shares in companies	(106)	(60)	-	-
	Expenditures on the acquisition of subsidiaries less cash acquired	-	(24 158)	-	-
	Other	(202)	(103)	(202)	-
	Investment activity cash flows, net	**(743)**	**(24 034)**	**(1 284)**	**940**
	FINANCIAL ACTIVITY CASH FLOWS				
	Income from credits and loans taken	52 543	88 579	-	-
	Other inflows	175	1 116	175	-
	Debt (principal) repayment expense	(30 922)	(71 682)	(8 686)	(48 074)
	Debt (interest) repayment expense	(3 237)	(4 081)	(1 085)	(1 710)
	Dividend payment	(615)	(15 297)	(12)	(1 204)
	Other expenses	-	(4 863)	-	(913)
	Financial activity cash flows, net	**17 944**	**(6 228)**	**(9 608)**	**(51 901)**
	NET CASH FLOWS	**(84 980)**	**(100 309)**	**11 796**	**(2 066)**
	Opening cash balance	**206 608**	**190 170**	**109 830**	**91 922**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-	-	-
	Closing cash balance, of which:	**121 627**	**89 857**	**121 627**	**89 857**
	- restricted cash	14 985	14 837	14 985	14 837

BASIC DATA CONVERTED INTO EURO

	30 Sept. 2019		31 Dec. 2018	
	PLN	EUR	PLN	EUR
Fixed assets	183 330	41 917	157 655	36 664
Current assets	959 882	219 472	940 745	218 778
Equity	269 362	61 588	240 911	56 026
Liabilities and provisions for liabilities	873 850	199 801	857 489	199 416

	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	(102 181)	(23 716)	(70 047)	(16 468)
Investment activity cash flows, net	(743)	(172)	(24 034)	(5 650)
Financial activity cash flows, net	17 944	4 165	(6 228)	(1 464)
Net cash flows	(84 980)	(19 723)	(100 309)	(23 583)
Opening cash balance	206 608	48 048	190 170	45 594
Closing cash balance	121 627	27 809	89 857	21 037

	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	1 789 044	415 226	1 624 564	381 936
Cost of products and services sold	1 688 125	391 804	1 572 595	369 718
Gross profit/(loss) on sales	100 919	23 423	51 969	12 218
Operating profit /(loss)	43 892	10 187	(27 144)	(6 382)
Gross profit /(loss) from continued operations	37 646	8 737	(29 071)	(6 835)
Net profit /(loss) from continued operations	28 333	6 576	(24 781)	(5 826)

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

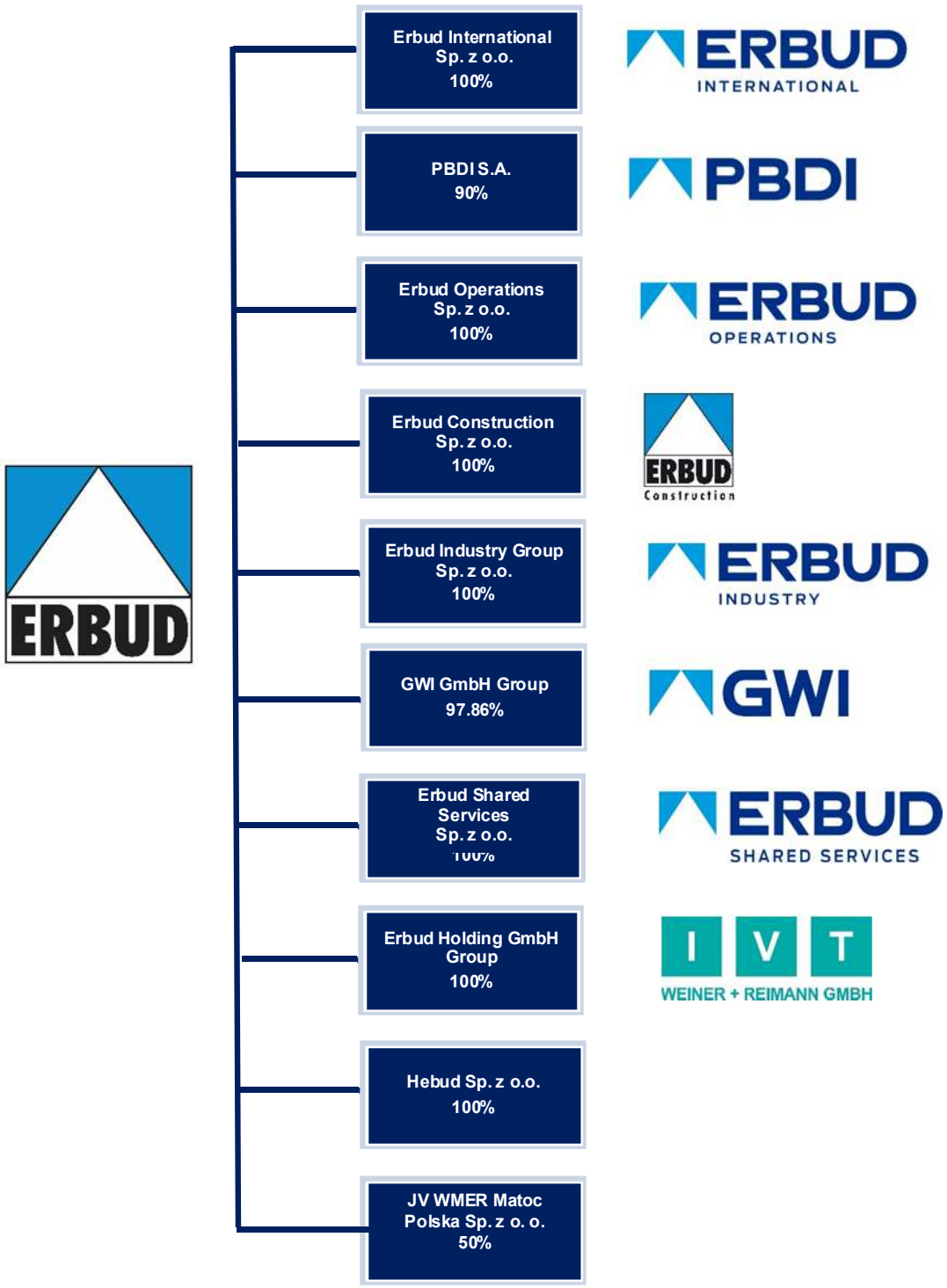
The Parent Company of Erbud S.A Capital Group ("Group") is Erbud S.A. ("Parent Company"), with its registered office in the City of Warsaw, at ul. Franciszka Klimczaka nr 1.

The Parent Company was entered into the National Court Register on 29 November 2006 under entry No. KRS 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). The Parent Company has been listed on the Warsaw Stock Exchange since 2007 and has been incorporated into the construction companies index "WIG Budownictwo".

The scope of the Group's activities comprises broadly understood construction and erection services performed on general contractor basis in Poland and in foreign countries. In addition, Erbud S.A. plays the role of a management, advisory and financial centre within the Group. The Group operates in the Polish market and in the markets of other European Union countries.

The duration of the Parent Company and the Group member companies is indefinite.

1. BACKGROUND INFORMATION



Detailed organisational structure of the Group is presented in the Note 6.5.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

This Condensed Consolidated Financial Statements has been drawn up in compliance with the International Accounting Standard No. 34.

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

This Condensed Interim Consolidated Financial Statement was drawn up as of and for the period of nine months ended on 30 September 2019 whereas comparable data dates back to 31 December 2018 and for a period of nine months ended on 30 September 2018.

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

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

Going Concern

This Interim Condensed Consolidated Financial Statement has been drawn up following going concern principle applicable to all Group member companies 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 Group member companies' operations following a going concern principle.

Pricing at fair value

The measure of fair value of an asset or liability the Group 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 Group 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 Parent Company and the currency used for the presentation of the Condensed Consolidated 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.

At the balancing date assets and liabilities of foreign branches are converted into the presentation currency of the Group as follows:

- assets and liabilities are translated at the closing rate applicable at the balance sheet date,
- the revenues and costs are converted using average rate (unless the conversion at average rate would deviate substantially from the values obtained using the exchange rate prevailing at the transaction date).

Foreign exchange gains resulting from the conversion of foreign units are recognized in equity as other total income on accrual basis - foreign exchange gains on the translation of foreign units. At the moment of disposal of a foreign entity, the accumulated differed foreign exchange gains included in the equity, concerned with a certain foreign entity, are posted into profit and loss account.

1.3. NEW STANDARDS

In this Condensed Consolidated Financial Statement, the Group applied the following provisions of IFRS 9 and IFRS 15 that came into force. The impact of changes is described below.

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 used the simplified approach when applied the standard for the first time.

According to the calculations made by the Group, according to the calculations assuming the application of the lessee's Marginal Interest Rate (MRi), the total assets and liabilities of the Company rose by PLN 23.0 million as of 1 January 2019 , and by PLN 19.7 million as of 30 September 2019. The Company took advantage of the exemption under which it did not have to classify low value assets under lease. The threshold value was established for the Group at the level of PLN 15 000 for each new single asset. The Group 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.

1. BACKGROUND INFORMATION

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. BUILDING CONTRACTS

The Group 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 costs related to the building contracts are recognized by the Group in adherence to contract execution progress rate method. To determine contract execution progress rate, the Group applies the percentage of work progress method, i.e. determines the value of revenues and costs for executed building contracts in the period from the contract date to the balancing date proportionally to the progress rate determined by the measurement of the work performed. 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.

If it is not possible to estimate in a reliable manner the financial result of the building contract (it is not feasible to determine the progress rate of the non-completed service in a reliable manner at the balancing date), then the revenues are recognised only and exclusively up to the level of costs borne, whose recovery is probable, whereas contractual costs are carried as the costs of the period in which costs were borne.

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 Group recognizes invoiced revenue in the line "Trade and other receivables" (Note 6.2) The Contractors under building contracts signed with the Group retain part of the payments as performance bond in relation to the contracts. 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 Group 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 performance bond, and recognizes it the line "Building contract liabilities - bid bonds".

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 progress rate method for the recognition of revenue and costs under construction contracts requires estimation with respect to the determination of the work progress rate, i.e. quantity survey at the balance sheet date in relation to the total work under the contract.

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 Group has adequate control processes in place to ensure that the calculation of recognised revenues and expenses is based on current and reliable estimates of the measurement, 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 Group's internal audit department.

The Group 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 Group's internal system immediately after they are negotiated by the Group with the customer.

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	3 430 569	2 583 163
Invoiced receivables from customers, YTD	3 451 920	2 563 654
Balance of payments under building contracts - revenues	**(21 351)**	**19 509**
including:		
(1) Receivables for completed, non-invoiced construction works	89 475	80 480
Write-off for contract pricing	-	(332)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	89 475	80 148
(1a) Payables for non-completed invoiced construction works - liabilities under building contracts	110 826	60 639
Costs related to building contracts, YTD	3 181 297	2 376 047
	-	596
Costs invoiced by the customers, YTD	3 242 557	2 416 650
Balance of payments under building contracts - expenses	**61 260**	**40 603**
including:		
(3) Receivables for non-completed, invoiced construction works	113 923	96 277
(4) Liabilities for completed, non-invoiced construction works	52 663	55 674
	-	-
Balance of payments under building contracts	**39 909**	**60 112**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	203 398	176 425
Liabilities under building contracts - pricing [(2)+(4)]	163 489	116 313

2. BULDING CONTRACTS

Information about significant contracts signed in the period of nine 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 (the 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 farm 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 timeframe: 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. equal to 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.

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: from 1 July 2019 to 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 ul. Woronicza 37), Warsaw

5. Contract 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 timeframe: from 16 May 2019 to 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): Gaworzyce Windfarm Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Warsaw, at ul. Wybrzeże Kościuszkowskie 41 in the City of Warsaw 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 timeframe: 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 upgrading 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: Krakow

6. Contract 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 timeframe: 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: from 19 July 2019 to 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 TIMEFRAME: 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 m^2

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

2. BULDING CONTRACTS

On 8 August 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. Żupniczej 11 in 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 in 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 in 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 in 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 under terms and conditions presented below.:

1. Investor: Śląskie Centrum Chorób Serca w Zabrzu (Silesian Centre for Heart Diseases in Zabrze) , at 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"

2. BULDING CONTRACTS

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 Statutes of the Parent Company and an entry made into the National Courte Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal 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.

Equity allocated to the non-controlling interests represents a part of equities of subsidiaries covered with full consolidation that belongs to other stakeholders than the entities that are Group members.

Net profit (loss) of subsidiaries partially owned by the stakeholders other than members of the Group represents profit (loss) of the non-controlling interests.

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

The Group manages its capital structure and as a result of changes in economic conditions, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Group may manage appropriately the dividend payment to shareholders or issue to new shares.

Share capital

As of 30 September 2019 the share capital was divided into 12 811 859 shares with a total value of PLN 1 281 thousand, and the shareholding structure was as follows:

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 OFE	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%**

3. CAPITAL MANAGEMENT AND DEBT

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	18 651	20 898
Short-term		
Overdraft facilities	46 111	24 538
Bank loans	23 079	15 744
Loans	615	17
	69 805	40 299
Total credit and loan liabilities	**88 456**	**61 197**

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 at the balance sheet date, the Group 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 6M	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**

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	12 509	6 016
1 - 5 years	Long-term	28 983	9 847
		41 492	**15 863**
Lease financial costs		1 061	905
Present value of minimum payments		**40 431**	**14 958**

In the line "Short-term Liabilities", the Group recognized liabilities under lease and tenancy contracts pursuant to IFRS 16 "Leases" standard in the amount of PLN 4 514 thousand and long-term liabilities in the amount of PLN 15 203 thousand.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ACCOUNTING SEGMENTS

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

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

The breakdown of the overall business into individual segments was done through qualification of individual entities of the Group on the basis of their core, statutory activities and significance of companies' operations for 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 Consolidated Financial Statements. The transactions among individual segments are performed following arm's length principle.

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 Group 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	The operating segment comprises the following companies: the parent company - Erbud S.A., Erbud International Sp. z o.o., Erbud Operations Sp. z o.o. and Hebud Sp. z o.o. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred expenses by 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)	The operating segment is the GWI Group, whose parent company is a subsidiary of GWI GmbH. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred costs related to a given segment and a portion of Erbud International Sp. z o.o.'s operations according to the same rules as stated in relation to the parent company Erbud S.A.	No data aggregation.

Road engineering	Construction of roads and wind farms	The operating segment is PBDI S.A.	No data aggregation.
Industrial construction at home,	Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose members include: Erbud Industry Group, Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o, Erbud Industry Południe Sp. z o.o. In addition, part of the operations of the parent company Erbud S.A. is allocated to the segment based on the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Industrial construction in foreign countries	Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose member companies include: Erbud Holding Deutschland GmbH, Erbud Beteiligungs GmbH, Target –IVT. In addition, a portion of activities of the subsidiary Erbud Industry Południe Sp. z o.o. has been allocated ot the segment according to the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Segment segments	Widely understood support activities	The operating segment is Erbud Shared Services Sp. z o.o.	No data aggregation

Basic information on segments in the accounting periods Jan. 2019 – Sept. 2019 and Jan. 2018 – Sept. 2018

The Group operates in Poland and abroad (in Germany, Belgium, the Netherlands, Sweden and France). 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.	1 607 632	181 412	**1 789 044**	1 403 882	220 682	**1 624 564**
Accrued and deferred income	1 535 044	98 023	**1 633 067**	1 320 633	153 881	**1 474 514**
Income recognized at a certain point in time	59 351	82 549	**141 900**	71 439	61 295	**132 734**
Other income recognized at point in time	13 237	840	**14 077**	11 810	5 506	**17 316**
Fixed assets other than financial instruments and deferred tax assets	101 137	41 162	**142 299**	72 932	38 732	**111 664**

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	Industrial construction segment in foreign countries	Other segments	Total continued activities
Total income							
Inter-segment sales	-	-	(7 738)	(20 490)	-	-	**(28 228)**
Sales to third party customers	1 191 064	97 790	266 782	178 064	83 622	(50)	**1 817 272**
Total sales revenues	**1 191 064**	**97 790**	**259 044**	**157 574**	**83 622**	**(50)**	**1 789 044**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	1 142 293	96 171	238 055	144 326	67 738	(458)	**1 688 125**
Other operating profit/loss	(34 728)	2 888	(10 293)	(11 797)	(7 149)	4 052	**(57 027)**
Segment performance – EBIT	**14 043**	**4 507**	**10 696**	**1 451**	**8 735**	**4 460**	**43 892**
EBIT margin	1%	5%	4%	1%	10%	(8936)%	**2%**
Financial activity gains/losses	(4 698)	(96)	(155)	(1 094)	(202)	(1)	**(6 246)**
Gross profit/loss excluding discontinued activities	**9 345**	**4 411**	**10 541**	**357**	**8 533**	**4 459**	**37 646**
Income tax	3 389	410	2 393	442	2 652	27	**9 313**
Net profit/loss excluding discontinued activities	**5 956**	**4 001**	**8 148**	**(85)**	**5 881**	**4 432**	**28 333**
Amortization and depreciation	3 452	1 252	3 194	4 088	1 696	413	**14 095**
Segment performance – EBITDA	**17 495**	**5 759**	**13 890**	**5 539**	**10 431**	**4 873**	**57 987**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Residential/ commercial buildings at home	Residential/ commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Other segments	For a 9-month-period ended on 30 September 2018 Total continued activities
Total income							
Inter-segment sales	-	-	(6 036)	(37 202)	-	-	**(43 238)**
Sales to third party customers	1 064 150	147 775	187 084	194 720	72 660	1 413	**1 667 802**
Total sales revenues	**1 064 150**	**147 775**	**181 048**	**157 518**	**72 660**	**1 413**	**1 624 564**
Segments' results and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	1 055 488	150 962	166 315	141 428	56 733	1 669	**1 572 595**
Other operating profit/loss	(32 050)	(12 016)	(8 885)	(13 090)	(7 745)	(5 327)	**(79 113)**
Segment performance – EBIT	**(23 388)**	**(15 203)**	**5 848**	**3 000**	**8 182**	**(5 583)**	**(27 144)**
EBIT margin	(2)%	(10)%	3%	2%	11%	(395)%	**(2)%**
Financial activity gains/losses	(1 031)	(199)	600	(950)	(359)	12	**(1 927)**
Gross profit/loss excluding discontinued activities	**(24 419)**	**(15 402)**	**6 448**	**2 050**	**7 823**	**(5 571)**	**(29 071)**
Income tax	(5 088)	(4 706)	1 526	589	3 295	94	**(4 290)**
Net profit/loss excluding discontinued activities	**(19 331)**	**(10 696)**	**4 922**	**1 461**	**4 528**	**(5 665)**	**(24 781)**
Amortization and depreciation	2 043	640	2 741	2 723	1 541	629	**10 317**
Segment performance – EBITDA	**(21 345)**	**(14 563)**	**8 589**	**5 723**	**9 723**	**(4 954)**	**(16 827)**

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	1 201 604	1 062 021	374 861	413 443
Material and energy consumption	359 030	315 975	124 998	111 661
Employee benefit expenses	232 948	234 711	77 168	77 604
Amortization and depreciation	14 095	10 317	3 709	3 082
Taxes and charges	7 208	6 855	2 309	2 021
Other cost categories	14 480	16 210	4 717	5 358
Value of products and materials sold	4 774	1 809	3 676	282
Total costs by type	**1 834 139**	**1 647 898**	**591 438**	**613 451**
Change in the balance of products, work in progress and accrued expenses under building contracts	(72 546)	(1 539)	(19 073)	34 896
Cost of sales (negative value)	(4 075)	(4 048)	(1 357)	(1 295)
General management and administration costs (negative value)	(69 393)	(69 716)	(19 004)	(24 204)
Manufacturing costs of products sold	**1 688 125**	**1 572 595**	**552 004**	**622 848**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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 Group companies, using the balance sheet method, set up: deferred income tax liabilities in respect of positive temporary differences and determine deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

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

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

The Group recognizes 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.

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	**37 646**	**(29 071)**
Tax according to the statutory tax rate applicable in Poland - 19%	**7 153**	**(5 523)**
Additional tax burden being a result of a rate exceeding 19% in Germany	1 465	(895)
Adjustments of current income tax carried forward	-	-
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	695	2 128
Tax posted into Consolidated Profit and Loss Account, of which:	**9 313**	**(4 290)**
Current tax	11 509	5 472
Deferred tax	(2 196)	(9 762)
Effective tax rate	**24.74%**	**14.76%**

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	37 639	(1 146)	-	36 493	13 734	-	50 227
	Provisions	6 416	931	1 107	8 454	1 011	-	9 465
	Tax loss	2 516	9 220	-	11 736	(9 558)	-	2 178
	Accrued wages and salaries, and charges	437	76	-	513	(55)	-	458
Note 6.2.	Receivables revaluation write-downs	2 043	414	1 960	4 417	970	-	5 387
	Other financial liabilities	1 568	450	-	2 018	(7)	-	2 011
	Deferred expenses	2 267	(483)	-	1 784	(269)	-	1 515
	Other	1 110	(572)	32	570	1 803	72	2 445
	Total	**53 996**	**8 890**	**3 099**	**65 985**	**7 629**	**72**	**73 686**
	Deferred tax liabilities							
	Building contract liabilities - pricing	29 473	1 778	350	31 601	5 142	-	36 743
	Asset revaluation	1 970	(310)	3 112	4 772	(253)	-	4 519
	Financial expenses activated	-	-	-	-	-	-	-
	Balance sheet pricing and liabilities discount	127	34	-	161	85	-	246
	Accrued interest on debt	222	16	-	238	90	-	328
	Accrued revenues	(3)	-	-	(3)	624	-	621
	Other	1 524	326	(347)	1 503	(255)	56	1 304
	Total	**33 313**	**1 844**	**3 115**	**38 272**	**5 433**	**56**	**43 761**
	Assets and liabilities set off	20 683			27 713			29 925
	Post set off balance	**25 345**			**33 107**			**34 691**
	Assets	23 014			30 410			32 308
	Liabilities	2 331			2 697			2 383
	Net impact of changes in the period		**7 046**	**(16)**		**2 196**	**16**	

4. Explanatory notes to the Statement of Comprehensive Income

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.

Information about income tax receivables and liabilities amounts 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 Group has classified instruments, pursuant to with 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
Note 3.2. - 3.4.	Indebtedness of

Note 2.1.	Building contract liabilities - bid bonds
	Building contract liabilities - pricing
Note 6.8.	Trade payables and other liabilities
Note 3.3. (3.5.)	Indebtedness of

5. OTHER NOTES

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 result. 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 DERIVATIVES

All financial derivatives owned by the Group are hedging instruments under the cash flow hedge accounting policy applied by the Group.

The Group hedges cash flows resulting from loans granted by the Group and inflows from building contracts signed with contractors. Changes in the fair value of derivative financial instruments in the part constituting an effective hedge refer directly to the revaluation reserve. The ineffective part is posted into income statement as financial income or financial costs. In the period in which the hedged item of a financial instrument affects the financial result, the amount related to this instrument previously recognized in other total income is also transferred to the income statement.

The concluded derivatives are used to limit the Group's exposure to currency risk. Further information on currency risk management is provided in Note 5.3.1.

Moreover, derivative instruments representing assets expose the Group to credit risk. As of the balance sheet date and in the comparative period, there were no significant items of derivative instruments in the asset line.

Derivative financial instruments held by the Group - forward contracts - are measured at fair value and classified at level 2 in the fair value hierarchy, i.e. they are measured based on observable input data other than quoted prices. In compliance with the Group's risk management policy, prospective ("ex-ante") and retrospective ("ex-post") tests of hedge effectiveness are carried out at each balance sheet date. Prospective hedge effectiveness test: the dollar offset method was used using a hypothetical derivative instrument. For the purposes of the prospective test, historical market rates of exchange rates and interest rates effective one month before the balance sheet date are used.

5. OTHER NOTES

5.3. FINANCIAL RISK MANAGEMENT PRINCIPLES

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

5.3.1. MARKET RISK – CURRENCY RISK

While performing their core operations, the Group member companies conclude construction 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 Group in Polish currency (PLN), while contracts executed abroad are concluded in EUR.

With regard to receivables and liabilities resulting under concluded construction 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.

5.3.2. 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 Group member companies.

In addition, the Group 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 Group to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate expose the Group to the risk of fair value volatility, however, owing to the fact that the Group does not measure these items at fair value, this impact is not reflected in the financial statements.

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

5.3.3. CREDIT RISK

Cash and cash equivalents

The Group minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Group cooperates with highly reliable financial institutions,

Trade receivables and receivables under construction contracts

To protect against credit risk resulting from receivables under construction contracts (i.e. trade receivables, receivables under construction contracts - bid bonds and valuation of construction contracts), the Group 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 Group has no credit risk concentration in relation to trade receivables and receivables under construction contracts - in relation to bid bonds and valuation of construction contracts.

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

5.3.4. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Group 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 Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group 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 Group member companies.

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.

Goodwill impairment

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

6.2. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

In the trade receivables as well as other receivables category the Group recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Group) 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

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	491 066	39 466	451 600	476 906	43 122	433 784
Receivables from corporate income tax	7 038	-	7 038	10 019	-	10 019
Other budget receivables	2 586	-	2 586	3 547	-	3 547
Other receivables	28 822	1 210	27 612	17 520	1 210	16 310
Total	**529 512**	**40 676**	**488 836**	**507 992**	**44 332**	**463 660**

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	**44 332**	**15 129**
Impact of IFRS 9 - opening balance	-	10 674
Setting up	9 537	20 315
Reversal	13 202	1 873
Utilisation	63	108
Other	-	102
FX gains and losses from translation	72	93
Closing balance of write-downs	**40 676**	**44 332**

The Group is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of credit risk related to trade receivables since the Group has a large number of domestic and foreign customers.

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.

6. OTHER NOTES

	30 Sept. 2019	31 Dec. 2018
Trade payables	**233 559**	**328 807**
including to related entities	1 195	1 125
Advances received	-	177
Financial liabilities in relation to	**-**	**-**
Other	-	-
Liabilities vis-a-vis budget in relation to:	**45 696**	**54 616**
VAT tax	26 126	36 791
corporate income tax	6 419	4 597
personal income tax	3 202	3 723
Social Insurance Institution	8 962	8 574
real estate tax	57	1
State Fund for the Rehabilitation of the Disabled	167	148
holiday accrual (Belgium tax)	561	638
Other	202	144
Other liabilities	**32 005**	**21 384**
wages & salaries	9 777	9 698
accruals	9 217	7 186
Other	13 011	4 500
Total	**311 260**	**404 984**

6.4. EXPLANATORY NOTES TO THE CONSOLIDATED 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	**5 989**	287
Change in provisions	**(60 237)**	(421)
Change of receivables balance	**(70 408)**	(111 802)
Change in balances of short-term liabilities, excl. credits and loans	**(44 107)**	59 612
Change in balance of prepayments and accruals	**20 801**	8 487
Change in balance of working capital	**(147 962)**	**(43 837)**

6. OTHER NOTES

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

Related entities and consolidation rules: The consolidated financial statements comprise data of the Parent Entity and its subsidiaries.

Subsidiaries are consolidated using the full method from the date of control acquisition to the date of control loss. The control is exercised when the Parent Company is exposed to variable financial results due to its involvement in the entity in which it made investment, or when it has the right to changing financial results and is capable of influencing the level of these financial results by exercising its control over the entity. The financial statements of subsidiaries are drawn up for the same accounting period as the financial statement of the Parent Company using consistent accounting principles. If control is lost over a subsidiary, the profit or loss on the transaction resulting in the control loss is recognized in the income statement.

Settlement of acquisition of ventures is made using the acquisition method. Under this method the identifiable assets and liabilities acquired are carried at fair value as of the acquisition date**.** The payment made under merger of business entities is priced using fair value, calculated as collective sum of fair values as the date of acquisition of assets submitted by the Group, liabilities taken by the Group against previous owners of the acquired entity and equity instruments issued by the Group in exchange for taking over control over acquired entity. The acquisition costs are recognized in the profit and loss account at the moment of incurring them. The surplus of the acquisition price and non-controlling interests measured at fair value over the fair value of the net assets acquired, including the exceptions specified in IFRS 3, is goodwill.

Joint ventures are recognized by the Group using the equity method.

6. OTHER NOTES

Group Structure

As of 30 September 2019 the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries.

Detailed information on the Group's structure is presented in the tables below.

				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%

*Companies not included in the consolidated financial statements due to their insignificance.

				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. OTHER NOTES

6. OTHER NOTES

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