ERBUD CAPITAL GROUP

Consolidated Financial Statement for the period ended on 31 March 2020

drawn up in compliance with the International Financial Reporting Standards (IFRS)



CONSOLIDATED STATEMENT OF RESULT

		For a 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019
	CONTINUING OPERATIONS		
Note 4.1.	Revenues from sales of products and services	439 746	600 967
Note 4.2.	Cost of products and services sold	410 318	573 414
	Gross sales profit/(loss)	**29 428**	**27 553**
	Cost of sales	1 922	1 282
	General and administrative (G&A) costs	23 556	24 082
	Other operating income	1 082	3 112
	Other operating expenses	428	777
	(Impairment) of financial assets and contract valuation assets	(26)	1 077
	Share in net profits/losses of equity-accounted subsidiaries	-	175
Note 4.1.	**Operating profit**	**4 578**	**5 776**
	Financial income	1 845	104
	Financial expenses	5 149	2 508
	Gross profit /(loss) from continuing operations	**1 274**	**3 372**
Note 4.3.	Income tax	1 698	1 549
	Net profit /(loss) from continuing operations	**(424)**	**1 823**
	Net profit /(loss) for the accounting period	**(424)**	**1 823**
	Profit /(loss) generated in the accounting period appropriated to:		
	Shareholders of Parent Company	(521)	1 819
	Non-Controlling Stakeholders	97	4
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Net profit/loss from continuing operations per share (in PLN)	(0.03)	0.14
	Net earnings per share from core activity (in PLN)	**(0.03)**	**0.14**
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
	Diluted net earnings from continuing operations per share (in PLN)	(0.03)	0.14
	Diluted earnings per share (in PLN)	**(0.03)**	**0.14**

ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF RESULT, INCLUDING ALTERNATIVE RESULT METRICS

	Amortization and depreciation	4 656	4 390
Note 4.1.	**EBITDA**	9 234	10 166

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019
Consolidated profit / (loss), net	**(424)**	**1 823**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	3 507	6
Pricing of hedging instruments	-	5
Other comprehensive income (including tax effect) subject to reclassification into result	**3 507**	**11**
Comprehensive income in the accounting period	**3 083**	**1 834**
Appropriated to:		
Shareholders of Parent Company	2 955	1 830
Non-Controlling Stakeholders	128	4
Comprehensive income attributable to the Shareholders of Parent Company due to:		
Continuing operations	2 955	1 830
	2 955	**1 830**

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

For a 3-month-period ended on 31 March 2019 and for a 3-month-period ended on 31 March 2020				Accumulated other comprehensive income					
	Share capital	Share premium	Reserve capital	FX gains/losses resulting from conversion of foreign units	Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Share-holders' equity
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	-	-	-	-	-	1 819	**1 819**	4	**1 823**
Other comprehensive income in the accounting period	-	-	-	5	6	-	**11**	-	**11**
Other comprehensive income	**-**	**-**	**-**	**5**	**6**	**1 819**	**1 830**	**4**	**1 834**
First-time posting of DE subsidiaries	-	285	-	-	-	-	**285**	(385)	**(100)**
Other	-	-	-	-	-	(7)	**(7)**	-	**(7)**
As of 31 Mar. 2019	**1 281**	**212 216**	**11 103**	**2 027**	**-**	**8 655**	**235 282**	**7 356**	**242 638**
As of 31 Jan. 2020	**1 281**	**211 931**	**11 385**	**1 554**	**-**	**40 534**	**266 685**	**8 131**	**274 816**
Net result in the accounting period	-	-	-	-	-	(521)	**(521)**	97	**(424)**
Other comprehensive income in the accounting period	-	-	-	3 476	-	-	**3 476**	31	**3 507**
Other comprehensive income	**-**	**-**	**-**	**3 476**	**-**	**(521)**	**2 955**	**128**	**3 083**
Other	-	-	-	-	-	(7)	**(7)**	-	**(7)**
As of 31 Mar. 2020	**1 281**	**211 931**	**11 385**	**5 030**	**-**	**40 006**	**269 633**	**8 259**	**277 892**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 Mar. 2020	31 Dec. 2019
	ASSETS	**1 210 698**	**1 173 495**
	Goodwill	40 430	39 303
	Tangible fixed assets	107 189	105 107
Note 5.1.	Financial assets	2 544	2 720
Note 4.3.	Deferred tax assets	34 413	33 524
	Receivables under building contracts - bid bonds	7 489	9 080
	Fixed assets	**192 065**	**189 734**
	Inventory	115 862	87 320
	Receivables under building contracts - bid bonds	48 002	53 082
Note 2.2.	Receivables under building contracts - pricing	207 041	202 460
Note 6.2.	Trade receivables and other receivables	424 326	469 704
Note 5.1.	Financial assets	3 748	3 461
	Cash and cash equivalents	191 567	148 240
	Cash at VAT account	19 541	12 918
	Short-term prepayments	8 546	6 576
	Current assets	**1 018 633**	**983 761**
	LIABILITIES	**1 210 698**	**1 173 495**
Note 3.1.	Share capital	1 281	1 281
	Share premium	211 931	211 931
	Reserve capital	11 385	11 385
	Accumulated other comprehensive income	5 030	1 554
	Retained earnings	40 006	40 534
	Equity of shareholders of the Parent Company	269 633	266 685
	Equity of non-controlling stakeholders	8 259	8 131
	Shareholders' equity	**277 892**	**274 816**
Note 3.2.-3.4.	Interest debt	97 618	100 786
	Provisions	19 388	18 087
Note 4.3.	Deferred tax liabilities	1 694	1 573
	Building contract liabilities - bid bonds	9 187	19 428
	Long-term liabilities	**127 887**	**139 874**
Note 3.2.-3.4.	Interest debt	148 191	131 661
	Provisions	45 087	44 653
	Building contract liabilities - bid bonds	124 711	116 699
Note 2.2.	Building contract liabilities - pricing	175 377	156 021
Note 6.3.	Trade payables and other liabilities	282 529	299 643
	Prepaid deliveries	29 024	10 128
	Short-term liabilities	**804 919**	**758 805**

CONSOLIDATED CASH FLOW STATEMENT

	For a 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019

	OPERATIONAL CASH FLOWS		
	Gross profit/loss	1 274	3 372
	Amortization and depreciation	4 656	4 391
	Foreign exchange gains/losses	962	(121)
	Interest and share in profits (dividend)	1 870	902
	Other non-cash adjustments	252	41
	Income tax paid	(3 935)	(5 826)
Note 6.4.	Change in balance of working capital	32 728	(110 895)
	Operational cash flows, net	**37 807**	**(108 136)**
	INVESTMENT ACTIVITY CASH FLOWS		
	Inflows from credits/loans extended	-	4
	Other inflows	376	503
	Expenditures on the acquisition of tangible fixed assets	(4 263)	(1 902)
	Expenditures on the acquisition of investment real properties	-	(1 192)
	Expenditures on the acquisition of shares in companies	-	(101)
	Investment activity cash flows, net	**(3 887)**	**(2 688)**
	FINANCIAL ACTIVITY CASH FLOWS		
	Income from credits and loans taken	31 177	17 960
	Debt (principal) repayment expense	(19 853)	(13 062)
	Debt (interest) repayment expense	(1 917)	(1 510)
	Financial activity cash flows, net	**9 407**	**3 388**
	NET CASH FLOWS	**43 327**	**(107 436)**
	Opening cash balance	**148 240**	**206 608**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-
	Closing cash balance, of which:	**191 567**	**99 172**
	- restricted cash	37 801	16 283

BASIC DATA CONVERTED INTO EURO

	31 Mar. 2020		31 Dec. 2019	
	PLN	EUR	PLN	EUR
Fixed assets	192 065	42 191	189 734	44 554
Current assets	1 018 633	223 762	983 761	231 011
Shareholders' equity	277 892	61 044	274 816	64 534
Liabilities and provisions for liabilities	932 806	204 909	898 679	211 032

	For a 3-month-period ended on 31 March 2020		For a 3-month-period, ended on 31 March 2019	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	439 746	100 026	600 967	139 831
Cost of products and services sold	410 318	93 333	573 414	133 420
Gross sales profit/(loss)	29 428	6 694	27 553	6 411
Operating profit /(loss)	4 578	1 041	5 776	1 344
Gross profit /(loss) from continuing operations	1 274	290	3 372	785
Net profit /(loss) from continuing operations	(424)	(96)	1 823	424

	For a 3-month-period ended on 31 March 2020		For a 3-month-period, ended on 31 March 2019	
	PLN	EUR	PLN	EUR
Operational cash flows, net	37 807	8 600	(108 136)	(25 161)
Investment activity cash flows, net	(3 887)	(884)	(2 688)	(625)
Financial activity cash flows, net	9 407	2 140	3 388	788
Net cash flows	43 327	9 855	(107 436)	(24 998)
Opening cash balance	148 240	34 810	206 608	48 048
Closing cash balance	191 567	42 081	99 172	23 056

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

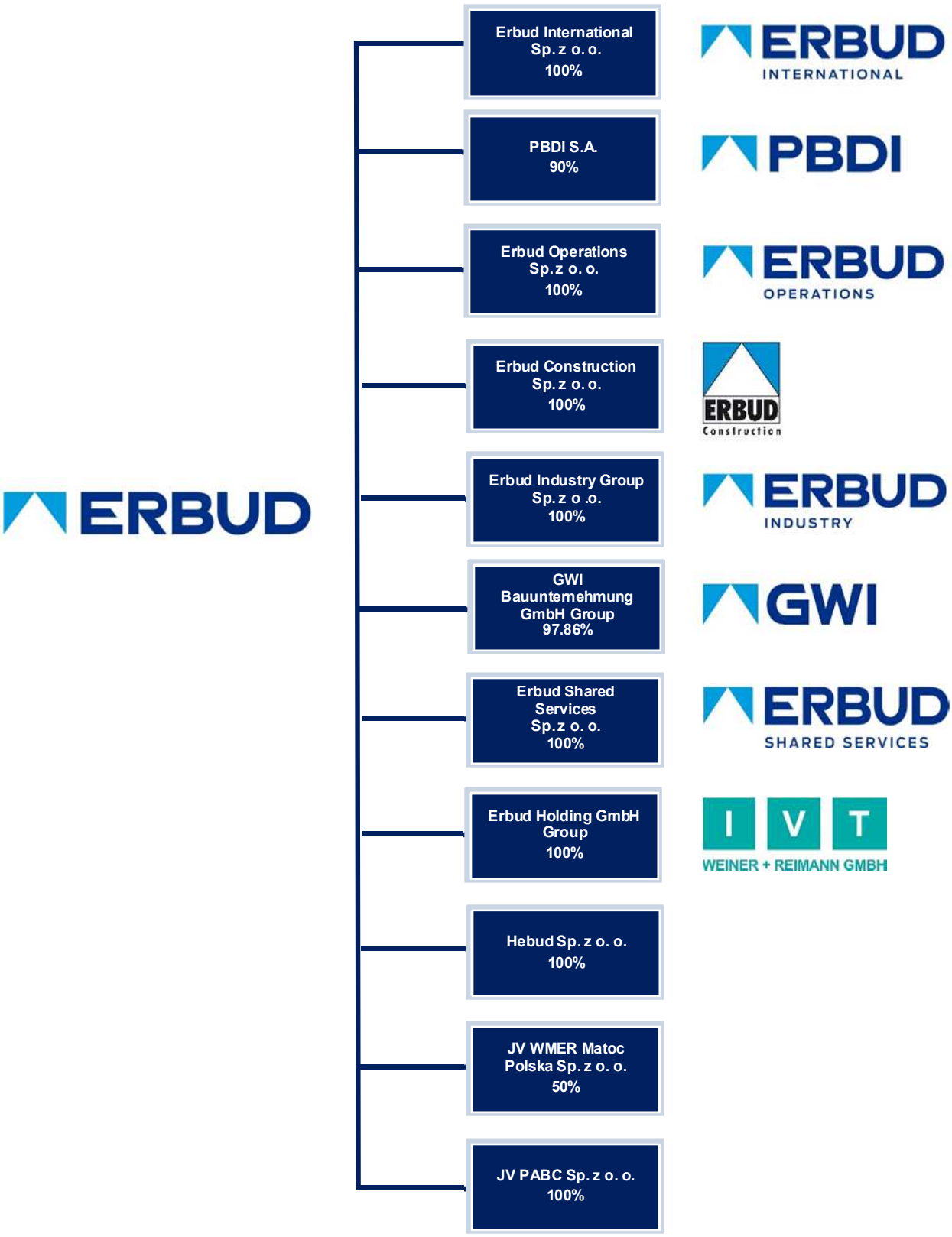
The Parent Company of Erbud S.A Capital Group ("Group") is Erbud S.A. ("Parent Company"), with its registered office in the City of Warsaw, at ul. Franciszka Klimczaka No. 1.

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 "WIG Budownictwo", the construction companies index.

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 Consolidated Financial Statement has been drawn up in compliance with the applicable International Financial Reporting Standards (IFRS), as endorsed by the EU.

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

This Condensed Interim Consolidated Financial Statement was drawn up as of and for the 3-month period ended on 31 March 2020, whereas comparable data as of 31 December 2019 and for a 3-month-period ended on 31 March 2019.

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

This Financial Statement was approved for publication by the Management Board on 14 May 2020.

Continuing operations

This Consolidated Financial Statement has been drawn up following going concern principle applicable to all Group member companies in the foreseeable future. As at the date of approval of this financial statement, no indications prevailed of 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 items 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 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 Group's presentation currency 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 consolidated financial statement, the Group applied the following provisions of IFRS 16 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 lessees: the standard requires that for each lease contract, the value of the "right to use an asset" and a corresponding financial liability should be recognised in the balance sheet. 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.

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 implementation of this standard will have no material impact on the Group's financial statements.

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 this amendment will not have a significant impact on the Financial Statement of the Group.

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 this amendment will not have a significant impact on the Financial Statement of the Group.

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 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 this amendment will not have a significant impact on the 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.

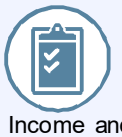
h) IFRS 14 "Regulatory Deferral Accounts"

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 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.

2. BUILDING CONTRACTS



The Group signs fixed-price contracts for the execution of building 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.

Income and expenses generated by the building contracts underway are recognized by the Company in pace with the progress of works being 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 building 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 Group recognizes invoiced revenue in the line "Trade and other receivables" (Note 6.2) The Contractors under building contracts signed with the Group withhold a part of the payments as a performance bond for 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". 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. BUILDING CONTRACTS

The application of the performance-based method to the recognition of revenue and expenses under building 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 Group's internal audit department.

The Group keeps track of projects under implementation - building 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.

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

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

	For a 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	398 009	548 082
Costs under building contracts,	387 988	523 317
Result before recognition and settlement of future losses	**10 021**	**24 765**
Setting up provisions for future losses	-	-
Release /utilisation of provisions set up in the previous periods	-	640
Gross profit/loss	**10 021**	**24 125**
Gross profit margin		
excluding provisions	3%	5%
including provisions	3%	5%

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

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

	31 Mar. 2020	31 Dec. 2019
Revenues under building contracts, YTD	3 310 671	3 129 335
Invoiced receivables from customers, YTD	3 340 996	3 156 656
Balance of payments under building contracts - revenues	**(30 325)**	**(27 321)**
including:		
(1) Receivables for completed, non-invoiced construction works	104 972	98 468
Write-off for contract pricing	-	(690)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	104 972	97 778
(1a) Payables for non-completed invoiced construction works - liabilities under building contracts	135 297	125 099
Costs related to building contracts, YTD	2 675 770	2 893 047
	-	100
Costs invoiced by the customers, YTD	2 737 759	2 966 807
Balance of payments under building contracts - expenses	**61 989**	**73 760**
including:		
(3) Receivables for non-completed, invoiced construction works	102 069	104 682
(4) Liabilities for completed, non-invoiced construction works	40 080	30 922
Balance of payments under building contracts	**31 664**	**46 439**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	207 041	202 460
Liabilities under building contracts - pricing [(2)+(4)]	175 377	156 021

2. BUILDING CONTRACTS

Information about material events that occurred within twelve (12) months of 2019 and after the balance sheet date.

On 7 January 2020 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 7 January 2020

2. Investor: Medical University of Łódź Kościuszki 4, 90-419 Łódź

3. The contract value is: PLN 40.559.109,82, net

4. Subject matter of the contract: Construction of a new laboratory and research building Brain on a "Design and Build" basis.

5. Contract execution site: the City of Łódź

6. Execution timeframe a) Launch of the Contract execution - immediately after entering into Contract;

b) Taking over of the construction site - 7 days from the written notification by the Contractor about his intention to commence the construction works,

c) End date of the Contract execution - 690 days from the Contract Date.

7. Terms of payment: Invoicing after completion of each milestone (9 milestones and partial milestones), payment deadline 30 days

On 22 January 2020 ERBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 22 January 2020

2. Investor: YIT Development Sp. z o.o. ul. Twarda 18, 00-150 Warsaw

3. Contract value PLN 37.960.000,00 (principal amount) + PLN 877.005,00 (provisional amount) (net)

4. Subject matter of the contract: Mehoffer House - multi-family apartment building with underground car-park facility and services on the ground floor

5. Contract execution site at: Mehoffera, Warsaw

6. Execution date: 18 months from construction site handover

7. Terms of payment 30 days from the date of delivery of a duly issued invoice to the Investor

On 27 January 2020, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) entered into a substantive Construction Work Contract under terms and conditions specified below:

1. Contract Date: 27 January 2020

2. Investor (exact name and registered office): ENERTRAG Aktiengesellschaft with registered office at Gut Dauerthal, 17291 Dauerthal;

3. Total net contract value: PLN 75.000.000,00, net

4. Subject of the contract: Construction works concerning a wind farm in the territory of the Western Pomerania region (the Zachodniopomorskie Province);

5. End date of Contract execution: 31 December 2021;

6. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the invoice receipt date;

2. BUILDING CONTRACTS

On 28 January 2020 two Building Contracts were signed with a subsidiary of Vantage Development S.A., Port Popowice spółka z ograniczoną odpowiedzialnością sp. k. ("Employer"), with a total net value of PLN 103.97 million ("Contract 1" and "Contract 2") under the following terms and conditions:

Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot ("G building") on the Port Popowice site, Phase 2, along with land development and buried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 157 housing units.

Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed with works, which Employer may issue by 31 March 2020 at the latest.

Under the Contract No. 2, the Issuer was obliged to construct and commission a multi-family residential building with an underground parking lot ("H building") on the Port Popowice site, Phase 2, along with land development and buried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 231 housing units.

Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed With Works, which Employer may issue by 31 May 2020 at the latest.

Both Contracts contain provisions stating that in the event of withdrawal from the Contract by the Employer or by the Issuer for reasons attributable to the Issuer, a contractual penalty of 10% of the total remuneration under each Contract shall be paid. The total amount of all calculated contractual penalties may not exceed 10 % of the remuneration. The Employer is entitled to claim damages in excess of the amount of the contractual penalty under the general rules of the Civil Code.

On 17 February 2020 ERBUD S.A. signed a contract for the performance of construction works with BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o. ("Investor"), with a net value of PLN 69.915.595,45 under terms and conditions listed below.

Under the Contract, the Issuer was obliged to execute an investment project involving the construction of a multi-apartment residential building - a hotel with the necessary technical and road infrastructure, underground car-park facility and land development, on a site located in Wrocław, at ul. H. Sienkiewicza 18-22.

Completion of the overall works was scheduled within 22 months from the Work Start Date. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

On 17 February 2020 ERBUD S.A. signed a contract for the performance of construction works with BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o. ("Investor"), with a net value of PLN 167,717,139.41 under terms and conditions listed below.

Under the Contract, the Issuer was obliged to execute an investment project involving Renovation with redevelopment, extension and change of intended use of the post-industrial buildings of the former "Mammoth" bakery for the purposes of the multi-apartment residential building - a dormitory with services, necessary technical and road infrastructure, underground car-park facility and land development.

Completion of the overall works was scheduled within 26 months from the Work Start Date. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

2. BUILDING CONTRACTS

On 20 March 2020 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

1. Investor: "COLIAN DEVELOPER Sp. z o.o. Sp. komandytowa, based in ul. Majkowska 32 62-800 Kalisz"

2. The contract value equals to PLN 37.200.000,00

3. Subject of the Contract: Construction of a multi-family building with services at the ground floor level and an underground car-park facility, located on the site in the City of Bydgoszcz, at ul. Garbary 5

4. Contract execution site at: ul. Garbary 5, Bydgoszcz

5. Execution timeframe:

a) Construction site hand-over - maximum 3 months from Contract Date,

b) Obtaining the occupancy permit for the entire Facility - 102 weeks from the date of Construction Site hand-over to the Contractor".

On 30 April 2020 The Issuer, acting as a Consortium member jointly with PBDI S.A. based in Toruń (90% subsidiary of the Issuer, the Consortium Leader) signed three Construction Contracts, which are as follows:

1.

a) Investor: Wiatropol Ustka Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski;

b) Total contract value, net: PLN 26.970.633,00

Subject matter of the contract: Construction works concerning the Ustka wind farm;

2.

a) Investor: Starke Wind Górzyca Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski

b) Total contract value, net: PLN 26.832.091,29

Subject matter of the contract: Construction works concerning the Górzyca wind farm;

3.

a) Investor: Wiatropol Parnowo Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski;

b) Total contract value, net: PLN 14.940.246,37

Subject matter of the contract: Construction works concerning the Parnowo wind farm;

The commercial terms for the above contracts are identical and are as follows:

1. Contract Date: 30 April 2020;

2. End date of Contract execution: 24 July 2021

3. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the invoice receipt date;

4. Performance bond: 10% of the net remuneration in the form of a bank guarantee;

5. Retention bond: 3% of the net remuneration in the form of a bank guarantee with maturity of 5 years calculated from the date of receipt of the hand-over certificate;

6. Penalties:

- for withdrawal from the Contract or termination of the Contract for reasons attributable to the Contractor - 10% of net remuneration;

- for delay in the implementation of individual milestones - from PLN 1.000,00 to PLN 5.000,00 for each day of delay.

The total amount of contractual penalties for delay must not exceed 20% of the net remuneration.

The total amount of contractual penalties for withdrawal from the Contract must not exceed 30 % of the net remuneration.

On 5 May 2020 PBDI S.A. of Toruń (a subsidiary in 90% owned by the Issuer) signed up contracts for the construction of Photovoltaic Power Plants with the total value of PLN 37.207.613,32 with 21 Special Purpose Vehicles (SPVs) that are members of the R.Power Group, with its registered office in Warsaw at ul. Puławska 2.

The value of a single contract does not exceed PLN 2 million, net.

The commercial terms applicable to all contracts signed are identical and are as follows:

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 shall not exceed 18 months from the date of receipt of notice to proceed;

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 Articles of Association of the Parent Company 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 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.

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

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 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.

3. CAPITAL MANAGEMENT AND DEBT

Share capital

As of 31 March 2020, the share capital consisted of 12.811.859 shares with a total value of PLN 1.281 thousand, and the structure of shareholders holding over 5% of the share capital and members of the Management Board and entities controlled by them was as follows:

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	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	671 587	5.24%
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-a-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.

	31 Mar. 2020	31 Dec. 2019
Long-term		
Bank loans	17 712	17 003
Short-term		
Overdraft facilities	119 425	115 845
Bank loans	11 648	2 235
Loans	531	544
	131 604	118 624
Total credit and loan liabilities	**149 316**	**135 627**

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 balance sheet date, the Group had the following outstanding debt in relation to issued bonds posted into short-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	31 Mar. 2020	31 Dec. 2019
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		31 Mar. 2020 Nominal value of minimum payments	31 Dec. 2019 Nominal value of minimum payments
Below 1 year	Short-term	17 266	13 557
1 - 5 years	Long-term	28 534	32 569
		45 800	**46 126**
Lease financial costs		1 307	1 306
Present value of minimum payments		**44 493**	**44 820**

The description of accounting policies related to IFRS 16 "Leases" standard is presented in Note 1.3.

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.

In 2018, the following changes were made in the scope of reported segments:

- division of the „industrial construction" reporting segment into two separate reporting subsegments: „industrial construction at home" and „industrial construction in foreign countries". The changes result from the growing importance of industrial construction in foreign countries from the perspective of the Group's operations.

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.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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 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	Road and wind farm construction and broadly understood photovoltaics.	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	Broad understood support services. 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 to the segment according to the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Other segment	Widely understood support services	The operating segment is Erbud Shared Services Sp. z o.o. 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

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 3-month-period ended on 31 March 2020			For a 3-month-period, ended on 31 March 2019		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	380 797	58 949	**439 746**	537 191	63 776	**600 967**
Accrued and deferred income	363 274	34 735	**398 009**	509 782	38 300	**548 082**
Income recognized at a certain point in time	15 962	23 953	**39 915**	25 626	25 100	**50 726**
Other income recognized at point in time	1 561	261	**1 822**	1 783	376	**2 159**
Fixed assets other than financial instruments and deferred tax assets	106 595	43 568	**150 163**	103 045	39 785	**142 830**

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 3-month-period ended on 31 March 2020
	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 continuing operations
Total income							
Cross segment sales	-	-	-	(5 134)	-	-	**(5 134)**
Sales to third party customers	284 559	33 421	66 340	34 967	25 528	65	**444 880**
Total sales revenues	**284 559**	**33 421**	**66 340**	**29 833**	**25 528**	**65**	**439 746**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	270 106	30 442	60 229	28 596	20 945	-	**410 318**
Other operating profit/loss	(12 002)	(2 484)	(4 822)	(3 305)	(2 237)	-	**(24 850)**
Segment performance – EBIT	**2 451**	**495**	**1 289**	**(2 068)**	**2 346**	**65**	**4 578**
EBIT margin	1%	1%	2%	(7)%	9%	99%	**1%**
Financial activity gains/losses	(4 373)	1 192	193	(435)	124	(5)	**(3 304)**
Gross profit/loss excluding discontinued operations	**(1 922)**	**1 687**	**1 482**	**(2 503)**	**2 470**	**60**	**1 274**
Income tax	474	327	457	(479)	898	21	**1 698**
Net profit/loss excluding discontinued operations	**(2 396)**	**1 360**	**1 025**	**(2 024)**	**1 572**	**39**	**(424)**
Amortization and depreciation	1 666	274	1 322	804	466	124	**4 656**
Segment performance – EBITDA	**4 117**	**769**	**2 611**	**(1 264)**	**2 812**	**189**	**9 234**

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 3-month-period, ended on 31 March 2019 Total continuing operations
Total income							
Cross segment sales	-	-	(6 914)	(9 708)	-	-	**(16 622)**
Sales to third party customers	453 797	38 568	41 017	59 094	25 208	(95)	**617 589**
Total sales revenues	**453 797**	**38 568**	**34 103**	**49 386**	**25 208**	**(95)**	**600 967**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	441 804	37 068	29 178	46 829	18 770	(235)	**573 414**
Other operating profit/loss	(8 389)	(1 173)	(4 385)	(4 281)	(3 328)	(221)	**(21 777)**
Segment performance – EBIT	**3 604**	**327**	**540**	**(1 724)**	**3 110**	**(81)**	**5 776**
EBIT margin	1%	1%	1%	(3)%	12%	85%	**1%**
Financial activity gains/losses	(1 580)	(194)	(174)	(378)	(78)	-	**(2 404)**
Gross profit/loss excluding discontinued operations	**2 024**	**133**	**366**	**(2 102)**	**3 032**	**(81)**	**3 372**
Income tax	771	246	68	(342)	881	(75)	**1 549**
Net profit/loss excluding discontinued operations	**1 253**	**(113)**	**298**	**(1 760)**	**2 151**	**(6)**	**1 823**
Amortization and depreciation	900	521	748	1 521	549	151	**4 390**
Segment performance – EBITDA	**4 504**	**848**	**1 288**	**(203)**	**3 659**	**70**	**10 166**

4.2. COST OF GOODS SOLD (COGS)

	For a 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019
Third party services	287 006	402 553
Material and energy consumption	72 161	104 342
Employee benefit expenses	75 373	75 159
Amortization and depreciation	4 656	4 390
Taxes and charges	1 824	2 496
Other cost categories	4 217	4 740
Value of products and materials sold	69	351
Total costs by type	**445 306**	**594 031**
Change in the balance of products, work in progress and accrued expenses under building contracts	(9 510)	4 747
Cost of sales (negative value)	(1 922)	(1 282)
General management and administration costs (negative value)	(23 556)	(24 082)
Manufacturing costs of products sold	**410 318**	**573 414**

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 3-month-period ended on 31 March 2020	For a 3-month-period, ended on 31 March 2019
Gross profit /loss before tax on continuing operations	**1 274**	**3 372**
Tax according to the statutory tax rate applicable in Poland - 19%	**242**	**641**
Additional tax burden being a result of a rate exceeding 19% in Germany	656	880
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	800	28
Tax posted into Consolidated Profit and Loss Account, of which:	**1 698**	**1 549**
Current tax	3 131	1 764
Deferred tax	(1 433)	(215)
Effective tax rate	**133.42%**	**45.95%**

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. 2019	Net profit/loss	Other comprehensive income	Tuesday, December 31, 2019.	Net profit/loss	Other comprehensive income	31 Mar. 2020.
	Deferred tax assets							
	Receivables under building contracts - pricing	36 493	11 573	-	48 066	(1 030)	(690)	46 346
	Provisions	8 454	968	-	9 422	(157)	-	9 265
	Tax loss	11 736	(4 068)	-	7 668	2 980	-	10 648
	Accrued wages and salaries, and charges	513	(92)	-	421	(8)	-	413
Note 6.2.	Receivables revaluation write-downs	4 417	1 551	-	5 968	-	-	5 968
	Other financial liabilities	2 018	(21)	-	1 997	(49)	-	1 948
	Deferred expenses	1 784	(1 660)	-	124	-	-	124
	Other	570	1 225	(34)	1 761	97	232	2 090
	Total	**65 985**	**9 476**	**(34)**	**75 427**	**1 833**	**(458)**	**76 802**
	Deferred tax liabilities							
	Building contract liabilities - pricing	31 601	5 453	-	37 054	532	-	37 586
	Asset revaluation	4 772	(298)	(57)	4 417	(15)	-	4 402
	Balance sheet pricing and liabilities discount	161	(4)	-	157	23	-	180
	Accrued interest on debt	238	(135)	-	103	(11)	-	92
	Accrued revenues	(3)	632	-	629	-	-	629
	Other	1 503	(358)	(29)	1 116	(129)	207	1 194
	Total	**38 272**	**5 290**	**(86)**	**43 476**	**400**	**207**	**44 083**
	Assets and liabilities set off	27 713			31 951			32 719
	Post set off balance	**33 106**			**35 097**			**36 107**
	Assets	30 410			33 524			34 413
	Liabilities	2 697			1 573			1 694
	Net impact of changes in the period		**4 186**	**52**		**1 433**	**(665)**	

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Information about income tax receivables and liabilities figures is presented in Note 4.3.

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:

Note 5.1.2.	Financial Assets - Loans Extended
	Receivables under building contracts - bid bonds
Note 6.2.	Trade receivables and other receivables
Note 2.2.	Receivables under building contracts - pricing
	Cash and cash equivalents

Financial liabilities priced at amortized cost comprise mainly:

	Building contract liabilities - bid bonds
Note 2.2.	Building contract liabilities - pricing
Note 6.3.	Trade payables and other liabilities
Note 3.2. –3.4.	Debt

5.1.1. FINANCIAL ASSETS

As of 31 March 2020 the Group disclosed the following items in the Statement of Financial Position as financial assets:

5.1.2. FINANCIAL ASSETS – LOANS EXTENDED

Debt instruments held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') are priced at amortized cost. 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.

5.2. 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 defining the rules for the management of such risks and for verifying them.

5.2.1. MARKET RISK – CURRENCY RISK

While performing their core operations, the Group member companies enter 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 Group 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 Group member companies.

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

Assets and liabilities bearing interest at variable interest rates expose the 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 prepares interest rate forecasts.

5.2.3. 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 renowned financial institutions, in accordance with the table below, without causing a significant concentration of credit risk.

Trade receivables and receivables under building contracts

To protect against credit risk resulting from receivables under building contracts (i.e. trade receivables, receivables under building contracts - bid bonds and valuation of building 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 building contracts - in relation to bid bonds and valuation of building contracts.

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.2.

5.2.4. 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.

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 building 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 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, taking into account possible impairment.

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.

	31 Mar. 2020			31 Dec. 2019		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	417 216	37 970	379 246	465 090	38 281	426 809
Receivables from corporate income tax	11 932	-	11 932	9 458	-	9 458
Other budget receivables	11 186	-	11 186	11 650	-	11 650
Other receivables	23 172	1 210	21 962	22 997	1 210	21 787
Total	**463 506**	**39 180**	**424 326**	**509 195**	**39 491**	**469 704**

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

	For a 3-month-period ended on 31 March 2020	For a 12-month-period, ended on 31 Dec. 2019
Opening balance of write-downs	**39 491**	**44 332**
Setting up	32	12 450
Reversal	-	10 766
Utilisation	480	6 507
FX gains and losses from translation	137	(18)
Closing balance of write-downs	**39 180**	**39 491**

Aging structure of past due receivables is as follows:

6.3. TRADE AND SERVICE PAYABLES, OTHER LIABILITIES

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

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

The received advance payments refer mainly to payments from contractors for the performance of building 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.

	31 Mar. 2020	31 Dec. 2019
Trade payables	**234 234**	**237 924**
including to related entities	1 198	2 283
Advances received	-	-
Liabilities vis-a-vis budget in relation to:	**28 452**	**36 201**
VAT tax	3 703	12 219
corporate income tax	10 544	9 742
personal income tax	3 364	3 776
Social Insurance Institution	8 887	9 019
real estate tax	158	-
State Fund for the Rehabilitation of the Disabled	202	172
holiday accrual (Belgium tax)	640	703
Other	954	570
Other liabilities	**19 843**	**25 518**
wages and salaries	11 099	9 304
accruals	3 765	7 113
Other	4 979	9 101
Total	**282 529**	**299 643**

6.4. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 March 2020 and for the period from 1 January to 31 March 2019.

	Change in balance of Cash Flow Statement in the period from January 2020 to March 2020	Change in balance of Cash Flow Statement in the period from January 2019 to March 2019
Change in provision balance	**1 735**	(1 139)
Change in provisions balance	**(28 542)**	(6 455)
Change of receivables balance	**41 948**	(56 980)
Change in balances of short-term liabilities, excl. credits and loans	**8 128**	(44 612)
Change in balance of prepayments and accruals	**9 459**	(1 709)
Change in balance of working capital	**32 728**	**(110 895)**

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 on the equity method basis.

Group Structure

As of 31 March 2019, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

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	31 Mar. 2020	31 Dec. 2019
	Shares held directly				
1	Erbud International Sp. z o.o.	Toruń	Construction services	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	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. *	Toruń	Construction services	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	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.	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 under liquidation Sp. z o.o.*	Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp.z o.o	Warsaw	Construction services	**50.00%**	100.00%
12	JV PABC Sp. z o.o.	Warsaw	Construction services	**100.00%**	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	31 Mar. 2020	31 Dec. 2019
	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,	Construction services	**43.35%**	43.35%

Germany

6.6. POST-ACCOUNTING PERIOD EVENTS

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The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows: (i) temporary absence of construction staff, which may contribute to the delay of construction processes, (ii) delays in the supply of construction materials and services, (iii) slowdown in the activities of public administration bodies, including in particular administrative decision-making process, (iv) contracting authorities' decisions to suspend work on individual building contracts, (v) contracting authorities' decisions not to implement planned construction projects, e.g. due to difficulties in raising financing. In the opinion of the Management Board of the ERBUD Group, as of the date of approval of the financial statements, the liquidity positions of the Group and the Company remain stable.

The Management considers the resultant situation as an event not necessitating adjustments in the 2019 financial statements, but as a post-balance sheet event that requires additional disclosures. As the situation continues to evolve, management of the company believes that it is not possible to provide quantitative estimates of the potential impact of the current situation on the company. The management will continue to monitor the potential impact and will take all possible steps to mitigate any negative impact on the ERBUD Group.

Signatures of all Management Board members:

Dariusz Grzeszczak
/A Management Board member/

Jacek Leczkowski
/A Management Board member/

Agnieszka Głowacka
/A Management Board member/

Warsaw, 14 May 2020