ERBUD CAPITAL GROUP

Consolidated Financial Statement for the period ended on 30 September 2020.

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



ERBUD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For a 9-month-period ended on 30 Sept. 2020	For a 9-month-period, ended on 30 Sept. 2019	For a 3-month-period ended on 30 Sept. 2020	For a 3-month-period, ended on 30 Sept. 2019
	CONTINUING OPERATIONS				
Note 4.1.	Revenues from sales of products and services	1,606,883	1,789,044	522,361	590,322
	Cost of products and services sold	1,480,335	1,688,125	471,271	552,004
	Gross sales profit/(loss)	**126,548**	**100,919**	**51,090**	**38,318**
	Cost of sales	6,514	4,075	2,656	1,357
	General and administrative (G&A) costs	78,218	69,393	27,406	19,004
	Other operating income	9,599	15,590	4,956	5,441
	Other operating expenses	5,717	3,812	1,657	2,875
	Loss reversal/(impairment) of financial assets and contract valuation assets	853	4,488	1,161	(2,004)
	Share in net profits/losses of equity-accounted subsidiaries	-	175	-	-
Note 4.1.	**Operating profit**	**46,551**	**43,892**	**25,488**	**18,519**
	Financial income	4,631	1,796	1,921	912
	Financial expenses	7,849	8,042	2,104	2,796
	Gross profit /(loss) from continued operations	**43,333**	**37,646**	**25,305**	**16,635**
Note 4.3.	Income tax	8,513	9,313	2,183	4,451
	Net profit /(loss) from continued operations	**34,820**	**28,333**	**23,122**	**12,184**
	Net profit /(loss) for the accounting period	**34,820**	**28,333**	**23,122**	**12,184**
	Profit /(loss) generated in the accounting period appropriated to:				
	Shareholders of Parent Company	33,533	27,444	22,369	11,619
	Non-Controlling Stakeholders	1,285	889	755	567
	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)	2.72	2.21	1.80	0.95
	Net earnings per share from core activity (in PLN)	**2.72**	**2.21**	**1.80**	**0.95**
	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)	2.72	2.21	1.80	0.95
	Diluted earnings per share (in PLN)	**2.72**	**2.21**	**1.80**	**0.95**
	ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF RESULT, INCLUDING ALTERNATIVE RESULT METRICS				
	Amortization and depreciation	16,729	14,095	5,456	3,709
Note 4.1.	**EBITDA**	63,280	57,987	30,944	22,228

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 9-month-period ended on 30 Sept. 2020	For a 9-month-period, ended on 30 Sept. 2019	For a 3-month-period ended on 30 Sept. 2020	For a 3-month-period, ended on 30 Sept. 2019
Consolidated profit / (loss), net	**34,820**	**28,333**	**23,122**	**12,184**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	3,294	6	855	-
Pricing of hedging instruments	-	811	-	1,315
Other comprehensive income (including tax effect) subject to reclassification into result	**3,294**	**817**	**855**	**1,315**
Comprehensive income in the accounting period	**38,114**	**29,150**	**23,977**	**13,499**
Appropriated to:				
Shareholders of Parent Company	36,816	28,271	23,224	12,935
Non-Controlling Stakeholders	1,298	879	753	564
Comprehensive income attributable to the Shareholders of Parent Company due to:				
Going concern operations	36,816	28,271	23,224	12,935
	36,816	**28,271**	**23,224**	**12,935**

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

For a 9-month-period ended on 30 September 2019 and for a 9-month-period ended on 30 September 2020

	Share capital	Called up share capital (negative value)	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	Shareholders' 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	-	-	-	-	-	-	27,444	**27,444**	889	**28,333**
Other 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)**
Acquisition and redemption of a stake in a subsidiary	-	-	-	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**
As of 1 Jan. 2020	**1,281**	**-**	**211,931**	**11,385**	**1,554**	**-**	**40,534**	**266,685**	**8,131**	**274,816**
Net result in the accounting period	-	-	-	-	-	-	33,536	**33,536**	1,284	**34,820**
Other comprehensive income in the accounting period	-	-	-	-	3,280	-	-	**3,280**	14	**3,294**
Other comprehensive income	**-**	**-**	**-**	**-**	**3,280**	**-**	**33,536**	**36,816**	**1,298**	**38,114**
Dividend	-	-	-	-	-	-	-	**-**	(2,031)	**(2,031)**
Net retained earnings carried forward	-	-	-	6,437	-	-	(6,437)	**-**	-	**-**
Acquisition and redemption of a stake in a subsidiary	-	-	-	-	-	-	(145)	**(145)**	(407)	**(552)**
Acquisition of own shares	-	(16,500)*	-	-	-	-	-	**(16,500)**	-	**(16,500)**
Other	-	-	25	-	-	-	-	**25**	-	**25**
As of 30 September 2020	**1,281**	**(16,500)**	**211,956**	**17,822**	**4,834**	**-**	**67,488**	**286,881**	**6,991**	**293,872**

* details in Note 6.5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 Sept. 2020	31 Dec. 2019
	ASSETS	**1,278,324**	**1,173,495**
	Goodwill	40,332	39,303
	Tangible fixed assets	103,230	105,107
Note 5.1.	Financial assets	3,437	2,720
Note 4.3.	Deferred tax assets	39,827	33,524
	Receivables under building contracts - bid bonds	7,788	9,080
	Fixed assets	**194,614**	**189,734**
	Inventory	16,199	87,320
	Receivables under building contracts - bid bonds	30,269	53,082
Note 2.2.	Receivables under building contracts - pricing	227,977	202,460
Note 6.1.	Trade receivables and other receivables	609,195	469,704
Note 5.1.	Financial assets	13,524	3,461
	Cash and cash equivalents	170,213	148,240
	Cash assets in VAT account	10,369	12,918
	Short-term prepayments	5,964	6,576
	Current assets	**1,083,710**	**983,761**
	LIABILITIES	**1,278,324**	**1,173,495**
Note 3.1.	Share capital	1,281	1,281
	Called up share capital (negative value)	(16,500)	-
	Share premium	211,956	211,931
	Reserve capital	17,822	11,385
	Accumulated other comprehensive income	4,834	1,554
	Retained earnings	67,488	40,534
	Equity of shareholders of the Parent Company	286,881	266,685
	Equity of non-controlling stakeholders	6,991	8,131
	Shareholders' equity	**293,872**	**274,816**
Note 3.2.-3.4.	Interest debt	41,650	100,786
	Provisions	22,154	18,087
Note 4.3.	Deferred tax liabilities	1,848	1,573
	Building contract liabilities - bid bonds	17,066	19,428
	Long-term liabilities	**82,718**	**139,874**
Note 3.2.-3.4.	Interest debt	186,707	131,661
	Provisions	44,372	44,653
	Building contract liabilities - bid bonds	117,647	116,699
Note 2.2.	Building contract liabilities - pricing	210,421	156,021
Note 6.2.	Trade payables and other liabilities	301,019	299,643
	Prepaid deliveries	41,568	10,128
	Short-term liabilities	**901,734**	**758,805**

CONSOLIDATED CASH FLOW STATEMENT

	For a 9-month-period ended on 30 September 2020	For a 9-month-period, ended on 30 September 2019	For a 3-month-period ended on 30 September 2020	For a 3-month-period, ended on 30 September 2019

	OPERATIONAL CASH FLOWS				
	Gross profit/loss	43,333	37,646	25,305	16,635
	Amortization and depreciation	16,729	4,095	5,456	3,709
	Foreign exchange gains/losses	(75)	(886)	(1,435)	(19)
	Interest and share in profits (dividend)	1,243	3,117	(515)	1,069
	Other non-cash adjustments	(509)	(1,576)	17	(1,531)
	Income tax paid	(7,725)	(6,615)	(2,649)	(2,867)
Note 6.3.	Change in balance of working capital	14,527	(147,962)	7,129	5,692
	Operational cash flows, net	**67,523**	**(102,181)**	**33,308**	**22,688**
	INVESTMENT ACTIVITY CASH FLOWS				
	Proceeds from the sales of interest in a subsidiary	-	3	-	-
	Inflows from credits/loans extended	5	7,459	1	-
	Other inflows	726	2,478	349	1,740
	Expenditures on the acquisition of tangible fixed assets	(8,881)	(10,375)	(2,462)	(2,822)
	Loans extended expense	(10,000)	-	(10,000)	-
	Expenditures on the acquisition of shares in companies	-	(106)	-	-
	Other	(735)	(202)	-	(202)
	Investment activity cash flows, net	**(18,885)**	**(743)**	**(12,112)**	**(1,284)**
	FINANCIAL ACTIVITY CASH FLOWS				
	Income from credits and loans taken	45,169	52,543	1,228	-
	Other inflows	555	175	555	175
	Debt (principal) repayment expense	(50,862)	(30,922)	(1,429)	(8,686)
	Debt (interest) repayment expense	(3,016)	(3,237)	(468)	(1,085)
	Dividend payment	(2,011)	(615)	-	(12)
	Acquisition of own shares	(16,500)	-	(16,500)	-
	Other expenses	-	-	-	-
	Financial activity cash flows, net	**(26,665)**	**17,944**	**(16,614)**	**(9,608)**
	NET CASH FLOWS	**21,973**	**(84,981)**	**4,582**	**11,797**
	Opening cash balance	**148,240**	**206,608**	**165,631**	**109,830**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-	-	-
	Closing cash balance, of which:	**170,213**	**121,627**	**170,213**	**121,627**
	- restricted cash	31,428	14,985	31,428	14,985

BASIC DATA CONVERTED INTO EURO

	30 Sept. 2020		31 Dec. 2019	
	PLN	EUR	PLN	EUR
Fixed assets	194,614	42,992	189,734	44,554
Current assets	1,083,710	239,399	983,761	231,011
Shareholders' equity	293,872	64,918	274,816	64,534
Liabilities and provisions for liabilities	984,452	217,472	898,679	211,032

	For a 9-month-period ended on 30 September 2020		For a 9-month-period, ended on 30 September 2019	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	1,606,883	361,748	1,789,044	415,226
Cost of products and services sold	1,480,335	333,259	1,688,125	391,804
Gross sales profit/(loss)	126,548	28,489	100,919	23,423
Operating profit /(loss)	46,551	10,480	43,892	10,187
Gross profit /(loss) from continued operations	43,333	9,755	37,646	8,737
Net profit /(loss) from continued operations	34,820	7,839	28,333	6,576

	For a 9-month-period ended on 30 September 2020		For a 9-month-period, ended on 30 September 2019	
	PLN	EUR	PLN	EUR
Operational cash flows, net	67,523	15,201	(102,181)	(23,716)
Investment activity cash flows, net	(18,885)	(4,251)	(743)	(172)
Financial activity cash flows, net	(26,665)	(6,003)	17,944	4,165
Net cash flows	21,973	4,947	(84,981)	(19,724)
Opening cash balance	148,240	34,810	206,608	48,048
Closing cash balance	170,213	37,601	121,627	27,809

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

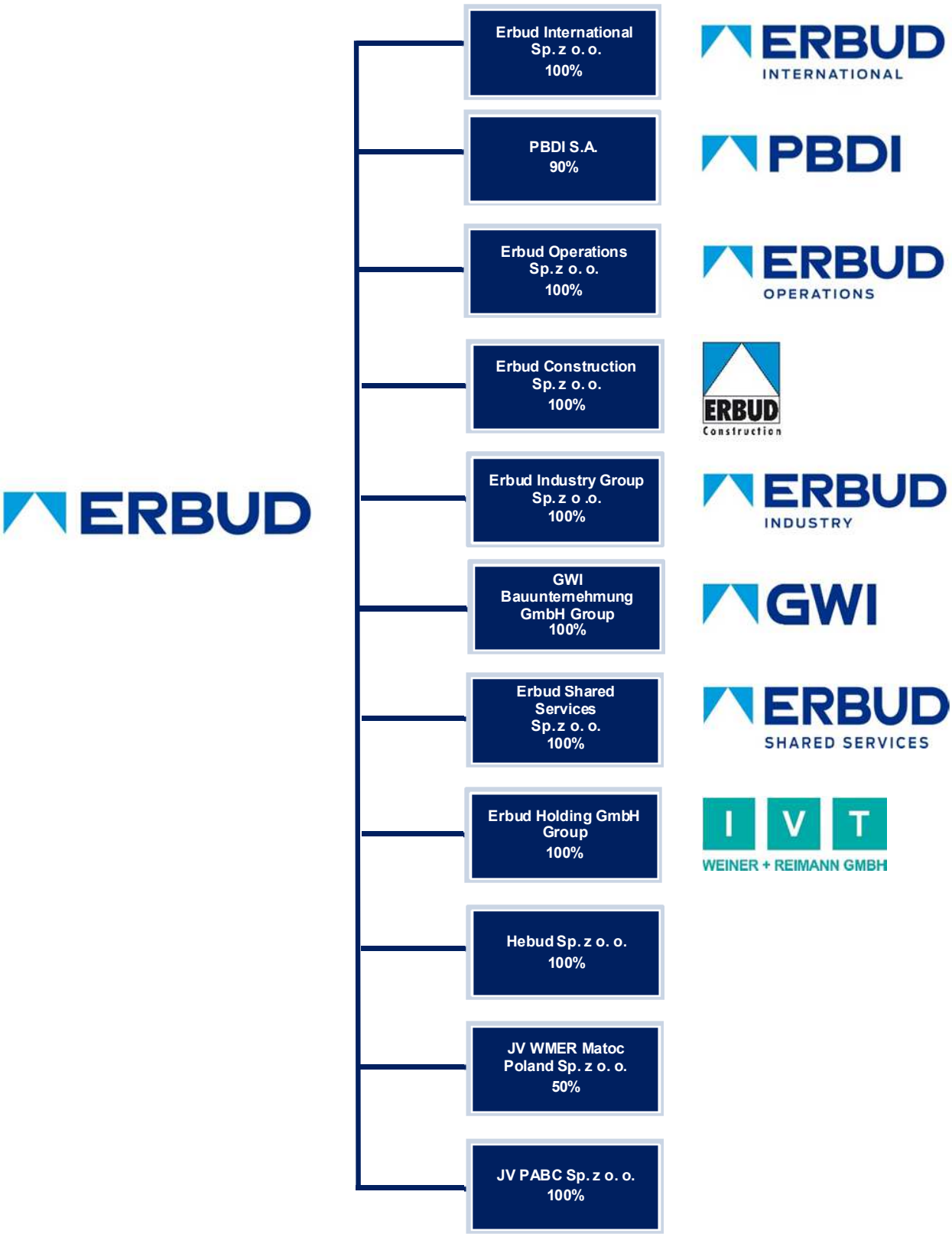
The Parent Company of Erbud S.A Capital Group ("Group") is Erbud S.A. ("Parent Company"), with its registered office in the City of Warsaw, at ul. Franciszka Klimczaka No. 1.

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 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 6.4.

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 34), as endorsed by the European Union.

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 has been drawn for a period of nine months, closed on 30 September 2020, whereas comparable data covers the period of six months and closed on 30 September 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 6 November 2020.

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

Transactions in foreign currencies are carried in the books at their nominal value converted into PLN using the average rate of the National Bank of Poland. At the moment of realisation the foreign exchange gains or losses they are posted as financial gains or expenses.

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, determine for a certain currency by the National Bank of Poland.

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

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. THE APPLICATION OF NEW AND AMENDED STANDARDS, AND THEIR INTERPRETATIONS:

In this Separate Financial Statement, the following new and amended standards and their interpretations were applied for the first time, which entered into force on 1 January 2020:

a) 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.

The above changes to the standard did not affect the Company's financial statements draw up as of 30 September 2020.

b) Amendments to IFRS 9, IAS 39 and IFRS 7 connected with the IBOR reform

Amendments to IFRS 9, IAS 39 and IFRS 7 published in 2019 modify some of the detailed requirements for hedge accounting, mainly to ensure that the expected reform of reference rates (the IBOR reform) does not generally result in the termination of hedge accounting.

The above changes to the standard did not affect the Company's financial statements draw up as of 30 September 2020.

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

The Council has published a new definition of the term 'materiality'. The amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards, but are not expected to have a significant impact on the drawing up the financial statements.

d) Amendments to the scope of IFRS Conceptual Assumptions

In 2019, amendments to the IFRS Conceptual Assumptions were published, which are effective from 1 January 2020. The revised Conceptual Assumptions are used by the Board and the Interpretation Committee when working on new standards. Nevertheless, the entities drawing up the financial statements may use the Conceptual Framework to develop accounting policies for transactions not regulated by the current IFRS.

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

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

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

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

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

At the date of preparation of these separate financial statements, the new standard had not yet been endorsed by the European Union.

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

The Council has published amendments to IAS 1 that clarify the issue of presentation of liabilities as long and short-term ones. The published amendments shall apply to financial statements for periods beginning on or after 1 January 2022.

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

c) Amendments to IFRS 3 "Business Combinations"

The published amendments to the standard are intended to update the relevant references to the Conceptual Assumptions in IFRS, without making material changes to business combinations accounting. At the date of preparation of these consolidated financial statements, the amendment in question had not yet been endorsed by the European Union.

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

The amendment introduces a ban on adjusting the cost of production of property, plant and equipment by the amounts obtained from the sale of components produced during the period of preparation of the property, plant and equipment for operation in accordance with the management's intentions. Instead, the entity will recognise the above sales revenues and related costs directly in the income statement. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. At the date of preparation of these consolidated financial statements, the amendment in question had not yet been endorsed by the European Union.

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

The amendments to IAS 37 provide an explanation of the costs that an entity takes into account when analysing whether a contract is an onerous contract. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. At the date of preparation of these consolidated financial statements, the amendment in question had not yet been endorsed by the European Union.

f) Annual Amendments to IFRS 2018 - 2020

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

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement. At the date of preparation of these consolidated financial statements, the amendments in question had not yet been endorsed by the European Union.

g) Amendments to IFRS 16 "Lease"

On 28 May 2020 the Council published an amendment to IFRS 16 in response to amendments to the lease contracts in connection with the coronavirus pandemic (COVID-19). Lessees have the right to take advantage of discounts and exemptions, which may take various forms, i.e. deferral or exemption from lease payments. Therefore, the Council has introduced a simplification in assessing whether these amendments represent modification of the lease. Lessees may benefit from the simplification of not applying the guidelines of IFRS 16 on modification of lease contracts. As a result, this will result in the recognition of lease allowances and exemptions as variable lease payments over the period in which the event or condition causing payment decrease occurs. The amendment has been in force since 1 June 2020, but it has not yet been endorsed by the European Union.

h) Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments"

The amendment to IFRS 4 "Insurance Contracts" postpones the application of IFRS 9 "Financial Instruments" until 2021. At the date of preparation of these consolidated financial statements, the amendment had not yet been endorsed by the European Union.

i) IFRS 14 "Regulatory Deferral Accounts"

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

IFRS 14 will not be endorsed by virtue of the European Union's decision.

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

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

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

The amendments were published on 11 September 2014. As of the date of drawing up these separate financial statements, the endorsement of this amendment is deferred by the European Union.

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.

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 construction contracts in the period from the Contract Date to the balancing date proportionally to the progress rate of of a certain contract performance by way of evaluation of the achieved results and milestones. From thus determined figures the Group deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period.

On the other side, the pricing results (i.e. the determination of revenues and costs using the progress rate method) are recognized as "Receivables (or Liabilities) Under Building Contracts - Pricing".

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Group recognizes invoiced revenue in the line "Trade and other receivables" (Note 6.1) 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 6.2) The Group retains a portion of payments to subcontractors in relation to performance bond, and recognizes it the line "Building contract liabilities - deposits". 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.

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

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

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

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 9-month-period ended on 30 Sept. 2020	For a 9-month-period, ended on 30 Sept. 2019
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	1,427,959	1,633,067
Costs under building contracts,	1,339,016	1,558,885
Result before recognition and settlement of future losses	**88,943**	**74,182**
Setting up provisions for future losses	(1,501)	266
Release /utilisation of provisions set up in the previous periods	-	700
Gross profit/loss	**87,442**	**73,748**
Gross profit margin		
excluding provisions	6%	5%
including provisions	6%	5%

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

	30 Sept. 2020	31 Dec. 2019
Revenues under building contracts, YTD	3,498,342	3,129,335
Invoiced receivables from customers, YTD	3,511,913	3,156,656
Balance of payments under building contracts - revenues	**(13,571)**	**(27,321)**
including:		
(1) Receivables for completed, non-invoiced construction works	145,762	98,468
Write-off for contract pricing	-	(690)
(1a) Net receivables for completed non-invoiced construction works - assets under building contracts	145,762	97,778
(1a) Payables for non-completed invoiced construction works - liabilities under building contracts	159,333	125,099
Costs related to building contracts, YTD	2,633,237	2,893,047
	-	100
Costs invoiced by the customers, YTD	2,664,364	2,966,807
Balance of payments under building contracts - expenses	**31,127**	**73,760**
including:		
(3) Receivables for non-completed, invoiced construction works	82,215	104,682
(4) Liabilities for completed, non-invoiced construction works	51,088	30,922
Balance of payments under building contracts	**17,556**	**46,439**
including:		
Receivables under building contracts - pricing [(1a)+(3)]	227,977	202,460
Liabilities under building contracts - pricing [(2)+(4)]	210,421	156,021

Information about material events that happened in the period of nine months of 2020 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 Construction Contracts were signed with a subsidiary of Vantage Development S.A., Port Popowice spółka z ograniczoną odpowiedzialnością sp. k.

1. Contract Date: 28 January 2020

2. The Employer: Port Popowice spółka z ograniczoną odpowiedzialnością sp. K.

3. Total value of contracts ("Contract 1" and "Contract 2"): PLN 103.97 million, net

4. Subject of the Contract:

a. Under the Contract 1 - full and complete execution 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.

b. Under the Contract No. 2, full and complete execution of 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.

5. Execution date of contracts ("Contract 1" and "Contract 2"): 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.

6. In the event of withdrawal from the Contracts ("Contract 1" and "Contract 2") 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 EXBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Contract Date: 17 February 2020

2. Investor: BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o.

3. Total net contract value: PLN 69,915,595.45, net

4. Subject of the Contract: 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.

5. End Date of Contract execution: 22 months from the Start Date of Works. 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 construction works under terms and conditions specified below:

1. Contract Date: 17 February 2020

2. Investor: BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o.

3. Total net contract value: PLN 167,717,139.41, net

4. Subject of the Contract: 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.

5. Contract execution date: within 26 months from the Start Date of Works. The works will be commenced within 14 days after the issue of the Notice to Proceed with Works.

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;

On 4 June 2020, Toruń-based PBDI S.A. (a subsidiary, controlled in 90% by the Issuer) entered into a substantial Contract for construction works under terms and conditions specified below:

1. Investor: Nowa Energia 1 Spółka z ograniczoną odpowiedzialnością, Aleje Jerozolimskie 98, 00-807 Warszawa;

2. Total net contract value: PLN 34.474.459,69, net

3. Subject matter of the contract: Construction works concerning the Kozłowo wind farm;

4. End Date of Contract execution: 30 April 2021

On 4 June 2020 the Issuer acting in the Consortium jointly with Toruń-based PBDI S.A. (90% subsidiary of the Issuer, the Consortium Leader) entered into a major contract for the construction of the Dębsk Wind Farm consisting of 55 wind power plants with a total maximum capacity of 121 MW.

1. Investor: Polenergia Farma Wiatrowa 3 Sp. z o. o. with its registered office in Warsaw at ul. Krucza 24/26, 00-526 Warsaw.

2. Total net contract value: PLN 79,823,985.80, net

3. End Date of Contract execution: 11 June 2022;

4. Terms of payment: partial invoicing in line with milestone progress rate. Invoices payable within 30 days from the receipt by the Investor of a duly issued VAT invoice;

2. BUILDING CONTRACTS

On 29 June 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. Investor: EWP European Wind Power Krasin Spółka z ograniczoną odpowiedzialnością, Aleje Jerozolimskie 98, 00-807 Warszawa;

2. Total net contract value: PLN 21.372.479,00, net

3. Subject matter of the contract: Construction works concerning the Krasin wind farm;

4. End Date of Contract execution: 31 May 2021;

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

On 30 June 2020 the ERBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Investor: BOUYGUES IMMOBILIER POLSKA SP. Z O.O., Al. Armii Ludowej 14, 00-638 Warszawa

2. The contract value equals to PLN 23,300,000.00 million, net

3. The Subject of the Contract involves the construction of a multi-family residential building at ul. Grochowska 230 and 228 in the City of Warsaw

4. Contract execution site at: ul. Grochowska 230, 228, Warsaw

5. Execution timeframe: Start Date - 30 June 2020

End Date - 31 January 2022

On 14 July 2020, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Contract under terms and conditions specified below:

1. Investor: ENERTRAG Aktiengesellschaft with registered office at Gut Dauerthal, 17291 Dauerthal;

2. Total net contract value: PLN 31.900.000,00, net

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

4. End Date of Contract execution: 30 November 2021;

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

On 29 July 2020 Erbud S.A. signed a Contract for Construction Works under terms and conditions specified below:

1. Investor: "LOTNICZA AKADEMIA WOJSKOWA 08-521 Dęblin, ul. Dywizjonu 303 / 35

2. Contract value PLN 49,586,317.38, net / PLN 53,764,582.01, gross - estimated remuneration /as per cost estimate

3. Subject of the contract "Construction of a multifunctional building" including the obtaining of an occupancy permit

4. Contract execution site at: ul. Dywizjonu 303, 08-521 Dęblin, plots of land Nos. 4080/116 and 4080/126 – confined space, precinct 0001, the Rycki County, the Lubelskie Province.

5. Execution dates. The deadline for completion of works with obtaining the occupancy permit is set by 30 July 2024.

6. Terms of payment, quarterly invoicing with 30 days payment term.

2. BUILDING CONTRACTS

On 27 July 2020 the Management of GWI GmbH (a subsidiary owned in 100% by ERBUD SA) signed a Contract for Construction Works under terms and conditions specified below:

1. Contract Date: 27 July 2020

2. Investor: TZMO Deutschland GmbH, Waldstraße 2, 16359 Biesenthal

3. Total net contract value: The value of the Agreement is EUR 6,025,000.00, net, which is the equivalent of PLN 26,523,857.50 after the conversion using the average exchange rate of the National Bank of Poland, prevailing at the Contract Date.

4. The Subject of the Contract will be the construction of an administration building for TZMO Deutschland GmbH in Biesenthal - a comprehensive execution of construction and installation works, along with the accompanying technical infrastructure.

5. End date of Contract execution: 20 August 2020 to 21 October 2021.

6. The construction works subcontractor appointed by GWI GmbH will be ERBUD S.A., Szczecin branch.

On 31 July 2020 the Issuer signed a Contract for Construction Works under terms and conditions specified below:

1. Contract Date: 31 July 2020

2. Investor: TZMO Deutschland GmbH

3. Total net contract value: EUR 5,965,000.00, net, which is the equivalent of PLN 26,288,948.00 after the conversion using the average exchange rate of the National Bank of Poland, prevailing at the Contract Date.

4. Subject of contact: Construction of an administration building for TZMO Deutschland GmbH

5. End date of Contract execution: 20 August 2020 to 21 October 2021.

On 2 September 2020 the Issuer signed a Contract for Construction Works under terms and conditions specified below:

1. Investor: Biznes Port spółka z o.o. with its registered office in the City of Wrocław, at ul. Dąbrowskiego 44, 50-457 Wrocław.

2. Contract value: PLN 70 750 000, net (PLN 60 000 000, net + PLN 10 750 000, net for fit-outs)

3. The Subject Matter of the Contract is the construction of an office and service building with an underground parking facility, as well as the land and utilities development, including finishing with the Fit-Out status.

4. Contract execution site: Wrocław, Białowieska

5. Execution timeframe: the Hand-over Certificate within 70 weeks from the date of the Notice to Proceed (NTP).

On 15 September 2020 EXBUD S.A. signed a Contract for construction works under terms and conditions specified below:

1. Investor: MATEXI POLSKA Sp. z o.o. with its registered office at: Warsaw 00-867, Aleja Jana Pawła II

2. The contract value equals to PLN 48,880,000.00 million, net

3. Subject of the Contract: Construction of a multi-family apartment building with services and underground parking facility as well technical infrastructure, systems, necessary equipment

4. Contract execution site at: ul. Żeromskiego 17, Warsaw

5. Execution date: 23 months from construction site handover

Start date - 16 Sept. 2020

End date - 16 August 2022

On 16 September 2020 PBDI S.A. with its registered office in Toruń (90% subsidiary of the Issuer), acting as a member of Consortium with the company MOSTY Łódź with its registered office in the City of Łódź in carrying out the following investment project: "Design and construction of the S3 road at the Legnica (A4) - Lubawka section, Assignment No. IV from the Kamienna Góra North Junction (including junction) to the national boundary with the length of 15.3 km" received from the subcontractor the Contract, signed by the above mentioned Consortium on 14 September 2020, for the performance of comprehensive bituminous works, under terms and conditions specified below:

1. Contract Date: 14 September 2020

2. Subject of the Contract: Delivery of a service involving the performance of comprehensive bituminous works;

3. The contract value is: PLN 55.180.139,20

4. Execution timeframe: 17 June 2022.

On 15 September 2020 the Issuer signed a Contract for Construction Works under terms and conditions specified below:

CONTRACT FOR CONSTRUCTION WORKS concerning the construction of a retail and service park, the Castorama DIY store along with the redevelopment of the external transport system in the locality of Lipnik in Stargardzka Street

1. Investor "Europrojekt Gamma Saller Polbau Sp. z o. o. Sp.k., ul. Wyścigowa 56C, ~~550-030~~ 53-012 Wrocław

2. Contract value equals to PLN 47 430 013.08, net.

3. Execution site: Lipnik near Stargard, Stargardzka Street

4. Execution Date: 29 September 2020 - 30 September 2021

On 1 October 2020 , a consortium comprising Toruń-based PBDI S.A. (90% subsidiary of the Issuer) and P&Q Sp. z o.o. based in Białystok entered into a major Contract for the construction works under the following terms and conditions:

1. Investor (exact name and registered office): Baltic Green I Spółka z ograniczoną odpowiedzialnością, ul. Skaryszewska 7, 03-802 Warsaw)

2. Total net contract value: PLN 42,825,138.23, net; of which the PBDI S.A.'s portion is worth – PLN 28,455,100.73, net.

3. Subject Matter of the Contract: Construction works concerning the Kąty wind farm;

4. End Date of Contract execution: 15 March 2022;

On 5 October 2020, PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) entered into a substantial Contract for Design and Road Works under terms and conditions specified below:

1. Investor (exact name and registered office): The Kujawsko-Pomorskie Province, Plac Teatralny 2, 87-100 Toruń, on behalf of which the Provincial Roads Authority in the City Bydgoszcz at ul. Dworcowa 80, 85-010 Bydgoszcz;

2. Total net contract value: PLN 38.982.570,66, net

3. Subject Matter of the Contract: design and road works using the "DESIGN AND BUILD" formula for the project called Redevelopment of provincial road No. 270 at the Brześć Kujawski - Izbica Kujawska - Koło section from 0+000 km to 29+023 km - the Construction of the Lubraniec Town bypass;

4. End Date of Contract execution: 24 November 2022;

On 8 October 2020 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

1. Investor: NP23 Sp. z o.o. Sp. komandytowa, based in ul. Al. Jerozolimskie 98, 00-807 Warszawa

2. The contract value is: PLN 30,050,000.00, net

3. Subject of the Contract: Construction of a multi-family building with service premises on the ground floor, underground car-park facility, necessary technical infrastructure and elements of land development in Jeleniogórska Street in the City of Poznań.

4. Contract execution site at: ul. Jeleniogórska 14, Poznań

5. Execution timeframe:

a) Construction Site hand-over date: 5 Business Days from the Contract Date, i.e. on 15 October 2020.

b) Demolition Works Start Date (Phase One of Contract): 3 December 2020,

c) Date of completion of the Phase Two of the Contract (construction works) - 20 months from the date of delivery to the Contractor (ERBUD S.A.) The Contractor shall be notified about Notice to Proceed, if the Notice to Proceed has been delivered to the Contractor after the End Date of the Demolition Works or 21.5 months from the Works Start Date, Notice to Proceed has been delivered to the Contractor before the End Date of the Demolition Works.

On 9 October 2020 , a consortium comprising Toruń-based PBDI S.A. (90% subsidiary of the Issuer) and Electrum Sp. z o.o. based in Białystok entered into a major Contract for the construction works under the following terms and conditions:

1. Investor (exact name and registered office): Laszki Wind Spółka z ograniczoną odpowiedzialnością, ul. Olimpijska 3, 02-636 Warsaw

2. Total net contract value: PLN 45,862,519.37, net; of which the PBDI S.A.'s portion is worth – PLN 35.619.185,86, net.

3. Subject Matter of the Contract: Construction works concerning the Laszki wind farm;

4. End Date of Contract execution: 15 November 2021;

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 30 September 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	4,012,025	31.31%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,063,812	16.11%
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	747,654	5.84%
PKO OFE	715,279	5.58%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz plus Józef Zubelewicz	648,810	5.06%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	412,500	3.22%
Jacek Leczkowski	5,356	0.04%
Agnieszka Głowacka	4,077	0.03%
Other shareholders	1,819,200	14.21%
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.

	30 Sept. 2020	31 Dec. 2019
Long-term		
Bank loans	16,087	17,003
Short-term		
Overdraft facilities	13,426	115,845
Bank loans	106,612	2,235
Loans	525	544
	120,563	118,624
Total credit and loan liabilities	**136,650**	**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	30 Sept. 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		30 Sept. 2020 Nominal value of minimum payments	31 Dec. 2019 Nominal value of minimum payments
Below 1 year	Short-term	14,766	13,557
1 - 5 years	Long-term	26,349	32,569
		41,115	**46,126**
Lease financial costs		1,408	1,306
Present value of minimum payments		**39,707**	**44,820**

In the line "Long-Term Liabilities", the Company recognized liabilities under lease and tenancy contracts pursuant to IFRS 16 "Leases" standard in the amount of PLN 2,223 thousand, whereas in the short-term liabilities in the amount of PLN 2,827 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

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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 a division corresponds to the distribution of the main risks and returns on expenses incurred.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Consolidated Financial Statements. The intersegment transactions 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
Domestic building construction	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 photovoltaic systems.	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.

Basic information on segments in the accounting periods 01.2020 - 09.2020 and 01.2019 - 09.2019

The Group operates in Poland and abroad (in Germany, Belgium, the Netherlands, Sweden and France and Norway). 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 Sept. 2020			For a 9-month-period, ended on 30 Sept. 2019		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	1,308,101	298,782	**1,606,883**	1,607,632	181,412	**1,789,044**
Accrued and deferred income	1,206,890	221,069	**1,427,959**	1,535,044	98,023	**1,633,067**
Income recognized at a certain point in time	93,167	75,558	**168,725**	59,351	82,549	**141,900**
Other income recognized at point in time	8,044	2,155	**10,199**	13,237	840	**14,077**
Fixed assets other than financial instruments and deferred tax assets	102,871	44,128	**146,999**	101,137	41,162	**142,299**

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 Sept. 2020
	Domestic building construction	Foreign building construction	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Other segments	Total continued activities
Total income							
Cross segment sales	-	-	-	(11,168)	-	-	**(11,168)**
Sales to third party customers	827,626	211,570	320,278	171,365	87,212	-	**1,618,051**
Total sales revenues	**827,626**	**211,570**	**320,278**	**160,197**	**87,212**	**-**	**1,606,883**
Segments' performance and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	774,380	199,503	288,923	144,842	72,687	-	**1,480,335**
Other operating profit/loss	(40,925)	(9,966)	(11,172)	(11,226)	(6,113)	(595)	**(79,997)**
Segment performance – EBIT	**12,321**	**2,101**	**20,183**	**4,129**	**8,412**	**(595)**	**46,551**
EBIT margin	1%	1%	6%	3%	10%		**3%**
Financial activity gains/losses	(3,083)	295	(124)	(584)	303	(25)	**(3,218)**
Gross profit/loss excluding discontinued operations	**9,238**	**2,396**	**20,059**	**3,545**	**8,715**	**(620)**	**43,333**
Income tax	2,076	(1,860)	4,391	845	3,020	41	**8,513**
Net profit/loss excluding discontinued activities	**7,162**	**4,256**	**15,668**	**2,700**	**5,695**	**(661)**	**34,820**
Amortization and depreciation	4,890	1,378	4,286	3,847	1,980	348	**16,729**
Segment performance – EBITDA	**17,211**	**3,479**	**24,469**	**7,976**	**10,392**	**(247)**	**63,280**

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 Sept. 2019 Total continued activities
Total income							
Cross 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%	5%	1%	10%		**2%**
Financial activity gains/losses	(4,698)	(96)	(155)	(1,094)	(202)	(1)	**(6,246)**
Gross profit/loss excluding discontinued operations	**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**

4.2. COST OF GOODS SOLD (COGS)

	For a 9-month-period ended on 30 Sept. 2020	For a 9-month-period, ended on 30 Sept. 2019	For a 3-month-period ended on 30 Sept. 2020	For a 3-month-period, ended on 30 Sept. 2019
Third party services	990,402	1,201,604	295,217	374,861
Material and energy consumption	264,470	359,030	102,373	124,998
Employee benefit expenses	241,529	232,948	85,795	77,168
Amortization and depreciation	16,729	14,095	5,456	3,709
Taxes and charges	5,943	7,208	2,408	2,309
Other cost categories	8,925	14,480	240	4,717
Value of merchandise and materials sold	248	4,774	117	3,676
Total costs by category	**1,528,246**	**1,834,139**	**491,606**	**591,438**
Change in the balance of products, work in progress and accrued expenses under building contracts	36,821	(72,546)	9,727	(19,073)
Cost of sales (negative value)	(6,514)	(4,075)	(2,656)	(1,357)
General management and administration costs (negative value)	(78,218)	(69,393)	(27,406)	(19,004)
Manufacturing costs of products sold	**1,480,335**	**1,688,125**	**471,271**	**552,004**

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 Sept. 2020	For a 9-month-period, ended on 30 Sept. 2019
Gross profit /loss before tax on continued activities	**43,333**	**37,646**
Tax according to the statutory tax rate applicable in Poland - 19%	**8,233**	**7,153**
Additional tax burden being a result of a rate exceeding 19% in Germany	3,534	1,465
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	(3,254)	695
Tax posted into Consolidated Profit and Loss Account, of which:	**8,513**	**9,313**
Current tax	14,474	11,509
Deferred tax	(5,961)	(2,196)
Effective tax rate	**19.64%**	**24.74%**

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	31 Dec. 2019	Net profit/loss	Other comprehensive income	30 Sept. 2020
	Deferred tax assets							
	Receivables under building contracts - pricing	36,493	11,573	-	48,066	7,123	-	55,189
	Provisions	8,454	968	-	9,422	(284)	-	9,138
	Tax loss	11,736	(4,068)	-	7,668	627	-	8,295
	Accrued wages and salaries, and charges	513	(92)	-	421	164	-	585
Note 6.1.	Receivables revaluation write-downs	4,417	1,551	-	5,968	(137)	-	5,831
	Other financial liabilities	2,018	(21)	-	1,997	33	-	2,030
	Deferred expenses	1,784	(1,660)	-	124	482	-	606
	Other	570	1,225	(34)	1,761	24	252	2,037
	Total	**65,985**	**9,476**	**(34)**	**75,427**	**8,032**	**252**	**83,711**
	Deferred tax liabilities							
	Building contract liabilities - pricing	31,601	5,453	-	37,054	2,480	-	39,534
	Asset revaluation	4,772	(298)	(57)	4,417	(194)	-	4,223
	Balance sheet pricing and liabilities discount	161	(4)	-	157	11	-	168
	Accrued interest on debt	238	(135)	-	103	63	-	166
	Accrued revenues	(3)	632	-	629	(258)	-	371
	Other	1,503	(358)	(29)	1,116	(31)	185	1,270
	Total	**38,272**	**5,290**	**(86)**	**43,476**	**2,071**	**185**	**45,732**
	Assets and liabilities set off	27,713			31,951			37,979
	Post set off balance	**33,107**			**35,097**			**41,675**
	Assets	30,410			33,524			39,827
	Liabilities	2,697			1,573			1,848
	Net impact of changes in the period		**4,186**	**52**		**5,961**	**67**	

In the year ended on 30 September 2020 and 30 September 2019 there were no negative temporary differences on which no deferred tax assets were recognised.

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 5.1.1.	Financial Assets - Loans Extended
	Receivables under building contracts - bid bonds
Note 6.1.	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 6.1.	Trade payables and other liabilities
Notes 3.2. –3.4.	Debt

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 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 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.

5.2.2. 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 Company cooperates with highly renowned financial institutions, in accordance with the table below, without causing a significant concentration of credit risk.

Trade receivables and receivables under construction contracts

To protect against credit risk resulting from receivables under construction contracts (i.e. trade receivables, receivables under 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 6.1.

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. TRADE RECEIVABLES AND OTHER 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 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, the increase of receivables caused by time elapse is posted as financial gains.

	30 Sept. 2020			31 Dec. 2019		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	593,936	36,161	557,775	465,090	38,281	426,809
Receivables from corporate income tax	706	-	706	9,458	-	9,458
Other budget receivables	26,507	-	26,507	11,650	-	11,650
Other receivables	25,417	1,210	24,207	22,997	1,210	21,787
Total	**646,566**	**37,371**	**609,195**	**509,195**	**39,491**	**469,704**

6. Other notes

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

	For a 9-month-period ended on 30 Sept. 2020	For a 12-month-period, ended on 31 Dec. 2019
Opening balance of write-downs	**39,491**	**44,332**
Setting up	3,187	12,450
Reversal	1,987	10,766
Utilisation	3,451	6,507
Other	-	-
FX gains and losses from translation	131	(18)
Closing balance of write-downs	**37,371**	**39,491**

6.2. TRADE PAYABLES, OTHER LIABILITIES

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

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

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

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

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

	30 Sept. 2020	31 Dec. 2019
Trade payables	**252,855**	**237,924**
including to related entities	322	2,283
Advances received	-	-
Liabilities vis-a-vis budget in relation to:	**31,797**	**36,201**
VAT tax	5,800	12,219
corporate income tax	8,699	9,742
personal income tax	3,559	3,776
Social Insurance Institution	11,953	9,019
real estate tax	78	-
State Fund for the Rehabilitation of the Disabled	164	172
holiday accrual (Belgium tax)	846	703
Other	698	570
Other liabilities	**16,367**	**25,519**
wages and salaries	11,126	9,304
accruals	1,211	7,113
Other	4,030	9,102
Total	**301,019**	**299,643**

6.3. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 30 September 2020 and for the period from 1 January to 30 September 2019.

	Change in balance of Cash Flow Statement in the period from Jan. 2020 to Sept. 2020	Change in balance of Cash Flow Statement in the period from Jan. 2019 to Sept. 2019
Change in the balance of provisions	**3,786**	5,989
Change in inventory balance	**71,121**	(60,237)
Change of receivables balance	**(127,426)**	(70,408)
Change in balances of short-term liabilities, excluding credits and loans	**43,461**	(44,107)
Change in balance of prepayments and accruals	**23,585**	20,801
Change in balance of working capital	**14,527**	**(147,962)**

6.4. 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 costs related to the acquisition are recognized in the Profit and Loss Account upon their incurring. 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.

6. Other notes

Group Structure

As of 30 September 2020, 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	30 Sept. 2020	31 Dec. 2019
	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%**	100.00%
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	**100.00%**	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. in liquidation	Minsk, Belorussia	Construction services	**100.00%**	100.00%
10	Toruńska Sportowa under liquidation 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	Warsaw	Construction services	**50.00%**	50.00%
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	30 Sept. 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.	The City of 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	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
7	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
8	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%

6.5. POST-ACCOUNTING PERIOD EVENTS

On 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. is to adopt Resolution No. 5/2020 on the reduction of the Issuer's share capital from PLN 1,281,185.90 to PLN 1,239,935.90 i.e. by PLN 41,250. The redemption of shares shall be performed through the reduction of Company's share capital.

Until the Report's publication date, the share capital reduction was not registered by the Court.

Other important information, which in the Issuer's opinion have an impact on the future performance of the Group.

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 construction 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 publication date of the financial statements, drawn up as of 30 September 2020, the liquidity positions of the Group and the Company remain stable.

As the pandemic-related developments 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.

In the opinion of the Management Board of the ERBUD Group, the greatest threat of the pandemic to the construction sector will be the slowdown of private investments. Investors are already encountering major problems in raising funding for new investment projects. Today it is not known whether it is feasible to bridge the gap with public investments.

Signatures of all Management Board members:

Dariusz Grzeszczak
/A Management Board member/

Jacek Leczkowski
/A Management Board member/

Agnieszka Głowacka
/A Management Board member/

Radosław Górski
/A Management Board member/

Warsaw, 6 November 2020