

ERBUD CAPITAL GROUP

Consolidated Financial Statements as of 31 March 2021

drawn up in accordance with the International Financial Reporting Standards (IFRS) as endorsed for the use in the EU.

CONSOLIDATED STATEMENT OF RESULT

		For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
	CONTINUING OPERATIONS		
Note 4.1.-4.2.	Revenues from sales of products and services	536,650	439,746
Note 4.2.-4.3.	Cost of products and services sold	478,928	410,318
	Gross sales profit/(loss)	**57,722**	**29,428**
Note 4.3.	Cost of sales	2,687	1,922
Note 4.3.	General and administrative (G&A) costs	32,463	23,556
	Other operating income	1,758	1,082
	Other operating expenses	(665)	428
	Loss reversal/(impairment) of financial assets and contract valuation assets	835	(26)
Note 4.2.	**Operating profit**	**25,830**	**4,578**
	Financial income	706	1,845
	Financial expenses	1,872	5,149
	Gross profit	**24,664**	**1,274**
Note 4.4.	Income tax	3,755	1,698
	Net profit for the accounting period	**20,909**	**(424)**
	Net profit /(loss) for the accounting period	**20,909**	**(424)**
	Profit generated in accounting period appropriated to:		
	Shareholders of Parent Company	19,295	(521)
	Non-Controlling Stakeholders	1,613	97
	Average weighted number of ordinary shares (in pcs.)	12,780,128	12,811,859
	Net profit/loss from continued operations per share (in PLN)	1.64	(0.03)
	Net earnings per share from core activity (in PLN)	**1.64**	**(0.03)**
	Average weighted number of ordinary shares (in pcs.)	12,780,128	12,811,859
	Diluted net earnings from continued operations per share (in PLN)	1.64	(0.03)
	Diluted earnings per share (in PLN)	**1.64**	**(0.03)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
Consolidated net profit	**20,909**	**(424)**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	539	3,507
Pricing of hedging instruments	-	-
Comprehensive income (including tax effect) subject to reclassification into result	**539**	**3,507**
Comprehensive income in the accounting period	**21,448**	**3,083**
Appropriated to:		
Shareholders of Parent Company	19,826	2,955
Non-Controlling Stakeholders	1,622	128
Going concern operations	19,826	2,955
	19,826	**2,955**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 Mar. 2021	31 Dec. 2020
	ASSETS	**1,197,079**	**1,199,863**
	Goodwill	40,844	40,667
	Tangible fixed assets	135,519	104,154
	Financial assets	7,771	7,120
Note 4.4.	Deferred tax assets	46,193	45,778
	Receivables under building contracts - bid bonds	11,091	12,004
	Fixed assets	**241,418**	**209,723**
	Inventory	15,221	25,728
	Receivables under building contracts - bid bonds	17,825	25,027
Note 2.2.	Pricing of building contracts - assets	199,377	179,106
Note 5.1.	Trade receivables	405,790	367,389
Note 5.1.	Other receivables	58,463	30,939
	Other financial assets	4,600	10,633
	Cash and cash equivalents	218,805	292,588
	Cash assets in VAT account	8,831	30,753
	Cash with restricted availability.	17,972	22,949
	Short-term prepayments	8,777	5,028
	Current assets	**955,661**	**990,140**
	LIABILITIES	**1,197,079**	**1,199,863**
Note 3.1.	Share capital	1,240	1,240
	Supplementary capital	195,497	195,497
	Reserve capital	17,822	17,822
	Accumulated comprehensive income	6,219	5,689
	Retained earnings	102,104	80,804
	Equity of shareholders of the Parent Company	322,882	301,052
	Equity of non-controlling stakeholders	7,820	9,441
	Shareholders' equity	**330,702**	**310,493**
Note 3.2.-3.4.	Debt	36,914	35,873
	Provisions	26,340	22,788
Note 4.4.	Deferred tax liabilities	1,432	1,133
	Liabilities vis-a-vis subcontractors - bid bonds	63,961	15,901
	Long-term liabilities	**128,647**	**75,695**
Note 3.2.-3.4.	Debt	86,161	91,589
	Provisions	25,242	29,050
	Liabilities vis-a-vis subcontractors - bid bonds	76,258	124,460
Note 2.2.	Pricing of building contracts - liabilities	220,527	234,463
Note 5.2.	Trade payables	218,475	258,673
Note 5.2.	Other liabilities	111,067	75,440
	Short-term liabilities	**737,730**	**813,675**

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

	Share capital	Supplementary capital	Reserve capital	Foreign exchange gains/losses resulting from conversion of foreign unit	Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Shareholders' equity
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	-	-	-	-	-	(521)	**(521)**	97	**(424)**
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**
As of 1 Jan. 2021	**1,240**	**195,497**	**17,822**	**5,689**	**-**	**80,804**	**301,052**	**9,441**	**310,493**
Net result in the accounting period	-	-	-	-	-	19,296	**19,296**	1,613	**20,909**
Comprehensive income in the accounting period	-	-	-	530	-	-	**530**	9	**539**
Other comprehensive income	**-**	**-**	**-**	**530**	**-**	**19,296**	**19,826**	**1,622**	**21,448**
Dividend	-	-	-	-	-	-	**-**	(3,245)	**(3,245)**
Shares issued for the subsidiary employees	-	-	-	-	-	1,617	**1,617**	-	**1,617**
Non-registered share capital increase in a subsidiary	-	-	-	-	-	387	**387**	-	**387**
As of 31 Mar. 2021	**1,240**	**195,497**	**17,822**	**6,219**	**-**	**102,104**	**322,882**	**7,820**	**330,702**

CONSOLIDATED CASH FLOW STATEMENT

		For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	24,664	1,274
	Amortization and depreciation	5,260	4,656
	Foreign exchange gains/losses	(525)	962
	Interest and share in profits (dividend)	358	1,870
	Other non-cash adjustments	1,411	252
	Income tax paid	(4,204)	(3,935)
Note 5.3.	Change in balance of working capital	(63,066)	32,728
	Operational cash flows, net	**(36,102)**	**37,807**
	INVESTMENT ACTIVITY CASH FLOWS		
	Proceeds from the sales of interest in a subsidiary	-	-
	Inflows from credits/loans extended	10,048	-
	Other inflows	1,121	376
	Expenditures on the acquisition of tangible fixed assets	(1,646)	(4,263)
	Expenditures on the acquisition of investment real properties	(26,307)	-
	Loans extended expense	(4,564)	-
	Expenditures on the acquisition of shares in companies	(3,635)	-
	Other	(689)	-
	Investment activity cash flows, net	**(25,672)**	**(3,887)**
	FINANCIAL ACTIVITY CASH FLOWS		
	Income from credits and loans taken	245	31,177
	Other inflows	388	-
	Debt (principal) repayment expense	(8,968)	(19,853)
	Debt (principal) repayment expense	-	-
	Debt (interest) repayment expense	(429)	(1,917)
	Dividend payment	(3,245)	-
	Acquisition of own shares	-	-
	Other expenses	-	-
	Financial activity cash flows, net	**(12,009)**	**9,407**
	NET CASH FLOWS	**(73,783)**	**43,327**
	Opening cash balance	**292,588**	**148,240**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-
	Closing cash balance	**218,805**	**191,567**

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

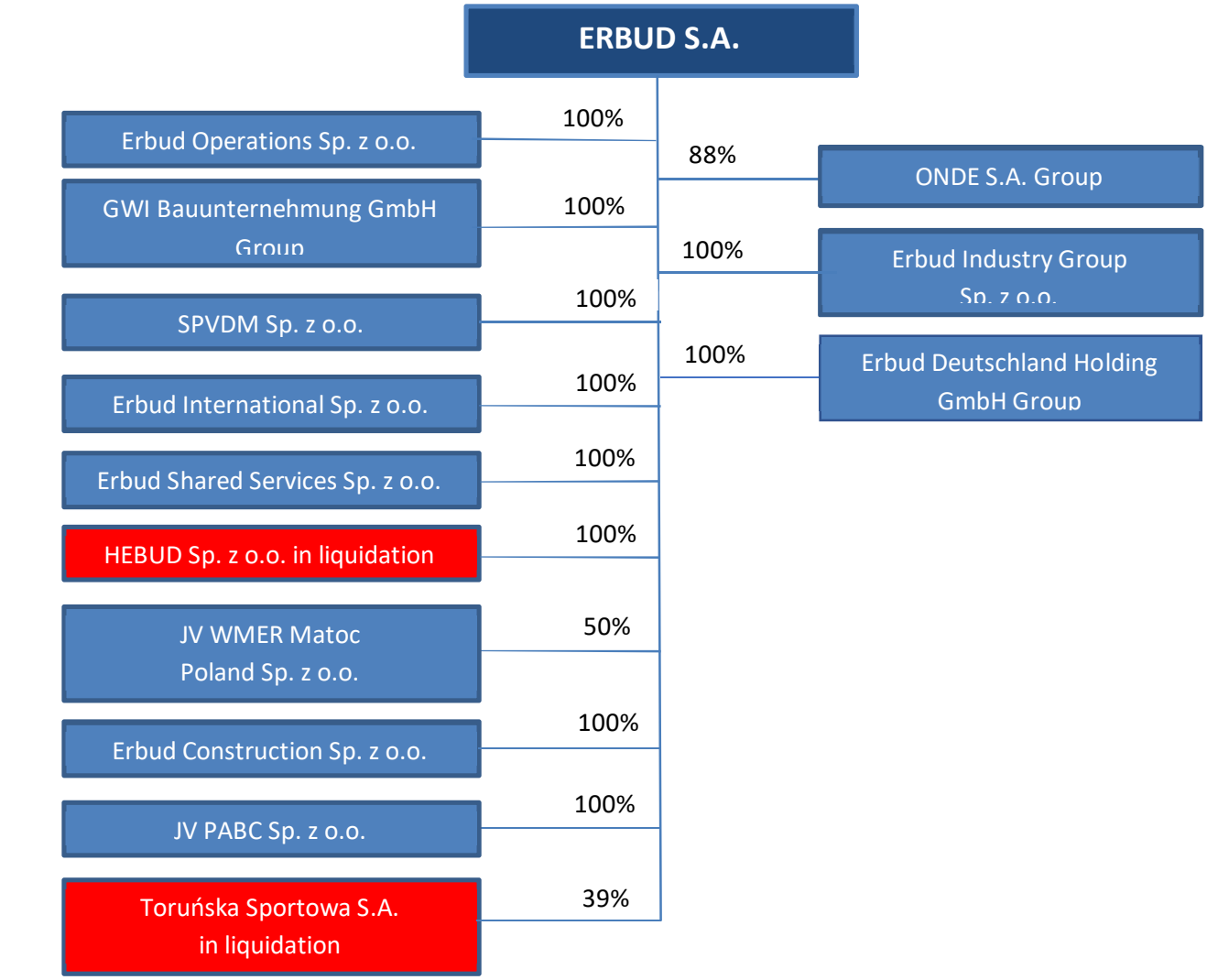
1.1. INTRODUCTION

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 Construction".

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.



Detailed organisational structure of the Group is presented in the Note 5.4.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The Consolidated Financial Statements of the Group closed on 31 March 2021 were drawn up in compliance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union and as applicable on 31 March 2021.

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

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 by ERBUD S.A.'s Management Board on 13 May 2021.

Going Concern

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

Impact of COVID-19

The Group has not experienced a material impact of COVID-19 on its current operations. The building contracts were carried out in adherence to the planned schedules, and no penalties for project delays were recorded. The additional costs related to the provision of necessary security to the personnel were not material and did not have a significant impact on the Group's performance in the accounting period closed on 31 March 2021. The COVID-19 pandemic did not undermine the Group's liquidity, and the Group maintained stable, high cash balance throughout the year and paid its liabilities on time. The Group also experienced no change in the recoverability of accounts receivable, which were paid by the customers on an on-going basis with no significant delays.

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. As of the individual balance sheet dates, the Group has no items measured at fair value but discloses fair value for items measured at amortized cost.

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 Polish companies within the Group is PLN, whereas the functional currency of German companies is EUR, and the presentation currency of the financial statements is Polish zloty (PLN).

Transactions in foreign currencies are recorded in the books at the time of initial recognition in the value converted into PLN at the average NBP rate prevailing at the transaction date.

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 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 carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of pricing at fair value.

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

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

In these financial statements the Group has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date. The following standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods.

1) 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 these financial statements, the new standard had not yet been endorsed by the European Union.

2) 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 consolidated financial statements, the amendment in question had not yet been endorsed by the European Union.

3) 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.

4) 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.

5) 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.

6) 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.

7) 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.

The Group does not run business lines affected by the above changes.

8) 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.

This standard is not applicable to the Group's operations.

9) 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.

10) 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 is effective from 1 June 2020, with early application permitted.

These amendments will not have a material impact on the Group's financial statements.

11) • Amendments to IFRS 9, IAS 39 and IFRS 16 connected with the IBOR reform

In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. At the date of drawing up these consolidated financial statements, the amendment in question had not yet been endorsed 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. Some Group member companies measure 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 a certain contract performance by way of evaluation of the achieved results and milestones. Some of the Companies apply the method based on expenditures, i.e. they determine the value of revenue on execution of building contracts in the period from the contract date to the balance sheet date proportionally to the progress rate of execution of a certain contract by calculating the progress rate of works based on the ratio of costs recognized for the contract to the total cost budget prepared for the contract. 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. A change of the estimated progress rate of contract execution is treated as a change in estimate and affects the amount of revenues recognized in the period in which the change in estimate was made. If it is not possible to determine progress rate of non-finished service (including construction service) or expected total cost of service delivery in a reliable manner, then the revenues are determined at the level of costs born in a certain accounting period, however, not higher than costs, which are expected to be covered by the employer in the future.

On the other site the results of pricing (i.e., the determination of revenues and expenses using the progress rate method) are recorded as "Pricing of building contracts - assets (or liabilities)." The balances of assets under building contracts resulting from the excess of revenue recognized using the performance-based method over the invoiced revenues are subject to an impairment charge calculated similarly to the non-past due trade receivables. All building contract assets at the Level 2 of the impairment model and a simplified matrix approach (similar to trade receivables) are used to calculate the impairment loss on these assets. Due to the manner in which balances on construction contract assets are recognized, they are not subject to aging and are treated entirely as current, not past due. The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Group recognizes invoiced revenues in the line "Trade and other receivables" (Note 5.1) 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 execution of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 5.2) The Group retains a portion of payments to subcontractors in relation to performance bond, and recognizes it the line "Building contract liabilities - bid bonds". Breakdown of revenues into revenues recognized in time and items recognized at point of time.

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 4.4.

2. BUILDING CONTRACTS

The Group sets up provisions for contracts with negative margins when it has found out grounds to claim that a given building contract in progress will end with a loss. Provisions are posted into costs generated in a given period at the full amount of the projected loss on a given contract.

The Group provides only basic guarantees to its customers, which do not represent a separate duty to perform obligation. The warranty period varies depending on the contract under implementation and the components covered.

The Group engages subcontractors to carry out work related to the execution of building contracts. The Group acts as principal with respect to work performed by subcontractors. The invoiced costs related to subcontractors' employment are recognized as "Trade payables (Note 5.2). The Group retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Liabilities vis-a-vis subcontractors - bid bonds"

For certain building contracts executed under joint contractual arrangements in which the Group is the consortium or assignment leader, the Group has assessed that it acts as an intermediary with respect to the work performed by the other partner and which the Group as leader invoices the Employer. The Group defines its role as that of an intermediary under a certain order where it identifies specific goods and services to be delivered and the Group has no control over them before they have been transferred to the customer. When the Group acts as an intermediary, it recognizes revenue upon the fulfillment of its obligation in the contractual amount of the fee or commission to which it will be entitled, in exchange for being commissioned by another party to provide specific services or goods. Due to the nature of the concluded consortia and orders, in which the Group acts as a leader, there are no fees and commissions as described above, hence no revenues are generated in the Group from commissions for invoicing to a customer work performed by another consortium member. The Group recognizes as revenues only the amount of remuneration due for the execution of its scope of work for the customer in adherence to the policy described above.

Payment terms for building contracts provided by the Group, range from 30 to 180 days from the invoice date and for other sales transactions are typically 30 days from the invoice date. Accordingly, the signed contracts do not contain a significant financing component except for amounts invoiced for building contracts, which are repaid at a later date as they represent deposits retained by the customer. The amounts retained under individual invoices represent a maximum of 10% of the remuneration for the contract execution and are subject to release for a period of up to 5 years once the contract has been completed. Revenues under the building contracts for the portion that is retained as a bid bond is recognized at a discounted amount.

The application of the performance-based or expenditure-based method to recognize revenues and expenses under the building contracts requires an estimated work progress rate under a certain contract, i.e., the measurement of completed work at the balance sheet date (performance-based method) or an estimate of the total cost budget under a certain contract (expenditure-based method).

Performance-based method:

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.

Expenditure-based method:

Cost budgets for certain contracts are prepared by the Group Management in the bidding phase and updated during the financial year or when the grounds for revision of the cost or revenue budget have been identified. 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.

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.

2.1. 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 the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	494,733	398,009
Costs under building contracts,	446,216	387,988
Net income before recognition and settlement of provisions for the contracts generating net liabilities	**48,517**	**10,021**
Setting up provisions for the contracts generating net liabilities	-	-
Release /utilisation of provisions set up in the previous periods	-	-
Gross profit/loss	**48,517**	**10,021**
Gross profit margin		
excluding provisions for the contracts generating net liabilities	10%	3%
including provisions for the contracts generating net liabilities	10%	3%

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. 2021	31 Dec. 2020
Revenues under non-completed building contracts YTD	3,256,288	2,817,785
Invoiced receivables from customers, YTD (excl. advances)	3,252,347	2,878,977
Balance of payments under non-completed building contracts	**3,941**	**(61,192)**
including:		
(1) Assets for completed, non-invoiced construction works, gross	141,371	103,195
Asset impairment write-off under building contracts	(205)	(977)
(1a) Assets for completed, non-invoiced construction works, net	141,166	102,218
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	137,225	163,410
Costs related to building contracts, YTD	2,023,492	1,795,705
Losses posted on YTD basis	-	-
Subcontractor expense and own expenses on a YTD basis.	2,036,514	1,832,720
Balance of payments under building contracts - expenses	**13,022**	**37,015**
including:		
(3) Assets for non-completed, invoiced construction works	58,211	76,888
(4) Liabilities for non-completed, invoiced construction works	45,189	39,873
	-	-
Balance of payments under building contracts	**16,963**	**(24,177)**
including:		
Pricing of building contracts - assets	**199,377**	**179,106**
Pricing of building contracts - balance settlement (2)+(4)	182,414	203,283
Building contract liabilities - advanced paid	38,113	31,180
Pricing of building contracts - liabilities - TOTAL	**220,527**	**234,463**

At all dates that are initial dates of the periods indicated in the table above, the total opening balances were recognized as revenues in the period.

Changes in the value of assets and liabilities from the pricing of contracts result from the specific nature of settlement of building contracts and invoicing schedules for individual contracts.

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

Share capital comprises common stock and is carried at par 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 recognized 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.

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.

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

Share capital

As of 31 March 2021, the share capital consisted of 12 399 359 shares with a total value of PLN 1,239,935.90 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 & Müller Baubeteiligungen GmbH & Co. KG + Wolff & Müller Holding GmbH & Co.KG	4,012,025	32.36%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,063,812	16.64%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1,200,000	9.68%
AVIVA Open-End Pension Fund Aviva Santander	1,183,146	9.54%
Dariusz Grzeszczak	747,654	6.03%
PKO BP Bank Open-Ended Pension Fund	715,279	5.77%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz plus Józef Zubelewicz	648,810	5.23%
Jacek Leczkowski	5,174	0.04%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	27,508	0.22%
Other shareholders	1,792,013	14.46%
Total	**12,399,359**	**100%**

3. CAPITAL MANAGEMENT AND DEBT

The Parent 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 of the Parent Company.

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.

Basic earnings per share are calculated by dividing net profit /(loss) for the period, allocated to ordinary shareholders of the Company, by the weighted average number of the issued ordinary shares over the accounting period.

For purposes of calculating diluted earnings per share, net income/(loss) for the reporting period attributable to ordinary shareholders and the weighted average number of ordinary shares for the accounting period are adjusted for the effect of all diluting potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as the Company has no dilutive instruments.

Stock split effected both during and after the accounting period adjust the weighted average number of ordinary shares for purposes of computing basic and diluted earnings per share for all periods presented.

	For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
Net profit	19,295	(521)
Average weighted number of ordinary shares (in pcs.)	12,780,128	12,811,859
Basic and diluted earnings per share (in PLN)	**1.51**	**(0.04)**

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. 2021	31 Dec. 2020
Long-term		
Bank loans	11,478	11,921
Short-term		
Overdraft facilities	12,915	3,742
Bank loans	4,856	19,567
Loans	499	940
	18,270	24,249
Total credit and loan liabilities	**29,748**	**36,170**

Loans and borrowings shown as long-term and short-term interest bearing at 1M WIBOR + 1.5%-2.8% and 3M Euribor + 2.2%.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed to be WIBOR 1M per day plus a fixed percentage expressing the risk premium. Long-term credits and loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

3. CAPITAL MANAGEMENT AND DEBT

Covenants

During the year, as of 31 March 2021 and up to the date of approval of the financial statements, all covenants have been met, similar to the previous year.

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. 2021	31 Dec. 2020
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-term liabilities			1	**52,000**	**52,000**

3.4. LEASE LIABILITIES

Period		31 Mar. 2021 Nominal value of minimum payments	31 Dec. 2020 Nominal value of minimum payments
Below 1 year	Short-term	16,214	15,670
Above 1 year	Long-term	29,870	28,147
Nominal value of minimum payments		**46,084**	**43,817**
Lease financial costs		4,757	4,525
Present value of minimum payments		**41,327**	**39,292**
Below 1 year	Short-term	**15,938**	**15,338**
Above 1 year	Long-term	**25,389**	**23,954**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ALTERNATIVE PERFORMANCE MEASURES

The Management Board analyses the segment results using Key Performance Indicators (KPIs) such as EBIT, EBIT and EBITDA margin. The Management Board of the Group considers the aforementioned measures as important additional performance measures and therefore presents them in the report next to the measures defined by IFRS. It should be borne in mind that EBIT, as well as EBIT and EBITDA margins 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. Accordingly, these KPIs should not be analysed in isolation or as substitutes for measures defined by IFRS.

EBITDA and EBIT are measures showing the results achieved by the Group after eliminating the impact of income tax, financing costs and, in the case of EBITDA, depreciation and amortization.

EBITDA is defined as profit after tax (net income), plus income tax expense, finance costs and depreciation and amortization, less financial income.

The Group defines EBIT as a profit after tax (net income), plus finance costs and minus finance income.

The EBIT margin is a measure that shows the Company's profitability ignoring the impact of income taxes and finance costs and revenues. The Group defines EBIT margin as EBIT divided by sales revenues of goods and services.

	31 Mar. 2021	31 Mar. 2020
Net profit for the accounting period	**20,909**	**(424)**
Income tax	3,755	1,698
Gross profit	**24,664**	**1,274**
Financial expenses	1,872	5,149
Financial income	706	1,845
EBIT	**25,830**	**4,578**
Amortization and depreciation	5,260	4,656
EBITDA	**31,090**	**9,234**
Revenues from sales of products and services	536,650	439,746
EBIT margin	5%	1%

4.2. ACCOUNTING SEGMENTS

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

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
- road engineering construction services
- renewable energy sources segment
- industrial construction segment at home
- industrial construction segment in foreign countries
- hydrotechnical segment
- other segments

The operations were broken down into individual segments by classifying the significance of operations into the segment. Such a breakdown 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 Separate Financial Statements.

The Management Board analyses the segment results using Key Performance Indicators (KPIs) such as EBIT, EBIT and EBITDA margin. It should be borne in mind that these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. The 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.

Kay information on segments in the accounting periods Jan. 2021 - Mar. 2021 and Jan. 2020 - Mar. 2020

The Group operates in Poland and abroad (in Germany, Belgium, Norway, France and Sweden) 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 the period of 3 months, ended on 31 Mar. 2021			For the period of 3 months, ended on 31 Mar. 2020		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	474,173	62,477	**536,650**	380,797	58,949	**439,746**
Accrued and deferred income	456,165	38,568	**494,733**	363,274	34,735	**398,009**
Income recognized at a certain point in time	20,246	23,909	**44,155**	17,523	24,214	**41,737**
Fixed assets other than financial instruments and deferred tax assets	139,252	44,882	**184,134**	106,594	43,568	**150,162**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Data concerning revenues and results in individual accounting segments are presented in the table below.

									For the period of 3 months, ended on 31 Mar. 2021
	Domestic building construction	Foreign building construction	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Hydrotechnical segment	Renewable energy sources segment	Other segments	Total continued activities
Cross segment sales	53,385	-	-	-	-	-	-	-	**53,385**
Sales to third party customers	149,687	38,385	25,434	41,435	24,092	-	203,537	695	**483,265**
Total sales revenues	**203,072**	**38,385**	**25,434**	**41,435**	**24,092**	**-**	**203,537**	**695**	**536,650**
Segments' performance and reconciliation with gross profit of the Group									
Cost of goods sold (COGS)	184,078	35,704	25,353	37,997	19,079	-	176,138	579	**478,928**
Other operating profit/loss	(11,916)	(4,166)	(896)	(4,335)	(2,412)	(311)	(7,763)	(93)	**(31,892)**
Segment performance – EBIT	**7,078**	**(1,485)**	**(815)**	**(897)**	**2,601**	**(311)**	**19,636**	**23**	**25,830**
EBIT margin	3%	(4%)	(3%)	(2%)	11%	0%	10%		**5%**
Profit (loss) on financial activities (financial income less financial expenses)	(1,032)	79	(89)	(109)	(6)	(1)	-	(8)	**(1,166)**
Gross profit/loss	**6,046**	**(1,406)**	**(904)**	**(1,006)**	**2,595**	**(312)**	**19,636**	**15**	**24,664**
Income tax	(2,511)	1,475	-	(252)	1,094	-	3,910	39	**3,755**
Net profit/loss	**8,557**	**(2,881)**	**(904)**	**(754)**	**1,501**	**(312)**	**15,726**	**(24)**	**20,909**
Amortization and depreciation	1,894	285	510	793	568	-	639	571	**5,260**
Segment performance – EBITDA	**8,972**	**(1,200)**	**(305)**	**(104)**	**3,169**	**(311)**	**20,275**	**594**	**31,090**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Domestic building construction	Foreign building construction	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Hydrotechnical segment	Renewable energy sources segment	Other segments	For the period of 3 months, ended on 31 Mar. 2020 Total continued activities
Total income									
Cross segment sales	-	-	-	(5,134)	-	-	-	-	**(5,134)**
Sales to third party customers	284,559	33,421	15,931	34,967	25,528	-	49,645	829	**444,880**
Total sales revenues	**284,559**	**33,421**	**15,931**	**29,833**	**25,528**	**-**	**49,645**	**829**	**439,746**
Segments' performance and reconciliation with gross profit of the Group									
Cost of goods sold (COGS)	270,106	30,442	14,727	28,596	20,945	-	44,744	758	**410,318**
Other operating profit/loss	(12,002)	(2,484)	(1,146)	(3,305)	(2,237)	-	(3,621)	(55)	**(24,850)**
Segment performance – EBIT	**2,451**	**495**	**58**	**(2,068)**	**2,346**	**-**	**1,280**	**16**	**4,578**
EBIT margin	1%	1%	1%	(6%)	9%	0%	0%		**1%**
Profit (loss) on financial activities (financial income less financial expenses)	(4,373)	1,192	193	(435)	124	-	-	(5)	**(3,304)**
Gross profit/loss	**(1,922)**	**1,687**	**251**	**(2,503)**	**2,470**	**-**	**1,280**	**11**	**1,274**
Income tax	474	327	-	(479)	898	-	457	21	**1,698**
Net profit/loss	**(2,396)**	**1,360**	**251**	**(2,024)**	**1,572**	**-**	**823**	**(10)**	**(424)**
Amortization and depreciation	1,666	274	768	804	466	-	479	199	**4,656**
Segment performance – EBITDA	**4,117**	**769**	**826**	**(1,264)**	**2,812**	**-**	**1,759**	**215**	**9,234**

4.3. COST OF GOODS SOLD (COGS)

	For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
Third party services	274,571	287,006
including third party construction works subcontractors	208,040	221,739
Material and energy consumption	132,442	72,161
Employee benefit expenses	80,402	75,373
Amortization and depreciation	5,260	4,656
Taxes and charges	2,830	1,824
Other cost categories	3,298	4,217
Value of merchandise and materials sold	19	69
Total costs by category	**498,822**	**445,306**
Change in the balance of products, work in progress and accrued expenses under building contracts	15,256	(9,510)
Cost of sales (negative value)	(2,687)	(1,922)
General management and administration costs (negative value)	(32,463)	(23,556)
Manufacturing costs of products sold	**478,928**	**410,318**

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

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

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

The Group recognizes a tax asset only when projections of future financial results indicate that a tax gain will be realized to allow the asset to be realized in a specified future.

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 realization of the deferred tax asset. An element of judgment regarding the recoverability of deferred tax assets is the Group's projected future financial performance audits impact on assets recoverability.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

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

	For the period of 3 months, ended on 31 Mar. 2021	For the period of 3 months, ended on 31 Mar. 2020
Gross profit before taxation	**24,664**	**1,274**
Tax according to the statutory tax rate applicable in Poland - 19%	**4,686**	**242**
Additional tax burden being a result of a rate exceeding 19% in Germany	1,013	656
Surplus of non-taxable income	-	800
Non-deductible permanent differences	(1,944)	-
Tax recognized in the consolidated financial net profit/loss	**3,755**	**1,698**
Current tax	4,710	3,131
Deferred tax	(955)	(1,433)
Effective tax rate	**15.21%**	**133.43%**

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 as of		
		1 Jan. 2020	Net profit/loss	Other comprehensive income	31 Dec. 2020	Net profit/loss	Other comprehensive income	31 Mar. 2021
	Deferred tax assets							
	Pricing of building contracts - liabilities and taxable work in progress	48,066	7,853	-	55,919	920	-	56,839
	Provisions	9,422	1,929	-	11,351	(668)	-	10,683
	Tax loss	7,668	(3,479)	-	4,189	4,207	-	8,396
	Accrued wages and salaries, and charges	421	294	-	715	22	-	737
Note 5.1.	Receivables revaluation write-downs	5,968	269	-	6,237	1	-	6,238
	Other financial liabilities	1,997	352	-	2,349	2	-	2,351
	Deferred expenses	124	569	-	693	(339)	-	354
	Other	1,761	683	256	2,700	(269)	30	2,461
	Total	**75,427**	**8,470**	**256**	**84,153**	**3,876**	**30**	**88,059**
	Deferred tax liabilities							
	Pricing of building contracts - assets	37,054	(5,635)	-	31,419	3,809	-	35,228
	Asset revaluation	4,417	506	-	4,923	(13)	838	5,748
	Balance sheet pricing and liabilities discount	157	652	-	809	(591)	-	218
	Accrued interest on debt	103	189	-	292	(194)	-	98
	Accrued revenues	629	(50)	-	579	(216)	-	363
	Other	1,116	134	236	1,486	126	31	1,643
	Total	**43,476**	**(4,204)**	**236**	**39,508**	**2,921**	**869**	**43,298**
	Assets and liabilities set off	43,476			39,508			43,298
	Post set-off balance	**35,097**			**46,911**			**47,625**
	Assets	33,524			45,778			46,193
	Liabilities	1,573			1,133			1,432
	Net impact of changes in the period		**12,674**	**20**		**955**	**(839)**	

In the year ended on 31 December 2020 and 31 March 2021 there were no negative temporary differences on which no deferred tax assets were recognised.

4.5. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the 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 ERBUD S.A.'s Management Board is responsible for determining the rules for the management of such risks and for verifying them.

4.5.1. MARKET RISK – CURRENCY RISK

While performing its core operations, the Group does not enter into building contracts that are denominated in EUR.

With regard to receivables and liabilities arising from material purchase contracts concluded under which payments will be made in EUR and with respect to EUR-denominated loans granted, the Group has determined that risk is immaterial.

4.5.2. MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly in connection with debt financing, i.e. bank credits and loans (Note 3.2), issued bonds (Note 3.4) and financial lease products (Note 3.4), used by the Group.

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 exposes ERBUD to the risk of fair value volatility, however, owing to the fact that the Company does not measure these items at fair value, this impact is not reflected in the financial statements.

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

Trade receivables and building contract assets

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 5.1.

4.5.3. 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.

5. OTHER NOTES

5.1. TRADE RECEIVABLES AND OTHER RECEIVABLES

In the trade receivables as well as other receivables category the ERBUD Group recognized 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.

Trade receivables , with maturity typically from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. Trade receivables are held for collection and meet the SPPI test, therefore, as of the balance sheet date, these items are measured at amortized cost, including any write-off.

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there was any indication of impairment or not. For trade receivables, the Group uses the simplified approach and measures impairment losses at the amount of credit losses expected over the life of the receivable from moment of initial recognition. For trade receivables that have been assessed as not impaired based on the portfolio analysis performed, the estimation of impairment losses, if any, is based on the use of an write-off matrix where write-offs are calculated for trade receivables classified into different aging categories (past due periods) using a default rate. The default rate is determined based on historical data (calculated on the basis of the last 5 years) adjusted for the impact of future factors.

In the same manner the Group calculates the allowance for expected credit losses for deposit receivables and construction contract assets in an analogous manner; balances that are not past due are included in the "not past due" category in the write-off matrix, and the write-off is calculated taking into account the default rate for not past due receivables.

For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-offs were set up depending on the assessment of their recoverability.

If the value of money in time is material (applies to the bid bonds receivables) the value of receivables is determined through

	31 Mar. 2021			31 Dec. 2020		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	441,959	36,169	405,790	403,531	36,142	367,389
Receivables from corporate income tax	636	-	636	355	-	355
Other budget receivables	41,346	-	41,346	11,565	-	11,565
Other receivables	17,691	1,210	16,481	20,229	1,210	19,019
Total	**501,632**	**37,379**	**464,253**	**435,680**	**37,352**	**398,328**

Modifications of the write-off for trade receivables are presented in the table below.

	For the period of 3 months, ended on 31 Mar. 2021	For the period of 12 months, ended on 31 Dec. 2020
Opening balance of write-downs	**35,475**	**39,491**
Setting up individual write-offs (Level 3 of the impairment model)	1,306	4,432
Setting up /(reversal) of write-offs according to write-off matrix	-	(1,291)
Reversal of individual write-offs	(3)	(2,500)
Use of individual write-offs	-	(3,645)
Other	570	671
FX gains and losses from translation	31	194
Closing balance of write-downs	**37,379**	**37,352**
Matrix-based write-off calculation	**3,211**	**3,211**
Individual write-off	**34,168**	**34,141**

The Group is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of credit risk related to trade receivables since the Group has a large number of domestic customers. All receivables, except for those individually written off, are rated by the Group as having the highest internal credit rating. For all receivables except those written-off individually, the Group estimates a write off for expected credit losses in an amount equal to 12 months expected credit losses.

5.2. 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.

	31 Mar. 2021	31 Dec. 2020
Trade payables	**218,475**	**258,673**
including to related entities	47	217
Liabilities vis-a-vis budget in relation to:	**40,406**	**37,992**
VAT tax	4,170	3,372
corporate income tax	17,094	17,375
personal income tax	3,851	4,055
Social insurance contribution	12,801	11,596
State Fund for the Rehabilitation of the Disabled	213	183
holiday accrual (Belgium tax)	863	750
Other	1,110	661
Other liabilities	**70,661**	**37,448**
wages and salaries	12,426	9,962
accruals	2,414	586
other	32,540	2,615
short-term employee benefit liabilities	23,281	24,285
Total	**329,542**	**334,113**

5.3. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 March 2021 and for the period from 1 January to 31 March 2020.

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	Change in balance of Cash Flow Statement in the period from January 2021 to March 2021	Change in balance of Cash Flow Statement in the period from January 2020 to March 2020
Change in provision balance	**(1,260)**	1,735
Change in inventory balance	**10,511**	(28,542)
Change of receivables balance	**(28,324)**	41,948
Change in balances of short-term liabilities, excluding credits and loans	**(923)**	8,128
Change in settlement of assets and liabilities under building contracts	**(34,207)**	14,775
Change in balance of prepayments and accruals	**(8,863)**	(5,316)
Change in balance of working capital	**(63,066)**	**32,728**

5.4. GROUP STRUCTURE



Interests and shares in subsidiaries and jointly controlled entities

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

Non-financial fixed assets impairment

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

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

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

Group Structure

As of 31 March 2021, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

				Parent Company's share in equity (equal to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	31 Mar. 2021	31 Dec. 2020
	Shares held directly				
1	Erbud International Sp. z o.o.	Toruń	Construction services	**100.00%**	100.00%
2	ONDE S.A. (former Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.)	Toruń	Road engineering and renewable energy sources	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	Rzeszów	Construction services	**100.00%**	100.00%
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	**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 in 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%**	50.00%
12	JV PABC Sp. z o.o.	Warsaw	Construction services	**100.00%**	100.00%

				Shares of Parent Company held indirectly (corresponding to the voting rights held)	
#	Name of entity	Registered office	Scope of activities	31 Mar. 2021	31 Dec. 2020
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	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.	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%
10	WTL20 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
11	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
12	WTL80 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
13	WTL100 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
14	WTL120 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
15	WTL130 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
16	WTL140 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
17	WTL150 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
18	WTL160 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%
19	WTL170 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	0.00%

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.

	Fair value
Intangible assets	4,411
Cash and cash equivalents	42
Assets (A)	**4,453**
Provisions	838
Liabilities (B)	**838**
Fair value of assets, net (A-B)	**3,615**
Acquisition price (paid in cash) (D)	3,615
Total acquisition price with non-controlling stake (E)=(C)+(D)	**3,615**
GOODWILL	**-**

On 22 March 2021, a subsidiary of ONDE S.A. acquired 100% stakes in 10 SPVs from two non-related parties. The acquisition prices of the companies ranged from PLN 165 thousand to PLN 900 thousand to PLN 900 thousand, and the total value of all these transactions amounted to PLN 3,615 thousand (the transaction price is settled in cash). Because these transactions are immaterial on a stand-alone basis, the Company presents disclosures about these transactions in total.

Transaction costs of PLN 11 thousand were incurred with respect to these transactions.

At the transaction date the companies did not run operations. The assets of each company comprise a concluded land lease agreement specifying the area for the construction of photovoltaic farms and cash in the total amount of PLN 48 thousand.

These companies, as of the acquisition date, do not generate revenues and do not have certain processes in place, nor employees; therefore, the transaction was initially classified as an asset acquisition rather than business acquisition. This classification is tentative and will be subject to further analysis for recognition of this transaction in Q2 2021. Asset acquisitions are accounted for by allocating the acquisition price to the individual assets acquired based on their relative fair values. As of the date of the historical financial information, final settlement of the transaction is pending. The subsidiary of ONDE S.A. has preliminarily assessed that the price paid will be allocated mainly to the purchased feasibility study for the construction of a photovoltaic farm on the acquired sites, which will be recognized as inventory in the consolidated financial statements of the ONDE Group.

POST-ACCOUNTING PERIOD EVENTS

On 1 April 2021 Erbud Industry Centrum Sp. z o.o. (EIC) acquired 100% shareholding in Satchwell Polska Toruń Sp. z o.o. Satchwell specializes in the execution and maintenance of building and industrial automation systems and will complement the range of services provided by Erbud Industry Centrum Sp. z o.o.

The value of transaction totalled PLN 4,950 thousand.

On 19 April 2021 the Company acquired 100% of shares in the company IDE PROJEKT Sp. z o.o. based in Toruń for PLN 500 thousand from an non-related entity. Transaction costs related to this transaction were immaterial. The assets of the acquired company consist mainly of cash and receivables from non-related entities in the total amount of PLN 863 thousand. The company's liabilities include mainly amounts due to other entities in the amount of PLN 370 thousand. The transaction was initially classified as a business acquisition due to the fact that, in accordance with IFRS 3 Business Combinations, inputs, processes and outputs are identifiable in IDE Projekt Sp. z o.o. The purpose of the acquisition of the photovoltaic farm development company is to expand the scope of ONDE's supply chain with its subsidiaries in the area of photovoltaic farm development.

The transaction classification is tentative and will be subject to further analysis for recognition of this transaction in Q2 2021. As of the date of the historical financial information, final settlement of the transaction is pending. The Company has made a preliminarily assessment that the excess of the price paid over the fair value of assets less the value of liabilities will be allocated as goodwill, which will be immaterial in quantitative terms from the perspective of the ONDE Group's consolidated statements.

On 30 April 2021 ERBUD S.A. became the owner of property located in Ostaszewo in the Pomeranian Special Economic Zone. The value of the property amounts to PLN 39 million plus applicable VAT tax.

The net price was paid in 20% from own funds and in 80% from a non-revolving loan contracted by the Issuer with BNP Paribas Bank Polska S.A.

The purchase of the property represented the first capital expenditure related to the establishing of a new business segment involving modular wood building.

Signatures of all Management Board members:

Dariusz Grzeszczak /President of the Management Board/	Jacek Leczkowski /Vice-President of the Management Board/
Agnieszka Głowacka /Vice-President of the Management Board/	Radosław Górski /A Management Board member/

Warsaw, 13 May 2021