

ERBUD S.A.

Condensed Separate Financial Statements

for the six months ended 30 June 2018

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Introduction to Financial Statements

1. Policies adopted for the preparation of the Condensed Separate Financial Statements

1.1. Adopted accounting principles

Condensed Separate Financial Statements of Erbud SA for the six months ended 30 June 2018 and the comparative figures have been prepared in accordance with the provisions of the Act of 29 September 1994 (Polish Journal of Laws of 2016, No. 1047, as amended) and the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Polish Journal of Laws of 2009 No. 33, item. 259, as amended).

1.2. Comparability of financial data disclosed in the Condensed Separate Financial Statements and those previously prepared and published in the Condensed Separate Financial Statements

In the period covered by the Condensed Separate Financial Statements and in the previous period, there were no events that require achieving comparability of financial data.

1.3. Description of rules (policies), including methods of measurement of assets and liabilities and measurement of income and expenses

In the period covered by the Condensed Separate Financial Statements, there were no changes in the methods of preparing the financial statements. A detailed description of the accounting policies is contained in the introduction to the Separate Financial Statements of the Company for the year ended 31 December 2017.

1.4. Going-concern assumption and comparability of financial statements

Condensed Separate Financial Statements presented in this report have been prepared under the assumption, that ERBUD SA will continue its business activity over next 12 months after the balance sheet date, i.e. 30.06.2018. As at the date of signing the Financial Statements, the Management Board of the Company does not conclude any facts and circumstances that would indicate a risk for continuing operations as a result of deliberate or involuntary discontinuance or a significant reduction of current activities.
By the date of preparing the Financial Statements, no events occurred that were not but should have been disclosed in the accounting books for the reporting period.

2. Composition of the Management Board and the Supervisory Board

Management Board

Dariusz Grzeszczak	- Board Member
Józef Zubelewicz	- Board Member
Agnieszka Głowacka	- Board Member

Supervisory Board

Udo Berner	- Chairman of the Supervisory Board
Gabriel Główka	- Deputy Chairman of the Supervisory Board
Albert Durr	- Board Member
Michał Otto	- Board Member
Janusz Reiter	- Board Member
Piotr Kaczmarczyk	- Board Member.

CONDENSED SEPARATE FINANCIAL STATEMENT
for the six months ended 30 June 2018 (in PLN '000))

BALANCE SHEET

ASSETS

		Note	30.06.2018	31.12.2017
A.	**Fixed assets**		**159 734**	**127 058**
I.	**Intangible assets**		**163**	**231**
1.	Finished R&D expenses		0	0
2.	Goodwill		0	0
3.	Other intangible assets		163	231
4.	Prepaid intangible assets		0	0
II.	**Tangible assets**	**2.5**	**11 026**	**10 471**
1.	Tangible fixed assets		11 026	10 471
a)	Land, incl. perpetual usufruct		0	0
b)	Buildings, premises and civil and water engineering structures		3 167	2 939
c)	Plant and equipment		149	165
d)	Means of transport		7 382	6 988
e)	Other tangible fixed assets		328	379
2.	Fixed assets under construction		0	0
3.	Prepaid tangible fixed assets under construction		0	0
III.	**Long-term receivables**		**0**	**0**
1.	From related parties		0	0
2.	From other entities		0	0
IV.	**Long-term investments**		**101 392**	**78 895**
1.	Real property		0	0
2.	Intangibles		0	0
3.	Non-current financial assets	2.4	101 392	78 895
a)	In related parties, incl.:		100 620	75 948
–	Shares or stocks		98 847	75 156
–	Loans granted		1 773	792
b)	In other entities, incl.:		772	2 947
–	Other non-current financial assets		772	2 947
4.	Other non-current investments		0	0
V.	**Long-term prepayments**		**47 153**	**37 461**
1.	Deferred tax assets	3	47 153	37 461
2.	Other prepayments		0	0

		Note	30.06.2018	31.12.2017
B.	**Current assets**		**586 624**	**562 675**
I.	**Inventories**	**6**	**0**	**356**
1.	Materials		0	0
2.	Semi-finished products and products in progress		0	356
3.	Finished products		0	0
4.	Goods		0	0
5.	Prepaid deliveries		0	0
II.	**Short-term receivables**	**4**	**384 588**	**321 297**
1.	From related parties		16 930	7 789
a)	Trade receivables with a maturity of		7 176	5 689
–	less than 12 months		7 176	5 689
–	over 12 months		0	0
b)	Other		9 754	2 100
2.	Receivables from other entities		367 658	313 508
a)	Trade receivables with a maturity of		350 133	302 612
–	less than 12 months		339 571	290 750
–	over 12 months		10 562	11 862
b)	Receivables from tax, subsidy, customs, social security and other benefits		2 360	361
c)	Other		15 165	10 535
III.	**Short-term investments**		**58 328**	**116 625**
1.	Current financial assets	6	58 328	116 625
a)	In related parties		17 913	24 351
–	Loans granted		17 913	24 351
b)	In other entities		0	0
c)	Cash and other cash assets		40 415	92 274
–	Cash in hand and at bank		24 459	78 060
–	Other cash		15 956	14 214
2.	Other current investments		0	0
IV.	**Current prepayments**	**5.1**	**143 708**	**124 397**
-	Assets under unfinished construction contracts		**140 430**	120 765
-	Other		**3 278**	3 632
V.	**Fixed assets held for sale**		**0**	**0**
	TOTAL ASSETS		**746 358**	**689 733**

LIABILITIES

		Note	30.06.2018	31.12.2017
A.	**Equity**		**194 066**	**228 809**
I.	**Share capital**	7	1 281	1 281
II.	**Called-up share capital (negative value)**		0	0
III.	**Treasury shares (negative value)**		0	0
IV.	**Reserve capital, incl.**		219 266	222 245
	- contributed surplus		124 592	124 592
V.	**Revaluated capital (funds), incl.**		-387	1 762
	- revaluation of fair value		-387	1 762
VI.	**Other reserve capital (funds)**		11 103	11 103
	- created under the Articles of Association		11 103	11 103
	- for own shares (stocks)		0	0
VII.	**Retained earnings (loss) brought forward**		-20 122	-20 122
VIII.	**Net profit (loss)**		-17 075	12 539
IX.	**Write-down of net profit for the financial year (negative value)**		0	0
B.	**Liabilities and provisions for liabilities**		**552 292**	**460 924**
I.	**Provisions for liabilities**		**50 280**	**45 570**
1.	Deferred income tax provision	8	27 133	23 676
2.	Provision for retirement and related benefits		8 254	7 847
–	Non-current	9	1 444	1 443
–	Current	10	6 810	6 404
3.	Other provisions		14 893	14 047
–	Non-current	11	0	0
–	Current	12	14 893	14 047
II.	**Long-term liabilities**	**13**	**55 028**	**54 820**
1.	To related parties		0	0
2.	To other entities		55 028	54 820
a)	Loans and borrowings		0	0
b)	Issue of debt securities	15	52 000	52 000
c)	Other financial liabilities		3 028	2 820
d)	Other		0	0
III.	**Short-term liabilities**		**383 787**	**330 542**
1.	To related parties		16 800	18 658
a)	Deliveries and services with a maturity of		15 317	18 658
–	less than 12 months		11 701	14 929
–	over 12 months		3 616	3 729
b)	Other		1 483	0
2.	To other entities		366 986	311 884
a)	Loans and borrowings	14	45 138	0
b)	Issue of debt securities		0	3 950
c)	Other financial liabilities		2 886	2 453
d)	Deliveries and services with a maturity of		288 657	281 755
–	less than 12 months		284 849	278 055
–	over 12 months		3 808	3 700
e)	Prepaid deliveries		4 859	5 750
f)	Bills		0	0
g)	Taxes, customs, social insurance and other benefits		22 429	15 072
h)	Salaries		2 592	1 702
i)	Liabilities towards shareholders due to dividend payment		0	0
j)	Other		426	1 202
3.	Special funds		0	0
IV.	**Accruals**		**63 197**	**29 992**
1.	Construction contracts accruals	5.1	63 197	29 992
	Total liabilities		**746 358**	**689 733**

Calculation of book value per share

	30.06.2018	31.12.2017
Book value (in 000' PLN)	194 066	228 809
Number of shares	12 811 859	12 811 859
Book value per share (in PLN)	15.15	17.86

Off-balance sheet items

Contingent receivables and liabilities disclosed in the Financial Statements as off-balance sheet items are the amounts of bank and insurance guarantees as performance bonds and for claims under warranty that have been passed on to ERBUD S.A.

These hedges do not affect the ability to dispose of assets shown in the balance sheet.

	30.06.2018	31.12.2017
1. Conditional receivables	114 789	115 709
1.1. From related parties	50 000	50 000
- guarantees and sureties received	50 000	50 000
1.2 From other entities	64 789	65 709
- guarantees and sureties received	64 789	65 709
2. Conditional liabilities	513 015	478 932
2.1. To related parties	80 253	81 716
- guarantees and sureties granted	80 253	81 716
2.2. To other entities	432 762	397 216
- guarantees and sureties granted	432 762	397 216
3. Other	46 682	46 682
- from proceedings against ERBUD S. A.		
- of which MPL Modlin	34 381	34 381
Total off-balance sheet items	**674 486**	**641 323**

The credited off-balance sheet items include:
- a surety granted by subsidiary companies PBDI S.A. and Erbud International sp. z o.o. to PKO BP S.A. to secure the multi-purpose line provided by this bank to ERBUD S.A. in the amount of PLN 50 000.00;

- guarantees received by ERBUD S.A. form subcontractors of construction works as performance bonds and as security of potential claims of ERBUD S.A. under the subcontractors' warranties.

All amounts are presented in fair values.

The debited off-balance sheet items include:
- civil guarantees granted to subsidiaries for the repayment of their liabilities towards financial institutions;

- bank and insurance guarantees granted to customers of ERBUD S.A. as performance bonds and as security of potential claims of the customers due to the obligations arising from the warranties given by ERBUD S.A.

All amounts are presented in fair values.

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 5, 2018

PROFIT AND LOSS STATEMENT

		Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Revenues from sales of products, goods and materials, incl.:		**618 392**	**326 774**	**574 287**	**304 894**
- From related parties		1 337	876	10 106	9 639
Net revenues from sales of products	18	618 392	326 774	573 955	304 563
Net revenues from sales of goods and materials		0	0	332	332
Cost of products, goods and materials sold, incl.:		**626 966**	**346 046**	**534 418**	**279 990**
- To related parties		13 846	6 113	64 995	46 269
Cost of products sold	19	626 966	346 046	534 089	279 661
Value of goods and materials sold	20	0	0	329	329
Gross profit (loss) on sales		**-8 574**	**-19 272**	**39 869**	**24 904**
Sales costs		0	0	0	0
General and administrative costs		25 579	15 035	23 358	11 988
Profit (loss) on sales		**-34 153**	**-34 307**	**16 511**	**12 917**
Other operating revenues	21	**3 604**	**933**	**1 433**	**-1 400**
Profit on disposal of non-financial fixed assets		36	-85	80	75
Subsidies		0	0	0	0
Other operating revenues		3 568	1 018	1 354	-1 475
Other operating expenses	22	**6 312**	**6 136**	**3 482**	**3 321**
Loss on disposal of non-financial assets		0	0	0	0
Revaluation of non-financial fixed assets		0	0	0	0
Other operating expenses		6 312	6 136	3 482	3 321
Profit (loss) on operating activities		**-36 861**	**-39 510**	**14 462**	**8 195**
Financial revenues	23	**17 267**	**13 201**	**2 244**	**2 120**
Dividends and profit sharing		9 754	9 754	1 295	1 295
- From related parties, incl.:		9 754	9 754	1 295	1 295
- in which the company has an interest in the capital					
Interest, incl.:		2 965	1 112	894	772
- From related parties		815	815	529	529
Profit from the disposal of financial assets, incl.:		0	0	0	0
- in related parties		0	0	0	0
Revaluation of investments		0	0	0	0
Other		4 548	2 335	55	53
Financial costs	24	**3 212**	**1 584**	**5 276**	**2 352**
Interest, incl.:		2 239	1 225	2 882	2 010
- To related parties		0	0	0	0
Loss on the disposal of financial assets, incl.:		0	0	0	0
- in related parties		0	0	0	0
Revaluation of investments		0	0	0	0
Other		973	359	2 394	342

Gross profit (loss)		**-22 806**	**-27 893**	**11 430**	**7 964**
Income tax		-5 731	-7 083	2 413	1 666
Other statutory reductions in profit (increases in loss)		0	0	0	0
Net profit (loss)		**-17 075**	**-20 810**	**9 017**	**6 298**
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares	25	12 811 859	12 811 859	12 811 859	12 811 859
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)		-1.33	-1.62	0.70	0.49

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 5, 2018

CASH FLOW STATEMENT

	Six months ended 30.06.2018	Six months ended 30.06.2017
Net profit (loss)	**-17 075**	**9 017**
Total adjustments	**-41 660**	**-77 114**
Amortisation and depreciation	1 641	1 292
Foreign currency translation (profit) loss	-580	675
Interest and profit sharing (dividends)	-10 337	319
(Profit) loss on investment activities	-36	-80
Change in provisions	4 296	6 570
Change in inventory	356	0
Change in receivables	-52 918	-31 580
Change in short-term liabilities, excluding credits and loans	11 625	-20 070
Change in prepayments and accruals	4 292	-34 240
Other adjustments	0	0
Impairment of investments	0	0
Net cash flows from operating activities	**-58 735**	**-68 097**
Cash flows from investment activities		
Inflows	**8 838**	**208**
Disposal of intangible and tangible fixed assets	43	79
Disposal of investments in real property and intangible assets	0	0
From financial assets, incl.:	8 795	129
a) In related parties	6 796	51
- Repayment of granted long-term loans	6 371	0
- Interest	426	51
b) In other entities	1 999	78
- Interest	1 999	78
Other inflows from investment activities	0	0
Outflows	**25 393**	**15 783**
Purchase of intangible assets and tangible fixed assets	745	1 148
Investments in real property and intangible assets	0	0
Due to financial assets, incl.:	24 648	13 135
a) In related parties	24 648	13 135
- Purchase of financial assets	23 691	0
- Long-term loans granted	957	13 135
b) In other entities	0	0
Other investment expenses	0	1 500
Net cash flows from investment activities	**-16 555**	**-15 575**

	Six months ended 30.06.2018	Six months ended 30.06.2017
Cash flow from financial activities		
Inflows	**45 138**	**18 268**
Net inflows from issue of shares and other capital instruments and from capital contributions	0	0
Loans and borrowings	45 138	18 268
Issue of debt instruments	0	0
Other financial inflows	0	0
Outflows	**21 707**	**17 904**
Redemption of own shares	0	0
Dividends and other payments to the shareholders	14 093	14 990
Expenses due to profit distribution other than payments to shareholders	0	0
Repayment of loans and borrowings	0	0
Repayment of debt instruments issued	3 950	0
Other financial liabilities	0	0
Payment of liabilities arising from financial leases	1 425	1 156
Interest paid	2 238	1 758
Other financial expenses	0	0
Net cash flow from financial activities	**23 431**	**364**
Total net cash flow	**-51 859**	**-83 308**
Balance sheet change in cash, incl.:	**-51 859**	**-83 308**
- change in cash due to foreign exchange differences	0	0
Cash opening balance	**92 274**	**150 812**
Closing balance of cash, incl.:	**40 415**	**67 503**
- restricted cash	15 956	20 161

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 5, 2018

STATEMENT OF CHANGES IN EQUITY

	Six months ended 30.06.2018	Six months ended 30.06.2017
I. Equity opening balance	**228 809**	**213 867**
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	0
I.a. Equity opening balance at the beginning of the period after adjustment to comparative data	**228 809**	**213 867**
1. Share capital at the beginning of the period	**1 281**	**1 281**
1.1. Changes to share capital	**0**	**0**
a) Increase	0	0
– issue of shares	0	0
b) Decrease	0	0
– redemption of shares	0	0
1.2. Share capital at the end of the period	**1 281**	**1 281**
2. Capital reserves at the beginning of the period	**222 245**	**222 245**
2.1. Changes in capital reserves	2 979	0
a) Increase	0	0
b) Decrease	2 979	0
– dividend payment	1 554	0
– return on dividend - subsidiary	1425	0
2.2. Capital reserves at the end of the period	**219 266**	**222 245**
3. Revaluation reserve at the beginning of the period	**1 762**	**-641**
3.1. Changes in revaluation reserve	2 149	2 971
a) Increase	0	2 971
– financial assets valuation	0	2 971
b) Decrease	2 149	0
– valuation of financial instruments	2 149	0
3.2. Revaluation reserve at the end of the period	**-387**	**2 330**
4. Other capital reserves at the beginning of the period	**11 103**	**0**
4.1. Changes in other capital reserves	0	11 103
a) Increase	0	11 103
– profit sharing	0	11 103
b Decrease – transfer to capital reserves	0	0
4.2. Other capital reserves at the end of the period	**11 103**	**11 103**
5. Capital from settlement of merger transactions at the beginning of the period	**0**	**0**
5.1 Changes in capital from settlement of merger transactions under the uniting of interest method		
Increase	**0**	**0**
Decrease	**0**	**0**
5.2 Capital from settlement of merger transactions at the end of the period	**0**	**0**
6. Retained earnings / carried forward loss at the beginning of the period	**12 539**	**11 103**
6.1. Retained earnings at the beginning of the period	12 539	11 103
6.2 Retained earnings at the beginning of the period after adjustment	12 539	11 103
a) Increase	0	0
b) Decrease	12 539	11 103
– profit-sharing for capital reserves	0	11 103
– profit-sharing for dividends	12 539	0
6.3. Retained earnings at the end of the period	**0**	**0**

	Six months ended 30.06.2018	Six months ended 30.06.2017
6.4. Carried forward loss at the beginning of the period	**-20 122**	**-20 122**
6.5. Carried forward loss at the beginning of the period after adjustment	0	0
a) Increase	0	0
b) Decrease	0	0
6.6. Carried forward loss at the end of the period	**0**	**0**
6.7 Retained earnings (carried forward loss) at the end of the period	**-20 122**	**-20 122**
7. Net result	**-17 075**	**9 017**
a) Net profit	0	9 017
b) Net loss	17 075	0
c) Write-downs from profit	0	0
II. Equity closing balance	**194 066**	**225 854**
III. Equity, after including proposed profit distribution (coverage of loss)	**194 066**	**225 854**

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 5, 2018

Key items converted to the EURO

	30 June 2018		31 December 2017	
	PLN	EUR	PLN	EUR
Fixed assets	159 734	36 623	127 058	30 462
Current assets	586 624	134 497	562 675	134 905
Shareholders' equity	194 066	44 494	228 809	54 858
Liabilities and provisions for liabilities	552 292	126 626	460 924	110 509

Items of the balance sheet data as at 30 June 2018 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.3616 PLN/EUR.

Items of the balance sheet data as at 31 December 2017 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.1709 PLN/EUR.

	Six months ended 30.06.2018		Six months ended 30.06.2017	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	618 392	145 864	574 287	135 209
Cost of products, services, goods and materials sold	626 966	147 887	534 418	125 822
Profit on sales before tax	-8 574	-2 023	39 869	9 387
Profit on operating activities	-36 861	-8 695	14 462	3 405
Profit (loss) before tax	-22 806	-5 379	11 430	2 691
Net profit (loss)	-17 075	-4 028	9 017	2 123

Items of the profit and loss statement for the period from 1.01.2018 to 30.06.2018 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing o the last day of given month in the period, set by the NBP as of that day, i.e. 4.2395 PLN/EUR.

Items of the profit and loss statement for the period from 1.01.2017 to 30.06.2017 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing o the last day of given month in the period, set by the NBP as of that day, i.e. 4.2474 PLN/EUR.

	Six months ended 30.06.2018		Six months ended 30.06.2017	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	-58 735	-13 854	-68 097	-16 033
Cash flows from investment activities	-16 555	-3 905	-15 575	-3 667
Cash flows from financial activities	23 431	5 527	364	86
Net cash flows	-51 859	-12 232	-83 308	-19 614
Cash opening balance	92 274	22 123	150 812	34 090
Cash closing balance	40 415	9 266	67 504	15 972

Items of the cash flow for the period from 1.01.2018 to 30.06.2018 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2395 PLN/EUR.

Items of the cash flow for the period from 1.01.2017 to 30.06.2017 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2474 PLN/EUR.

For translating cash as at 1 January 2018, the exchange rate set by the NBP as of that day was applied, i.e. 4.1709 PLN/EUR.

For translating cash as at 1 January 2017, the exchange rate set by the NBP as of that day was applied, i.e. 4.4240 PLN/EUR.

For translating cash as at 30 June 2018, the exchange rate set by the NBP as of that day was applied, i.e. 4.3616 PLN/EUR.

For translating cash as at 30 June 2017, the exchange rate set by the NBP as of that day was applied, i.e. 4.2265 PLN/EUR.

EXPLANATORY NOTES

Note 1. Segment reporting

In the reporting period ended 30 June 2018 the Company conducted operations under the following business segments:

- civil engineering - building construction;
- industrial construction.

In the reporting period ended 30 June 2018 the Company conducted operations in the following geographical segments:

- domestic;
- abroad (Belgium).

The segmentation was done by qualifying individual construction contracts. The Company applies a uniform accounting policy for all segments. Changes were made only in the reported segments. Report segment "building construction" was divided into two separate reporting segments: "building construction at home" and "building construction abroad". The changes are due to the growing importance of building construction abroad from the point of view of the Group's operations.

Business segments

The tables below present figures for particular business segments of the Company for the period from 1 January to 30 June 2019.

Income and expenses by business segments

Period from 1 January to 30 June 2018	Building construction at home	Building construction abroad	Industrial construction	Other	Total
Sale to external clients	602 273	15 993	126	0	**618 392**
Total income	**602 273**	**15 993**	**126**	0	**618 392**
Cost of sales	611 812	14 916	238	0	626 966
Net profit (loss) on other operating activities	**-22 538**	**-685**	**-85**	-4 979	**-28 287**
Segment result - EBIT	**-32 076**	**391**	**-197**	-4 979	**-36 861**
EBIT margin	**-5.32%**	**2.45%**	**-1.18%**	0	**-5.96%**
Profit (loss) on financing activity	13 051	1 004	0	0	**14 055**
Income tax	-5 731	0	0	0	**-5 731**
Net profit	**-13 295**	**1 396**	**-197**	-4 979	**-17 075**

Period from 1 January to 30 June 2017	Building construction at home	Building construction abroad	Industrial construction	Other	Total
Sale to external clients	554 760	12 492	7 035	0	**574 287**
Total income	**554 760**	**12 492**	**7 035**	0	**574 287**
Cost of sales	516 683	10 849	6 885	0	534 418
Net profit (loss) on other operating activities	**-24 516**	**-866**	**-24**	0	**-25 407**
Segment result - EBIT	**13 560**	**777**	**125**	0	**14 462**
EBIT margin	**2.44%**	**6.22%**	**1.78%**		**2.52%**
Profit (loss) on financing activity	-2 084	-948	0	0	**-3 032**
Income tax	2 413	0	0	0	**2 413**
Net profit	**9 063**	**-172**	**126**	0	**9 017**

The Management Board analyses the segment results using key performance indicators such as EBIT and EBIT margin. It should be noted that these are not ratios defined in the Accounting Act and they do not constitute standardized measures, therefore the methods of calculating may vary between differ business units on the market to another. The Company defines EBIT as gross profit increased by financial costs and decreased by financial revenues. The EBIT margin is defined as the ratio of EBIT to sales revenues expressed as a percentage.

Geographical segments

Income and expenses by geographical segments

Period from 1 January to 30 June 2017	Domestic	Abroad	Total
Sale to external clients	602 399	15 993	618 392
Total income	**602 399**	**15 993**	**618 392**
Cost of sales	612 050	14 916	626 966
Net profit (loss) on other operating activities	**-27 602**	**-685**	**-28 287**
Segment result - EBIT	**-37 252**	**391**	**-36 861**
EBIT margin	-6 18%	2,45%	**-5,96%**
Profit (loss) on financing activity	13 051	1 004	**14 055**
Income tax	-5 731	0	**-5 731**
Net profit	**-18 471**	**1 396**	**-17 075**

Period from 1 January to 30 June 2017	Domestic	Abroad	Total
Sale to external clients	561 795	12 492	574 287
Total income	**561 795**	**12 492**	**574 287**
Cost of sales	523 569	10 849	534 418
Net profit (loss) on other operating activities	**-24 541**	**-866**	**-25 407**
Segment result - EBIT	**13 685**	**777**	**14 462**
EBIT margin	2,43%	6,22%	**2,52%**
Profit (loss) on financing activity	-2 084	-948	**-3 032**
Income tax	2 413	0	**2 413**
Net profit	**9 189**	**-172**	**9 017**

Note 2. Assets

Note 2.1. Change in long-term financial assets (by type)

	30.06.2018	31.12.2017
a) As at the beginning of the period	78 895	85 914
- Shares	75 156	75 156
- Loans granted	792	10 024
- Other long-term financial assets	2 947	734
b) Increases	24 672	2 213
- Shares	23 691	0
- Loans granted	981	0
- Other long-term financial assets	0	2 213
c) Decreases	2 175	9 232
- Shares	0	0
- Loans granted	0	9 232
- Other long-term financial assets	2 175	0
d) As at the end of the period	101 392	78 895
- Shares	98 847	75 156
- Loans granted	1 773	792
- Other long-term financial assets	772	2 947

Note 2.2. Shares or stocks in subsidiaries as at 30.06.2018

Item No.	Name (business name) of entity and form of incorporation	Seat	Business area	Type of relationship (subsidiary, joint controlled subsidiary or affiliated, specifying direct and indirect connections)	Applied method of consolidation / equity method or indication that the entity is not consolidated / measured by equity method	Total value adjustments	Carrying amount of shares /stocks	Equity stake held	Share of total vote number at AGM
1.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	non-consolidated due to immateriality	39	0	100.00%	100.00%
2.	Toruńska Sportowa S.A. w likwidacji	Toruń	construction	associated company	non-consolidated due to immateriality	39	0	39.00%	39.00%
3.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	full method	0	79	79.00%	79.00%
4.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100.00%	100.00%
5.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85.00%	85.00%
6.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	road engineering	subsidiary	full method	0	49 554	90.00%	90.00%
7.	Erbud Industry Sp. z o.o.	Toruń	engineering services	subsidiary	full method	2 850	15 626	100.00%	100.00%
8.	Erbud CUW Sp z o.o.	Warszawa	support services	subsidiary	full method	0	12 000	100.00%	100.00%
9.	HEBUD Sp z oo	Minsk, Belarus	construction	subsidiary	full method	0	24	100.00%	100.00%
10.	IV WMER MATOC	Warszawa	construction	subsidiary	full method	0	5	100.00%	100.00%
11.	Grupa Erbud Holding GmbH	Dusseldorf, Germany	maintenance services	subsidiary	full method	0	21 162	100.00%	100.00%
				Shares or stocks in directly and indirectly controlled companies as at 30.06.2018		**2 928**	**98 847**		

Shares or stocks in subsidiaries as at 31.12.2017

Item No.	Name (business name) of entity and form of incorporation	Seat	Business area	Type of relationship (subsidiary, joint controlled subsidiary or affiliated, specifying direct and indirect connections)	Applied method of consolidation / equity method or indication that the entity is not consolidated / measured by equity method	Total value adjustments	Carrying amount of shares /stocks	Equity stake held	Share of total vote number at AGM
1.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	non-consolidated due to immateriality	39	0	100.,00%	100.00%
2.	Toruńska Sportowa S.A. w likwidacji	Toruń	construction	associated company	non-consolidated due to immateriality	39	0	39.00%	39.00%
3.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	full method	0	79	79.00%	79.00%
4.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100.00%	100.00%
5.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85.00%	85.00%
6.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	construction	subsidiary	full method	0	49 554	90.00%	90.00%
7.	Erbud Industry Sp. z o.o.	Toruń	construction	subsidiary	full method	2 850	13 126	100.00%	100.00%
8.	Erbud CUW Sp z o.o.	Warszawa	support services	subsidiary	full method	0	12 000	100.00%	100.00%
				Shares or stocks in directly and indirectly controlled companies as at 31.12.2017		**2 928**	**75 156**		

Note 2.3. Net profit (loss) of companies consolidated under the full method

	Six months ended 30.06.2018	Six months ended 30.06.2017
Erbud International Sp. z o.o.	1 003	205
GWI GmbH	-12 015	-1 177
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	3 348	725
Erbud Industry Sp. z o.o.	478	-730
Erbud Industry Centrum Sp. z o.o.	-1 907	-910
Erbud Industry Pomorze Sp. z o.o.	137	157
Erbud Industry Południe Sp z o.o.	126	14
Erbud Rzeszów Sp. z o.o.	668	685
Erbud CUW Sp. z o.o.	113	299
Hebud Sp. z o.o.	65	0
IV WMER MATOC	-3	0
Erbud Holding GmbH	-78	0
Erbud Beteiligungs GmbH	3 864	0
IVT Weiner + Reimann GmbH	2 886	0
IVT Menzenbach GmbH	1 018	0

The above results relate to the performance of individual companies adopted for the consolidation purpose of the ERBUD Group, i.e. after taking into account the conversion of the result in accordance with IFRS.

Note 2.4. Securities, shares and other long-term financial assets (by marketability)

	30.06.2018	31.12.2017
A. With non-restricted marketability , listed on stock exchange market (carrying value)	0	0
B. With non-restricted marketability, listed on OTC market (carrying value)	0	0
C. With non-restricted marketability, not listed on a regulated market (carrying value)	0	0
D. With restricted marketability (carrying value)	101 392	78 895
a) Shares and stocks (carrying value)	98 847	75 156
- Value adjustments (cumulative)	-2 928	-2 928
- Value at the beginning of the period	0	0
- Value at acquisition prices	101 775	78 084
b) Bonds (carrying value)	0	0
c) Loans granted (carrying value)	1 773	792
d) Other - by type (carrying value)	772	2 947
- Value at acquisition prices	810	810
- Value adjustments (cumulative)	-38	-38
e) Other forward contracts	0	2 175
Total carrying value	**101 392**	**78 895**

Note 2.5. Change in tangible assets (by type)

Item	Land (incl. perpetual usufruct)	Buildings, premises and civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2018	**0**	**3 009**	**416**	**20 845**	**3 462**	**0**	**0**	**27 732**
b) Increases	0	268	0	1 752	234			**2 254**
- acquisition	0	268	0	164	234			**666**
- lease	0	0	0	1 588	0			**1 588**
- taking over from fixed assets under construction	0	0	0	0	0			**0**
c) Decreases	0	0	0	843	64			**907**
- sale	0	0	0	32	10			**42**
- liquidation	0	0	0	811	54			**865**
- taking over form fixed assets under construction	0	0	0	0	0			**0**
- transfer, donation	0	0	0	0	0			**0**
d) Gross value of fixed assets as at 30 Jun 2018	**0**	**3 277**	**416**	**21 754**	**3 632**			**29 079**
e) Cumulative amortisation and depreciation at the beginning of the period	**0**	**70**	**251**	**13 857**	**3 083**	**0**	**0**	**17 261**
f) Depreciation and amortisation for the period	0	39	16	1 155	284			**1 494**
g) Decreases, incl.:	0	0	0	640	63			**703**
- liquidation	0	0	0	608	54			**662**
- sale	0	0	0	32	9			**41**
- donation	0	0	0	0	0			**0**
h) Cumulative depreciation and amortisation as at 30 Jun 2018	**0**	**109**	**267**	**14 372**	**3 304**			**18 052**
i) Net value of fixed assets as at 1 Jan 2018	**0**	**2 939**	**165**	**6 988**	**379**	**0**	**0**	**10 471**
j) Net value of fixed assets as at 30 Jun 2018	**0**	**3 168**	**149**	**7 382**	**328**			**11 026**

Item	Land (incl. perpetual usufruct)	Buildings, premises and civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2017	**0**	**1 302**	**522**	**17 278**	**3 028**	**1 133**	**0**	**23 263**
b) Increases	0	1 707	11	3 635	455	0	0	**5 808**
- acquisition	0	574	11	171	455	0	0	**1 211**
- lease	0	0	0	3 464	0	0	0	**3 464**
- taking over from fixed assets under construction	0	0	0	0	0	0	0	**0**
c) Decreases	0	1 133	0	0	0	0	0	**1 133**
- sale	0	0	117	68	21	1 133	0	**1 339**
- liquidation	0	0	0	68	20	0	0	**88**
- taking over form fixed assets under construction	0	0	0	0	0	0	0	**0**
- transfer, donation	0	0	117	0	1	0	0	**118**
d) Gross value of fixed assets as at 31 Dec 2017	0	0	0	0	0	0	0	**0**
e) Cumulative amortisation and depreciation at the beginning of the period	0	0	0	0	0	1 133	0	**1 133**
f) Depreciation and amortisation for the period	**0**	**3 009**	**416**	**20 845**	**3 462**	**0**	**0**	**27 732**
g) Decreases, incl.:	**0**	**16**	**329**	**12 114**	**2 540**	**0**	**0**	**14 999**
- liquidation	0	54	33	1 805	563	0	0	**2 455**
- sale	0	0	111	62	20	0	0	**193**
- donation	0	0	111		0	0	0	**111**
h) Cumulative depreciation and amortisation as at 31 Dec 2017	0	0	0	62	20	0	0	**82**
i) Net value of fixed assets as at 1 Jan 2017	0	0	0	0	0	0	0	**0**
j) Net value of fixed assets as at 31 Dec 2017	0	0	0	0	0	0	0	**0**
a) Gross value of fixed assets as at 1 Jan 2017	**0**	**70**	**251**	**13 857**	**3 083**	**0**	**0**	**17 261**
b) Increases	**0**	**1 286**	**193**	**5 164**	**488**	**1 133**	**0**	**8 264**
- acquisition	**0**	**2 939**	**165**	**6 988**	**379**	**0**	**0**	**10 471**

In the period of 12 months ended 31 December 2017, the Company did not made any write-offs on the assets held.

Note 3. Deferred income tax assets

	30.06.2018	31.12.2017
Deferred income tax assets		
- Valuation of long-term contracts	13 674	5 698
- Tax loss	2 762	2 268
- Accruals	7 923	0
- Tax loss in Belgium	798	798
- Provision for loss on contracts	520	0
- Provisions for employee benefits	1 568	1 491
- Provisions for remedying defects	2 326	2 326
- Other provisions	231	343
- Work-In-Progress	13 862	21 639
- Other	3 489	2 898
Total assets from deferred income tax	**47 153**	**37 461**

Deferred income tax is created on the rate basis of 19% for positive and negative taxable temporary differences relating to assets and liabilities.

Note 4. Change in write-offs of current debts

	30.06.2018	31.12.2017
As at the beginning of the period	13 077	**7 343**
a) Increases	3 716	7 700
- Creations	3 716	7 700
b) Decreases	104	1 966
- Impairment loss release	104	1 966
- Utilisation of write-downs		
Short-term write-offs of receivables at end of the period	**16 689**	**13 077**

Note 5. Short-term prepayments

	30.06.2018	31.12.2017
Prepaid expenses, including:	143 708	124 397
- long-term contracts	140 430	120 765
- other costs	3 278	3 632
Total short-term prepayments	**143 708**	**124 397**

Note 5.1. Prepayments due to construction contracts

	30.06.2018	31.12.2017
Expected revenues from ongoing projects	2 741 870	2 974 592
Expected costs of ongoing projects	2 495 579	2 716 156
Expected margin on ongoing projects	246 291	258 436
Cumulative revenues recognized in the profit or loss	1 334 732	1 525 485
Cumulative costs recognized in the profit or loss	1 222 428	1 407 155
Cumulative margin recognized in the profit or loss	112 304	118 330
Margin to be recognized in next periods	133 987	140 107
Percentage of margin to be recognized in next periods	54,40%	54,21%
Surplus of revenue by stage of completion over partial invoices	37 527	51 046
Surplus of costs by stage of completion over expenses arising from accounting costs	21 701	11 688
Surplus of partial invoices over revenue by stage of completion	41 496	18 304
Surplus of expenses resulting from the accounting costs over costs by stage of completion	102 903	69 719
Total amounts recognised in deferred expenditures	140 430	120 765
Total amounts recognised in deferred revenues	63 197	29 992

Note 6. Significant amount of allowances recognized or reversed due to impairment losses

Impairment of long-term financial assets	30.06.2018	31.12.2017
Opening balance	**2 928**	**2 928**
Increase / Decrease	0	0
Closing balance	**2 928**	**2 928**

Impairment of short-term financial assets	30.06.2018	31.12.2017
Increase / Decrease	**0**	**0**
Closing balance	0	0
Closing balance	**0**	**0**

Impairment of inventories	30.06.2018	31.12.2017
Opening balance	**262**	**262**
Increase / Decrease	0	0
Closing balance	**262**	**262**

Impairment of fixed assets	30.06.2018	31.12.2017
Opening balance	**0**	**0**
Increase / Decrease	0	0
Closing balance	**0**	**0**

Note 7. Share capital of ERBUD S.A. (structure)

Note 7.1. Ownership structure of share capital as at 06.30.2018

Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	4 152 865	32.41%	None
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16.67%	None
NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (formerly ING PTE)	Ordinary	None	None	1 200 000	9.37%	None
AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None
Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
PKO OFE	Ordinary	None	None	715 279	5.58%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	412 087	3.22%	None
Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Agnieszka Głowacka	Ordinary	None	None	4 077	0.3%	None
Free Float	Ordinary	None	None	1 974 745	15.42%	None
Total				**12 811 859**	**100.00%**	
Par value of shares of all series In PLN	0.10	Share capital value in PLN		1 281 185.90		

Detailed information about the shareholding as at 31 December 2017 is included in the Annual Financial Statements for the year ended 31 December 2017.

Number of shares comprising the authorized capital is equal to the number of shares issued. The nominal value of each share is PLN 0.10. Subsidiaries do not hold any shares of the Parent.

No shares have been reserved for the purpose of issuance under options of sale contracts.

In addition to the powers arising from directly held shares of Erbud S.A., the major shareholders have no other voting rights at a General Meeting.

Shares of Erbud S.A. held by the above mentioned persons are not preferred ones.

The Company's Articles of Association do not grant the above mentioned shareholders any personal rights towards Erbud SA, in particular, do not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

Note 8. Provision for deferred income tax

Provision due to:	30.06.2018	31.12.2017
- Valuation of construction contracts	26 688	22 951
- Other	445	725
Provision for deferred income tax	**27 133**	**23 676**

Provision for deferred tax liabilities is based on the rate of 19% for taxable and deductible temporary differences on domestic assets and liabilities.

Note 9. Change in long-term provisions for pensions and similar benefits

	30.06.2018	31.12.2017
a) As at the beginning of the period	1 443	897
b) Increases	1	546
- retirement payments	1	546
c) Used	0	0
d) Released	0	0
e) As at the end of the period	1 444	1 443

Note 10. Change in short-term provisions for pensions and similar benefits

	30.06.2018	31.12.2017
a) As at the beginning of the period	6 404	4 661
b) Increases	406	1 743
- unused leave	406	1 743
c) Used	0	0
d) Released	0	0
e) As at the end of the period	6 810	6 404

Note 11. Change in other long-term provisions (by titles)

As at 30 June 2018 and 31 December 2017, such item was not accounted for.

Note 12. Change in other current provisions (by titles)

	30.06.2018	31.12.2017
a) As at the beginning of the period	14 047	13 319
b) Increases	3 769	1 627
- Litigation and claims	0	735
- Remedying of defects	2 174	892
- Loss on contracts	1 435	0
- Balance sheet audit	160	0
c) Used	0	0

d) Released	2 923	1 058
- Litigation and claims	750	0
- Remedying of defects	2 173	685
- Loss on contracts	0	373
e) As at the end of the period	**14 893**	**13 888**
- Litigation and claims	896	1 646
- Remedying of defects	12 242	12 241
- Loss on contracts	1 435	0
- Balance sheet audit	320	160

Note 13. Long-term liabilities

As at 30 June 2018, bonds with a nominal value of PLN 52,000,000 denominated in Polish Zloty, as described in Note 15 of Explanatory Notes, are a significant part of the long-term debt. The maturity falls on 26 September 2021.

Note 14. Loans and borrowings

As of 30.06.2018, the Company had available credit lines with six banks in the total amount of PLN 82,000 thousand.

Terms and conditions of loan agreements

Under the loan agreements, the member companies of the Group are required to meet certain financial ratios (covenants).

Due to the negative result on EBIT and EBITDA margins, both in the separate financial statements and consolidated financial statements of the Erbud Group prepared as at 30 June 2018, the financial covenants included in loan agreements has been broken.

All loan agreements that oblige the borrower to maintain specific financial ratios are short-term contracts.

As at the date of preparing the statements, the Management Board of ERBUD S.A. negotiates with Banks the consent for not meeting the financial ratios by 30 June 2019.

Erbud S.A. – covenant counted on the basis of separate figures:

mBank S.A.	**EBIT**	not less than 1.0%	-2.64%
	Current liquidity ratio	not less than 1.2	1.15
	Debt ratio	not more than 70%	74.00%
	EBITDA per year	not less than PLN 18million	-11 373

Alior Bank	**EBIT**	not less than 1.0%	-2.70%
	Net Debt / EBITDA	not more than 3.5	-1.65
	Current liquidity ratio	not less than 1.1	1.53
	Capitalisation	not less than 25%	26.00%

Erbud S.A. – covenant counted on the basis of consolidated figures:

ING S.A.	**Net Debt / EBITDA**	(not more than 2.5 at the end of 2Q, not more than 2 at the end of 4Q)	-21.74
	Capitalisation	not less than 0.25	0.23
	Current liquidity ratio	not less than 1.2	1.23

BZ WBK S.A.	**Net Debt / EBITDA**	not more than 3.5	-21.74
	Current liquidity ratio	not less than 1	1.08

Note 15. Issue / Redemption / Repayment of equity securities

On March 26th 2014, ERBUD S.A. issued a total of 5 200 (say: five thousand and two hundred) Series B dematerialized und unsecured bearer bonds with a par value of PLN 10,000 (say: ten thousand Zloty) per bond and a total nominal value of PLN 52,000,000 (say: fifty two million Zloty). The issue price was PLN 9 587 (say: nine thousand five hundred eighty-seven Zloty) per bond, and the interest rate was determined on the basis of WIBOR 6M rate plus a margin of 3.0 percentage points. The redemption date was set for 26 March 2018.

On 11 September 2017, the Management Board of Erbud S.A. adopted a resolution regarding the issue of up to 52,000 (say: fifty-two thousand) dematerialized and unsecured series C bearer bonds with a par value of PLN 1 000 (say: one thousand Złoty) per bond and a total nominal value of not more than PLN 52,000,000 (say: fifty-two million Złoty) per bond (the "Series C Bonds").

C-series bonds issued on 27.09.2017:

1. The bonds were acquired as follows:
   a. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Sub-fund of Quercus Ochrony Kapitału) – 5 200 bonds at the issue price of PLN 1 000 per bond; the total issue price was PLN 5,200,000;
   b. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Sub-fund of Quercus Stabilny) – 4 480 bonds at the issue price of PLN 1 000 per bond; the total issue price was PLN 4.480.000;
   c. Nationale –Nederlanden Dobrowolny Fundusz Emerytalny – 2 000 bonds at the issue price of PLN 1 000 per bond; the total issue price was PLN 2.000.000;
   d. Nationale –Nederlanden Otwarty Fundusz Emerytalny – 40,320 bonds at the issue price of PLN 1 000 per bond; the total issue price was PLN 40,320,000.

Total nominal value of long-term bonds (4 years) – PLN 52,000,000.00

2. Redemption of B-series own bonds - ERBUD S.A. repurchased its own B-series bonds at a price equal to 101.5 percent of the nominal value, i.e. at PLN 10,150.00 per bond plus accrued interest.
   a. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (subfundusz Quercus Ochrony Kapitału) – 520 bonds at PLN 10,150 per bond; the total repurchase price was PLN 5,288,686.40; redemption cost: PLN 78,000; interest: PLN 686.40;
   b. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (subfundusz Quercus Stabilny) – 448 bonds at PLN 10,150 per bond; the total repurchase price was PLN 4,547,791.36; redemption cost: 67,200; interest: PLN 591.36;
   c. Nationale –Nederlanden Dobrowolny Fundusz Emerytalny – 12 bonds at PLN 10,150 per bond; the total repurchase price was PLN 121,815.84; - redemption cost: PLN 121,800.00; interest: PLN 15.84;
   d. Nationale –Nederlanden Otwarty Fundusz Emerytalny – 3 825 bonds at PLN 10,150 per bond; the total repurchase price was PLN 38,828,799.00; redemption cost: PLN 38,823,750.00; interest: PLN 5 049.

In the period from 1 January 2018 to 30 June 2018, the Company incurred financial costs due to interest on issued bonds amounting to PLN 1 334 thousand.

Note 16. Issue / Redemption / Repayment of equity securities

As at the date of preparation of the Separate Financial Statements of Erbud S.A. and the Consolidated Statements of the Erbud Group as well as the date of releasing these reports, there is no incentive program in the Company and the Group based on shares, stock options, warrants or other derivatives.

Note 17. Acquisition / Sale of subsidiaries / Sale of long-term investments

On 5 February 2018, ERBUD Beteiligungs GmbH, a company with its registered office in Düsseldorf, was set up. Treuhand copia 1 GmbH, currently ERBUD Holding Deutschland GmbH with its registered office in Düsseldorf, is the hundert percent owner of ERBUD Beteiligungs GmbH is. On 14 February 2018, ERBUD S. A. acquired a 100% stake in ERBUD Holding Deutschland GmbH headquartered in Düsseldorf. The purchase price was EUR 12,500.

On 27 February 2018, ERBUD Beteiligungs GmbH, an indirect subsidiary of ERBUD through its subsidiary Erbud Deutschland Holding GmbH, concluded as a buyer with the shareholders of IVT Weiner+Reimann GmbH headquartered in Oberhausen ("IVT") as sellers an agreement on sale and transfer of shares. Following this ERBUD S.A. indirectly became the holder of 100% shares in IVT Weiner+Reimann GmbH and in IVT Menzenbach GmbH, a subsidiary 100% owned of IVT Weiner+Reimann GmbH. The transaction value amounted to EUR 8.5 million.

The Group estimated and presented the performance in the Interim Consolidated Financial Statements.

Note 18. Net revenues from sales of goods (by region)

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Domestic	602 399	318 860	561 795	298 856
- Sale of goods	0	0	0	0
- Sales of services	602 399	318 860	561 795	298 856
of which: to related parties	1 337	876	10 106	9 639
b) Export	15 993	7 914	12 492	6 038
- Sale of goods	0	0	0	0
of which: to related parties	0	0	0	0
- Sales of services	15 993	7 914	12 492	6 038
of which: to related parties	0		0	0
Total net income on sales of goods and materials	**618 392**	**326 774**	**574 287**	**304 894**
of which: to related parties	**1 337**	**876**	**10 106**	**9 639**

Note 19. Costs by nature

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Depreciation and amortisation	1 641	1 349	1 292	1 037
b) Consumption of materials and power	114 780	62 093	97 283	58 704
c) External services	508 844	291 057	449 397	252 042
d) Taxes and charges	1 986	762	1 581	774
e) Payroll	37 316	19 756	29 080	15 420
f) Social security and other benefits	8 514	4 202	7 183	3 654
g) Other costs	2 279	1 790	2 199	1 152
h) Goods and materials sold	0	0	329	329
Total expenses by nature	**675 360**	**381 009**	**588 344**	**333 112**
Change in products and accrued expenses due to construction contracts	22 815	19 929	-30 568	-41 135
Cost of products manufactured for in-house use (negative value)	-25 579	-15 035	-23 358	-11 988
Sales cost (negative value)	**626 966**	**346 045**	**534 418**	**279 990**

Note 20. Costs of sale

There were no significant costs of sale.

Note 21. Other operating income

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Profit on disposal of non-financial fixed assets	36	-85	79	75
- Real estate	0		0	0
b) Other, incl.:	3 568	1 018	1 354	-1 475
- Indemnities	393	308		
- Released provision for receivables	0	104	0	
- Released provision for litigation	590	485	0	
- Released provision for remedying of defects	2 173	0	686	-1 587
- Penalties, fines and indemnities received	15	15	392	112
- Other	397	106	276	
Total other operating income	**3 604**	**933**	**1 433**	**-1 400**

Note 22. Other operating expenses

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Loss on disposal of non-financial fixed assets	0	0	0	0
b) Revaluation of non-financial assets	0	0	0	0
b) Other, incl.:	6 312	6 136	3 482	3 321
- Impairment of receivables	3 716	3 716	2 592	2 592
- Penalties, fines and indemnities	144	163	167	81
- Created provisions	2 174	2 174	631	631
- Donations	7	7	39	13
- Other	271	76	53	4
Total other operating expenses	**6 312**	**6 136**	**3 482**	**3 321**

Note 23. Financial income

Note 23.1. Financial income from dividends and profit sharing

In the reporting period ended on 30 June 2018, the Company recognized dividend income from PBDI in the amount of PLN 9 043 thousand and form Erbud Rzeszów Sp. z o. o. in the amount of PLN 711 thousand.
The dividend from PBDI was paid after the balance sheet date, i.e. on 16 July 2018.

Note 23.2. Financial income from interest

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Loans granted	815	815	529	529
- to related parties, of which:	815	815	529	529
- to subsidiaries	815	815	529	529
b) Other interests	2 150	297	365	243
- from other entities	2 150	297	365	243
Total interest income	**2 965**	**1 112**	**894**	**772**

Note 23.3. Other financial income

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Other, incl.:				
- exchange rate gains	4 469	2 295	0	0
- other	79	40	55	53
Total other financial income	**4 548**	**2 335**	**55**	**53**

Note 24. Financial costs

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Revaluation of investments	0	0	0	0
b) Other, incl.:	973	359	2 394	-342
- exchange rate losses	0	0	1 295	-870
- bank call rate	821	263	1 099	528
- fees for bank guarantees	152	96	0	0
Total financial costs	**973**	**359**	**2 394**	**-342**

Note 24.1. Financial costs due to interests

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
a) Loans granted	**0**	**0**	**0**	**0**
b) Other interests	**2 239**	**1 225**	**2 882**	**2 010**
- from bonds,	**1 334**	**734**	**1 222**	**611**
- from loans	**701**	**461**	**422**	**183**
- due to discount of accounts	**0**	**0**	**429**	**429**
- other	**204**	**30**	**809**	**787**
Total interest cost	**2 239**	**1 225**	**2 882**	**2 010**

Note 25. Net earnings (loss) per share

	Six months ended 30.06.2018	Three months ended 30.06.2018	Six months ended 30.06.2017	Three months ended 30.06.2017
Net earnings (loss)	-17 075	-20 810	9 017	6 298
Weighted average number of shares / Diluted weighted average number of shares	12 811 859	12 811 859	12 811 859	12 811 859
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)	-1.33	-1.62	0.70	0.49

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company, and weighted average number of ordinary shares in use during the year.
Diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company, and diluted weighted average number of ordinary shares in use during the year.

Note 26. Net earnings (loss) – distribution

On 18 May 2018, the Annual General Meeting of ERBUD S.A. in Warsaw approved by resolution No. 5/2018 the allocation of net profit for the financial year 2017 declared by the Management Board and accepted by the Supervisory Board.

Pursuant to the Resolution No. 5/2018 of the Annual General Meeting, net profit in the amount of PLN 12,539,246.93 will be allocated to the payment of dividends to the Shareholders.

Note 27. Opening and closing cash

	30.06.2018	30.06.2017
a) Total cash (as of the beginning of the period)	92 274	150 811
- Cash in hand and at bank	78 060	131 952
- Other cash	14 214	18 859
b) Total cash (as of the end of the period)	40 415	67 503
- Cash in hand and at bank	24 459	47 342
- Other cash	15 956	20 161
Change in cash	**-51 859**	**-83 308**
Cash generated from operating activities	-58 735	-68 097
Cash from investing activities	-16 555	-15 575
Cash from financing activities	23 431	364

Reconciliation of movements in balance sheet items to changes reported in the statement of cash flows as at 30 June 2018 is presented below:

	Six months ended 30.06.2018
Change in provisions in the balance sheet	**6 513**
Change in provision due to deferred tax recognized in the revaluation reserve	-410
Change in provisions in the cash flow account	**6 103**

	Six months ended 30.06.2018
Change in prepayments and accruals in the balance sheet	**1 290**
Changes in assets due to deferred tax recognized in the revaluation reserve	91
Change in prepayments and accruals in the cash flow account	**1 381**

	Six months ended 30.06.2018
Change in receivables in the balance sheet	**-63 291**
Change in receivables due to dividends	9 754
Change in receivables due to loan compensation	619
Change in receivables in the cash flow statement	**-52 918**

Reconciliation of movements in balance sheet items to changes reported in the statement of cash flows as at 30 June 2017 is presented below:

	Six months ended 30.06.2018
Change in provisions in the balance sheet	**6 023**
Change in provision due to deferred tax recognized in the revaluation reserve	547
Change in provisions in the cash flow account	**6 570**

Note 28. Changes in the method of determining the value of financial instruments measured

In the period ended 30 June 2018, the Company did not change the method of determining the value of financial instruments measured at fair value.

Note 29. Changes in the classification of financial assets as a result of changing goals or using these assets

In the period ended 30 June 2018, the Company did not change the classification of financial assets as a result of a change in the purpose or use of these assets..

Note 30. Revenues, costs and results of discontinued operations in the reporting period or to be discontinued during next period

During the reporting period and within the period of 12 months after the reporting date, the Company does not plan to discontinue of any of its business activity.

Note 31. Transactions with consolidated and non-consolidated related parties (mutual receivables and liabilities, costs and revenues from mutual transactions)

	Receivables/ assets	Liabilities	Income	Expenses
	As at 30.06.2018		Six months ended 30.06.2018	
Item				
Total related parties	**36 615**	**16 800**	**2 231**	**13 846**
- Deliveries and services	7 176	15 317	1 337	13 846
- Loans and interest liabilities	19 685	0	815	0
- Other	9 754	1 483	79	0
Consolidated related parties	**36 580**	**16 800**	**2 231**	**13 846**
- Deliveries and services	7 141	15 317	1 337	13 846
- Loans and interest liabilities	19 685	0	815	0
- Other	9 754	1 483	79	0
Non- consolidated related parties	**35**	**0**	**0**	**0**
- Deliveries and services	35	0	0	0

	Receivables/ assets	Liabilities	Income	Expenses
	As at 31.12.2017		Six months ended 31.12.2017	
Item				
Total related parties	**32 932**	**18 658**	**15 205**	**92 527**
- Deliveries and services	5 689	18 658	13 182	92 003
- Loans and interest liabilities	25 143	0	1 125	0
- Other	2 100	0	898	524
Consolidated related parties	**32 897**	**18 658**	15 205	92 527
- Deliveries and services	5 654	18 658	13 182	92 003
- Loans and interest liabilities	25 143	0	1 125	0
- Other	2 100	0	898	524
Non- consolidated related parties	**35**	**0**	0	0
- Deliveries and services	35	0	0	0

	Receivables/ assets	Liabilities	Income	Expenses
	As at 30.06.2017		Six months ended 30.06.2017	
Item				
Total related parties	**37 455**	**23 362**	**11 930**	**64 995**
- Deliveries and services	8 424	23 362	10 106	64 995
- Loans and interest liabilities	25 636	0	529	0
- Other	3 395	0	1 295	0
Consolidated related parties	**37 421**	**23 362**	**11 930**	**64 995**
- Deliveries and services	8 390	23 362	10 106	64 995
- Loans and interest liabilities	25 636	0	529	0
- Other	3 395	0	1 295	0

Non- consolidated related parties	**34**	**0**	**0**	**0**
- Deliveries and services	34	0	0	0

Note 32. Shareholders

As at 30 June 2018, the managing staff (members of the Management Board and Supervisory Board) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	412 087	3.22%	412 087	3.22%
Dariusz Grzeszczak	Ordinary	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	Ordinary	259 500	2.03%	259 500	2.03%
Albert Duerr - Supervisory Board Member	Ordinary	28 000	0.22%	28 000	0.22%
Agnieszka Głowacka	Ordinary	4 077	0.03%	4 077	0.03%

As at 31 December 2017, the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	412 087	3.22%	412 087	3.22%
Dariusz Grzeszczak	Ordinary	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	Ordinary	259 500	2.03%	259 500	2.03%
Albert Duerr - Supervisory Board Member	Ordinary	28 000	0.22%	28 000	0.22%
Agnieszka Głowacka	Ordinary	4 077	0.03%	4 077	0.03%

As of the date of publishing the report the members of the Management Board and Holders of procuration do not have any Erbud SA stock options.

Both as at 30 June 20187 and 31 December 2017, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 30 June 2018 and 31 December 2017, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel were not a party to any contract obliging to provide services to the companies of the Erbud Group..

Note 33. Non-consolidated joint ventures

The Company does not participate in any major consolidated joint venture.

Note 34. Significant events that occurred during the first half of 2018 and after the balance sheet date

Significant contracts concluded

On 22.02.2018, Erbud S.A. entered into a contract with CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa on the construction of the BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street. This is another contract concluded within the last 12 months with a company from the GRUPO LAR. The total value of contracts signed over the last few months amounts to PLN 94,236,553. Terms and conditions of the contract:

1. Contract date: 22.02.2018.
2. Investor: CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa, 02-672 Warszawa, 32 Domaniewska St.
3. Contract value: PLN 18,111,365.
4. Contract subject: BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street.
5. Site location: Warsaw, Powstańców Śląskich Street.
6. Completion period: commencement of Works - 22.02.2018, completion of Works - 31.03.2019.

On 7 March 2018, the Issuer concluded with a subsidiary of Vantage Development S.A. - company under the name of VD Spółka z ograniczoną odpowiedzialnością Mieszkania XVII Spółka Komandytowa a contract to perform the residential development project: "Dorzecze Legnicka in Wrocław on Małopanewska Street.

The contract is valued at PLN 29 million net.

Under the Contract, the Issuer as the General Contractor is obliged to the comprehensive completion of a multi-family residential building within the Project "Dorzecze Legnicka, phase 2", including the necessary services and utilities, site development works, demolition of existing buildings and construction of an access road. The second phase of the Project will comprise 142 apartments with a total area of 7,248 sq. m.
All works will be finished within 66 weeks from the date of delivery of Notice to Proceed, which may be issued by the Customer by 31 March 2018 at the latest.
Until the Notice to Proceed is issued, but no later than by 31 March 2018, the Employer is entitled to terminate the Contract without giving a reason and without the right to charge a contractual penalty for the termination. If the Customer does not issue the Notice to Proceed within the above time, the Contract expires on 31 March 2018, and the Contractor is not entitled to the withdrawal from the Contract, to charge contractual penalties or to any other claims for damages.
In addition, in the event of delays in the execution of milestones the Customer may withdraw from the Contract by 31 December 2019.

On 15.03.2018, a contract has been concluded between the consortium of Erbud Industry Sp. z o.o., 87-100 Toruń, 10 Wapienna St. (as the "Leader") and Erbud S.A., 02-797 Warsaw.1 Klimczaka St. (as the "Partner"), and Michelin Polska S.A., 10-454 Olsztyn, 9 Leonharda St. (as the "Customer") to perform construction works on the following terms and conditions.

1. Contract value: PLN 38,200,000 million PLN net (of which Erbud Industry Sp. o.o. - PLN 38,060,000 million net, and Erbud S.A - PLN 140,000 net).
2. Contract subject: Construction of a gas boiler house as part of the remodelling of the existing Michelin Polska S.A. CHP that includes the demolition of the plant building No. 58 and construction of a new one as well as installation of a new gas powered steam boiler with a capacity of 42MWt and steam capacity of 55t/hr along with the reconstruction of the necessary infrastructure.
3. Site location: Michelin Polska S.A. Combined Heat and Power Station, 10-454 Olsztyn, 9 Leonharda Street.
4. Completion period: 15.03.2018 – 31.12.2019 (Completion Date and Final Acceptance).

On 16 March 2018, Erbud S.A. concluded a contract with the Medical University of Gdańsk to perform the construction project on the following terms and conditions:

1. Contract date: 2018.03.16.
1. Investor: Gdański Uniwersytet Medyczny, 80-210 Gdańsk, 3a M.Skłodowskiej-Curie Street.
2. Contract value: PLN 152,457,714.96 net.
3. Contract subject: Construction as general contractor of Building "A" being part of the Non-invasive Medicine Centre locate in Gdańsk on Smoluchowskiego Street, corner /Dębinki Street, including the construction of a link building to the Invasive Medicine Centre, technical infrastructure, mains and services, land development, demolition works and supply of permanently connected medical equipment

4. Site location: Gdańsk; Smoluchowskiego Street, corner of Dębinki Street.
5. Completion period: a) Handing over of the construction site within 7 working days from the receipt by the Contractor from the Customer of the notice of readiness to handover the site; the Customer will notify the Contractor about the readiness to handover the site in the fourth quarter of 2018; b) Commencement of Works within 7 working days from the date of handing over the construction site; c) Completion of Works within 25 months from the date of handing over the construction site.

On 17 April 2018, Erbud S.A. signed with Cedrowa Sp. z o.o., 02-703 Warszawa, 24A Bukowińska St.a construction contract on the following terms and conditions:

1. Contract concluded on 17.04.2018.
2. Customer: Cedrowa Sp. z o.o., 02-703 Warszawa, 24A Bukowińska St.
3. Contract value: PLN 28,864,966 net.
4. Contract subject: Housing complex "F" with underground car park and retail units, including the surrounding and site infrastructure, i.e. site development, greenery, parking lots and shared zone, in-building and on-site services, and retention basin located in Gdańsk on Cedrowa Street.
5. Site location: Gdańsk, Cedrowa Strret.
6. Completion period:. seventeen-and-a-half months.

On 25 April 2018, the Issuer entered with STUDENT DEPOT FOXTROT Sp. z o.o. into a contract to complete the project: STUDENT HOUSE - DORM "Akademik Foxtrot" in Warsaw at 37 Woronicza Street on the following terms and conditions:

1. Contract date: 25.04.2018.
2. Customer: STUDENT DEPOT FOXTROT Sp. z o.o., 00-582 Warszawa, 6 Aleja Szucha Street.
3. Contract value: PLN 39,500,000.
4. Contract subject: STUDENT HOUSE - DORM "Akademik Foxtrot" in Warsaw.
5. Site location: Warsaw, 37 Woronicza Street.
6. Completion period: 02.05.2018 – 15.09.2019.

On 22.02.2018, Erbud S.A. entered into a contract with CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa on the construction of the BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street. This is another contract concluded within the last 12 months with a company from the GRUPO LAR. The total value of contracts signed over the last few months amounts to PLN 94,236,553. Terms and conditions of the contract:

7. Contract date: 22.02.2018.
8. Investor: CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa, 02-672 Warszawa, 32 Domaniewska St.
9. Contract value: PLN 18,111,365.
10. Contract subject: BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street.
11. Site location: Warsaw, Powstańców Śląskich Street.
12. Completion period: commencement of Works - 22.02.2018, completion of Works - 31.03.2019.

On 7 March 2018, the Issuer concluded with a subsidiary of Vantage Development S.A. - company under the name of VD Spółka z ograniczoną odpowiedzialnością Mieszkania XVII Spółka Komandytowa a contract to perform the residential development project: "Dorzecze Legnicka in Wrocław on Małopanewska Street.

The contract is valued at PLN 29 million net.

Under the Contract, the Issuer as the General Contractor is obliged to the comprehensive completion of a multi-family residential building within the Project "Dorzecze Legnicka, phase 2", including the necessary services and utilities, site development works, demolition of existing buildings and construction of an access road. The second phase of the Project will comprise 142 apartments with a total area of 7,248 sq. m.
All works will be finished within 66 weeks from the date of delivery of Notice to Proceed, which may be issued by the Customer by 31 March 2018 at the latest.
Until the Notice to Proceed is issued, but no later than by 31 March 2018, the Employer is entitled to terminate the Contract without giving a reason and without the right to charge a contractual penalty for the termination. If the Customer does not issue the Notice to Proceed within the above time, the Contract expires on 31 March 2018, and the Contractor is not entitled to the withdrawal from the Contract, to charge contractual penalties or to any other claims for damages.
In addition, in the event of delays in the execution of milestones the Customer may withdraw from the Contract by 31 December 2019.

On 15.03.2018, a contract has been concluded between the consortium of Erbud Industry Sp. z o.o., 87-100 Toruń, 10 Wapienna St. (as the "Leader") and Erbud S.A., 02-797 Warsaw.1 Klimczaka St. (as the "Partner"), and

Michelin Polska S.A., 10-454 Olsztyn, 9 Leonharda St. (as the "Customer") to perform construction works on the following terms and conditions.

5. Contract value: PLN 38,200,000 million PLN net (of which Erbud Industry Sp. o.o. - PLN 38,060,000 million net, and Erbud S.A - PLN 140,000 net).
6. Contract subject: Construction of a gas boiler house as part of the remodelling of the existing Michelin Polska S.A. CHP that includes the demolition of the plant building No. 58 and construction of a new one as well as installation of a new gas powered steam boiler with a capacity of 42MWt and steam capacity of 55t/hr along with the reconstruction of the necessary infrastructure.
7. Site location: Michelin Polska S.A. Combined Heat and Power Station, 10-454 Olsztyn, 9 Leonharda Street.
8. Completion period: 15.03.2018 – 31.12.2019 (Completion Date and Final Acceptance).

On 16 March 2018, Erbud S.A. concluded a contract with the Medical University of Gdańsk to perform the construction project on the following terms and conditions:

2. Contract date: 2018.03.16.
6. Investor: Gdański Uniwersytet Medyczny, 80-210 Gdańsk, 3a M.Skłodowskiej-Curie Street.
7. Contract value: PLN 152,457,714.96 net.
8. Contract subject: Construction as general contractor of Building "A" being part of the Non-invasive Medicine Centre locate in Gdańsk on Smoluchowskiego Street, corner /Dębinki Street, including the construction of a link building to the Invasive Medicine Centre, technical infrastructure, mains and services, land development, demolition works and supply of permanently connected medical equipment
9. Site location: Gdańsk; Smoluchowskiego Street, corner of Dębinki Street.
10. Completion period: a) Handing over of the construction site within 7 working days from the receipt by the Contractor from the Customer of the notice of readiness to handover the site; the Customer will notify the Contractor about the readiness to handover the site in the fourth quarter of 2018; b) Commencement of Works within 7 working days from the date of handing over the construction site; c) Completion of Works within 25 months from the date of handing over the construction site.

On 17 April 2018, Erbud S.A. signed with Cedrowa Sp. z o.o., 02-703 Warszawa, 24A Bukowińska St.a construction contract on the following terms and conditions:

7. Contract concluded on 17.04.2018.
8. Customer: Cedrowa Sp. z o.o., 02-703 Warszawa, 24A Bukowińska St.
9. Contract value: PLN 28,864,966 net.
10. Contract subject: Housing complex "F" with underground car park and retail units, including the surrounding and site infrastructure, i.e. site development, greenery, parking lots and shared zone, in-building and on-site services, and retention basin located in Gdańsk on Cedrowa Street.
11. Site location: Gdańsk, Cedrowa Strret.
12. Completion period:. seventeen-and-a-half months.

On 25 April 2018, the Issuer entered with STUDENT DEPOT FOXTROT Sp. z o.o. into a contract to complete the project: STUDENT HOUSE - DORM "Akademik Foxtrot" in Warsaw at 37 Woronicza Street on the following terms and conditions:

7. Contract date: 25.04.2018.
8. Customer: STUDENT DEPOT FOXTROT Sp. z o.o., 00-582 Warszawa, 6 Aleja Szucha Street.
9. Contract value: PLN 39,500,000.
10. Contract subject: STUDENT HOUSE - DORM "Akademik Foxtrot" in Warsaw.
11. Site location: Warsaw, 37 Woronicza Street.
12. Completion period: 02.05.2018 – 15.09.2019.

On 26 April 2018, the Issuer's subsidiary Erbud Rzeszów Sp. z o.o. signed in a consortium with Fast Group sp. o.o. a contract for construction works on the following terms and conditions:

1. Contract data: 26.04.2018.
2. Customer: Uniwersytet Medyczny w Łodzi seated in Łódź, Al. Kościuszki 4; NIP 725-18-43-739.
3. Contract value: PLN 25,108,291.22 of which Erbud Rzeszów Sp. z o.o. has 63.03%, i.e. PLN 15,825,755.96.
4. Contract subject: Building works involving the construction of a Specialist Clinic and Server Room in the A2 building of the Teaching and Clinical Centre at the Medical University of Łódź, 251 Pomorska Street, as part of the second phase of construction of the Teaching and Clinical Centre.
5. Site location: Łódź, 251 Pomorska Street.
6. Completion period: 07.05.2018 - 20.02.2019.

On 14 May 2018, ERBUD S.A. as the leader of the consortium signed a contract worth PLN 55.5 million for construction of a combined use building located in Lublin on Berylowa Street, consisting of kindergarten, community centre, primary school with a gymnasium, together with providing the financing of the project by transfer of receivables due to the Contractor against the Customer for the completion of Works for the benefit of the Bank or another financial institution, on the following terms and conditions:

1. Contract data: 14.05.2018.
2. Customer: Gmina Lublin, Plac Króla Władysława Łokietka 1, 20-109 Lublin.
3. Contract value: PLN 55,539,000 net / PLN 68,298,570 gross.
4. Contract subject: construction of a combined use building located in Lublin on Berylowa Street, consisting of kindergarten, community centre, primary school with a gymnasium, together with providing the financing of the project by transfer of receivables due to the Contractor against the Customer for the completion of Works for the benefit of the Bank or another financial institution.
5. Site location: 20-582 Lublin, Berylowa Street.
6. Completion date: 30.06.2020.

On 15 May 2018, GWI GmbH seated in Düsseldorf, the Issuer's subsidiary, entered into a construction contract on the following terms and conditions:

1. Contract subject: Construction of a complex consisting of residential building, office building, underground garage and kindergarten.
2. Contract date: 15 May 2018.
3. Parties to the contract:
   a. Customer: Wilma DW GmbH , Pempelfurtstr. 1, 40880 Ratingen;
   b. Contractor: GWI Bauunternehmung GmbH.
4. Contract value: EUR 6,812,000 which, translated at the exchange rate of the National Bank of Poland as at 15 May 2018, gives PLN 29,171,028.
5. Completion period: 05.2018 - 02.2019.

On 25 May 2018, the Issuer signed with VD spółka z ograniczoną odpowiedzialnością Mieszkania XVII sp. k. (the "Customer"), a subsidiary of Vantage Development S. A. a contract for the performance of a development project "Dorzecze Legnicka Housing Estate", located in Wrocław on Małopanewska Street ("the Project").

The net contract value amounts to PLN 47 million.

Under the contract, the Contractor is obliged to carry out works for complete construction of multi-family residential buildings with underground car park at the Dorzecze Legnickiej project, phase III, including site development and service infrastructure, of which structural landscaping, greenery, accompanying structures, as well as the traffic circulation system and necessary roads related to the performance of the non-road investment by the Customer in Wrocław on Małopanewska Street.
The 3rd Phase of the Project will include 204 apartments. The completion of all works is scheduled within the period of 64 weeks from the date of delivery of Notice to Proceed, which should be issued by the Customer by 31 March 2019 at the latest.
Until the Notice to Proceed, but not later than on 31 March 2019, the Customer is entitled to withdraw from the Contract without giving a reason and without the right to charge a contractual penalty for such withdrawal. If the Notice to Proceed will be not issued by the Customer within the above time limit, the Contract expires on 31 March 2019, and the Contractor is not entitled to withdraw from the Contract, to charge contractual penalties or to any other claims for damages. Until 31 December 2020, the Customer may withdraw from the Contract in the event of, inter alia, delays in the completion of particular stages of work.
In case of the withdrawal from the Contract by the Customer or the Contractor for reasons attributable to the Contractor, the Contract provides for a contractual penalty of 10% of the total remuneration under the Contract. The total amount of all contractual penalties charged may not exceed 15% of the remuneration.
The Customer is entitled to demand compensation in excess of the amount of contractual penalty available under the provisions of Civil Code.

On 25 May 2018, the Issuer signed with Promenady X spółka z ograniczoną odpowiedzialnością sp.k. (the "Customer"), a subsidiary of Vantage Development S. A. a contract for the performance of a development project "Promenady Wrocławskie, Phase X", located in Wrocław (the "Project").

The net contract value amounts to PLN 48 million.
Under the contract, the Contractor is obliged to carry out works for complete construction of the multi-family residential complex with underground car park located in Wrocław on Zakładowa Street, including in-building and on-site infrastructure, site development and services, of which structural landscaping, greenery, accompanying structures, as well as the traffic circulation system and necessary roads. The 10th Phase of the Project will include 233 flats and 6 retail units.
The completion of all works is scheduled within the period of 102 weeks from the date of delivery of Notice to Proceed, which should be issued by the Customer by 31 December 2018 at the latest. If the Notice to Proceed will be not issued by the Customer within the above time limit, the Contract expires on 31 December 2018, and the

Contractor is not entitled to withdraw from the Contract, to charge contractual penalties or to any other claims for damages. By 31 December 2018, the Customer is entitled to withdraw from the Contract without giving a reason and without the right to charge a contractual penalty for such withdrawal. Moreover, until 31 December 2021, the Customer may withdraw from the Contract in the event of, inter alia, delays in the completion of particular stages of work.
In case of the withdrawal from the Contract by the Customer or the Contractor for reasons attributable to the Contractor, the Contract provides for a contractual penalty of 10% of the total remuneration under the Contract. The total amount of all contractual penalties charged may not exceed 15% of the remuneration.
The Customer is entitled to demand compensation in excess of the amount of contractual penalty available under the provisions of Civil Code.

On 4 June 2018, ERBUD S.A. (the "Issuer") signed a significant construction contract on the following terms and conditions:

1. Contract data: 2018-06-04.
2. Customer: Martinique Investment Sp. z o.o.; 87-100 Toruń, 29 Sienkiewicza Street.
3. Net contract value: PLN 90.797.000.
4. Contract subject: Construction as general contractor of an office building, incl. other supporting facilities and structures, link building to the distribution centre, on-site infrastructure (mains, services and roads), structural landscaping, greenery and other land development works for the Phase III of the project "Construction of the distribution centre and NEUCA new headquarters on Forteczna Street in Toruń".
5. Site location: Toruń, Forteczna Street.
6. Completion period:
   a. Commencement of Work on the date of signing the contract;
   b. Completion of Work until 23.12.2019.

On 7 June 2018, a significant Design & Build Contract was signed on the following terms and conditions:

1. Customer: Winhall Investments sp. z o. o. (a subsidiary of Vantage Development S.A.).
2. Contract subject: Design, construction and final hand-over of the residential complex consisting of three multi-family buildings with underground garage, named Port Popowice (Stage 1), including site development and service infrastructure (structural landscaping, greenery, associated buildings and structures, utilities and services). Stage 1 of the project will include construction of 415 flats and 5 commercial units and will be divided into two phases. Phase I will cover the design of the entire Stage I and the construction of building "A", and Phase II will cover the construction of buildings "B" and "C".
3. Completion period.
   a. The commencement pursuant to Notice to Proceed ("NtP") issued for particular phases; on 7 June 2018, NtP was issued to start the design of the entire Stage I and to complete Phase I. NtP for Phase II may be issued until 31 March 2019 at the latest. If the Customer does not issue NtP for Phase II within the above-mentioned period, the Contract expires in the part concerning the construction of Phase II, unless the reason for not issuing NtP for Phase II is delay in obtaining a construction permit for Phase II, and the Contractor is not entitled to withdraw from the Contract, charge contractual penalties or any other claims for damages.
   b. The completion of all works of Phase I is scheduled by 15 October 2019, and of Phase II is planned within 75 weeks from the date of issue NtP.
4. Contract value: PLN 114.5 million, while the remuneration due to the Contractor for the execution of the above works amounts to PLN 43.6 million net.

On 8 June 2018, Erbud Industry Sp. z o.o., a subsidiary of the Issuer ("Erbud S.A.") signed a significant contract on behalf of the Consortium formed by the Companies: Erbud Industry Sp. z o. o. ("Leader"), Erbud S.A. ("Partner"), and Fabryka Kotłów SA, and Grupa Azoty Zakłady Azotowe "Puławy" S.A. ("Customer"), on the following terms and conditions:

1. Customer: Grupa Azoty Zakłady Azotowe „Puławy" S.A. seated in 24-110 Puławy, 13 Aleja Tysiąclecia Państwa Polskiego St.
2. Net contract value: PLN 83,500,000, of which PLN 42,860,000 PLN - Erbud Industry Sp. z o.o., PLN 140,000 - Erbud S.A. and PLN 40,500,000 - Sefako S.A.
3. Contract subject: Construction on a turnkey basis of a SCR plant together with the comprehensive modernisation of the OP-215 Boiler No. K2 in Zakłady Azotowe Puławy S.A.
4. Site location: Combined Heat and Power Station at Zakłady Azotowe „Puławy" S.A., 24-110 Puławy, 13 Aleja Tysiąclecia Państwa Polskiego St.
5. Completion period: Commissioning within 21 months from the date of signature of the contract.

On 19 June 2018, Erbud S.A. signed a significant contract with Nicolaus Copernicus University in Toruń on the following terms and conditions:

1. Contract date: 2018-06-19.

2. Customer: Uniwersytet Mikołaja Kopernika, 87-100 Toruń, 11 Gagarina Street.
3. Net contract value: PLN 25,479,674.80.
5. Contract subject: Construction of the Centre for Research and Conservation of Cultural Heritage at the Faculty of Fine Arts of the Nicolaus Copernicus University in Toruń.
6. Site location: Toruń, Broniewskiego St. / Sienkiewicza St.
7. Completion period: 1 000 days from the date of concluding the contract.

On 3 July 2018, it has been concluded Annex No. 3 to the Contract for building the "Seaside Park" Hotel and Spa Complex with a value of PLN 67.6 million on terms and conditions as follows:

1. Annex date: 03.07.2018.
2. Investor: SEASIDE Park Sp. z o.o., 02-222 Warszawa, 181B Al. Jerozolimskie Street.
3. Annex value: PLN 67,587,684.
4. Contract subject: comprehensive finishing works, plumbing and HVAC for the "Seaside Park" Hotel and Spa Complex.
5. Site location: Kołobrzeg, Przesmyk Street; plots with a cadastral Nos.29/1 and 29/2, cadastral district 6.
6. Completion: Juli 2019.

On 16 July 201 7, Erbud S.A. signed a construction contract on the following terms and conditions:

1. Contract date: Contract No. PL/000126652/18-567/TDDP concluded on 16.07.2018.
2. Customer: Chopin Airport Development Sp. z o.o.; 00-906 Warszawa, 1 Żwirki i Wigury St.
3. Contract value: PLN 33,900,000 net; 41,697,000 gross.
4. Contract subject: Construction of the Holiday Inn Express Hotel at the Rzeszów–Jasionka Airport. The contract includes building on a turnkey basis, delivery of equipment and obtaining all necessary permissions for the use of the building under the Holiday Inn brand, in accordance with the requirements of the InterContinental Hotels Group specified in the standards for the Holiday Inn Express hotels.
5. Site location: Plots with a cadastral number 1867/268 and 1867/261 located in Jasionka near Rzeszów.
6. Completion period: 14 months from the date of signing the contract.

On 1 August 2018, the Issuer entered into a significant construction contract on the following terms and conditions:

1. Contract date: 01.08.2018.
2. Customer: Polnord – Apartamenty Sp. z o.o., 81-310 Gdynia, 35/37 Śląska Street.
3. Net contract value: PLN 52,000,000.
4. Contract subject: Construction of a complex of multi-family residential buildings numbered B4, B5, B6 (Phase II) and B7, B8 (Phase III) including underground garages, estate road system and on-grade car parking space, technical infrastructure (services and utilities as water supply and sanitary sewage system, storm water drainage, lighting, section of public road named Flisykowskiego Street 045-KD80 (design No. 1818) together with estate access points at the public road Flisykowskiego Street, and other site structures within the "Fotoplastykon" development project, in Gdańsk near the intersection of Guderskiego and Flisykowskiego Streets.
5. Site location: Corner of Guderskiego St. and Flisykowskiego St.
7. Completion period: Commencement of construction works: 27.08.2018; completion of Contractor's scope of works: 30.09.2020.

Apart from significant construction contracts, Erbud SA signed several contracts not exceeding the criterion of a "Significant Contract".

Note 35. Changes in accounting principles (policy) applied and the method of preparing financial statements, introduced in relation to the previous financial year (years), their causes, titles and impact on the asset and financial position, liquidity, performance and profitability

In the period from 1 January 2018 to 30 June 2018, the accounting principles (policy) were not changed.

Note 36. Business combinations

In the period from 1 January 2018 to 30 June 2018, there were no mergers between the Company and other business entities.

Note 37. Dividend policy - description of the dividends payment policy and any limitations connected. The dividend value per share for each financial year of the period covered by the historical financial information, adjusted for comparison purposes in case of changing the number of shares

Pursuant to Resolution No. 5/2018 of the Extraordinary General Meeting of Shareholders of ERBUD S.A. of 18 May 2018, an extraordinary dividend has been paid to the Shareholders on 19 June 2018.

The amount of PLN 14,093,044.90, coming from the existing Company's supplementary capital created from the profits generated in previous years, was allocated for the payment of dividend to the Shareholders.

The Extraordinary Dividend was paid by decreasing (partial releasing) the Company's supplementary capital by PLN 14,093,044.90 in its part resulting from the Company's profits achieved in previous years.

The profit allocated for the dividend payment amounted to PLN 1.10 per each share entitling to participate in the dividend. To the dividend were entitled 12,811,859 shares.

As at the date of preparation of the statements, the dividend was paid.

Note 38. Derivative financial instruments

Under the construction contract concluded on 08.12.2015 with Ghelamco Poland sp. z o.o. sp.k. for the construction of class A+ office building and modernization of two existing buildings comprising, as a whole, the project under the name "Office and Conference Centre NOWA FORMIERNIA", Erbud SA expects certain payments in EUR . In order to hedge the cash flows arising from this contract, the Group signed on 10 December 2015 with SA mBank a Par Forward contract for amounts and dates corresponding to the expected flows under the aforementioned contract.

In connection with entering by ERBUD SA (the "Issuer") into a contract for construction works to erect buildings B and C of the Centrum Praskie Koneser in Warsaw on Ząbkowska Str., incl. the accompanying infrastructure, of which the Issuer informed in the Current Report No. 90/2016 on 21 December 2016, the Issuer signed on 21 December 2016 a series of Par Forwards to secure cash flow from the aforementioned contract.

The hedging transaction was concluded with ING Bank Śląski seated in Katowice. The Issuer secured cash flow for a total amount of EUR 11,675,291.46.

Changes in fair value of financial derivatives designated as cash flow hedges to the extent that it relates to the effective hedge recognized directly in revaluation reserve. Changes in fair value of financial derivatives designated as cash flow hedges to the extent that they not represent an effective hedge are included in other income or loss for the period.

When establishing the hedge, the Company designates and formally documents the hedging relationship, as well as the risk management objective and strategy for undertaking the hedge. This documentation includes: (i) identification of the hedging instrument, (ii) identification of the hedged item or transaction, (iii) determination of the nature of the hedged risk, and (iv) determination of the method of assessing the hedge effectiveness in offsetting threats associated with changes in the fair value of the hedged item or cash flows related to the hedged risk.

As at the balance sheet date, the flow hedge was highly effective. It is expected that the hedge will be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk. The hedge effectiveness is assessed on an ongoing basis to determine whether it is highly effective in all reporting periods for which it was established.

The table below shows the opening and closing balance sheet, incl. the change in fair value of hedging instruments recognized in revaluation reserve for 2018.

Item	30.06.2018	30.06.2017
Contract valuation as of the opening balance sheet date	2 175	-791
Change in valuation of forward contracts (hedges) recognized in revaluation reserve	-2 653	3 667
Contract valuation as of the closing balance sheet date	**-478**	**2 876**

Note 39. Significant transactions concluded by the Company with related parties under conditions other than market ones

In the period from 1 January 2018 to 30 June 2018, there were no such transactions.

Note 40. Information on the nature and economic purpose of agreements concluded by the Company, which are not included in the balance sheet as necessary to assess their impact on the Company's assets, financial position and performance.

There were no such agreements.

Note 41. Contingent liabilities to related parties

	30.06.2018	31.12.2017
1) Contingent liabilities to related parties from		
a) guarantees and sureties provided, of which	80 253	65 202
- to subsidiaries	80 253	65 202
b) other	0	0
Total contingent liabilities to related parties	**80 253**	**65 202**

Note 42. Asset-backed securities

There were no such securities.

Note 43. Pending ligations

Claim against the Bank Millennium S.A.

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A. Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures. During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options. The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

On 4 November 2016, the Issuer lodged an appeal against the judgement of the District Court in Warsaw of 16 September 2016, dismissing the action in case XVI GC 964/10. The verdict was challenged in its entirety.
The allegations focus in particular on incorrect findings and conclusions by the Court of First Resort on faulty determination by the Court of the content of disputed transactions and misinterpretation of documents, including those confirming the transaction. Furthermore, the appeal cited the numerous verdicts of the District Court and Court of Appeal in Warsaw issued in similar cases, in which the courts delivered judgments beneficial for the customers of Millennium Bank being in a situation very close to the Issuer.

On 29 May 2018 the Court of Appeal in Warsaw passed judgment in the case brought by the Issuer against Bank Millennium S. A. under the reference VII AGa 283/18, in which it upheld the Issuer's appeal. In its judgment of 29 May 2018, the Court of Appeals in Warsaw overturned the appealed judgment of the Regional Court in Warsaw of 16 September 2016, issued in the case ref. Act XVI GC 964/10 and refer the case back to that court for judgment, together with the decision on costs of the appeal proceedings.

On 13 July 2018 it received information that Bank Millennium S.A. submitted a complaint with the Supreme Court about the judgment of the Court of Appeals in Warsaw of 29 May 2018 in the action brought by the Issuer against Bank Millennium S.A.
In the complaint, Bank Millennium questions the advisability of revoking the judgment and referring the case back to the Regional Court in Warsaw for reheard, indicating that the Court of Appeal should settle the case on its own.
The Issuer's legal advisors are in the course of preparing a response to the complaint to the Supreme Court.

As at the date of publication of these financial statements, the court dispute is pending.

The Issuer's standpoint regarding the situation connected with the execution of the project "Extension of the Airport Modlin"

Case state - General information about the contract and its completion
The contract for the construction of the Warsaw-Modlin Airport was signed on 14 September 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA was obliged, inter alia, to upgrade the runway. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.
The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1 421 meters. The net value of the concrete thresholds constructed is about PLN 10 million.

DSH – Dospravni stavby a.s., a subsidiary of the construction group Metrostav, was a subcontractor responsible for the construction of the concrete pavement of runway thresholds. The company specializes in such kind of works. The Employer has been informed of the choice of the subcontractor and did not oppose (January 2011).

DSH contracted a number of works with:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]: The contract included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;
- CEMEX and LAFARGE – two worldwide known suppliers of aggregate: The contract included the supply of aggregate for concrete used to complete the runway thresholds.

The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

On 10 June 2011, DSH submitted the mix design to the Employer. The Employer approved the mix design on 20 June 2011.

The runway was carried out by DSH over the period of June - November 2011, according to the mix design prepared by the Instytut Inżynierii Lądowej Politechniki Wrocławskiej. The company used aggregate supplied by CEMEX and Lafarge. All design solutions, concrete mix formulas, certificates of compliance and land surveying were supervised by the staff of the General Contractor and the Employer, and the works were executed under direct supervision of Client's Engineer.
The concrete mix production samples were taken by the laboratory of TPA Instytut Badań Technicznych (Technical Research Institute). The samples were collected pursuant to Polish standards, i.e. from each batch of concrete produced. Tests have shown that the strength and frost resistance of concrete is at least equal to or higher than designed one.

By Decision No. 919/2012 of 6 June 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) authorized the use of the project. The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:
- developing guidelines on using the civil structure, including the airport pavement maintenance manual
- regular technical inspections of the airport pavement,
- continuous monitoring of the civil structure.

By Decision No. 1980/2012 dated 28 December 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego prohibited to use of the part of the runway (the decision announced verbally on 22 December 2012). The decision was based on Article 66, Section 1, Item 2 and Section 2 of the Building Code of 7 July 1994, that is on "(…) the statement that a structure is used in a manner endangering life or health of people, safety of property or environment (…)".

According to an interview on 23 January 2013 for the TVN CNBC by Mr. Marcin Danił - Vice President of the Management of Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o., the Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage.

The Customer concluded a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.

In January and February 2013, the Employer and the General Contractor held a number of meetings, as a result of which the General Contractor presented on 20 February 2013 a Framework Schedule for runway works. The schedule has been approved by the Employer.

On 6 March 2013, the General Contractor took over the site from the Contractor and began to carry out the work. On 22 April 2013, the Contractor approved a new formula of concrete. On 17 June 2013 the Mazovian Building

Control Officer issued Decision No. 846/2013 which repealed Decision No. 1980/2012 concerning the prohibition of use of part of the runway.

Moreover, on 12 August 2013, the Issuer received the decision issued by the District Court for Warsaw-Mokotów on providing a security on debts of Przedsiębiorstwo Wielobranżowe Ploh Sp. z o.o. amounting to PLN 74,204.84 for loss of profits related to a break in the activity of the airport. The court has established the security in the form of a compulsory mortgage on the vacant plot owned by the Issuer, located in Toruń. On 19 August 2013, it has been brought a protest against the decision on securing the claim. The District Court in Warsaw, due to recognition of a complaint changed the decision on providing the security and dismissed the application. On 26 August 2013, it has been filed an answer to the suit, in which - besides the application to dismiss the complaint in full as manifestly unfounded, it has been raised a plea of lack of jurisdiction. On 24 September 2013, on the ground of lack of jurisdiction, the case was referred for rehearing by the Economics Department of the District Court of the Capital City of Warsaw. The court ordered the authorities to provide documents requested by the claimant party and adjourned the hearing without setting a trial date.

On 17 July 2013, the Issuer received from LS Airport Services SA request for payment in the amount of PLN 1,844 thousand for loss of benefits associated with a break in the activity of Modlin Airport. Law office representing the Issuer filed the response to the request proving that it is unfounded.

On 12 May 2014, a lawsuit was served to the Company, in which the Employer requested the payment of PLN 34,381,374.64 as compensation plus statutory interest and litigation costs. The case is conducted by the District Court in Warsaw, XXVI Commercial Division, under ref. No. XXVI GC 353/14.
Due to the necessity of preparing specialized technical and financial expertise, the application for a further extension of the deadline has been delivered on July 21. According to the information received on 24 July 2014, the date for filing a statement of defence has been extended until 12 October 2014.

On 11 October 2014, ERBUD filed a response to the suit in which it requested to dismiss the MPL's action as a whole and to grant reimbursement of the proceedings costs. At the same time, regardless of repudiating the plaintiff's claim, ERBUD submitted a counterclaim against the MPL applying for ordering to pay the amount of PLN 19 892 thousand plus statutory interest. The counterclaim includes pavement repair costs incurred by ERBUD at Warsaw-Modlin Airport.

On 2 March 2015, Erbud received a pleading in which MPL upheld its request and appealed to dismiss the counterclaim of ERBUD. In response, on 15 May 2015, Weil Law Office filed a letter (prepared together with experts from various fields), in which they maintained the standpoint of ERBUD, presented another arguments and responded to the evidentiary and procedural issues.

On 3 July 2015, Weil lawyers applied to take evidence from information about the results of the audit conducted by the Supreme Audit Office regarding construction of an airport in Modlin, published in the June 2015.

Currently, there are trials and hearings of witnesses, and further exchange of pleadings.

We also stand by our opinion presented in the previous memoranda, according to which the risk of awarding a claim to MPL is lower than the chance of dismissing the suit. However, even if the court founds the plaintiff's claim to be justified, the amount of the award would be significantly lower than this required by MPL, as Erbud SA is in a position to contest almost every part of the damage reported by MPL.

Position of the Management Board on financial claims
Pursuant to a contract dated 14 September 2010 that was executed for the Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o., ERBUD SA acted as the general contractor construction the Warsaw-Modlin airport runway. On 28 December 2012, due to the surface defects found Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) issued a decision prohibiting the use of a part of the runway at Modlin Airport. Hovever, having regard to the public interest, the Company (as substitute contractor) replaced the runway concrete pavement), without waiting for the explanation of the causes of damage and without confirmation that it is obliged to make repair works under the warranty. These works were completed in June 2013 and the airport was re-admitted to passenger traffic on 3 July 2013.

ERBUD SA does not recognize its responsibility for the defective condition of the runway surface, and commissioned independent technical reports indicate that the reasons for damage were independent of the Company. Therefore, in our opinion as well as evaluation by legal advisors of Erbud SA, all expenses incurred for the resurfacing of the runway in a total amount of PLN 20.1 million, recorded as of the balance sheet date as assets of the Company, finally will not be addressed to ERBUD SA.

Due to the ongoing legal proceedings related to the determination of responsibility for the bad condition of the airport runway as well as the complexity of the case and the anticipated long-term legal proceedings, it cannot be excluded that the final financial consequences of the event for the Company may differ from current estimates adopted by the Management Board of Erbud SA for the purpose of preparing the Financial Statements.

On **18 March 2015**, the Issuer filed in the District Court Warsaw Mokotów a suit for damages due to improper performance of the contract, against Cemex Polska sp. z o.o based in Warsaw, and Lafarge Kruszywa i Beton sp. z o.o. based in Warsaw (the "Defendant") in the amount of PLN 18,685,956.97 (say: eighteen million, six hundred and eighty-five thousand, nine hundred and fifty-six, point nine seven), of which a claim of PLN 8,098,200.89 (say: eight million, ninety-eight thousand, two hundred, point eight nine) against Cemex Polska sp. z o.o., and of 10,587,756.08 (say: ten million, five hundred and eighty-seven thousand, seven hundred and fifty-six, point zero eight) against Lafarge Kruszywa i Beton sp. z o.o.

In the following months, the parties exchanged further pleadings in which they upheld their positions, provided additional arguments, and responded to procedural and evidentiary issues.

On 9 May 2017, the Court issued a decision on the preservation of evidences by the Institute of Structural Engineering at Poznan University of Technology in the form of samples of gravel from deposits extracted by Cemex and Lafarge.

Taking into account that the case relates to complicated technical problems, which results in the risk of taking evidence from experts' opinions, the judgment of the Court of First Instance is unlikely to be issued earlier than approx. 3 years after the filing of the claim by Erbud.

According to our estimates, the chance of awarding a claim to Erbud is greater than the risk of dismissal.

Claim against Kępska S.A. seated in Warszawa

Date of submitting a lawsuit by ERBUD S.A.: 22 April 2014

The amount in dispute: PLN 9,877,132 (8,187,631.31 + 1,689,500)

Case state: ERBUD SA claims the payment for executed works from Kępska SA. By lawsuit of 22 April 2014, the plaintiff applied for awarding the amount of PLN 8,187,631.31 from Kępska SA.

In the suit Erbud SA also requested to secure further sum of PLN 1,414,500 by freezing debts on bank accounts, to which the defendant is entitled, and creating a forced mortgage on the real property located in Opole at 8 Kępska St. By decision of 12 August 2014, the District Court secured the claim amounting PLN 1,414,500 as requested by the plaintiff. The decision dated 4 September 2014, including an enforcement order was delivered to the plaintiff on 19 September 2014. The plaintiff submitted to the District Court in Opole, VI Department of Land Registry, an application for registration of the forced mortgage of PLN 1,414,500 on the basis of the aforementioned Court order. By decision of 15 December 2014, the District Court in Opole dismissed the plaintiff's request for registering the forced mortgage. In support of its ruling, the Court pointed out that the examination of the land register KW No. OP10/00085900/3 disclosed that the real estate entered into this register is in perpetual use of EMIR 75 sp. z o.o. seated in Warsaw, and not of Kępska SA. On 27 January 2015, the plaintiff applied for making enforceable against EMIR 75 sp. z o.o. the freezing order on claims for the establishment of forced mortgage. By decision of 30 January 2015, the District Court in Opole issued declaration of enforceability against EMIR 75 sp. z o.o. On 5 February 2015, ERBUD SA filed an application for registration of the mortgage into the land register. On 29 May 2015, the mortgage was entered in the land register. On 29 June 2015 (date of receipt by the Court was 1 July 2015), Kępska SA appealed to the Court of Appeal in Wrocław the sentence of the District Court in Opole for granting an enforcement declaration against EMIR 75 Sp. z o.o. By decision of 10 July 2015, the Appeal Court in Wroclaw changed the decision appealed and dismissed the application (it is a basis to delete the mortgage amounting PLN 1,414,500). There is no further right of appeal against the sentence.

In response to the claim of 10 September 2014, Kępska SA applied for dismissal in its entirety and raised an objection to the off-set of mutual claims of the plaintiff and defendant due to improper performance of obligations by ERBUD SA under the contract for general contracting.

On 30 November 2015 ERBUD SA, expanded action by PLN 1,689,500, what is the amount due to ERBUD SA as contractual penalty for withdrawing from the contract for reasons attributable to the Kępska SA

During the hearing of 11 January 2017, the Court issued an evidence order, in which it permitted the admission of evidence from documents submitted by Kępska at the end of 2016, and further admitted the evidence from the supplementary expert opinion. Erbud lodged objections to the court record and applied for the recapitulation of the

evidence order both in respect of the admission of documents attached to the pleadings and of the evidence argument for the expert on the proving of Erbud's "delay" in performance of the construction contract. Expected date of closure of the proceedings before the First Instance Court: 2017.

On 12 June 2017, the legal agents of Erbud S.A. received a supplementary court expert opinion which, on the one hand, confirmed the lack of essential defects that would entitle the investor to taking over the works and, on the other hand, pointed out the existence of defects and delay in performance of the contract by Erbud S.A. In view of material shortcomings of the opinion, Erbud S.A. submitted by letter of 22 June 2017 objections to the supplementary expert opinion and also requested to summon the expert to the hearing and admit evidence from the further supplementary oral expert opinion.

By judgment of 24 April 2018, the Court:
1) Dismissed the claim for prohibition of Kępska S. A. from using the bank guarantee, referring to the unconditional nature of this type of security, which, in the Court's opinion, precludes the possibility of prohibiting the use of the guarantee in a situation where the parties did not reserve any condition in the content of the obligation.
2) Upheld the claim for payment and sentenced Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 add statutory interest.
In support of its ruling, the Court pointed out that the defects in the works referred to by the defendant did not entitle to withdraw from the contract and that Erbud should be remunerated for the performance of the works.
3) Dismissed the claim for payment of the remaining part (i.e. as regards the application for awarding interest on the amount of PLN 1,689,500 from 30.11.2015);
4) Sentenced Kępska S.A. to pay to Erbud the amount of PLN 135,276.65 as costs of proceedings.
5) Overturned the decision of the District Court in Opole issued on 17 March 2014, Ref. VI GCo 8/14 in the part covering point 1 in the scope prohibiting the defendant Kępska S.A. take advantage of the guarantee No. SLG810IN13 of 4 September 2013 granted by ING Bank Śląski S.A., justifying this by previous dismissal of the claim in this respect.

On June 11, 2018, Erbud filed a complaint against the decision to revoke the security by prohibiting Kępska S.A. from use the guarantee No. SLG 810IN13 of 4 September 2013 granted by ING Bank Śląski S.A.

Claim against Międzyzdrojski Rynek Sp. z o.o.

The amount in dispute: PLN 3,699,578

Case state: The District Court of first instance in Szczecin; an expert appointed by the court prepared an opinion.

Erbud SA claimed the payment of debts arising from invoices (accepted by the defendant). The building constructed by Erbud SA was finally inspected and accepted in written form. The Parties tried to reach an agreement, the defendant expressed willingness to pay, but extending payments for ERBUD over time, made it necessary to apply to a court. Currently, the defendant seeks a reduction in remuneration due to numerous significant defects in workmanship.

On 25.01.2016 the sentence was announced under which PLN 3,212,456.39 add interest was awarded to Erbud. The judgment is not legally binding. The defendant appealed, the plaintiff responded to the appeal. The appeal hearing was held on 09.03.2017 and won by Erbud SA. Legal proceedings are carried out to enforce the claim.

Claim against Akademia Muzyczna in Łódź

Date of filing a lawsuit: 20 December 2013.

The amount in dispute: PLN 2,050,515

Case state: On 20 December 2013, ERBUD SA filed a claim for payment of PLN 1,895,430 as remuneration for construction works carried out by the plaintiff to the defendant under contract No. 694/U/AML/2012 of 20 December 2012, in accordance with the VAT invoice No. 519/13/W of 30 July 2013, issued by the plaintiff to the defendant. and payment of PLN 74,934.40 due to statutory interest on the amount of remuneration accrued from day on which the amount became due and payable (i.e. from 29 August 2013) till the date of filing a lawsuit (i.e. 20 December 2013), and PLN 80,150.37 as compensation for improper performance of Agreement No. 209/U/AMŁ/11 of 15 September 2011 by the Academy. ERBUD thereupon suffered injury in the form of increased site maintenance costs for a period longer than predicted in the above-mentioned agreement, i.e. from 01.06.2013 to 07.15.2013.The defendant Academy of Music responded to the suit dated 23 January 2014 requesting the dismissal of the action in its entirety and raised the procedural objection to deduction of penalties. The plaintiff filed pleadings dated

31.03.2014 and 22.05.2014, and the defendant pleadings of 04.04.2014 and 30.06.2014. Two hearings were held so far: on 29.08.2014 (one ERBUD's witness has been examined) and on 07.11.2014, where there case has been postponed due to the planned bringing by the defendant a counterclaim for payment of the remainder of contractual penalties. A hearing was held on 04.06.2015 and adjourned. By decision dated 05.11.2015, the Court combined this case with the case No. I C 1944/14. Two hearings were held on 11.03.2016 and 8.08.2016. The next one was scheduled for 03.02.2017. The hearing was adjourned without specifying any date due to the commissioned developing an opinion by an expert. The opinion of 16 December 2017 is beneficial in many respects for Erbud. The date of the next hearing has not yet been set. At the initiative of the Academy, a mediation procedure was initiated which did not result in an agreement. The testimonies of the witnesses so far and the opinion of the expert clearly indicate that Erbud performed the works in a timely and duly manner and, moreover, that Erbud is not responsible for the untimely performance of the contract. The date of the hearing after the expert opinion has been issued has not yet been set.

Note 44. Significant events from previous years, included in the Financial Statements for the current period

Such events did not occur.

Note 45. Significant events that occurred after the balance sheet date, not included in the Financial Statements

Such events did not occur.

Note 46. Extraordinary profit or loss (random and others)

Such events did not occur.

Note 47. Income tax due to extraordinary operations

There were no extraordinary operations.

Note 48. Seasonality

Sales of construction and assembly services in Poland are characterized by some seasonality related primarily to weather conditions. Typically, the highest revenues are achieved in the third quarter, while the lowest - in the first quarter. However, it cannot be considered typical seasonal activities.

Note 49. Factors and events of unusual nature, having a significant impact on the financial results

A description of such events is presented in the Activity Report.

Note 50. Significant transactions of purchase and sale of tangible fixed assets

In the reporting period, there were no significant purchases and sales of property, plant and equipment.

Note 51. Significant liabilities due to the purchase of tangible fixed assets

As of 30 June 2018, the Company has no material obligations due to the purchase of property, plant and equipment.

Note 52. Adjustments of prior period errors

During the 6 months ended 30 June 2018, the Company did not adjust the presentation of comparative data.

Note 53. Changes in economic and business conducting conditions, which have a significant impact on the fair value of financial assets and financial liabilities of the Company

In relation to the financial year ended 31 December 2017, no such significant changes occurred.

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 5, 2018