ERBUD GROUP

Consolidated Financial Statements for the period ended 31 December 2018

prepared in accordance with the International Financial Reporting Standards



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	CONTINUING OPERATIONS		
Note 4.1.-4.2.	Revenue from sales of products and services	2 331 896	1 805 459
Note 4.3.	Cost of products and services sold	2 242 754	1 673 825
	Profit / (loss) from sales before tax	**89 142**	**131 634**
Note 4.3.	Cost of sales	5 354	5 488
Note 4.3.	General and administrative costs	92 258	86 005
	Other operating income	9 082	11 487
	Other operating expenses	11 341	10 443
	Impairment of financial assets and contract valuation assets	(6 549)	(3 324)
	Share in net profit/(loss) of subsidiaries measured by equity method	(31)	(145)
Note 4.1.	**(Loss)/Profit on operating activity**	**(17 309)**	**37 716**
	Financial income	6 547	3 089
	Financial expenses	10 855	10 413
	(Loss)/Profit from continuing operations before tax	**(21 617)**	**30 392**
Note 4.7.	Income tax	(481)	6 461
	Net (loss)/profit from continuing operations	**(21 136)**	**23 931**
	(Loss)/Profit for the financial period	**(21 136)**	**23 931**
	Net loss/(profit) for the financial period attributable to:		
	Shareholders of the Parent Company	(20 378)	22 563
	Minority shareholders	(757)	1 369
	Weighted average number of ordinary shares	12 811 859	12 811 859
	Net earnings per share from continuing operations (in PLN)	-1.65	1.87
	Basic net earnings per share (in PLN)	**-1.65**	**1.87**
	Diluted weighted average number of shares	12 811 859	12 811 859
	Diluted net earnings per share from discontinued operations (in PLN)	-1.65	1.87
	Diluted net earnings f per share (in PLN)	**-1.65**	**1.87**
	ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS, INCL. ALTERNATIVE PERFORMANCE MEASURES		
	Amortization and depreciation	14 985	11 188
Note 4.1.	**EBITDA**	(2 324)	48 904

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Consolidated net (loss)/profit	**(21 136)**	**23 931**
Foreign currency translation reserve	(1 768)	(1 178)
Valuation of hedging instruments	1 075	2 402
Other comprehensive income (including tax effect) subject to reclassification to the result	**(693)**	**1 224**
Total revenue for the period	**(21 829)**	**25 155**
attributable to:		
Shareholders of the Parent Company	(20 984)	24 197
Minority interests	(845)	959
Total income attributable to Shareholders of the Parent Company from:		
Continuing operations	(20 984)	24 197
	(20 984)	**24 197**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT ENTITY

	For the 12 months ended 31-12-2017 and for the 12 months ended 31-12-2018			Accumulated other comprehensive income					
	Share capital	Share premium	Reserve capital	Foreign currency translation reserve	Valuation of hedging instruments	Retained earnings	Total	Non-controlling interests	Equity
As at 1 January 2017	**1 281**	**213 197**	**-**	**1 343**	**(640)**	**36 479**	**251 660**	**9 145**	**260 805**
Net profit/loss for the period	-	-	-	-	-	22 563	**22 563**	1 368	**23 931**
Total income for the financial period	-	-	-	(483)	2 402	(285)	**1 634**	(410)	**1 224**
Total comprehensive income	**-**	**-**	**-**	**(483)**	**2 402**	**22 278**	**24 197**	**958**	**25 155**
Dividend	-	-	-	-	-	-	**-**	(104)	**(104)**
Net profit/loss from the previous year forwarded to retained earnings	-	-	11 103	-	-	(11 103)	**-**	-	**-**
As at 31 December 2017	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**47 654**	**275 857**	**9 999**	**285 856**
Establishing an impairment allowance in accordance with IFRS 9 as at 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**	**(8 714)**	**-**	**(8 714)**
As at 1 January 2018	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**38 940**	**267 143**	**9 999**	**277 142**
Net profit/loss for the period	-	-	-	-	-	(20 378)	**(20 378)**	(758)	**(21 136)**
Total income for the financial period	-	-	-	1 162	(1 768)	-	**(606)**	(87)	**(693)**
Total comprehensive income	**-**	**-**	**-**	**1 162**	**(1 768)**	**(20 378)**	**(20 984)**	**(845)**	**(21 829)**
Dividend	-	(1 554)	-	-	-	(12 539)	**(14 093)**	(958)	**(15 051)**
Capital increase in a subsidiary	-	-	-	-	-	-	**-**	44	**44**
Revaluation of fixed assets	-	-	-	-	-	701	**701**	-	**701**
Other	-	288	-	-	-	119	**407**	(503)	**(96)**
As at 31 December 2018	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2018	2017
	ASSETS	**1 098 400**	**942 685**
	Goodwill	39 462	22 968
	Property, plant and equipment	72 498	49 283
Note 5.1.	Financial assets	5 750	8 900
Note 4.7.	Deferred tax assets	30 410	23 014
Note 2.2.	Receivables under construction contracts -retention	9 535	16 911
	Share of net profit (loss) of subsidiaries accounted for using the equity method	-	22
	Fixed assets	**157 655**	**121 098**
	Inventory	20 100	11 577
	Receivables under construction contracts -retention	53 362	42 670
Note 2.1.	Receivables under construction contracts -valuation	176 425	171 638
Note 6.5.	Trade and other receivables	463 660	389 039
Note 5.1.	Financial assets	7 493	11 131
Note 3.9.	Cash and cash equivalents	206 608	190 170
	Cash accumulated in the VAT account	7 249	-
	Short-term prepayments	5 848	5 362
	Current assets	**940 745**	**821 587**
	LIABILITIES	**1 098 400**	**942 685**
Note 3.1.	Share capital	1 281	1 281
	Share premium reserves	211 931	213 197
	Reserve capital	11 103	11 103
	Other comprehensive income accumulated	2 016	2 622
	Retained earnings	6 843	47 654
	Equity of shareholders of the Parent Company	233 174	275 857
	Minority interests	7 737	9 999
	Equity	**240 911**	**285 856**
Note 3.3.-3.6	Interest debt	82 179	63 040
Note 6.7.	Provisions	17 658	5 274
Note 4.7.	Deferred tax liabilities	2 697	2 331
Note 2.2.	Liabilities under construction contracts - retention	10 405	8 353
	Long-term liabilities	**112 939**	**78 998**
Note 3.3.-3.6	Interest debt	45 976	54 363
Note 6.7.	Provisions	40 690	34 933
Note 2.2.	Liabilities under construction contracts - retention	108 097	96 143
Note 2.1.	Liabilities under construction contracts - valuation	116 313	80 145
Note 6.9.	Trade and other payables	404 984	306 498
	Prepaid deliveries	28 490	5 749
	Short-term liabilities	**744 550**	**577 831**
Note 3.7.	Asset-backed liabilities	18 126	3 795
Note 3.8.	Contingent assets	99 686	100 947
Note 3.8.	Contingent liabilities	640 453	506 476

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit (loss) before tax	(21 617)	30 393
	Depreciation and amortization	14 985	11 188
	Profit (loss) from exchange rate differences	152	(922)
	Interest and share in profit (dividends)	2 007	3 907
	Other non-cash adjustments	81	(72)
	Income tax paid	(10 744)	(16 469)
Note 6.10.	Change in working capital	82 572	(71 941)
	Net cash used in operating activities	**67 436**	**(43 916)**
	CASH FLOWS FROM INVESTMENT ACTIVITIES		
	Proceeds from loans granted	9 438	9 460
	Other inflows	5 272	2 648
	Expenditure on acquisition of property, plant and equipment	(13 990)	(4 195)
	Expenditure on loans granted	(4 248)	(1 649)
	Expenditure on acquisition of shares in companies	(276)	-
	Expenditure for the acquisition of subsidiaries, less cash taken over	(23 634)	-
	Other	(185)	(1 667)
	Net cash used in investment activities	**(27 618)**	**4 597**
	CASH FLOWS FROM FINANCIAL ACTIVITIES		
	Proceeds from debt incurred - loans and borrowings	47 839	34 105
	Other inflows	-	3 496
	Expenditures on repayment of debt - capital	(47 260)	(42 753)
	Expenditures on repayment of debt - interest	(4 713)	(4 786)
Note 3.2.	Dividend payment	(15 297)	(15 389)
	Other outflows	(3 950)	(2 459)
	Net cash used in financial activities	**(23 381)**	**(27 786)**
	NET CASH FLOWS	**16 437**	**(67 103)**
	Opening cash and cash equivalents	**190 170**	**257 273**
	Foreign exchange differences on cash and cash equivalents	-	-
	Closing cash and cash equivalents, incl.:	**206 608**	**190 170**
	- restricted cash	18 772	15 416

KEY FIGURES CONVERTED TO EURO

	2018		2017	
	PLN	EUR	PLN	EUR
Fixed assets	157 655	36 664	121 098	29 034
Current assets	940 745	218 778	821 587	196 981
Equity capital	240 911	56 026	285 856	68 536
Liabilities and provisions for liabilities	857 489	199 416	656 829	157 479

	For the 12 months ended 31-12-2018		For the 12 months ended 31-12-2017	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	2 331 896	546 508	1 805 459	425 344
Cost of products and services sold	2 242 754	525 617	1 673 825	394 333
Gross profit/(loss) from sales	89 142	20 892	131 634	31 011
Operating (loss)/profit)	(17 309)	(4 057)	37 716	8 885
Gross (loss)/profit from continuing operations	(21 617)	(5 066)	30 392	7 160
Net (loss)/profit from continuing operations	(21 136)	(4 953)	23 931	5 638

	For the 12 months ended 31-12-2018		For the 12 months ended 31-12-2017	
	PLN	EUR	PLN	EUR
Net cash flow from operating activities	74 685	17 503	(43 916)	(10 346)
Net cash flow from investing activities	(27 618)	(6 473)	4 597	1 083
Net cash flow from financing activities	(23 381)	(5 480)	(27 786)	(6 546)
Net cash flow	23 686	5 551	(67 103)	(15 808)
Opening cash and cash equivalents	190 170	45 594	257 273	58 154
Closing cash and cash equivalents	213 857	49 734	190 170	45 594

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In the Financial Statements you will find icons that represent:

 Accounting policies

 Estimates

1. GENERAL INFORMATION

1.1. INTRODUCTION

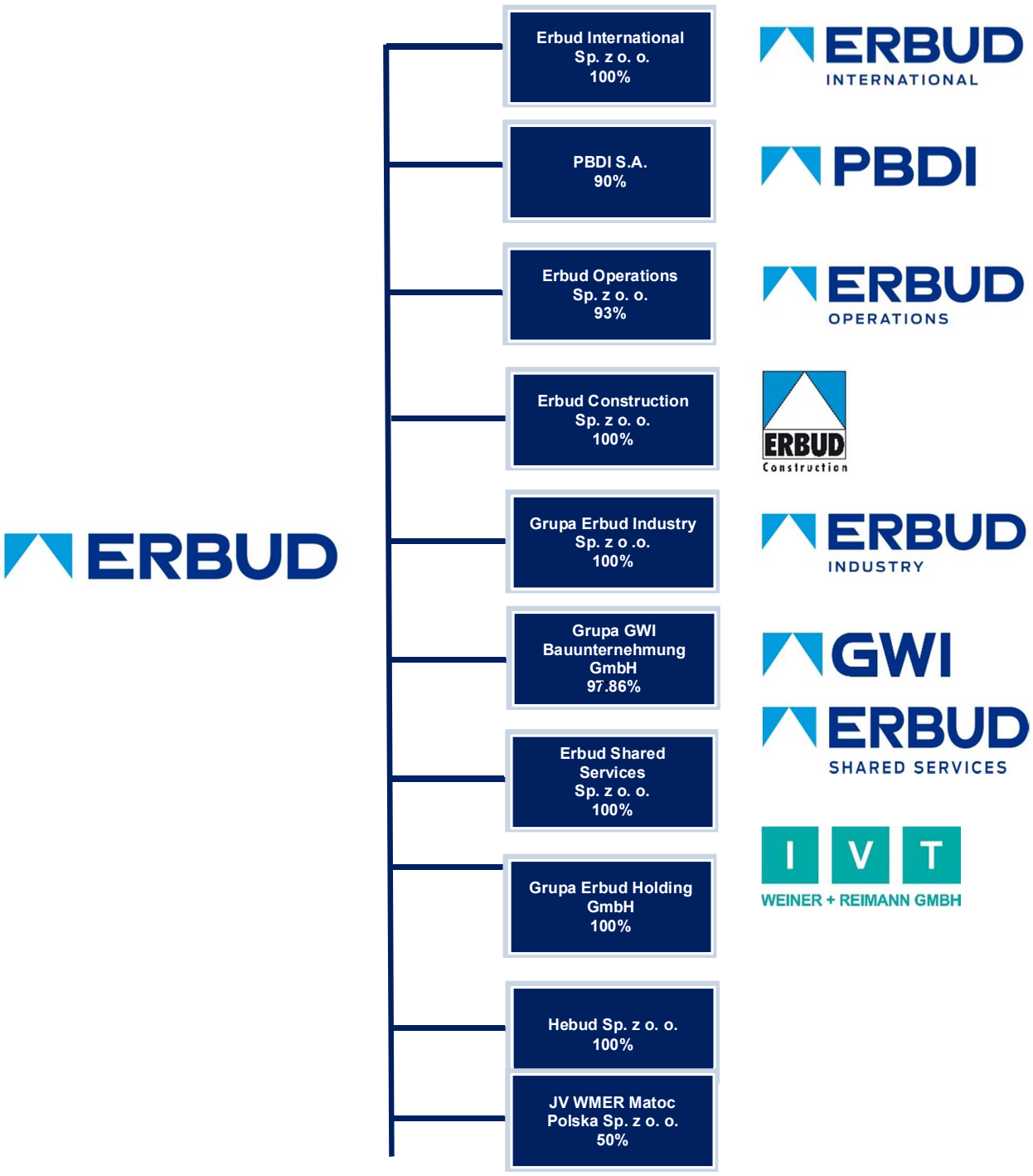
Erbud S.A. with its registered office in Warsaw, 1 Franciszka Klimczaka Street, is the parent company (the "Parent Company") of the Erbud S.A. Group (the "Group").

The Parent Company was registered in the National Court Register on 29 November 2006 under the KRS number 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). Since 2007 the Parent Company has been listed on the on the Warsaw Stock Exchange and is included in the WIG Budownictwo Index of construction companies.

The core businesses of the Group are widely understood construction and installation works carried out in the capacity of general contractor in Poland and abroad. Moreover, Erbud S.A. is the management, financial and advisory centre of the Group. The Group operates on the Polish market and in other EU countries.

The duration of the Parent and entities forming the Group is not definite.

1. GENERAL INFORMATION



The detailed structure of the Group is presented in Note 6.11.

1.2. BASIS OF PREPARATION

Statement of compliance with IFRS

The financial statements have been prepared in accordance with the International Financial Reporting Standards accepted by the European Union.

The consolidated financial statements are presented in Polish Zlotys ("PLN") and all amounts are given in PLN thousand.

These annual consolidated financial statements have been prepared as at 31 December 2018 and for the twelve months ended 31 December 2018, and comparative figures as at 31 December 2017 and for the twelve months ended 31 December 2017.

The financial statements have been prepared under historical cost, except for derivative financial instruments measured at fair value.

These financial statements were approved by the Management Board on 27 March 2019.

Going-concern assumption

The consolidated financial statements have been prepared on the assumption that the member companies of the Group will continue their business activity in the foreseeable future. As at the date of approval of these financial statements, no indications prevailed of a risk to the continuation of Group member companies' operations following a going concern principle.

Fair value measurement

During the measurement of fair value of an asset or liability the Group takes into consideration the properties of a certain asset or liability, if the market players take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The Group classifies fair value measurement principles using the fair value hierarchy, reflecting the weight of source data used for measurement, pursuant to IFRS No. 13.

Foreign currency translation items

The financial statement items are measured in the currency of the core business environment in which the entity operates ("functional currency"). The functional currency of the Parent Company and the currency used for presentation of the consolidated financial statements is the Polish Zloty ("PLN").

Transactions in foreign currencies are recognized in the books at face value converted to PLN at the average NBP exchange rate. At the time of their realisation, exchange differences are recognized as financial income or expense.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are converted to Polish Zlotys at the average exchange rate established for the currency by the National Bank of Poland at the end of the reporting period.

The foreign exchange differences are recognized in the financial income (expense) or, in cases specified by accounting principles (policies), capitalized as assets. The non-monetary assets and liabilities recognized at historical cost expressed in foreign currency are stated at the historical exchange rate of the transaction date. Non-monetary assets and liabilities recognized at fair value that are expressed in foreign currency are translated at the exchange rate from the date of measurement to fair value.

As of the balance sheet date, assets and liabilities of foreign entities are translated into the Group's presentation currency as follows:

- assets and liabilities are translated at the closing rate applicable at the balance sheet date;
- revenues and expenses are converted at the average exchange rate (unless the conversion at the average exchange rate would deviate significantly from the value as at the exchange rate applicable at the date of the transaction).

Foreign exchange differences arising from translation of foreign entities are recognized in equity as accumulated other comprehensive income - exchange differences on translation of foreign entities. At the time of disposal of a

foreign entity, accumulated deferred foreign exchange differences recognized in equity related to the foreign entity are recognized in the profit and loss account.

1.3. NEW STANDARDS

In these condensed consolidated financial statements, the Group applied the following regulations resulting from the entry into force of IFRS 9 and IFRS 15. The impact of changes is described below.

New IFRS 9 "Financial Instruments"

The new standard replaced the current IAS 39. The changes introduced by the standard in the accounting of financial instruments comprise primarily:

- other categories of financial assets on which the asset valuation method depends; the allocation of assets to the category depends on the business model relating to a certain asset and the nature of cash flows by it;
- new hedge accounting principles that reflect risk management to a greater extent;
- a new model of impairment of financial assets based on anticipated losses and necessitating faster recognition of costs in profit or loss.

Until the end of 2017, the Group mostly held assets classified as "loans and receivables", in particular "trade receivables" and "financial assets valued at fair value through profit and loss". According to the new standard, all of them are qualified as measured at amortized cost.

The Group's financial statements were significantly affected by the method of estimating losses due to credit risk, eliminating cases that require individual evaluation. The Group developed a model for estimating expected losses from the portfolio of receivables. The allowance recognised as at 1 January 2018 amounted to PLN 10.7 million. In these consolidated financial statements, the value of the write-down calculated on the basis of the model amounted to PLN 8.7 million.

Based on the probability of insolvency during the contractual period of less than 3 months, that have been determined on the basis of external ratings of banks in which cash is maintained and publicly available information of rating agencies regarding the probability of insolvency, the Company estimated cash write-offs. The company refrained from creating a write-down due to immateriality.

As the accounting principle, the Group adopted the hedge accounting principles under IAS 39 instead of the principles described in IFRS 9, which will not affect the financial situation presented in the consolidated financial statements of the Group.

The application of IFRS 9 took place retrospectively without adjusting the comparative data, due to the fact that it would not be possible without using the knowledge obtained post factum. The effects of the implementation of the standard were recognized as a change in the opening balance of retained earnings as at 1 January 2018.

New IFRS 15 " Revenue from Contracts with Customers"

The new standard replaced the existing IAS 11 and IAS 18 by providing one consistent revenue recognition model.

The Group decided to apply the retrospective method with the combined effect of the first implementation of this standard, i.e. the IFRS 15 was implemented retrospective without adjusting the comparative data. The effects of the implementation of the standard were recognized as a change in the opening balance of retained earnings as at 1 January 2018. In addition, the Group applied a simplification for contracts changed before the earliest comparative period by taking these changes into account as if they had been included in the contract from the very beginning.

The core principle of the new standard is the recognition of revenues at a point as control over goods or services is passed to the client, at the transaction price.

The standard introduces uniform requirements for all entities in the scope of recognizing revenues from contracts with customers based on the five-step model:

1. Identifying a contract;
2. Identifying performance obligations;
3. Identifying the transaction price;

4. Allocating transaction prices to performance obligations;
5. Satisfaction of performance obligations.

The new standard requires recognition of revenues in such a way as to reflect the transfer of promised goods or services to the client in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Any goods or services sold in packages that can be distinct as part of a package should be recognized separately, in addition, any discounts and rebates on the transaction price should, as a rule, be allocated to individual elements of the package. If the income is changeable, variable amounts - according to the new standard - are included in revenues, if there is a high probability that in the future there will be no reversal of the revenue recognition as a result of revaluation. Moreover, in accordance with IFRS 15, the costs incurred to win and secure a contract with a client should be capitalised and accounted for over time while consuming the benefits from this contract.

The following important areas were considered that that might require an adaptation in order to implement this standard:

1. **Identifying a contract with a customer:** After the analysis, it was found that the Group recognizes revenues only from those contracts for which both parties have approved and which have commercial substance. In each contract resulting in the recognition of revenues, the parties' rights and payment terms can be identified. For the contracts analysed, there was a high probability of collecting consideration at the time they were concluded. In addition, there were no revenues form contracts that contained the right to withdraw unilaterally or under which the entity did not deliver the subject of the contract or contracts and for which it is known that the client will not pay for the work. Therefore, the implementation of IFRS 15 will not affect the financial situation presented in the consolidated financial statements.

2. **Identifying performance obligations**: The Erbud Group S.A. is a group of companies specializing in providing construction services as general contractor or subcontractor and maintenance services to external investors and general contractors, while subcontracting services are rendered only abroad. On the basis of contracts concluded, the Group undertakes to deliver the product defined in the contract. Besides construction works, the following elements may be included in the scope of such services:
   - designing the subject of the contract;
   - selection of subcontractors and arrangement of subcontracting contracts;
   - coordination of activities of own subcontractors and other subcontractors employed by the investor during the construction time;
   - checking the complete, timely and due in terms of the performance quality of all works that are required to complete the contract;
   - adjusting the subject of the contract to the needs of future tenants;
   - maintenance of selected ranges of works in the period immediately following the construction time.

   After the analysis of contracts carried out by the Group in 2018, including contracts not finished as of 31 December 2018, it can be concluded that each of them contains an element of construction works accompanied by other services listed above, which together, in different configurations, form the asset expected by the investor to be produced by the Group as the General Contractor.

   Moreover, the coordination of all activities under the contract to complete the process in accordance with the investor's expectations is from the point of view of the General Contractor an important factor during the execution of each contract.

   Each of services provided under a signed contract affects another service that is part of the order. During the investment task, the activities must follow each other according to the schedule. Subsequent work may be performed provided that the work preceding in the schedule is completed.

   The above factors, in connection with the provisions of IFRS 15:29, imply the identifying of performance obligations with the subject of the signed contract. What is more, the necessity of such treatment of contracts signed by the Group is also mentioned in IFRS 15:28 where the fact that an entity regularly sells a good or

service separately is recalled as a premise for separate treatment of them. For the Erbud Group, such events do not take place.

As the existing rules for recognizing contract revenue met the criteria provided for in the IFRS for the identification of obligations, this not affected the financial position in the presented consolidated financial statements.

Annexes to contracts extending the scope - so far, the Group has recognized this type of events as a change in budget revenues and costs. After the implementation of the provisions of IFRS 15, no significant differences are expected due to the fact that amends to contracts executed by the Group are usually changes in the existing performance obligation and are not separate in the meaning of IFRS 15.

3. **Identifying the transaction price**: As the contract price, the Group recognizes the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties.

   The price is determined based on the contract.

   If the price depends on future events or if there is an intention to grant a discount at the end of the contract, the Group estimates the price for the performance of obligation and includes part or all of the variable consideration in the transaction price only to the extent that it is highly probable that a reversal will not occur.

   Following the guidelines of IFRS 15, the Group did not identify the financing component in the contracts with respect to retained retention, in which the retained money is the security for good performance of the contract.

   The financial result for 2018 did not change significantly as compared to the performance presented.

4. **Allocating transaction prices**: The price is allocated by attaching a stand-alone selling price identified in step 2 to a performance obligation. The stand-alone selling price is the price at which the entity would sell the customer goods/service in a single transaction. At the point of the contract commencement, a part of the transaction price should be allocated to each performance obligation identified in the contract based on the relative stand-alone selling price. As a result, there may be a discrepancy between the amounts invoiced to customers and the revenue recognized in the accounting books.

   If the contract provides for a variable price component, it is estimated in accordance with the principles described in point 3.

   Due to the Group's identification of the performance obligation with the contract signed with the investor, the changes resulting from IFRS 15 did not affect the method of allocating the price. It is relatively easy to allocate on the basis of a contract.

5. **Recognition of revenue when or as performance obligations are satisfied:** At the time of recognition of the contract, it should be determined whether the transfer of control over the good/service being a performance obligation occurs over time or at a point in time. Under the current regulations, construction contracts are recognized in the period according to the progress of services. After analysing the contracts to which the Erbud Group is a party, it was stated that according to the new rules, revenues from them should be recognized over time. Contracts to which the Group is a party transfer control over the asset create over time because the customer controls the asset as it is created due to the fact that this occurs on its site. In addition, the customer is obliged to do inspections of milestones and pay for them, and the asset created, in connection with the placement on a specific plot to which the customer has a legal title, it cannot be occupied otherwise.

In addition to the above-described analysis of the five-step model, the Group considered the following issues arising from the implementation of IFRS 15:

- Warranties for works performed by the Group – due to the fact that the warranties provided by the Group include only the standard legal assurance that the product complies with the specification, the Group does not recognize the granted warranties as a separate obligation. This does not make any difference in the accounting approach after the implementation of IFRS 15 in relation to the previously applicable rules.
- Costs of obtaining a contract – until 31 December 2017, the Group classified costs of obtaining contracts, regardless of their nature, to the costs of the current period. After the new regulations resulting from IFRS 15 have entered into force, the Group does not expect significant costs that could be activated in connection with the acquisition of a contract because most of them are costs of preparing an offer.
- Provision for contract losses – according to the Group's assessment, the manner of recognizing provisions for anticipated losses on contracts will not change. The company will apply IAS 37 relating to contracts bearing liabilities and recognize a provision for loss in the amount which is lower: costs of breaching the contract and costs of completion of the contract. According to the analyses carried out, the value of the losses recognized will not differ significantly compared to the losses estimated in accordance with the previous IAS 11.

Based on the analysis of IFRS 15, the Group did not identify any significant changes in the accounting of transactions that would have a significant impact on the consolidated financial statements.

New IFRS 16 „Leases"

The new standard regulating lease agreements (including rental and tenancy agreements) includes a new definition of leasing.

Significant changes apply to the lessee: for each lease agreement the standard requires that a "right-of-use asset" and a finance lease liability are recognised in the balance sheet. The right to use the assets is then depreciated, whereas the liability reflects the obligation to pay for that right. Simplifications are foreseen for short-term agreements (up to 12 months) and low-value assets.

The accounting approach to leases from the lessor's side is similar to the principles set out in the previous IAS 17.

The changes are effective for annual periods starting on or after 1 January 2019. The company intends to use a simplified approach when applying the standard for the first time, with the effects of this event recognised in the opening balance of retained earnings as at the date of first application.

According to calculations made by the Group assuming the application of the lessee's marginal interest rate, the total assets and liabilities of the Company would increase by approximately PLN 22.7 million if the standard had been applied. With respect to the Group's financial data as at 31 December 2018, the Company intends to take advantage of the exemption from classifying low-value assets as leases. This threshold was set for the Group at PLN 15 thousand in relation to a new single asset. The Group also uses the exemption regarding short-term contracts, including extension options and the probability of breaching.

2. CONSTRUCTION CONTRACTS

Contracts for the delivery of construction projects, mainly in the areas of flats (including whole housing estates), hotels, SPA facilities, shopping centres, wind farms, power plants, production halls and motorways are signed by the Group at fixed prices.

Revenues and expenditures due to construction contracts are recognized by the Group over time in accordance with the works progress method. To determinate the stage of completion, the Group applies the percentage of work progress method, i.e. values revenues from and costs for executed construction contracts in the period from the contract date the balance sheet date in proportion to the stage of completion based on the measurement of works performed. From thus determined amounts, the Group deducts the revenues and expenses, which affected the financial result in previous years, generating incomes and costs under construction contracts.in the current period.

On the other side, the valuation results (i.e. the determination of revenues and costs by the method of progress rate) are accounted for as "Receivables (or Liabilities) under construction contracts - valuation".

Invoicing of works under construction contracts is made in accordance with the schedule specified in the contract. The invoiced income is recognized in "Trade and other receivables" (Note 6.5). Under construction contracts signed with the Group, the counterparties retain part of the payments as retention money. These amounts are included in "Receivables under construction contracts - Retention" (Note 2.2) and are repayable most often after the project completion or after the expiry of the warranty period.

The Group engages subcontractors to carry out building works. The invoiced costs for their hiring are recognized as "Trade and other liabilities" (Note 6.9). As the performance bond, the Group retains a part of payments due to the subcontractors, which are recognized under "Liabilities under construction contracts - Retention" (Note 2.2). The division of revenues into those recognized in time and at a point in time is presented in Note 4.1.

Due to the carrying out construction contracts and the difference in time in recognising income and expenses for accounting and tax purposes, the deferred income tax assets and liabilities are accounted for in the statement of financial position - see Note 4.7.

2. CONSTRUCTION CONTRACTS

The use of the stage of completion method for recognizing income from and expenses for construction contracts requires estimation of the progress of works, i.e. the measurement of works performed at the balance sheet date in relation to the entire work envisaged in the contract.

Physical measurement, which is a basis to determine the stage of contract completion, is made by site workers. The measurement is performed separately for particular range of works, i.e. elements or stages of the contract, according to assigned meters (mainly sqm, kg and pcs).

There are adequate control processes in the Group to ensure that the calculation of recognized revenue and expenses is based on current and reliable estimates of the measurement, subject to verification and acceptance by the person designated for this purpose. The measurement of works performed made by the site staff is verified by the director of the branch office to which the site is subordinated, and subsequently by the internal audit unit of the Group.

The Group keeps records of completed projects – building contracts within the internal system used for project management. Information about a contract, including the progress of works, is entered into the system by the contract/site manager, and then approved by the branch director, to whom the site is subordinated. The budgets of individual contracts are formally updated during the year, based on current information throughout the year and they are approved by the Management Board. If any events that have material impact on the contract outcome have occurred between official budget revisions, the value of total revenues or costs of the contract is updated on an ongoing basis, i.e. the changes in the scope of the contract are reflected in the internal system of the Group as soon as they has been negotiated by the Group with a customer.

2.1. RECEIVABLES AND LIABILITIES UNDER CONSTRUCTION CONTRACTS

Revenues and costs related to construction contracts for the period and cumulatively are presented in the table below.

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	Contracts in the period	Contracts in the period
Amounts recognised in the period		
Revenues from construction contracts	2 165 935	1 740 315
Costs related to construction contracts	2 062 019	1 648 956
Result before recognition and accounting for of future losses	**103 916**	**91 359**
Creation of provisions for future losses	640	(21)
Release /use of provisions created in previous periods	21	(4 608)
Gross result	**104 535**	**95 946**
Gross profit margin		
without provisions	5%	5%
with provisions	5%	6%

2.2. RECEIVABLES AND LIABILITIES UNDER CONSTRUCTION CONTRACTS - RETENTION

	2018			2017		
	Returnable within 12 months	Returnable beyond 12 months	Total	Returnable within 12 months	Returnable beyond 12 months	Total
Receivables under construction contracts - retention	53 362	9 535	**62 897**	42 670	16 911	**59 581**
Liabilities under construction contracts - retention	108 097	10 405	**118 502**	96 143	8 353	**104 496**

2.3. RECONCILIATION OF AMOUNTS DUE TO CONSTRUCTION CONTRACTS IN PROGRESS

	2018	2017
Cumulative income from construction contracts	2 583 163	2 425 803
Cumulative amounts invoiced to customers	2 563 654	2 403 537
Accounting for construction contracts balance - revenues	**19 509**	**22 266**
including:		
(1) Receivables due to non-invoiced completed construction works	80 480	72 187
Write-offs due to contract valuation	(332)	-
(1a) Net receivables due to non-invoiced completed construction works - assets under construction contracts	80 148	72 187
(2) Liabilities due to invoiced non-completed construction works – liabilities under construction contracts	60 639	49 921
Cumulative costs related to construction contracts	2 376 047	2 230 814
	596	(21)
Cumulative expenses invoiced by customers	2 416 650	2 300 041
Accounting for construction contracts balance - costs	**40 603**	**69 227**
including:		
(3) Receivables due to invoiced non-completed construction works	96 277	99 451
(4) Liabilities due to non-invoiced completed construction works	55 674	30 224
	-	-
Accounting for construction contracts balance	**60 112**	**91 493**
including:		
Receivables due to construction contracts – valuation [(1a)+(3)]	176 425	171 638
Liabilities due to construction contracts – valuation [(2)+(4)]	116 313	80 145

The value of advance payments received from customers for unfinished construction contracts as at 31 December 2018 amounted to PLN 28,490 thousand (PLN 5 749 thousand as at 31 December 2017).

Changes in the value of assets and liabilities resulting from the valuation of contracts result from the specifics of accounting for construction contracts and invoicing schedules for individual contracts. At the end of 2018, the value of invoiced revenues in relation to revenues recognized with the measurement method was significantly higher, which lead to decrease in assets from contract valuation and increase in liabilities due to contract valuation (over-invoicing).

The value of revenues to be recognized from construction contracts which were in progress as at 31 December 2018 amounts to PLN 2,050,725 thousand. All liabilities as at 31 December 2017 due to invoiced non-completed construction works were paid during the financial year ended 31 December 2018.

2. CONSTRUCTION CONTRACTS

Information about significant events that occurred during the twelve months of 2018 and after the balance sheet date

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. Scope of works: 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.

1. The contract is valued at PLN 29 million net.
2. 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.
3. 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.
4. 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.
5. 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. Scope of works: 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:

a. 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. Scope of works: 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 date: 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. Scope of works: 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. Scope of works: STUDENT HOUSE - DORM "Akademik Foxtrot" in Warsaw.
5. Site location: Warsaw, 37 Woronicza Street.
6. 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 construction contract on the following terms and conditions:

1. Contract date: 26.04.2018.
2. Customer: Uniwersytet Medyczny w Łodzi seated in Łódź, 4 Al. Kościuszki Street; 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. Scope of works: 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 the 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 date: 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. Scope of works: 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 with its registered office in Düsseldorf, a subsidiary of ERBBU S.A., entered into a building contract on the following terms and conditions:

1. Scope of works: 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").

1. The net contract value amounts to PLN 47 million.
2. 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 includes 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.
3. 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 Agreement in the event of, inter alia, delays in the completion of particular stages of work.
4. In case 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 "Projct").

1. The net contract value amounts to PLN 48 million.
2. 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.

3. 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.
4. 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,** the Issuer concluded 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. Scope of works: 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. Deadline: 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. Range of works: 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,** a significant contract was signed by the Issuer's ("Erbud S.A.") subsidiary Erbud Industry Sp. z o.o., on behalf of the Consortium formed by the following 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. Scope of works: 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,** the Issuer 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.
4. Scope of works: Construction of the Centre for Research and Conservation of Cultural Heritage at the Faculty of Fine Arts of the Nicolaus Copernicus University in Toruń.
5. Site location: Toruń, Broniewskiego St. / Sienkiewicza St.
6. 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. Customer: SEASIDE Park Sp. z o.o., 02-222 Warszawa, 181B Al. Jerozolimskie Street.
3. Annex value: PLN 67,587,684.
4. Scope of works: 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: July 2019.

On **16 July 2018,** 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. Scope of works: 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 **e**ntered into a significant construction contract on the following terms and conditions:

1. Contract date: 2018-08-01.
2. Customer: Polnord – Apartamenty Sp. z o.o., 81-310 Gdynia, 35/37 Śląska Street.
3. Net contract value: PLN 52,000,000.
4. Scope of works: 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.
6. Completion period: Commencement - 27.08.2018 and completion - 30.09.2020.

On **14 August 2018,** the Issuer signed a construction contract on the following terms and conditions:

1. Customer: Ogrody Różane Sp. z o.o., 62-500 Konin, 24 Mickiewicza Street.
2. Net contract value: PLN 30,665,000.
3. Scope of works: Construction of a multi-family residential building with retail units and basement car park, including necessary technical and road infrastructure, located in Poznań at 3 Smoluchowskiego Street.
4. Site location: Poznań, 3 Smoluchowskiego Street.
5. Completion period:
   a) all Works under the Project to be completed no later than on 17 February 2020;
   b) Occupancy permit to be obtained by 24 March 2020 at the latest.

On **14 August 2018,** the Issuer concluded a construction contract on the following terms and conditions:

1. Customer: ASO MR spółka z ograniczoną odpowiedzialnością spółka komandytowa, 26-600 Radom, 68/70 Kielecka Street; NIP: 948-239-89-38.
2. Contract value: PLN 41,900,000 net.
3. Scope of works: "Construction of a commercial and retail building with underground garage, on-grade parking spaces, shared zone, down ramp, sidewalks structural landscaping; building service systems: electrical wiring, water piping (for domestic uses and fire), sewage piping (combined storm and sanitary), air-conditioning; on-site sections of electrical, water supply and sewage systems; civil engineering structures: retaining walls, trafo stations, storm water retention tank, drainage gullies, oil/water separator, built heat exchanger, circulation systems and development works on site located in Kraków on Zakopiańska Street – Project Phase I" ; and "Construction of exit lane and reconstruction of exit road from Zakopiańska Strret (the G-class county road), incl. reconstruction of the bus bay and pavement, construction of drainage, diversion of water mains and power lines and street lighting Phase III".
4. Site location: Kraków, 68 Zakopiańska Street.
5. Completion period: 24.08.2018 - 23.12.2019.

On **12 June 2018**, a significant construction contract (the "Contract") with a value of PLN 119,264,434 was signed by the Consortium formed by PBDI S.A. with headquarters in Toruń (a subsidiary of the Issuer), the Issuer and Electrum sp. o.o. with headquarters in Białystok (the "Contractor"). The task involves the development of detailed design, construction and commissioning of the Potęgowo-Wschód Wind Farm with a capacity of 101.25 MW on the following terms and conditions:

1. Customer: Potegowo Winergy spółką z ograniczoną odpowiedzialnością with its registered office in 00-105 Warsaw at 18 Twarda Street, XXIV Floor, entered in the register of entrepreneurs of the National Court Register under the KRS number 0000278619.
2. Net contract value: PLN 119,264,including the value of works to be executed by Electrum sp. z o.o. - PLN 42,776,000.
3. Scope of works: Construction as general contractor of the Potęgowo-Wschód Wind Farm consisting of 38 individual wind turbines, grouped in four wind parks: Bięcino, Głuszynko-Grapice, Wrzeście-Kępno and Karżcino, incl. the accompanying infrastructure (i.e. construction, road, power and low voltage infrastructure) and power transfer system, i.e. 30/110 kV cable lines with associated network and 30/110 kV power take-off unit.
4. Completion period: 51 weeks from the commencement of works.

On **23 August 2018,** PBDI S.A. with its registered office in Toruń (a subsidiary of the Issuer) signed a construction contract under the following terms and conditions.

1. Customer: Województwo Pomorskie; 88-810 Gdańsk, 21/27 Okopowa Street.

2. Net contract value: PLN 31,613,731.39.
3. Scope of works: Development of the provincial road No. 209 from Suchorze to Bytów, section III.2: Borzytuchom - Bytów. (from 53 + 264 km to 61 + 262 km; length 7 998 km),
4. Deadline: 22 September 2019.

On **28 August 2018,** Erbud S.A. concluded a construction contract on the following terms and conditions:

1. Customer: LIDL Sp. z o. o Sp. komandytowa, Jankowice, 62-080 Tarnowo Podgórne, 48 Poznańska Street.
2. Contract value: PLN 195,478,559 net.
3. Scope of works: Construction of the LIDL STARGARD Distribution Centre in Stargard on Metalowa Street.
4. Site location: Stargard, Metalowa Street.
5. Completion period: Beginning - delivery of the construction site; obtaining a temporary occupancy permit - 30.08.2019.

On **29 August 2018,** Erbud S.A. entered into a construction contract on the following terms and conditions:

1. Customer: Miasto Tomaszów Lubelski, 22-600 Tomaszów Lubelski, 57 Lwowska Street.
2. Net contract value: PLN 26,279,600.
3. Scope of works: Renovation of degraded buildings of the Sport and Recreation Centre - extension with an indoor swimming pool under a public procurement contract building: "Refurbishment of the sports hall and office and welfare facilities at the Sport and Recreation Centre, and extension with an indoor swimming pool within the task entitled Revitalisation of marginalized areas of the city of Tomaszów Lubelski through renovation of buildings belonging to the Sport and Recreation Centre consisting in extension with an indoor swimming pool, renovation of the sports hall and office and welfare facilities, as well as construction of a multi-family residential building with council flats and retail units in Tomaszów Lubelski. Reference number: IR.271.35.2018".
4. Site location: Tomaszów Lubelski, 8 Al. Sportowa Street.
5. Deadline: 15.10.2020.

On **31 August 2018** a contract was signed with Przedsiębiorstwo Produkcyjno-Handlowe GRALBET Sp. z o.o., a subcontracting firma performing the prefabricated reinforced concrete structures at the LIDL STARGARD Distribution Centre located in Stargard on Metalowa Street, on the following terms and conditions:

b. Subcontractor/Supplier: Przedsiębiorstwo Produkcyjno-Handlowe GRALBET Sp. z o.o.; Rybno, Gralewo PKP nr 194, 13-214 Uzdowo.
2. Net contract price: PLN 33,950,000.
3. Scope of works: Comprehensive design (detailed design; workshop drawings and specifications; as-built design), manufacturing, delivery and construction of the complete reinforced concrete prefabricated structures at the LIDL STARGARD Distribution Center located in Stargard on Metalowa Street.
4. Site location: Stargard, Metalowa Street.
5. Completion period: As per agreed contractual dates.

On 31 August 2018, the Issuer signed Annex No. 6 to the contract for the construction the GALERIA MŁOCINY Shopping and Entertainment Centre increasing the value of the contract by PLN 56,578,834.15.
After taking into account changes agreed in Annex No. 6, the total price of the contract to build the Galeria Młociny is PLN 591,189,073.15. The increase in the contract value results from approved extra and varied works and form an additional payment.
Berea Sp. z o.o., 00-133 Warszawa, 22 Al. Jana Pawła II Street is the the Customer:

On **6 September 2018,** the Issuer signed a significant construction contract on the following terms and conditions:

1. Contract: Construction contract for the extension of the Solny Hotel in. in Kołobrzeg at 5 Aleksandra Fredry Street, incl. site development and technical infrastructure.

2. Condition of entry into force of the contract: Conditional contract - the parties shall be entitled to withdraw from the Contract without the right to make any claims in the event of failure to obtain the design change by 2 November 2018.
3. Customer: Solny Investment Sp. z o.o., 78-400 Szczecinek, 21 Królowej Jadwigi Street.
4. Completion period: commencement of works on 02.11.2018; completion - 16 months from the commencement date. Obtaining an occupancy permit within one month from completion date.
5. Volume: 25,147 m^3.
6. Area: Usable floor area – 4 468 m^2; Gross building area - 6 114 m^2.
7. Range of works: construction works including mechanical, electrical and plumbing works, site development and accompanying technical infrastructure.
8. Net contract price: PLN 25,950,000.
9. Site location: Kołobrzeg, 5 Aleksandra Fredry Street.

On **14 September 2018,** ERBUD S.A. entered into a significant construction contract on the following terms and conditions:

1. Customer: Gmina Miasta Toruń - Miejski Ośrodek Sportu i Rekreacji w Toruniu; 87-100 Toruń, 23/29 gen. J. Bema St.
2. Net contract value: PLN 41,883,538.08.
3. Scope of works: Refurbishment and extension of the swimming pool building located in Toruń at 9/17 Bażyńskich Street, incl. development of surrounding areas for recreation purposes.
4. Site location: Toruń, 9/17 Bażyńskich Street
5. Completion period:
   a. Commencement of contract performance - on the contract signing date.
   b. Handing over the construction site shall take place within 7 days from the date of signing the contract.
   c. Submission to the Customer of an agreement concluded by the contractor with a bank for the purchase of receivables by the date of handing over the construction site.
   d. Commencement of construction - on the date of handover of the construction site.
   e. Completion of construction - 31.07.2020.
   f. Training, start-up and commissioning of the swimming pool - until 31.08.2020.

On **1 October 2018,** ERBUD S.A. concluded a construction contract on the following terms and conditions:

1. Customer: Nowa Metale Sp. z o.o.; 87-100 Toruń, 5 Starotoruńska Street.
2. Net contract value: PLN 40,550,696.67.
3. Scope of works: Comprehensive construction of a production and warehouse building, office and welfare facilities, including external infrastructure, located in Ostaszewo.
4. Site location: Ostaszewo near Toruń.
5. Completion period:
   a. taking over the construction site - 01.10.2018;
   b. completion of construction works - 10.5 months from the date of taking over the site;
   c. obtaining an operation/occupancy permit - 1.5 months from the date of notification of the investment task for use.

On **1 October 2018**, ERBUD S.A. entered into a significant construction contract on the following terms and conditions:

1. Customer: Sanok Rubber Company S.A.; 38-500 Sanok, 24 Przemyska Street, NIP (Tax Identification Number): 687-000-43-21.
2. Net Contract value: Remuneration resulting from the contract is PLN 49,900,000. Settlement will be based on net unit prices.
3. Scope of works: Construction of a production and warehouse building with office and welfare area, accompanying facilities with plant and systems as well as necessary in-building and on-site infrastructure.
4. Site location: Sanok, 24 Przemyska Street; plots with a cadastral number 583/46 and 583/48, Sanok Olchowce.

5. Completion period: ca. 15 months.

On **10 October 2018,** the Issuer received information that its indirect subsidiary Erbud Industry Południe Sp. z o. o. signed an agreement on the following terms and conditions:

1. Contract concluded on 09.10.2016 in Jaworzno by and between ERBUD INDUSTRY Południe Sp. z o.o. ("Contractor") and TAURON Wytwarzanie Spółka Akcyjna ("Customer").
2. Customer: TAURON Wytwarzanie Spółka Akcyjna seated in Jaworzno, 43-603 Jaworzno, 51 Promienna Street.
3. Net contract value: PLN 20,985,710.
4. Scope of works: Heavy repair of the OFz-425 No. 2 boiler in TAURON Wytwarzanie Spółka Akcyjna, Siersza Power Plant in Trzebinia, Range: Lot 1 - Overhaul of the OFz-425 No. 2 boiler.
5. Site location: TAURON Wytwarzanie Spółka Akcyjna, Siersza Power Plant.
6. Completion period: 10.10.2018 - 01.06.2019.

On **15 October 2018**, ERBUD S.A. signed a significant contract on the following terms and conditions:

1. Customer: Oleofarm Sp. z o.o; 52-407 Wrocław, 8 Mokronoska Street.
2. Net contract value: PLN 22,850,000.
3. Scope of works: Extension of OLEOFARM Sp. z o.o. in Wroclaw – Phase 1: Office and welfare facilities together with production and warehouse building.
4. Site location: Wrocław, Mokronoska Street.
5. Completion period: from 16 October 2018 to August 2019.

On **17 October 2018,** PBDI S A. seated in Toruń (a 90% subsidiary of the Issuer), acting in a consortium ("Contractor") formed by Mosty Łódź S.A. with its registered office in Łódź, 52 Bratysławska Street ("Consortium Leader"), and PBDI S. A. (Consortium Partner) concluded a significant construction contract on the following terms and conditions:

1. Customer: Skarb Państwa – Generalny Dyrektor Dróg Krajowych i Autostrad seated in Warszawa; 00-874 Warszawa, 53 Wronia Street.
2. Total **c**ontract value: PLN 715,200,788.37 net. The value of the scope to be completed by PBDI S.A. is 50% of the contract value.
3. Scope of works: Design and construction of the S3 road form Legnica (A4) to Lubawka, task IV from the Kamienna Góra Północ interchange (incl. the interchange) to the state border, about 15.3 km long.
4. Completion period: 31 months from the conclusion of the contract (including obtaining an use permit). Winter period (i.e. from 15 December to 15 March) is not included in the completion period, but it is included in the design period.

On **19 October 2018,** the Issuer entered into a significant construction contract on the following terms and conditions:

1. Customer: Krakowskie Centrum Rehabilitacji i Ortopedii in Kraków; 30-224 Kraków, 22 Modrzewiowa Street.
2. Contract value: PLN 23,427,410.00 net / PLN 28,815,714.30 gross.
3. Scope of works: Extension of the existing hospital building No. 2 with the facility for the operating theatre, anaesthesiology and intensive care unit, X-ray laboratory, ultrasound room, densitometry, and central sterilization, including accompanying functions and site development; alteration of rooms used as X-ray laboratory, reception, medical secretariat located on the ground floor of the building No. 2 as well as patient rooms with isolation located on the first floor of the building No. 2 on plot No. 228/2, cadastral district 9 Krowodrza, 22 Modrzewiowa Street in Kraków.
4. Site location: 30-224 Kraków, 22 Modrzewiowa Street.
5. Deadline: 30.09.2019.

On **19 October 2018,** the Issuer entered into a construction contract on the following terms and conditions:

1. Customer: Miasto Stołeczne Warszawa – Dzielnica Białołęka; 03-122 Warszawa, 197 Modlińska Street; NIP: 525-22-

48-481, REGON: 015259640.
2. Contract value: PLN 43,741,463.41 net / PLN 53,802,000.00 gross.
3. Scope of works: Design of part and execution of construction works under the project: "Construction of primary school".
4. Site location: Warszawa-Białołęk, on Ruskowy Bród Street, corner Verdiego Street.
5. Completion period: 19.10.2018 - 30.07.2020.

On **13 November 2018**, PBDI S.A from Toruń (a subsidiary 90% owned by the Issuer) signed next contracts for the construction of Photovoltaic farms with target companies being part of the Modus Energy Capital Group based in Warsaw. As a result of their conclusion, the total value of all contracts signed within last 12 months with entities belonging to the Modus Energy Group is PLN 25,744,588.49.

Terms and conditions of all contracts signed are follows:
1. Payment terms: Invoicing according to the agreed Milestones; payable within 30 days.
2. Performance Bond: 10% of net remuneration in the form of a bank guarantee provided for the whole completion period.
3. Defects Liability Bond: 10% of the net remuneration in the form of a bank guarantee provided for a period of 5 years from the date of the Final Acceptance Certificate.
4. Penalties:
   - in the event of withdrawal from the contract due to the fault of the contractor - 30% of the contract value;
   - for delays in contract performance - 0.33% of contract value for each day of delay.
5. Completion periods: The execution of a single contract does not exceed 7 months on average. The deadline for completing the last task is 1 April 2019.

On **16 November 2018,** the Issuer concluded a significant conditional construction contract for the construction of a multi-family residential building with retail units located in Szczecin at 23 Chmielewskiego Street, Phase 1, on plots with a cadastral number 3/8 and 3/10, cadastral district 1058, including the above-ground infrastructure and buried services necessary for the exploitation of this building, site development and retaining walls to the extent required for this project.

The Contract is concluded under the condition precedent that the Customer will be granted a loan for the performance of the project by 15 February 2019.

1. Customer: BEST DEWELOPER Sp. z ograniczoną odpowiedzialnością seated in Szczecin, 71-001 Szczecin, 27D Południowa Street
2. Net contract value: PLN 28,500,000
3. Scope of works: Construction works including MEP works, site development and accompanying technical infrastructure
4. Completion period: 22.11.2018 - 26.08.2020.

On **16 November 2018,** GWI GmbH with its registered office in Düsseldorf, a subsidiary of the Issuer, concluded a contract on the following terms and conditions:

1. Scope of works: Shall and core of the "Carre Belge" hotel located in Cologne on Hohenzollernring 79-83 and 85-87.
2. Contract concluded on 16 November 2018.
3. Parties to the Contract:
   a) Customer: Objektgesellschaft Capitol GmbH, Hohenzollernring 79-83, 50672 Köln;
   b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247b, 40549 Düsseldorf.
4. Net contract value: EUR 5,463,000.
5. Completion period: 26.11.2018 – 25.11.2019.

On **29 November**, PBDI S.A. from Toruń (a subsidiary 90% owned by the Issuer), acting in a consortium formed by PBDI S. A. seated in Toruń ("PBDI, Consortium Leader"), Gotowski - Budownictwa Komunikacyjne i Przemysłowe Sp. z o. o. w restrukturyzacji seated in Bydgoszcz and Przedsiębiorstwo Inżynieryjnych Robót Kolejowych TOR-KRAK Sp. z o. o. seated in Kraków (jointly referred to as "Consortium"), concluded with the City of Bydgoszcz and Miejskie Wodociągi i

Kanalizacja w Bydgoszczy Sp. z o. o. [Municipal Water Supply and Sewerage Systems in Bydgoszcz Sp. z o. o.] with its registered office in Bydgoszcz ("Customer") a contract to construct a tram route along Kujawska Street from the Kujawskiego roundabout to the Bernardyńskiego roundabout in Bydgoszcz, including the extension of the road system.

1. Net contract value: PLN 136,130,439.98, of which PBDI will execute 50% of the contract value. Unit price remuneration.
2. Completion period: 24 months from the date of signing the contract.

On **7 December 2018, the** Issuer's Management Board has been notified by the Board of the subsidiary Erbud Rzeszów Sp. z o.o. on signing an additional agreement to a significant construction contract to build the Specialist Clinic Complex and Server Room in the building numbered as A2 belonging to the Clinical and Teaching Centre of the Łódź Medical University, located in Łódź at 251 Pomorska Street as part of the second phase of the construction of the Centre. The additional agreement is valued at PLN 8,065,456.58. The total scope of works after signing the additional agreement is worth PLN 34,065,274.05.

The conclusion of the agreement for additional works extends the deadline for completion by 30 June 2019 (the original deadline was set for 20 February 2019).

The Issuer's subsidiary performs the above-mentioned project in a consortium with the Fast Group sp. o.o. headquartered in Warsaw at Al. 3 Maja 12 Street, 00-391 Warsaw. The share of Erbud Rzeszów Sp. z o. o.o. is 63.03%.

On **7 December 2018,** the Issuer signed a contract with a subcontractor DEFOR S.A. seated in Śrem on the following terms and conditions**:**

1. Subcontractor/Supplier: DEFOR SA, 63-100 Śrem, 5 Rolna Street.
2. Net Contract value: PLN 30,700,000.
3. Scope of works: Comprehensive façade works: delivery and installation of a complete commercial aluminium curtain wall (fixed façade, windows, doors, fire resistant façade), architectural and construction elements of façades (including venetian blinds, attached canopies, cladding, roof linings, grilles, etc.), and revolving doors for the project named "Construction of an office building in Łódź, at 155 Piotrkowska Street".
4. Site location: Łódź, 155 Piotrkowska Street.
5. Completion period: According to agreed contractual dates.

On **17 December 2018,** PBDI S.A. from Toruń (a 90% subsidiary of the Issuer), acting in a consortium (the "Contractor") formed by companies PBDI S.A. (Consortium Leader) and Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o. o. with its registered office in Świecie at 3 Laskowicka Street (Consortium Partner) concluded a significant construction contract on the following terms and conditions:

1. Customer: Skarb Państwa – Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Bydgoszczy [State Treasury - General Directorate for National Roads and Motorways, Bydgoszcz Branch], 85-085 Bydgoszcz, 6 Fordońska Street.
2. Total net contract value: PLN 25,973,675. PBDI will complete 50 percent of this.
3. Scope of works: Heavy maintenance of national roads administered by the General Directorate of National Roads and Motorways, Bydgoszcz Branch, Districts Nakło, Świecie and Toruń, to be performed in 2018-2021.
4. Completion period: until 30 November 2021 or until the maximum remuneration specified in the contract is exhausted.

On 2**0 December 2018,** the Issuer entered into a significant construction contract on the following terms and conditions:

1. Customer: Equal Real Estate Spółka Akcyjna; 00-124 Warszawa, 1 Rondo ONZ Street; NIP: 5252726727
2. Net contract value: PLN 40,048,000.
3. Scope of works: Construction of a a mixed-use hotel and retail facility with offices and underground garage, including in-building systems: wiring, plumbing, HVAC, telecom, central heating; service lines: water, sanitary, sewage, rainwater drainage; in-site systems: water and energy; and land development (internal road, parking spaces, pavement).
4. Site location: Kraków, 74 Jana Pawła Street.

5. Completion period: 21.12.2018 - 31.08.2020.

On **11 January 2019,** the Issuer concluded a significant construction contract on the terms and conditions as below. The Issuer acts in the contract as a Partner of Consortium formed together with PBDI S.A. headquartered in Toruń (Consortium Leader) - a subsidiary 90% owned by the Issuer, and Electrum sp. z o. o. headquartered in Białystok (Consortium Partner).

1. Contract date: 10.01.2019.
2. Customer: Windfarm Polska II spółką z ograniczoną odpowiedzialnością based in Koszalin, 24-26 Wojska Polskiego Street, 75-712 Koszalin.
3. Total net contract value: PLN 41,350,000. The value of the scope to be completed by Electrum Sp. z o.o. is PLN 11,850,400 net.
4. Scope of works: Design, production, plant, delivery, building, testing and commissioning of the construction and electrical infrastructure for the wind farm project in Barwice in Poland consisting of 14 wind turbines, 1 substation and connection to the 110 kV transmission grid.
5. Completion period: until 29 February 2020.

On **4 February 2019,** an Annex was concluded to the Construction Contract of 12.06.2018 on the preparation of the detailed design, construction and commissioning operation of the Potęgowo-Wschód Wind Farm with a capacity of 101.25 MW, signed by the Consortium of PBDI S.A. seated in Toruń (the Issuer's subsidiary), the Issuer and Electrum sp. o.o. seated in Białystok.

Under the Annex, the remuneration is increased up to PLN 128,701,845.00 net, including the value of works attributable to Electrum Sp. z o.o. amounting to PLN 43,276,000.20 net. The change in the contract price results from the increase in remuneration for the second stage of construction.

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

The share capital comprises ordinary shares and is carried at nominal value (according to the Articles of Association of the Parent Company and an entry made into the National Court Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal value. It is recognized in "Reserve capital from the sale of shares above their nominal value.

Other reserve capital is created mainly from retained earnings, including amounts obligatory transferred to the reserve capital in accordance with the requirements of the Code of Commercial Companies.

Reserve capital is created from the profit of previous years and allocated for the purposes indicated in the Articles of Association.

Equity attributable to the non-controlling interests represents a part of equities of fully consolidated subsidiaries which is owned by shareholders other than the entities that are Group members.

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

Reserves are created in accordance with the provisions of the Commercial Companies Code (legal reserves and as a choice of the shareholders (discretionary reserves). According to the Commercial Companies Code, a reserve should be created to cover the loss, to which at least 8% of the profit for a given financial year should be transferred, as long as the reserve reaches at least one third of the share capital. Reserves created in such manner shall not be distributed. The decision about using reserves and reserve capital is taken by the Annual General Meeting; however, part of reserve may only be used to cover the losses shown in the financial statements and cannot be allocated for other purposes.

The capital structure is managed by the Group and changed as a result of changes in economic conditions. In order to maintain or correct the capital structure, the Group may respectively pay dividends to shareholders or issue new shares.

3. CAPITAL MANAGEMENT AND DEBT

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios, which would support the operational activities of the Group and maximize its goodwill for the shareholders. The ratios are presented below.

ROE

	2018	2017	Level of the ratio assumed by the Management Board
(1) Net profit attributable to shareholders of the Parent Company	(20 378)	22 561	
(2) Equity	240 911	285 853	
ROE [(1)/(2) * 100%]	**-8.46%**	**7.89%**	**7% -10%**

Total debt ratio

	2018	2017	Level of the ratio assumed by the Management Board
(1) Liabilities and provisions for liabilities	857 489	656 830	
(2) Total assets	1 098 400	942 685	
Total debt ratio [(1)/(2) * 100%]	**78.07%**	**69.68%**	**not more than 75%**

Equity-debt ratio

	2018	2017	Level of the ratio assumed by the Management Board
(1) Liabilities and provisions for liabilities	857 489	656 830	
(2) Equity	240 911	285 853	
Equity-debt ratio [(1)/(2)]	**355.94%**	**229.78%**	**not more than 300%**

The Group's net profit is the most important factor influencing the development of the above ratios and their value as at 31 December 2018. Due to the fact that the Company recorded a loss in 2018, the ratios of Return on Equity reached a negative value. In addition, the net loss and the payment of dividend from the profit of 2017 during 2018 contributed significantly to the decrease in equity and the increase in liabilities, which in turn resulted in increase in the total debt ratio and debt to equity ratio.

In the opinion of the Management Board, the deviation of the actual values of ratios from the assumed ones is not significant and does not affect the company's liquidity situation.

Share capital

The share capital as of 31 December 2018 consisted of 12,811,859 shares with a total value of PLN 1 281 thousand, and the shareholding structure was as follows:

Shareholder	Number of shares	Equity percentage
Wolff & Muller Holding GmbH & Co.KG	4 152 865	32.41%
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	2 136 260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (formerly ING PTE)	1 200 000	9.37%
AVIVA Otwarty Fundusz Emerytalny BZ WBK	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%
PKO OFE	715 279	5.58%
Adler Properties Sp. Z o.o. controlled by Józef Zubelewicz	412 087	3.22%
Józef Zubelewicz	259 500	2.03%
Agnieszka Głowacka	4 077	0.03%
Free Float	1 974 745	15.42%
Total	**12 811 859**	**100%**

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

The number of shares constituting the authorized capital is equal to the number of shares issued. Nominal value per share is PLN 0.10. No shares have been reserved for issuance under the sale option. All issued shares are ordinary and non-preference ones. There are neither restrictions on rights to the shares nor restrictions on the transferability of shares.

3.2. DIVIDENDS PAID AND DECLARED

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

For the dividend for shareholders was allocated an amount of PLN 14,093,044.90, coming from the existing reserves created from profits generated in previous years.

The Extraordinary Dividend was paid out by the reduction (partly dissolution) of reserves by the amount of PLN 1,553,797.97 in part resulting from the Company's profits generated in previous years. The remaining amount of PLN 12,539,246.93 comes from the net profit earned by the Company in 2017.

The earnings appropriated for dividend payment totalled PLN 1.10 per each share entitling to participate in the dividend. To the dividend were entitled 12,811,859 shares.

3.3. NET DEBT

		2018	2017
Note 3.9.	**Cash and cash equivalents (A)**	**206 608**	**190 170**
Note 3.4.	Debt due to loans and borrowings	20 898	4 234
Note 3.5.	Debt arising from issued bonds	52 000	52 000
Note 3.6.	Debt under finance lease	9 281	6 806
	Long-term debt	**82 179**	**63 040**
Note 3.4.	Debt due to loans and borrowings	40 299	43 959
Note 3.5.	Debt arising from issued bonds	-	3 950
Note 3.6.	Debt under finance lease	5 677	6 454
	Current debt	**45 976**	**54 363**
	Total debt(B)	**128 155**	**117 403**
	Net debt / Net cash and cash equivalents ((A)-(B))	**78 453**	**72 767**

Net debt is defined as the balance of debt due to loans and borrowings, bonds issued and financial leases reduced by cash and cash equivalents. If there is a surplus of cash and cash equivalents over debt, the net amount constitutes "net cash and cash equivalents".

Changes in net debt during the reporting period were as follows:

Debt due to:	loans and borrowings	issued bonds	finance lease	Total debt
Debt as of 1 January 2017	51 918	52 000	10 682	**114 600**
Proceeds from the debt incurred - received funding	36 642	3 950	9 607	**50 199**
Proceeds from the debt incurred – transaction costs	-	-	-	**-**
Charging interest on debt	117	-	-	**117**
Expenses related to incurred debt – repayment of capital	37 216	-	6 790	**44 006**
Expenses related to incurred debt - interest payment	1 522	-	354	**1 876**
Exchange differences on debt in foreign currencies	(1 746)	-	-	**(1 746)**
Other non-cash changes	-	-	115	**115**
Change in net debt over the period	**(3 725)**	**3 950**	**2 578**	**2 803**
Debt as of 31 December 2017	**48 193**	**55 950**	**13 260**	**117 403**
Increase due to acquisition	4 835	-	-	**4 835**
Proceeds from the debt incurred - received funding	47 740	-	9 988	**57 728**
Proceeds from the debt incurred – transaction costs	3	-	-	**3**
Charging interest on debt	1 473	2 588	6	**4 067**
Expenses related to incurred debt – repayment of capital	40 188	3 950	7 698	**51 836**
Expenses related to incurred debt - interest payment	1 646	2 588	479	**4 713**
Exchange differences on debt in foreign currencies	787	-	-	**787**
Other non-cash changes	-	-	(119)	**(119)**
Change in net debt over the period	**13 004**	**(3 950)**	**1 698**	**10 752**
Debt as of 31 December 2018	**61 197**	**52 000**	**14 958**	**128 155**

3.4. LOANS AND BORROWINGS LIABILITIES

Debt on loans and borrowings is initially recognized at fair value less transaction costs. At each balance sheet date, these items are measured at amortized cost using effective interest rate.

	2018	2017
Long-term		
Bank loans	20 898	4 234
Short-term		
Overdrafts	24 538	20 239
Bank loans	15 744	23 720
Borrowings	17	-
	40 299	43 959
Total debt on loans and borrowings	**61 197**	**48 193**

	31 December 2018	31 December 2017
	In functional currency	In functional currency
Loans and borrowings		
Long-term	20 898	4 234
Short-term	40 299	43 959
Total	**61 197**	**48 193**
including interest-bearing		
With a fixed rate	-	-
Interest	1,5% - 4%	1,5% - 4%
with a variable rate	-	-
Interest rate base	Wibor 1M - 3M; EURIBOR; EONIA	Wibor 1M - 3M;EURIBOR;EONIA

As of the balance sheet date, the Group has access to bank multi-purpose lines with a total value of PLN 1 172 727 thousand which can be used mainly for loans or bank guarantees. As at the balance sheet date, the Group used PLN 61 197 thousand to take out loans and PLN 637 516 thousand for guarantees.

Covenants

In connection with the negative result of EBIT and EBITDA margins, both in the separate and consolidated financial statements of the Erbud Group prepared as at 31 December 2018, the financial covenants contained in loan agreements with the following banks were broken:

- Alior Bank (until 30 June 2019);
- ING S.A. (until 31 December 2018);
- Santander Consumer Bank (until 31 December 2018);
- mBank S.A. (until 31 December 2018);
- PKO BP S.A. (until 31 December 2018);
- HSBC (until 31 December 2018);
- BGŻ BNP (decision to be taken after publication of the statements)

The company obtained waivers in all of the above banks.

All liabilities under loan agreements have been presented in the financial statements as short-term ones.

3.5. ISSUED BONDS LIABILITIES



Liabilities arising from bonds issued are initially recognized at fair value less transaction costs. At each balance sheet date, the liability is measured at amortized cost using effective interest rate.

As at the balance sheet date, the Group had the following indebtedness due to issued bonds, wholly constituting current liabilities:

Issue date	Type of bonds issued	Currency (functional / foreign)	Interest	Maturity date	Purpose of obtaining funding	Nominal value of the issue	Debt balance as at 31 December	
							2018	2017
26-03-2014	B-series bearer, dematerialized, unsecured	functional	WIBOR 6M+ 3% margin	26-03-2018	financing increased working capital demand	10	-	3 950
27-09-2017	C-series bearer, dematerialized, unsecured	functional	0	27-09-2021	financing increased working capital demand	1	52 000	52 000
			Total current liabilities			11	**52000**	**55 950**

3.6. FINANCIAL LEASE LIABILITIES

Lease is classified as a finance lease if substantially all risks and benefits resulting from the ownership of the leased asset are assigned to the lessee. Financial lease contracts are initially recognized at the lower of: the fair value of the leased asset or the current value of the minimum lease payments.

The fixed assets used under financial lease agreements are amortized following the principles used by the Group for its own assets. If there is no reliable certainty that once the lease contract is over the Group will receive the ownership title, the assets are amortized over the period which is shorter: the lease term or the useful life period.

		2018	2017
Period		Nominal value of minimum fees	Nominal value of minimum fees
Less than 1 year	Current	6 016	6 947
1 - 5 years	Non-current	9 847	6 978
		15 863	**13 925**
Finance costs due to financial leasing		905	665
Current value of minimum fees		**14 958**	**13 260**

3.7. ASSET-BACKED LIABILITIES

As at 31 December 2018, liabilities due to tangible fixed assets debt totalling PLN 18 126 thousand (PLN 3 795 thousand as at 31 December 2017) were secured as follows:

	2018	2017
Property, plant and equipment	18 126	3 795
Other	-	-
Total	**18 126**	**3 795**

For information on debt due to loans and borrowings see Note 3.4.

3.8. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2018	2017	2018	2017
Other entities				
Guarantees and sureties	97 461	95 227	668 278	448 316
Promissory notes	2 225	5 720	19 646	11 478
Litigations	-	-	46 682	46 682
of which case against MPL Modlin	-	-	34 381	34 381
Total	**99 686**	**100 947**	**734 606**	**506 476**

Contingent assets include guarantees and sureties received by the Group from the subcontractors as performance bonds and warranty.

The Group's contingent liabilities mainly concern guarantees issued by the Group and by banks to the customers of the Group in order to secure their claims under construction contracts, primarily performance bonds and bid bonds.

3.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand as well as short-term deposits with a maturity of three months or less.

The Group has at its disposal restricted cash that primarily comprises funds securing bank guarantees issued in relation to the construction contracts carried out by the Group and derivatives-related liabilities, unless their restricted availability period does not exceed 3 months..

The Group discloses restricted cash in "Cash and cash equivalents" in the consolidated statement of financial position.

	2018	2017
Cash in hand	103	72
Cash on bank accounts	184 103	174 682
Restricted cash on bank accounts (as security for bank guarantees)	18 772	15 416
Other cash	3 630	-
Total cash and cash equivalents	**206 608**	**190 170**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. SEGMENT REPORTING

Based on the management reporting presented to the chief operating decision-maker (i.e. the Management Board of the Parent), the Group identifies five key reporting segments:

- building construction at home;
- building construction abroad;
- road-engineering;
- industrial construction at home;
- industrial construction abroad;
- other segments.

In 2018 the following changes were made in the scope of segment reporting:

- Dividing the reporting segment "Industrial construction" into two separate accounting segments: "Industrial construction at home" and "Industrial construction abroad". These changes result from the growing importance of industrial construction abroad from the point of view of the Group's operations.

The breakdown of the overall business into individual segments was done through qualification of individual Group companies according to their business profile arising from the articles of association and their importance for the segment. Such a division corresponds to the distribution of principal risks and returns of expenditures incurred.

The financial figures for the purpose of management reporting that are the basis of data on the reporting segments are prepared on the same accounting policies as those applied to the preparation of the Consolidated Financial Statements of the Group. The transactions between segments are based on arm's length principle.

The Management Board analyses the segment performance using key efficiency indicators such as EBIT, EBIT margin, and EBITDA. It should be noted that these are not indicators defined in IFRS and are not standardized measurements, so their calculation methods may vary between different entities on the market. The Group defines EBIT as gross profit plus financial expenses and less financial income. The EBIT margin is defined as the ratio of EBIT to sales revenue expressed as a percentage. EBITDA is defined as EBIT increased by amortisation and depreciation over the period.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Reporting segment	Segment activity range	Operating segments aggregated in the reporting segment	Conditions for aggregation of operating segments into reporting segments
Building construction at home	Construction of residential, office and public buildings in Poland	The operating segment consists of individual companies: the Parent Company Erbud S.A., Erbud International Sp. z o.o., Erbud Rzeszów Sp. z o.o. In addition, a part of operations of the Erbud S.A. Parent Company related to the acquisition of contracts executed by its subsidiaries on the basis of specifically identifiable actual revenue generated and costs incurred for the segment is allocated to the segment.	Operating segments were aggregated on the basis of similarity of: - long-term average gross margins; - goods and services offered by the companies; - production processes; - distribution methods; - customers.
Building construction abroad	Construction of residential, office and public buildings abroad (mainly in Germany and Belgium)	The subsidiary GWI GmbH is the operating segment. In addition, to the segment is allocated a part of operations of the Parent Company Erbud S.A. related to the acquisition of contracts executed by its subsidiaries on the basis of specifically identifiable actual revenue generated and costs incurred for the segment, and part of operations of Erbud International Sp. z o.o. according to the same principles as those specified for the Erbud S.A. Parent Company.	Not aggregated
Road-engineering	Construction of roads and wind farms and broadly understood photovoltaics.	The subsidiary PBDI S.A.is the operating segment.	Not aggregated
Industrial construction at home	Industrial projects in the broadly understood industrial sector	The operating segment consists of the whole Erbud Industry Group formed by Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o., Erbud Industry Południe Sp. z o.o. In addition, a part of business operations of the Erbud S.A Parent Company is allocated to the segment, according to the same principles as those specified for the "Building construction abroad".	Not aggregated
Industrial construction abroad	Broadly understood support services. Industrial projects in the broadly understood industry sector.	The operating segment consists of the whole Erbud Holding Group formed by Erbud Holding Deutschland GmbH, Erbud Beteiligungs GmbH, Target –IVT.. In addition, a part of business operations of the Erbud S.A Parent Company is allocated to the segment, according to the same principles as those specified for the "Building construction abroad".	Not aggregated
Other segments	Broadly understood support services	Erbud CUW Sp. z o.o. is the operating segment. In addition, a part of business operations of the Erbud S.A. Parent Company is allocated to the segment.	Not aggregated

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Key information about segments for the reporting periods 01.2018 - 12.2018 and 01.2017 - 12.2017

The Group conducts business operations in Poland and abroad (in Germany, Belgium, Holland, Sweden and France). Revenues from external customers and assets in any country outside Poland are not significant, so they have been aggregated together and shown as "Abroad".

	For the 12 months ended 31-12-2018			For the 12 months ended 31-12-2017		
	At home (Poland)	Abroad	Total	At home (Poland)	Abroad	Total
Sales to external customers, including::	2 017 563	314 333	**2 331 896**	1 577 392	228 067	**1 805 459**
Revenues recognized over time	1 945 545	220 390	**2 165 935**	1 513 706	226 609	**1 740 315**
Revenues recognized at a point in time	55 323	92 388	**147 711**	51 772	503	**52 275**
Other revenues recognized at a point in time	16 695	1 555	**18 250**	11 914	955	**12 869**
Fixed assets other than financial instruments and deferred tax assets	83 486	34 224	**117 710**	78 601	2 550	**81 151**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Figures on income and profit as well as assets and liabilities of each reporting segment are presented in the table below.

							For the 12 months ended 31-12-2018
	Building construction at home	Building construction abroad	Road-engineering	Industrial construction at home	Industrial construction at home	Other segments	Total continuing operations
Total income							
Intersegment sales	-	-	(10 295)	(44 529)	-	-	**(54 824)**
Sale to external clients	1 547 960	213 769	264 345	258 904	100 564	1 178	**2 386 720**
Total income from sales	**1 547 960**	**213 769**	**254 050**	**214 375**	**100 564**	**1 178**	**2 331 896**
Segment results and reconciliation to gross (loss)/profit of the Group							
Prime costs	1 519 516	216 739	232 724	193 408	79 634	733	**2 242 754**
Result on other operating activity	(46 430)	(10 917)	(11 984)	(19 171)	(10 863)	(7 086)	**(106 451)**
Segment result – EBIT	**(17 986)**	**(13 887)**	**9 342**	**1 796**	**10 067**	**(6 641)**	**(17 309)**
EBIT margin	-1,00%	-6,00%	4,00%	1,00%	10,00%	-564,00%	**-1,00%**
Result on financial activity	(2 133)	(76)	356	(1 286)	(1 178)	9	**(4 308)**
Result before tax excluding discontinued operations	**(20 119)**	**(13 963)**	**9 698**	**510**	**8 889**	**(6 632)**	**(21 617)**
Income tax	(4 247)	(4 029)	2 524	507	4 687	77	**(481)**
Net result excluding discontinued operations	**(15 872)**	**(9 934)**	**7 174**	**3**	**4 202**	**(6 709)**	**(21 136)**
Depreciation and amortization	3 876	924	3 692	3 637	2 061	795	**14 985**
Segment result – EBITDA	**(14 110)**	**(12 963)**	**13 034**	**5 433**	**12 128**	**(5 846)**	**(2 324)**
Assets and liabilities							
Total assets	**684 003**	**118 137**	**108 501**	**102 242**	**73 594**	**11 923**	**1 098 400**
Total liabilities	**598 328**	**49 738**	**63 477**	**88 292**	**52 323**	**5 331**	**857 489**
Other relevant items							
Share in profit (loss) of associates and joint ventures measured using the equity method	-	-	(31)	-	-	-	**(31)**
Impairment losses on assets	5 175	-	301	1 103	(24)	(6)	**6 549**
Expenditures on tangible fixed assets and intangible assets	1 044	1 001	7 729	1 427	902	1 696	**13 799**
Interest income	2 764	32	558	53	-	30	**3 437**
Interest expense	4 563	569	282	1 131	1 014	20	**7 579**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Building construction at home	Building construction abroad	Road-engineering	Industrial construction at home	Industrial construction at home	Other segments	Total continuing operations
							For the 12 months ended 31-12-2017
Total income							
Intersegment sales	-	-	(62 256)	(62 148)	-	(11 222)	**(135 626)**
Sale to external clients	1 196 731	226 389	219 011	287 617	-	11 337	**1 941 085**
Total sales	**1 196 731**	**226 389**	**156 755**	**225 469**	**-**	**115**	**1 805 459**
Segment results and reconciliation to gross (loss)/profit of the Group							
Prime costs	1 123 308	217 298	131 667	201 552	-	-	**1 673 825**
Result on other operating activity	(49 903)	(7 001)	(11 341)	(21 276)	-	(4 397)	**(93 918)**
Segment result – EBIT	**23 520**	**2 090**	**13 747**	**2 641**	**-**	**(4 282)**	**37 716**
EBIT margin	2,00%	1,00%	6,00%	1,00%	-	-38,00%	**2,00%**
Result on financial activity	(4 079)	(1 918)	(151)	(1 181)	-	5	**(7 324)**
Result before tax excluding discontinued operations	**19 441**	**172**	**13 596**	**1 460**	**-**	**(4 277)**	**30 392**
Income tax	3 520	(390)	2 839	325	-	167	**6 461**
Net result excluding discontinued operations	**15 921**	**562**	**10 757**	**1 135**	**-**	**(4 444)**	**23 931**
Depreciation and amortization	3 051	836	2 890	3 695	-	716	**11 188**
Segment result – EBITDA	**26 571**	**2 926**	**16 637**	**6 336**	**-**	**(3 566)**	**48 904**
Assets and liabilities							
Total assets	**578 501**	**137 611**	**129 515**	**87 624**	**-**	**9 434**	**942 685**
Total liabilities	**429 683**	**76 352**	**67 972**	**80 199**	**-**	**2 623**	**656 829**
Other relevant items							
Share in profit (loss) of associates and joint ventures measured using the equity method	-	-	(145)	-	-	-	**(145)**
Impairment losses on assets	3 040	-	220	58	-	6	**3 324**
Expenditures on tangible fixed assets and intangible assets	1 809	694	492	829	-	372	**4 196**
Interest income	1 238	978	749	12	-	-	**2 977**
Interest expense	4 659	644	125	1 036	-	15	**6 479**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.2. REVENUES FROM SALE

Approximately 93% of the Group's revenue is achieved from construction contracts. Details regarding the recognition of this kind of income are described in Note 2. The remaining 6% of revenue comes from industry and 1% is other revenue. The Group recognizes revenues on this account on a monthly basis. Revenues above 10% amounted to PLN 322,211 the Group has reached from the customer BEREA Sp.z o.o. in the segment of building construction in Poland.

The main estimates regarding revenues refer to the recognition of revenues from construction contracts. They are described in Note 2.

Revenues data are presented in Note 4.1 Segment reporting.

4.3. COST OF SALES

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
External services	1 541 756	1 165 609
Consumption of materials and energy	438 178	375 089
Costs of employee benefits	314 918	236 916
Amortization and depreciation	14 985	11 188
Taxes and fees	9 440	9 420
Other costs	21 427	16 947
Value of sold goods and materials	1 964	3 233
Total costs by nature	**2 342 668**	**1 818 402**
Change in inventories, products and deferred expenditures due to construction contracts	(2 302)	(53 084)
Sales costs (negative value)	(5 354)	(5 488)
General and administrative expenses (negative value)	(92 258)	(86 005)
Product cost of goods sold	**2 242 754**	**1 673 825**

4.4. COST OF EMPLOYEE BENEFITS

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Payroll	255 603	192 338
Costs of programs for benefits in the post-employment period	(242)	-
Social security contributions other benefits for employees	59 557	44 578
Total	**314 918**	**236 916**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.5. OTHER OPERATING INCOME AND COSTS

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Other operating income		
Profit on disposal of non-financial fixed assets	839	1 102
Penalties, fines and indemnities	3 491	1 986
Other	4 752	8 399
	9 082	**11 487**

		For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	Other operating costs		
Note 6.5.	Impairment losses on receivables	79	2 684
Note 6.7.	Created / released provisions	8 274	2 942
Note 6.8.	Litigation costs	535	119
	Other	2 453	4 698
		11 341	**10 443**

4.6. FINANCIAL INCOME AND COSTS

		For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	Financial income		
Note 5.1.2.	Interest		
	on loans granted	874	1 915
	other	2 563	1 062
	Exchange differences	3 018	74
	Other	92	38
		6 547	**3 089**

		For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
	Financial costs		
	Interest		
Note 3.5.	on issued bonds	2 588	2 962
Note 3.4.	on loans and borrowings	3 512	2 890
	other	1 479	627
Note 3.4.	Front-end fee paid to the bank for overdraft financing	2 550	2 238
	Exchange differences	29	1 136
	Other	697	560
		10 855	**10 413**

4.7. TAXATION

The mandatory burdening of the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the book value of assets and liabilities and their taxable value and the tax loss deductible in the future, the Group companies using the balance sheet method create deferred liabilities in respect of positive temporary differences and determinate deferred tax assets in respect of foreign exchange losses and deductible tax losses, which can be deducted following the prudential principle.

Liabilities and deferred tax assets are not recognized in the case of temporary differences arising upon initial recognition of an asset or liability in a non-merger transaction and at the time of conducting transactions that have no impact on the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax receivables and current tax liabilities, and if the deferred tax relates to the tax imposed by the same tax authority on the same taxpayer. This means that deferred tax assets and liabilities are compensated in individual companies of the Group.

The Group recognizes a deferred tax asset based on the assumption that in the future a tax gain will be achieved that will allow the asset to be realized.

The carrying amount of the deferred tax asset is verified at each balancing date and reduced accordingly by as much as it probability that sufficient taxable income will be achieved realize the deferred tax asset partially or fully.

The reconciliation of effective income tax rates is presented in the table below:

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Gross profit before tax from continuing operations	**(21 617)**	**30 392**
Tax at the statutory tax rate applicable in Poland - 19%	**(4 107)**	**5 775**
Additional tax charge arising from the rate exceeding 19% in Germany	1 844	(293)
Adjustments to current income tax from previous years	-	(3)
Surplus of non-deductible expenses over income not recognised as taxable income	1 782	982
Tax recognized in the Consolidated Profit and Loss Statement, including:	**(481)**	**6 461**
Current income	6 565	13 208
Deferred income	(7 046)	(6 747)
Effective tax rate	**2.23%**	**21.26%**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

The table below presents changes in deferred tax assets and liabilities in the financial year:

			Impact on			Impact on		
		01.01.2017	Net earnings	Other comprehensive income	31.12.2017	Net earnings	Other comprehensive income	31.12.2018
	Deferred tax assets							
	Valuation of receivables from construction contracts	29 140	(13 140)	-	16 000	13 840	-	29 840
Note 6.6.	Provisions	5 464	952	-	6 416	931	1 107	8 454
	Tax loss	929	789	-	1 718	960	-	2 678
	Accrued remuneration and charges	428	9	-	437	76	-	513
Note 6.4.	Impairment losses on receivables	1 354	689	-	2 043	414	1 960	4 417
	Other financial liabilities	1 356	211	-	1 567	450	-	2 017
	Accrued expenses	571	1 696	-	2 267	(483)	-	1 784
	Other	651	23 045	(148)	23 548	(7 298)	32	16 282
	Total	**39 893**	**14 251**	**(148)**	**53 996**	**8 890**	**3 099**	**65 985**
	Deferred tax liabilities							
	Valuation of liabilities due to construction contracts	22 399	7 074	-	29 473	1 778	350	31 601
	Revaluation of assets	2 084	(114)	-	1 970	(310)	3 112	4 772
	Capitalised finance costs	78	(78)	-	-	-	-	-
	Balance sheet valuation and liabilities discount	18	109	-	127	34	-	161
	Accrued interest on debt	59	163	-	222	16	-	238
	Accrued revenue	-	(3)	-	(3)	-	-	(3)
	Other	851	353	320	1 524	326	(347)	1 503
	Total	**25 489**	**7 504**	**320**	**33 313**	**1 844**	**3 115**	**38 272**
	Set-off between assets and liabilities	14 404			20 683			27 713
	After sett-off	**19 654**			**25 345**			**33 107**
	Assets	17 029			23 014			30 410
	Liabilities	2 625			2 331			2 697
	Net impact of changes in the period		**6 747**	**(468)**		**7 046**	**(16)**	

In the year ended 31 December 2018 and 31 December 2017, there were no negative temporary differences from which deferred tax assets were recognized.

The table below presents periods in which deferred income tax assets and liabilities were realized.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Current	25 110	361	20 119	2 331
Non-current	5 300	2 336	2 895	-
Total	**30 410**	**2 697**	**23 014**	**2 331**

Information on receivables and payables due to income tax is presented in Note 4.7.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

In accordance with IFRS 9, as of 1 January 2018 the Group classifies instruments into the following categories:

- Assets valued at amortised cost;
- Financial assets at fair value through profit or loss;
- Financial liabilities measured at amortised cost;
- Derivatives designated as hedging instruments in hedge accounting.

Assets valued at amortised cost mainly include:

Note 5.1.2.	Financial assets - loans granted
Note 2.2.	Receivables under construction contracts – retention money
Note 6.5.	Trade and other receivables
	Receivables under construction contracts - valuation
Note 3.9.	Cash and cash equivalents

Financial liabilities measured at amortized cost mainly include:

Note 2.2.	Liabilities under construction contracts – retention money
Note 2.3.	Liabilities under construction contracts – valuation
Note 6.9.	Trade and other liabilities
Notes 3.3.–3.6.	Debt

Derivative instruments designated as hedging instruments in hedge accounting relate to derivative financial instruments in respect of which the Group applies hedge accounting (Note 5.2).

The accounting policies for the above items are set out in the Explanatory Notes according to the above reference.

The tables below show the carrying amount of main groups of financial assets and financial liabilities broken down by category. The carrying amount of financial assets and financial liabilities held by the Group disclosed in the tables below did not differ significantly from their fair value in both presented periods.

	Item in the Statement of Financial Position	Categories of financial instruments: Assets measured at amortized cost	Financial liabilities measured at amortized cost	Total material categories
	2018			
Note 5.1.2	Financial assets - loans granted	10 856	-	**10 856**
	Financial assets - secured guarantees	1 894	-	**1 894**
Note 2.2.	Receivables from construction contracts - retention money	62 897	-	**62 897**
Note 6.5.	Receivables due to deliveries and services and other receivables (excluding income tax receivables)	453 641	-	**453 641**
Note 2.3.	Receivables from construction contracts - valuation	176 425	-	**176 425**
Note 3.9.	Cash and cash equivalents	206 608	-	**206 608**
Note 2.2.	Liabilities due to construction contracts - retention money	-	118 502	**118 502**
Note 2.3.	Liabilities due to construction contracts – valuation	-	116 313	**116 313**
Note 6.9.	Liabilities due to deliveries and services and other receivables (excluding income tax receivables)	-	400 387	**400 387**
Note 3.3-3.6.	Debt	-	128 155	**128 155**
	Total	**912 321**	**763 357**	**1 675 678**

In accordance with IFRS 9, the comparative data contained in these Consolidated Financial Statements are based on IAS 39, described in the 2017 Consolidated Financial Statements.

		Categories of financial instruments		
	Item in the Statement of Financial Position	Loans and receivables	Financial liabilities measured at amortized cost	Total material categories
	2017			
Note 5.1.2	Financial assets - loans granted	15 583	-	**15 583**
	Financial assets - secured guarantees	3 951	-	**3 951**
Note 2.2.	Receivables from construction contracts - retention money	59 581	-	**59 581**
Note 6.5.	Receivables due to deliveries and services and other receivables (excluding income tax receivables)	385 310	-	**385 310**
Note 2.3.	Receivables from construction contracts - valuation	171 638	-	**171 638**
Note 3.9.	Cash and cash equivalents	190 170	-	**190 170**
Note 2.2.	Liabilities due to construction contracts - retention money	-	104 496	**104 496**
Note 2.3.	Liabilities due to construction contracts – valuation	-	80 145	**80 145**
Note 6.9.	Liabilities due to deliveries and services and other receivables (excluding income tax receivables)	-	305 564	**305 564**
Note 3.3-3.6.	Debt	-	117 403	**117 403**
	Total	**826 233**	**607 608**	**1 433 841**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

		Categories of financial instruments		
		Assets measured at amortized cost	Financial liabilities measured at amortized cost	Total material categories
	2018			
	Impact on the income statement			
Note 4.6.	Financial income / (financial costs) - interest	2 281	(6 423)	**(4 142)**
Note 4.6.	Financial income / (financial costs) - exchange differences	3 205	(216)	**2 989**
	Reclassification from other comprehensive income in connection with the realization of derivative financial instruments (cash flow hedge accounting)	-	-	**-**
Note 4.5.	Impairment of financial assets and assets from contract valuation	5 358	1 103	**6 461**
		10 844	**(5 536)**	**5 308**
	Impact on other comprehensive income			
	Gains / (losses) on the measurement of derivatives in cash flow hedge accounting	-	-	**-**
		-	**-**	**-**
	Total	**10 844**	**(5 536)**	**5 308**

In accordance with IFRS 9, the comparative data contained in these Consolidated Financial Statements are based on IAS 39, described in the 2017 Consolidated Financial Statements.

		Categories of financial instruments		
		Loans and receivables	Financial liabilities measured at amortized cost	Total material categories
	2017			
	Impact on the income statement			
Note 4.6.	Financial income / (financial costs) - interest	1 408	(4 910)	**(3 502)**
Note 4.6.	Financial income / (financial costs) - exchange differences	(823)	(239)	**(1 062)**
	Reclassification from other comprehensive income in connection with the realization of derivative financial instruments (cash flow hedge accounting)	-	-	**-**
Note 4.5.	Impairment of financial assets and assets from contract valuation	5 954	64	**6 018**
		6 539	**(5 085)**	**1 454**
	Impact on other comprehensive income			
	Gains / (losses) on the measurement of derivatives in cash flow hedge accounting	-	-	**-**
		-	**-**	**-**
	Total	**6 539**	**(5 085)**	**1 454**

5.1.1. FINANCIAL ASSETS

As of 31 December 2108, the Group had the following items disclosed as financial assets in the Statement of Financial Position:

		2018	2017
Note 5.1.2.	Loans granted	10 856	15 583
	Other	2 387	4 448
	Total	**13 243**	**20 031**
	Long-term	5 750	8 900
	Short-term	7 493	11 131

5.1.2. FINANCIAL ASSETS – LOANS GRANTED

Debt instruments held to collect contractual cash flows, which include solely payment of principal and interest (SPPI) are measured at amortized cost. Interest income is measured using the effective interest rate method and disclosed under "Interest income" in the profit or loss. Impairment losses are recognized in accordance with the accounting policy indicated and presented under "Impairment losses on financial assets".

The value of financial assets is revalued by an impairment loss calculated using the expected credit loss method, in accordance with IFRS 9.

Borrower	Currency	Interest	Maturity date	2018	2017
Pfelge Beteiligungs	EUR	0.04	31.01.2020	3 347	-
X2 Gmbh	EUR	5	31.12.2018	7 476	10 960
Employees	EUR	0 – 0.5%	30.09.2020	33	-
Grabianowski	EUR	4	31.12.2018	-	170
Wento Operations Cyprus Limited	PLN	Wibor 1Y+4%	23.06.2019	-	3 603
Efektywność Energetyczna dla Polski Sp. Z o.o.	PLN	0.1	18.12.2027	-	850
Total, incl.:				**10 856**	**15 583**
Long-term				16	4 452
Short-term				10 840	11 131

No impairment was recognized for loans granted. As at the balance sheet date loans are not overdue. Loans granted are exposed to credit risk and interest rate risk, which are described accordingly.

5.2. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group hedges cash flows arising from loans granted by the Group and proceeds from construction contracts concluded with customers. Changes in the fair value of derivative financial instruments in the part constituting an effective hedge are recognised directly in the revaluation reserve. The ineffective part is recognized in the profit or loss statement as financial income or financial expense. In the period in which the item hedged by the derivative instrument affects profit or loss, the amount related to this instrument previously recognised in other comprehensive income statement is also be transferred to the statement of profit or loss.

Details of derivative financial instruments held by the Group are presented in the table below.

			2018			2017		
Hedged item	**Hedged risk**	**Description of financial instruments designated as hedging instruments in hedge accounting**	**Basic value of the derivative**	**Expected period of occurrence of hedged flows and their impact on the financial result**	**Carrying amount of the hedging instrument – Assets / (Liabilities)**	**Basic value of the derivative**	**Expected period of occurrence of hedged flows and their impact on the financial result**	**Carrying amount of the hedging instrument – Assets / (Liabilities)**
Securing the construction contract with Centrum Praskie Koneser sp. z o.o. sp.k. for the construction of buildings B and C and for additional works in the D building of the Centrum Praskie Koneser complex in Warsaw on Ząbkowska St., incl. accompanying infrastructure – providing a hedging instrument.	Securing the cash flow risk related to future cash flows in a foreign currency.	Par Forward contracts with one forward rate for all flows concluded with mBank S. A. and ING Bank S. A. on 21.12. 2016.	0	0	-	29 941	10-03-2017 to 10-04-2018	2 062
Securing the construction contract referred to in the Annex of 19.12.2017 to the contract with Centrum Praskie Koneser sp. z o.o. sp.k. for the construction of buildings B and C and for additional works in the D building of the Centrum Praskie Koneser complex in Warsaw on Ząbkowska St., incl. accompanying infrastructure – providing a hedging instrument.	Securing the cash flow risk related to future cash flows in a foreign currency.	Par Forward contracts with one forward rate for all flows concluded with mBank S.A. on 19.12.2017.	0	0	-	28 811	31-12-2017 to 09-10-2018	113
Securing the construction contract with Ghelamco Poland sp. z o.o. sp.k. for the construction of class A+ office building and refurbishment of two existing buildings forming the project: "Nowa Formiernia Office and Conference Centre"– providing a hedging instrument.	Securing the cash flow risk related to future cash flows in a foreign currency.	Par Forward contracts with one forward rate for all flows concluded with mBank S.A. on 10.12.2015.	0	0	-	50 762	08-02-2016 to 09-10-2017	-

Securing the construction contract with Hala Koszyki Grayson Investments sp. z o.o. sp.k. – providing a hedging instrument.	Securing the cash flow risk related to future cash flows in a foreign currency.	Par Forward contracts with one forward rate for all flows concluded with ING Banki Śląski S.A. on 14.08.2014.	0	0	-	0	0	-
0	0	0	0	0	-	0	0	-
Total, incl.:					-			**2 175**
Financial assets					-			5 085
Financial liabilities					-			2 910

Concluded agreements on derivative instruments are used to reduce the Group's exposure to currency risk. Further information on currency risk management is provided in Note 5.3.1.

In addition, derivative instruments that are an asset expose the Group to credit risk. As at the balance sheet date and the comparative period, there were no significant derivative instruments accounted for as assets.

Derivative financial instruments owned by the Group, i.e. forward contracts, are measured at fair value and classified as Level 2 in the fair value hierarchy, i.e. they are measured on the basis of observable inputs other than quoted prices. A prospective hedge effectiveness testing is performed for the measurement: the "dollar-offset method" was applied using a hypothetical derivative. For the purpose of a prospective test there are used historical market rates of exchange rates and interest rates on twelve monthly dates prior to the balance sheet day. For each of the above 12 historical dates, the cumulative change in fair value of the hypothetical derivative instrument is calculated and compared with the cumulative change in fair value of the hedging instrument. A retrospective hedge effectiveness testing: the "dollar offset method" is applied when using the hypothetical derivative instrument. In this test the ratio of the cumulative change in the fair value of the hedging instrument to the cumulative changes in the hypothetical derivative instrument is measured.

Changes in the fair value of financial derivatives designated to hedge cash flows in part that constitutes effective hedging is recognised directly in revaluation reserve. Changes in the fair value of derivative financial instruments designated to hedge cash flows that not constitute effective hedging are accounted for as other financial income or expenses of the reporting period.

At the time the hedging is established, the Company formally identifies and documents the hedging relationship as well as the risk management objective and strategy for establishing hedging. 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 hedging instrument's effectiveness in offsetting the risk of changes in the fair value of the hedged item or cash flows associated with the hedged risk.

As at the balance sheet date, cash flow hedging was highly effective. It is also expected that the hedge will be highly effective in offsetting changes in fair value or cash flows arising from hedged risks. The effectiveness of the hedge is assessed on a regular basis to check if it is highly effective in all the reporting periods for which it has been established.

5.3. FINANCIAL RISK MANAGEMENT POLICY

In the course of conducting its business, the Erbud Group is exposed to various types of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management Board of the Parent Company is responsible for setting the principles of managing these risks and for verifying them.

5.3.1. MARKET RISK – CURRENCY RISK

As a part of their core business, the member companies of the Group conclude construction contracts that are denominated in Euro. The currency risk management policy adopted by the Management Board consists in adjusting the contract underlying currency to the expenditure currency related to this contract. Contracts carried out in Poland are concluded by the Group mostly in the Polish currency (Polish Zlotys, PLN) and contracts executed by the companies and entities operating abroad are signed in Euros.

With regard to receivables and liabilities arising from concluded construction contracts under which payments will be made in EUR and with respect to loans denominated in EUR, the Group applies hedges in the form of forward agreements for EUR as part of hedge accounting system.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

					2018	
		Exposure to currency risk (PLN '000)	Impact on profit or loss (PLN '000)		Impact on other comprehensive income (PLN '000)	
			change in the exchange rate +10%	change in the exchange rate -10%	change in the exchange rate +10%	change in the exchange rate -10%
	Assets					
Note 3.9.	Cash and cash equivalents	16 111	1 611	(1 611)	-	-
	Amounts on fiduciary accounts	-	-	-	-	-
Note 7.5.	Receivables due to deliveries and services and other receivables	24 583	2 458	(2 458)	-	-
Note 2.2.	Receivables due to construction contracts - retention	5 220	522	(522)	-	-
Note 5.1.2.	Financial assets - loans granted	3 347	335	(335)	-	-
	Liabilities					
Note 3.3.	Debt	-	-	-	-	-
Note 7.9.	Liabilities due to deliveries and services, and other liabilities	4 250	425	(425)	-	-
Note 2.2.	Liabilities due to construction contracts - retention	-	-	-	-	-
	Impact of exchange rate changes – total assets and liabilities	**53 511**	**5 351**	**(5 351)**	**-**	**-**
	Impact of currency risk hedging items (hedge accounting)	-	-	-	-	-
	Impact of exchange rate changes, including items hedging currency risk	**53 511**	**5 351**	**(5 351)**	**-**	**-**

2017

		Exposure to currency risk (PLN '000))	Impact on profit or loss (PLN '000)		Impact on other comprehensive income (PLN '000)	
			FX change +10%	FX change -10%	FX change +10%	FX change -10%
	Assets					
Note 3.9.	Cash and cash equivalents	16 654	1 665	(1 665)	-	-
	Amounts on fiduciary accounts	-	-	-	-	-
Note 7.5.	Receivables due to deliveries and services and other receivables	28 788	2 879	(2 879)	-	-
Note 2.2.	Receivables due to construction contracts - retention	9 330	933	(933)	-	-
Note 5.1.2.	Financial assets - loans granted	507	51	(51)	-	-
	Liabilities					
Note 3.3.	Debt	-	-	-	-	-
Note 7.9.	Liabilities due to deliveries and services, and other liabilities	3 710	371	(371)	-	-
Note 2.2.	Liabilities due to construction contracts - retention	92	9	(9)	-	-
	Impact of exchange rate changes – total assets and liabilities	**59 081**	**5 908**	**(5 908)**	**-**	**-**
	Impact of currency risk hedging items (hedge accounting)	-	-	-	-	-
	Impact of exchange rate changes, including items hedging currency risk	**59 081**	**5 908**	**(5 908)**	**-**	**-**

5.3.2. MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly when Group member companies take advantage of debt instruments, i.e. bank loans and borrowings (Note 3.4.), issued bonds (Note 3.5.) and financial lease (Note 3.6.).

In addition, the Group invests surplus cash partly in deposits with a variable interest rate and grants loans bearing interest mainly at a floating rate.

Assets and liabilities at variable interest rates expose the Group to the risk of changes in cash flows, while at fixed rate - to the risk of a change in fair value; however, due to the fact that the Group does not measure these items at fair value, this impact is not reflected in the financial statements.

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

The analysis of the sensitivity of interest rate items bearing interest to changes in the interest rate is presented in the table below.

	2018			2017		
	Balance sheet value of the item with a variable interest rate	Impact on profit or loss		Balance sheet value of the item with a variable interest rate	Impact on profit or loss	
		+100 pbs	-100 pbs		+100 pbs	-100 pbs
Cash and cash equivalents	126 017	1 260	(1 260)	190 170	1 902	(1 902)
Financial assets - Loans granted	-	-	-	15 413	154	(154)
Debt on loans and borrowings	34 648	346	(346)	48 193	482	(482)
Debt arising from issued bonds	52 000	520	(520)	55 950	560	(560)
Liabilities under finance lease	4 491	45	(45)	13 260	133	(133)
Total impact		**2 171**	**(2 171)**		**3 231**	**(3 231)**

5.3.3.CREDIT RISK

Financial assets of the Group that are exposed to credit risk are mainly items listed in the table below.

		Maximum exposure to credit risk corresponding to the carrying amount of the balance sheet item	
		2018	2017
Note 3.9.	Cash and cash equivalents	206 608	190 170
Note 5.1.2.	Financial assets - loans granted	10 856	15 583
Note 7.5.	Receivables due to deliveries and services	433 784	368 373
Note 2.2.	Receivables under construction contracts - retention	62 897	59 581
Note 2.3.	Receivables under construction contracts - valuation	176 425	171 638
	Total	**890 570**	**805 345**

Cash and cash equivalents

The Group minimizes the credit risk associated with cash and cash equivalents by diversifying the banks with which the deposit transactions are made. The Group cooperates only with high credibility financial institutions, according to the information in the table below, without causing a significant concentration of credit risk.

According to the Euro rating agency Rating	2018	2017
Banks with AAA rating	0.00%	43.00%
Banks with A- rating	0.00%	21.00%
Banks with BBB+ rating	50.00%	36.00%
Banks with BBB rating	25.00%	0.00%
Banks with BB+ rating	25.00%	0.00%
	100.00%	**100.00%**

As at 31 December 2018, the value of cash assets and cash equivalents located in one financial institution did not exceed 503% of the total balance.

Trade receivables and construction contracts receivables

In order to protect against credit risk arising from receivables related to the performance of construction contracts (i.e. trade receivables, receivables due to construction contracts – retention money and measurement of construction contracts), the Group applies the credit risk assessment and verification policy related to all contracts, both at the before-offer and in-progress stages. Before signing a contract, each customer is appraised for the possibility of meeting its financial obligations. In the event of a negative assessment of the contracting partner's payment capacity, the establishment of appropriate financial collaterals or asset based securities decides whether the agreement is entered into. Moreover, the conditions of contracts with customers provide for the right to suspend the performance of works, in case of any delay in payment for services rendered. Where possible, contractual clauses that make payments to subcontractors dependent on the investor's payment are inserted into contracts.

There is no concentration of credit risk In the Group related to trade receivables and receivables under construction contracts - retention money and measurement of construction contracts.

Changes in impairment allowance and age structure of overdue receivables are presented in note 6.5.

5.3.4. LIQUIDITY RISK

In order to mitigate the risk of losing liquidity risk, the Group keeps an appropriate amount of cash and transferable securities, and also concludes credit facility agreements which serve as an additional liquidity security. To finance investment purchases, the Group uses its own funds or long-term finance leases, ensuring adequate durability of the funding structure for this type of assets.

The Group applies a policy limiting credit exposure to individual financial institutions and issuers of debt securities that are acquired as part of periodic investing of surplus cash.

Liquidity management is supported by the existing system of reporting liquidity forecasts by the Group companies.

The table below presents the Group's financial liabilities as at 31 December by maturity date based on contractual non-discounted payments.

	2018						
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total undiscounted cash flows	Discount	Balance sheet value
Liabilities due to loans and borrowings	15 006	25 293	8 105	12 793	**61 197**	-	**61 197**
Liabilities due to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Liabilities under financial lease	903	4 774	9 281	-	**14 958**	-	**14 958**
Liabilities under construction contracts – retention	6 621	101 476	10 989	152	**119 238**	736	**118 502**
Liabilities due to deliveries and services	80 562	248 245	-	-	**328 807**	-	**328 807**
Liabilities from derivative financial instruments	-	-	-	-	-	-	-
Total	**103 092**	**379 788**	**80 375**	**12 945**	**576 200**	**736**	**575 464**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

							2017
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total undiscounted cash flows	Discount	Balance sheet value
Liabilities due to loans and borrowings	11 287	32 672	4 234	-	**48 193**	-	**48 193**
Liabilities due to issued bonds	-	3 950	52 000	-	**55 950**	-	**55 950**
Liabilities under financial lease	1 017	5 437	6 806	-	**13 260**	-	**13 260**
Liabilities under construction contracts – retention	3 313	93 202	8 528	-	**105 043**	547	**104 496**
Liabilities due to deliveries and services	69 528	193 358	-	-	**262 886**	-	**262 886**
Liabilities from derivative financial instruments	-	-	-	-	**-**	-	**-**
Razem	**85 145**	**328 619**	**71 568**	**-**	**485 332**	**547**	**484 785**

6. OTHER NOTES

6.1. PROPERTY, PLANT AND EQUIPMENT

Key items of property, plant and equipment are means of transport as well as technical equipment and machinery, connected primarily with the construction of public, commercial, residential and industrial buildings. In addition, the Group also owns buildings, structures and land.

Tangible fixed assets are recognised at purchase price/production cost less accumulated amortization and any impairment losses. The policy on assessment of impairment losses is presented in Note 6.3.

The initial value of property, plant and equipment comprises their purchasing price plus all costs related directly to the buying and adaptation of the asset to be capable for use. The initial value also includes costs of replacement parts for plant and equipment as they are incurred, if the recognition criteria are met, i.e. replacement parts are expected to be used for more than one year and they can be recognised in a specific item of tangible fixed assets.

Costs incurred after the commissioning of the asset, such as maintenance and repair costs, are recognized in profit or loss when incurred, except when such costs cause an increase in expected future economic benefits from holding a given item of tangible fixed asset - then the costs borne enhance the initial value of this asset

Every year, the Group reviews the residual value, useful life and depreciation and amortisation method of components of property, plant and equipment.

Construction-in-progress is valued at costs incurred, directly related to the acquisition or production, including financing costs, less impairment losses. Assets under construction are not depreciated until they are completed.

Amortization rates are based on the expected economic useful lives of tangible fixed assets. The Group annually verifies the useful lives based on current estimates.

As at 31 December 2018, the Group was in the possession of the following categories of tangible fixed assets:

	2018			2017		
Tangible fixed assets	**Gross value**	**Depreciation and write-downs**	**Net value**	**Gross value**	**Depreciation and write-downs**	**Net value**
Land, (including the right of perpetual usufruct of land	10 155	512	9 643	8 496	395	8 101
Buildings and structures	30 638	13 557	17 081	18 376	6 930	11 446
Plant and equipment	41 646	28 742	12 904	34 206	26 121	8 085
incl. finance lease	13 387	10 387	3 000	13 325	9 887	3 438
Means of transport	57 088	34 652	22 436	45 206	27 494	17 712
incl. finance lease	41 069	23 854	17 215	36 702	21 120	15 582
Other fixed assets	13 852	10 523	3 329	8 084	6 307	1 777
Fixed assets under construction	195	-	195	-	-	-
Other	11 529	4 619	6 910	5 607	3 445	2 162
Total	**165 103**	**92 605**	**72 498**	119 975	70 692	49 283

The Group has entered into finance lease agreements for an average period of 5 years. These contracts include an extension option after the end of the base period. In addition, the concluded agreements give the Group the right to buy the leased asset at the end of the lease term.

Financial lease liabilities are described in Note 3.6.

	Land, incl. perpetual usufruct	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Other	Total
Net value as at 1 January 2017	**8 699**	**10 501**	**9 923**	**13 968**	**1 800**	**1 132**	**2 008**	**48 031**
Increases:								
Purchase	-	667	963	468	1 162	-	936	**4 196**
Finance lease	-	-	525	9 783	-	-	-	**10 308**
Other, including reclassification adjustments	-	1 167	-	-	-	-	-	**1 167**
Decreases:								
Depreciation and amortization	27	866	3 296	5 170	1 139	-	690	**11 188**
Sale and liquidation	538	23	22	262	3	-	92	**940**
Internal transfers to items	-	-	-	9	-	1 132	-	**1 141**
Other	33	-	8	1 066	43	-	-	**1 150**
Net value as at 31 December 2017	**8 101**	**11 446**	**8 085**	**17 712**	**1 777**	**-**	**2 162**	**49 283**
Increases:								
Purchase	1 400	1 715	6 938	1 963	1 243	195	345	**13 799**
Finance lease	-	-	1 409	8 582	-	-	-	**9 991**
Take-over of fixed assets	798	5 291	483	2 862	2 023	-	5 491	**16 948**
Decreases:								
Depreciation and amortization	29	1 192	3 568	7 367	1 703	-	1 126	**14 985**
Sale and liquidation	632	216	452	2 875	52	-	-	**4 227**
Other	-	-	-	-	-	-	-	**-**
Exchange differences on translation	5	37	8	49	41	-	38	**178**
Net value as at 31 December 2018	**9 643**	**17 081**	**12 904**	**22 436**	**3 329**	**195**	**6 910**	**72 498**

Depreciation and amortization

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
General and administrative expenses	8 061	5 085
Production costs of products and services sold	6 924	6 103
Total	**14 985**	**11 188**

Planned capital expenditures

As of 31 December 2018, capital expenditures planned by the Group amounted to PLN 17 252 thousand (vs. PLN 43 233 thousand as at 31 December 2017).

6.1.1. AMOUNTS OF CONTRACTUAL LIABILITIES INCURRED TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018, the Group did not have any obligations related to contracts for the purchase of fixed assets (as at 31 December 2017, the Group did not have such liabilities).

6.2. GOODWILL

Goodwill arises as a result of accounting for the acquisition of investments by applying the purchase method - details are described below.

The accounting policy for impairment of goodwill is described in Note 6.3.

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Goodwill at the beginning of the period	**22 968**	**22 968**
Increases	16 494	-
Goodwill at the end of the period	**39 462**	**22 968**
of which due to the acquisition of:		
Przedsiębiorstwa Budownictwa Drogowo – Inżynieryjnego S.A.	18 274	18 274
Erbud Holding GmbH	16 494	-
Other	4 694	4 694

6.3. FIXED ASSETS IMPAIRMENT

The Group performs impairment tests for fixed assets if there are indications of impairment and additionally at least once a year for goodwill. The recoverable value is determined at the lowest possible level, i.e. for an individual asset or at the level of a cash-generating unit to which the asset belongs.

Fixed assets impairment

As at each balance sheet date, it is assessed whether there is objective indication that the asset or group of property, plant and equipment may be impaired. If any such indication exists, the Group determinates the estimated recoverable amount of the asset (recoverable amount) and the impairment loss equal to the difference between the recoverable amount and the carrying amount is recognised. The recoverable amount is defined as the higher of fair value less costs to sell and its value-in-use. As at each balance sheet date, the Group also assesses whether there is any indication that the impairment loss recognized in previous periods should be reduced or reversed.

Impairment of goodwill

Goodwill is tested for impairment at least once a year. Any impairment is recognized immediately as a goodwill reduction and is accounted for in the profit and loss statement, and not reversed in subsequent reporting periods.

For the purpose of performing a test for possible impairment, goodwill is allocated to cash-generating units. In case of disposing of an operation within the cash-generating unit to which goodwill has been allocated, the goodwill associated with the operation disposed of is included in the carrying amount when determining the gain or loss on disposal.

Impairment of goodwill

Goodwill is allocated to the cash-generating centres of the Group. For goodwill arising on the acquisition of shares in Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA by Erbud SA it is assumed that the cash-generating unit is the whole road-engineering segment related to Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA.

The recoverable amount of a cash-generating unit is measured at fair value less costs of selling it. These calculations use cash flow projections over a three-year period. Cash flows beyond the three-year period were estimated at a constant level. The growth rate does not exceed the long-term average growth rate for the construction industry in which the cash generating unit operates. For the purpose of calculations, the average gross margin of 8.7% was assumed, while the discount rate realised was 6.6%. The Management Board has set a budget gross margin based on historical results and its expectations of market development. Medium weighted average growth rates are consistent with the projections in branch reports. The applied discount rate is the rate before tax, reflecting the specific risks relating to individual segments.

Goodwill is allocated to the Group's cash-generating units. For goodwill arising from the acquisition of the Erbud Holding Group by Erbud SA, it is assumed that the cash-generating unit is the entire industrial segment abroad related of the Erbud Holding Group.

The recoverable amount of a cash-generating unit is measured at fair value less costs of selling it. These calculations use cash flow projections over a three-year period. Cash flows beyond the three-year period were estimated at a constant level. The growth rate does not exceed the long-term average growth rate for the industry branch abroad, in which the cash-generating unit operates. For the purpose of calculations, the average gross margin of 16.7% was assumed, while the discount rate realised was 4.0%. The Management Board has set a budget gross margin based on historical results and its expectations of market development. Medium weighted average growth rates are consistent with the projections in branch reports. The applied discount rate is the rate before tax, reflecting the specific risks relating to individual segments.

As a result of analysis carried out in 2017 and in 2016, no reasons for write-down of an asset or group of assets were identified.

The goodwill impairment test performed as at 31 December 2018 did not show the necessity for write-down.

6.4. INVENTORY

The individual inventory categories carry the following items:

- Materials – elements kept at storage places to be used in manufacturing processes, especially for construction purposes;
- Work in progress: costs of uncompleted development projects;
- Finished goods: apartments, commercial premises and ready-to-sell buildings;
- Goods: land used during the implementation of development projects.

Materials and goods are valued at the purchase price and their use is measured using the "first in-first out" method. Work in progress and finished goods are valued at the cost of direct materials and labour, together with an appropriate mark-up of indirect production costs determined based on the assumption of normal utilization of production capacity, excluding costs of external financing. At the balancing date the inventory is priced taking lower of the two values: purchasing price or the cost of manufacturing and net selling price.

Under materials the Group posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract). The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate (for details see Note 2).

	2018	2017
Materials	7 893	11 304
Production in progress	526	463
Finished products	451	91
Goods	11 590	-
Gross value of inventories	**20 460**	**11 858**
Write-downs of inventories	360	281
Net value of inventories	**20 100**	**11 577**

The change in the write-down of inventories during 2018 and 2017 was irrelevant.

6.5. TRADE AND OTHER RECEIVABLES

The Group's receivables from supplies and services include mainly trade receivables from non-related parties (first of all due to invoices issued in relation to the construction contracts carried out by the Group) and receivables from the state budget, including receivables due to corporate income tax and VAT.

Receivables from supplies and services with maturity usually ranging between 30 and 180 days are recognised at their nominal value, i.e. according to the amounts initially invoiced. As at the balance sheet date, these items are measured at amortized cost, including any impairment loss.

IFRS 9 requires that the entity assesses the expected credit loss on trade receivables, regardless of whether or not there is any reason to create such a write-down. The determination of possible write-downs for trade receivables, which on the basis of the portfolio analysis were classified as not impaired receivables, is made by using a provision matrix based on historical data adjusted for forward-looking factors. Specific additional write-downs were created for trade receivables for which there are indications of impairment (e.g. disputable claims), depending on the assessment of their recoverability.

In case the effect of the value of money over time is material, the value of receivables is determined by discounting projected future cash flows to present value using a gross discount rate reflecting current market assessments of the value of money over time. If the discounting method is applied, any increase in receivables due to the passage of time is recognized as financial income.

	2018			2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Trade receivables from non-related parties	476 906	43 122	433 784	382 286	13 913	368 373
Receivables due to corporate income tax	10 019	-	10 019	3 729	-	3 729
Other receivables from the state budget	3 547	-	3 547	2 566	-	2 566
Other receivables	17 520	1 210	16 310	15 587	1 216	14 371
Total	**507 992**	**44 332**	**463 660**	**404 168**	**15 129**	**389 039**

Changes in impairment losses are shown in the table below:

	For the 12 months ended 31-12-2018	For the 12 months ended 31-12-2017
Impairment allowances at the beginning of the period	**15 129**	**9 415**
Impact of IFRS 9 - opening balance sheet	10 674	-
Created	20 315	8 306
Reversed	1 873	2 288
Used	108	304
Other	102	-
Exchange differences on translation	93	-
Impairment allowances at the end of the period	**44 332**	**15 129**

The age structure of overdue receivables was as follows:

Overdue receivables:	2018	2017
less than 1 month	52 636	41 332
1 to 3 months	24 047	23 591
3 to 6 months	10 090	1 829
6 to 12 months	7 880	8 620
over 1 year	30 219	40 679
Total	**124 872**	**116 051**

The amount of overdue receivables as at 31 December 2018 includes disputed claims, including i.a. receivables from Kępska SA amounting to PLN 8 188 thousand secured by mortgage and from the Academy of Music amounting to PLN 1 895 thousand. Partial write-off was created for disputable claims on the basis of estimated discounted cash flows. The abovementioned entities are involved in lawsuits described in note 6.8.

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

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6.6. OTHER ASSETS

The item "Insurance" includes prepayments made by the Group under insurance agreements relating to future reporting periods. They are recognised in the profit and loss statement according to the passage of time.

	2018	2017
Insurance	5 071	4 595
Other	777	767
Total	**5 848**	**5 362**

6.7. PROVISIONS

Provisions mainly include provisions for warranty claims, short-term employee benefits and post-employment benefits as well as provisions for litigations and disputes.

Remedying defects provision

Provision for costs of remedying defects results from the Group's guarantee for construction services provided. Provision is created at a percentage rate calculated as the quotient of historically incurred costs for warranty repairs and historically recognized revenues from the carrying out of construction contracts. The cost of provision for warranty defects is recognised in costs of services sold. In the case of services other than construction works, mainly service for maintenance services for industry, the provision is set up on the basis of historical data and a reliable estimate of the liability amount in this respect. Assumptions used to calculate the provision for remedying defects as at 31 December 2018 were based on records of warranty repairs in the years 2014-2018.

Provision for short-term employee benefits

This category comprises provision for unused leaves. It is calculated on the basis of a list of unused holiday days as at the certain balance sheet day for each employee and their gross daily remuneration plus broken down by employees and their daily gross salary plus social contribution surcharges paid by the Employer.

Provision for post-employment benefits

This category includes provision for retirement and pension severance payments, which the Group is obliged to pay in accordance with the law and the remuneration regulations. The amount of the provision is determined at the current value using actuarial techniques that require certain assumptions like levels of discount rates, projected rates of return on asset and forecast wage increases. Due to the complexity of the valuation, the assumptions made, and its long-term nature, the liabilities related to the aforementioned benefits are very sensitive to any changes. All of the above assumptions are reviewed and updated at the end of each reporting period.

Provision for litigations and disputes

Detailed analysis of the potential risks associated with pending court cases, decisions about the need to include the effects of these proceedings in the Group's financial statements as well as the amount of the provision are made by Legal Departments and Boards of individual member companies of the Group.

6. OTHER NOTES

Provisions by categories are presented in the table below:

	Remedying defects provision	Provision for short-term and post-employment benefits *	Provision for litigations and damages	Other	Total
As at 01.01.20176	**15 828**	**10 904**	**1 007**	**14 235**	**41 974**
Increased	1 910	7 784	1 061	1 797	12 552
Reversed	892	216	170	6 306	7 584
Used	1 010	2 958	135	2 632	6 735
As at 31.12.2017	**15 836**	**15 514**	**1 763**	**7 094**	**40 207**
Short-term	13 723	12 353	1 763	7 094	34 933
Long-term	2 113	3 161	-	-	5 274
As at 01.01.2018	**15 836**	**15 514**	**1 763**	**7 094**	**40 207**
Increased	6 440	11 731	581	3 271	22 023
Reversed	2 186	887	867	5 056	8 996
Used	-	14 541	-	985	15 526
Exchange differences on translation	39	9 293	-	1 407	10 739
As at 31.12.2018	52	123	-	152	327
Short-term	**20 103**	**31 729**	**1 477**	**5 039**	**58 348**
Long-term	16 937	18 443	979	4 331	40 690
As at 01.01.20176	3 166	13 286	498	708	17 658

*) The main part of this item is provision for unused holidays

6.8. LIGATIONS

Party to the dispute	Case description	Impact on the financial statements 31.12.2018	31.12.2017
Cases brought against the Group			
Claimant: Mazowiecki Port Lotniczy Warszawa-Modlin sp. z o.o. („MPL") Defendant: ERBUD S.A. in Warszawa Delivery of the lawsuit to ERBUD S.A: 23 May 2014 Amount in dispute: PLN 34,381,374.64	On 12 May 2014, a lawsuit was served to ERBUD.S.A., in which MPL requested the payment of PLN 34,381,374.64 as compensation add statutory interest and litigation costs. Damage claimed by MPL includes losses incurred by the plaintiff and gains lost as a result of allegedly improper performance by ERBUD S.A. of the contract No. PLM/K/96/2010 dated 14 September 2010 for construction of the Warsaw-Modlin Airport and the shutdown of air traffic on the part of the runway. On 11 October 2014, ERBUD S.A. replied to the lawsuit, requesting the dismissal of MPL's action in its entirety and to grant a reimbursement of proceedings costs. Furthermore, regardless of repudiating the plaintiff's claim. ERBUD filed a counterclaim against the MPL making the adjudication of the amount of PLN 19,892,366.30 add statutory interest. The counterclaim includes repair costs of runway pavement on the Warsaw-Modlin Airport incurred by ERBUD S.A. The case has a complicated factual state and extensive evidence submitted in the proceedings. Some expert evidence will be required. ERBUD S.A. maintains also the assessment presented in previous	Recognized as a contingent liability	Recognized as a contingent liability

	memoranda, according to which the risk of awarding a claim to MPL is lower than the chance to dismiss the claim. However, even if the Court had found the claim of MPL to be well founded, the amount of damages awarded would have been significantly lower than the amount requested in the lawsuit by MPL, since ERBUD S.A. is able to challenge almost every element of the damage reported by MPL.		

Cases brought by the Group

Defendant: Bank Millennium S.A. in Warszawa Date of filing the suit: 22.12.2010 Amount in dispute: PLN 71,065,496	In 2008, Bank Millennium S.A. advised ERBUD S.A. to conclude foreign exchange option transactions to hedge against foreign exchange risk in the scope of contracts denominated in EUR carried out by the Issuer. The Bank's proposal resulted from the Issuer's need to obtain collateral adequate to its situation. In the Company's opinion, the product was not optimally suited to the needs of ERBUD S.A. In the fourth quarter of 2008, following drastic depreciation of Polish currency against EUR, Bank Millennium S.A. informed the Issuer about a negative valuation of the exposure held at that time. At the same time, a dispute arose as to the content of FX option transactions, mainly with respect to the exclusion of option structures. During numerous talks, the Issuer presented its position to the Bank, which requested that the transaction be carried out with the undertaking of actions aimed at enforcing 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 twice the Bank 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 decided to enter a lawsuit for payment in order to compensate the damage suffered. On 16 September 2016, the Management Board of ERBUD S.A. was informed by its legal advisors about the judgement of the District Court in Warsaw. Pursuant to this decision, the Court dismissed the Issuer's claim in its entirety. On 4 November 2016, an appeal was filed against this judgement. The judgment was appealed in its entirety, and the allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as faulty interpretation of documents, including those confirming the conclusion of transactions. Furthermore, the appeal also referred to many judgments of the Regional Court and the Court of Appeal in Warsaw, issued in similar cases, in which the Courts brought in verdicts favourable to the customers of Bank Millennium being in a situation very close to the Issuer. The above judgment does not have any influence on the financial situation of the Issuer because the whole loss related to option transactions was accounted for in the year of its occurrence, i.e. in 2008. On 29 May 2018, the Court of Appeal in Warsaw passed judgment in the case brought by ERBUD S.A. against Bank Millennium S.A., in which it upheld the Company's appeal. In its judgment of 29 May 2018, the Court of Appeals in Warsaw overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision on costs of the appeal proceedings. On 13 July 2018, the Company received information that Bank	No impact	No impact

	Millennium S.A. submitted a complaint with the Supreme Court about the judgment of the Court of Appeal 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 legal advisors submitted a response to the complaint on behalf of the Company. On 28 September 2018, the Supreme Court issued a decision in the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. By the decision of 28 September 2018, the Supreme Court, overturned the appealed verdict of the Court of Appeal in Warsaw dated 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on costs of the appeal proceedings.		
Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic Date of filing the suit: 14.02.2013 Amount in dispute: PLN 26,923,644.16	27 May 2014 ERBUD S.A. extended the claim for the amount of PLN 22,925,604.52 PLN requiring the refund of costs of the substitute contractor. By letter dated 27 May 2014 and delivered on 1 July 2014, the defendant made a counterclaim for PLN 5,651,633. The hearing took place on 6 November 2015. Both parties asked for the abolition of the hearing in order to continue voluntary arrangements. The compromise talks ended with no result. All witnesses requested by the Parties have been heard. At the unanimous request of the Parties, the Court set a 30-day period to clarify the evidentiary thesis by the expert and to submit detailed questions to the opinion. On August 17, CEMEX notified its intervention in support of ERBUD S.A. At the hearing held on 12.12.2018, the court dismissed both oppositions. ERBUD S.A. requested the delivery of the decision, including a justification. After reviewing the written justification, a decision will be made to lodge a complaint. No hearing date has been set.	No impact	No impact
Defendant: Kępska S.A. z siedzibą w Warszawie Date of filing the suit: 22.04.2014 Amount in dispute: PLN: 9,877,132	The Issuer claims from Kępska SA the payment of remuneration for completed construction works amounting PLN 9,877,132. By lawsuit of 22 April 2014, the Issuer applied for awarding the above said amount from Kępska SA. In the course of the case, a court expert opinion and two supplemental opinions were prepared. According to these opinions, Erbud performed the works covered by the contract within the deadlines changed by the annexes and the additional agreement. By judgment of 24 April 2018, the Court upheld the claim for payment and sentenced Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 add statutory interest. The Court pointed out in the justification 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. On November 6, 2018, as a result of appeals filed by Erbud and Kępska S. A. against the judgment, the Court of Appeal in Wrocław considered the withdrawal of the contract for general contracting by Erbud S.A. to be effective, awarded the amount of PLN 4,316,464.11 add interest from Kępska S.A. to Erbud S.A., overturned the judgment for re-examination in respect of the receivables of PLN 5,560,667.20 awarded therein, and dismissed the appeals of the Parties in the remaining scope. At the Issuer's request, the Court Enforcement Officer carries out proceedings to enforce the receivables awarded to Erbud S.A. At the same time, on the basis of the issued enforcement title, the Issuer requested to initiate the enforcement proceedings of the part (secured by mortgage) of the legally binding amount of PLN 2,901,964.11 from the real estate at 8 Kępska Street in Opole,	A partial write-off based on discounted cash flows was created	A partial write-off based on discounted cash flows was created

	encumbered with a compulsory mortgage established in favour of Erbud S.A. Proceedings in this regard are conducted by the Court Bailiff at the District Court in Opole.		
Defendant: Akademia Muzyczna in Łódź Date of filing the suit: 20.12.2013 Amount in dispute: PLN: 2,050,515 Counterclaim	Lawsuit of 20 December 2013 for the payment of remuneration for construction works performed by the Parent Company add interest and damages for improper performance of the contract. The parties did not agree in mediation, the proceedings are continued. On 16.12.2017, the expert delivered its opinion. There was also an on-site inspection participated by an expert. A supplementary opinion was submitted, in respect of which ERBUD S.A. filed allegations, in which it upheld its current position Due to the defendant's objections to the opinion of the expert, supplementary opinions No. 4 and No. 5 were issued, in which the expert upheld the position as in the basic opinion. The next hearing date has been set.	A partial write-off based on discounted cash flows was created	A partial write-off based on discounted cash flows was created
Defendant: Erbud SA Amount in dispute: PLN: 4,135,790.96 Date of filing the suit: 16.12.2014	On 20 December 2013, ERBUD S.A. 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, as a result of which ERBUD S.A. suffered damage in the form of increased site maintenance costs for a period longer than provided for in the aforementioned contract, i.e. from 1 June 2013 to 15 July 2013. The defendant Academy of Music responded to the suit with request to dismiss the action in its entirety and raised the procedural objection to deduction of penalties. By decision of 5 November 2015, the Court joined this case with a counterclaim brought by the Academy of Music. The hearings of other witnesses are underway. At the request of the Academy of Music, mediation proceedings were conducted in order to reach a settlement. The parties did not agree in mediation and the proceedings are continued. On 16.12.2017, the expert issued an opinion. There was also an on-site inspection in which the expert participated. A supplementary opinion was submitted, in respect of which ERBUD S.A. filed allegations, in which it upheld its current position Due to the defendant's objections to the opinion of the expert, supplementary opinions No. 4 and No. 5 were issued, in which the expert upheld the position as in the basic opinion. The next hearing date has been set.	Not applicable	Not applicable
Defendant: Platinum Resort Sp. z o.o. Date of filing the suit: 03.12.2018 Amount in dispute: PLN 16,301,236.97	Erbud filed an application with the District Court in Szczecin for securing a financial claim in the amount of PLN 5,455,851.09 due to the accrued contractual penalty for withdrawing from the building contract of 26 January 2017 for the performance of the project "Construction of a four-star hotel complex comprising three hotel buildings together with site development at Żeromskiego Street in Świnoujście" by encumbering the Platinum Resort Sp. z o. o. property with an aggregate compulsory mortgage. By decision of 19 November 2018, the Court provided security by entering the compulsory mortgage on the aforementioned real estate in the land and mortgage register, as well as by seizing the bank accounts of Platinum Resort Sp. z o. o. On 3 December 2018, the Issuer lodged a lawsuit for payment under a writ of payment proceedings of PLN 16,301,366.97 add interest due to remuneration and other claims related to the performance of	Not applicable	Not applicable

the above-mentioned project, and an additional request for securing claims.

Platinum Resort Sp. z o. o. filed a complaint against the decision on security to which the Issuer's attorneys replied. To date, the Court of Appeal in Szczecin did not consider the complaint.

The District Court in Szczecin found that there were no grounds to issue a payment order and referred the case to be examined in ordinary proceedings. The suit was addressed to the defendant. By decision of February 22, 2019, the District Court provided security to Erbud's claim for a further amount of PLN 3.5 million by establishing a compulsory mortgage on the real estate.

6.9. TRADE AND OTHER LIABILITIES

Trade payables and other liabilities include mainly liabilities due to deliveries and services form non-related parties, advances received, payroll liabilities and tax liabilities.

Trade liabilities are initially recognized at fair value (corresponding to the face value) and measured at amortized cost as at the balance sheet date.

Received advances mainly concern payments from customers for the performance of construction contracts and recognized at the face value of the payment.

Payroll liabilities are recognized at the value due for work performed, calculated in accordance with the concluded agreements.

Tax liabilities (including VAT, corporate income tax and personal income tax) are recognized at the amounts due to be paid by the Group in accordance with applicable regulations.

	2018	2017
Trade liabilities	**328 807**	**262 886**
of which form related parties	1 125	1 303
Advances received	177	-
Liabilities to state budget:	**54 616**	**33 726**
VAT	36 791	21 589
Corporate income tax	4 597	934
Personal income tax	3 723	2 431
Social security contributions (ZUS)	8 574	7 690
Real property tax	1	-
Rehabilitation fund contributions (PFRON)	148	139
Holiday fund (tax paid in Belgium)	638	825
Other	144	118
Other liabilities	**21 384**	**9 886**
Remuneration	9 698	7 043
Accrued expenses	7 186	346
Other	4 500	2 497
Total	**404 984**	**306 498**

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6.10. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of changes in working capital for the period from 1 January to 31 December 2018 and for the period from 1 January to 31 December 2017 is presented below.

	Change in cash flows 01.2018-12.2018	Change in cash flows 01.2017-12.2017
Change in provisions	**2 555**	(803)
Change in inventories	**(4 570)**	(8 820)
Change in receivables	**(55 493)**	10 927
Change in short-term liabilities, except for loans and borrowings	**98 843**	(591)
Change in prepayments	**41 237**	(72 654)
Change in working capital	**82 572**	**(71 941)**

6.11. GROUP STRUCTURE, INVESTMENTS IN JOINT VENTURES AND TRANSACTIONS WITH RELATED PARTIES

Subsidiaries and consolidation principles: The consolidated financial statements contain the data of the Parent Company and its subsidiaries.

Subsidiaries are consolidated using the full method from the date on which control is assumed until the date that control ceases. The control takes place when the Parent Company, in respect of its involvement with the investee, is exposed to variable financial returns or when it has the right to variable returns or is capable of influencing the amount of these financial results by exercising control over this unit.. The financial statements of subsidiaries are prepared for the same reporting period as the financial statement of the Parent Company using uniform accounting policies. In the case of losing control over a subsidiary, the gain or loss on the transaction resulting in the loss of control is recognized in the income statement.

Acquisitions and mergers are accounted for using the acquisition method. Under this method, identifiable assets and liabilities acquired are measured at their fair values as at the acquisition date. The consideration paid for business combination is measured at fair value of assets transferred by the Group, liabilities taken by the Group against the former owners of the acquired entity and equity instruments issued by the Group In exchange for the control of the acquiree. Costs associated with the acquisition are recognized in the profit or loss account at the time they are incurred. The excess of the acquisition price and the amount of non-controlling interest measured at fair value over the fair value of the net assets acquired, subject to the exceptions listed in IFRS 3, is goodwill.

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

Group structure

As at 31 December 2018, the Group is comprised of the Parent Company Erbud S.A. and fully consolidated subsidiaries.

Detailed information on the structure of the Group is provided in the tables below.

Item No.	Business name	Seat	Profile	Parent's Company share in equity (equal to the voting power) 2018	2017
	Shares held directly				
1	Erbud International Sp. z o.o.	Toruń	Construction	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	Rzeszów	Construction	**93.00%**	79.00%
4	Erbud Construction Sp. z o.o. *	Toruń	Construction	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	Toruń	Engineering services	**100.00%**	100.00%
6	GWI GmbH	Dusseldorf, Germany	Construction	**97.86%**	85.00%
7	Erbud Shared Services Sp. z o.o.	Warszawa	Support services	**100.00%**	100.00%
8	Erbud Holding GmbH	Dusseldorf, Germany	Management services	**100.00%**	-
9	Hebud Sp. z o.o.	Minsk, Belarus	Construction	**100.00%**	-
10	Toruńska Sportowa w likwidacji Sp. z o.o.*	Toruń	Sports, entertainment and recreation services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp.z o.o	Warszawa	Construction	**100.00%**	-

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

Item No.	Business name	Seat	Profile	Intermediate Parent's share in equity (equal to the voting power) 2018	2017
	Shares held directly				
1	Erbud Industry Centrum Sp. z o.o.	Łódź	Maintenance services for energy sector	**99.01%**	98.92%
2	Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services for energy sector	**100.00%**	100.00%
3	Erbud Industry Południe Sp. z o.o.	Będzin	Maintenance services for energy sector	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Dusseldorf, Niemcy	Construction	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Dusseldorf, Germany	Construction	**43.35%**	43.35%
7	Efektywność Energetyczna dla Polski Sp.z o.o.	Szczecin	Consulting services	**50.00%**	50.00%
8	Erbud Beteiligungs GmbH	Dusseldorf, Germany	Purpose company	**100.00%**	-
9	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services for energy sector	**100.00%**	-
10	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services for energy sector	**100.00%**	-
11	PflegeQuatier Düren GmbH	Dusseldorf, Germany	Construction	**43.35%**	-

In 2018 and until the date of publication of the financial statements prepared as at 31 December 2018, the structure of the ERBUD Group as compared 31 December 2018 and to the date of publication of the financial statements for 2018 changed as follows:

- The capital increase in the subsidiary GWI GmbH on 31 August 2018 from EUR 500,000 up to EUR 3,500,000. As a result of the capital rise, the ownership structure in the subsidiary changed. Before the increase ERBUD S. A. owned 85% of the GWI GmbH share capital and had 85% of votes at the general meeting. After raising the capital, the share of ERBUD S. A. in the share capital increased to 97.86%. The share of the minority shareholder Mr. Axel Whal has been reduced from 15% to 2.14%.
- Repurchase of two shares in Erbud Industry Centrum Sp. z o.o. by Erbud Industry Sp. z o.o., a subsidiary of ERBUD S.A. Before the transaction ERBUD S.A held indirectly in Erbud Industry Centrum sp. o.o. 98.92% of shares in the share capital and 98.92% of votes at the general meeting. After the repurchase of two shares from one of the minority shareholders, the indirect share of ERBUD S.A. raised to 99.01%. The decision on the entry concerning the change in shareholding was issued by the Court on 9 October 2018.
- Repurchase of twenty eight shares in Erbud Operations Sp. z o. o. by ERBUD S. A. Before the transaction, ERBUD S.A. held in Erbud Operations Sp. z o. o. 79% of the share capital and had 79% of votes at the General Meeting. After the buy-back of twenty-eight shares from two minority shareholders, ERBUD's share increased to 93%. The decision on the entry concerning the change in shareholding was issued by the Court on 02 January 2019.
- Repurchase of fourteen shares in Erbud Operations Sp. z o. o. by ERBUD S. A. Before the transaction, ERBUD S.A. held in Erbud Operations Sp. z o. o. 93% of the share capital and had 79% of votes at the General Meeting. After the buy-back of fourteen shares from one minority shareholder, ERBUD's share increased to 100%. Until the date of publication of the financial statements, the Court did not issue a decision on the entry concerning changes in shareholding.

Acquisition of an undertaking

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 8 500 thousand.

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.

IVT Weiner + Reimann GmbH seated in Oberhausen operates mainly in the business segments of energy, industry and municipal services. The scope of its activities includes:

- Industrial and plant engineering;
- Electrical engineering, measurement and control technology;
- Building services engineering (Facility Management);
- Gas, water and district heating;
- Structural steelwork and pipeline engineering;
- Industrial vulcanisation;
- Temporary employment.

	Wartość godziwa
Property, plant and equipment	16 303
Cash and cash equivalents	12 869
Inventory	3 850
Receivables	22 105
Prepayments	2 596
Deferred tax assets	1 082
Assets (A)	**58 805**
Liabilities and accruals	20 953
Provisions	18 398
Liabilities (B)	**39 351**
Fair value of net assets (A-B)	**19 454**
Acquisition price (paid in cash)	35 453
Total acquisition price with non-controlling interest (E)=(C)+(D)	**35 453**
GOODWILL *	**15 999**

* Goodwill presented as at the acquisition date

Acquired receivables

The fair value of receivables taken over as a result of the transaction was PLN 22,105 thousand. The receivables covered by the contract amounted to PLN 22,191 thousand gross, of which PLN 86 thousand was written off.

Acquired entity's income and profit

The revenues and net profit generated by the acquiree, which were included in the consolidated statement of comprehensive income for the reporting period from the acquisition date, i.e. from 1 March 2018, amounted to:

- Revenues: PLN 76 901 thousand
- Net profit: PLN 3 384 thousand.

If the acquisition took place on 1 January 2018, i.e. at the beginning of the annual reporting period, the revenues and profit of the acquiree for the current reporting period would be:

- Revenues: PLN 92 273 thousand
- Net profit: PLN 3 384 thousand

These amounts were calculated based on the financial data of the acquired entity, which were adjusted in accordance with the accounting policy applied in the Erbud Group.

Note to the consolidated statement of cash flows

	For the 12 months ended 31-12-2018
Cash outflows arising from acquisition of an entity	36 550
- Cash acquired due to acquisition	12 916
= Net cash flows from acquisition - investing activities	**23 634**

Related party transactions

The table below shows the total amounts of transactions concluded by the Parent Company with related parties for the period ended 31 December 2018 and as of 31 December 2017.

		2018			2017		
		Joint Venture	Other relationship	Total	Joint Venture	Other relationship	Total
	Trade receivables	1 819	42	**1 861**	1 766	56	**1 822**
Note 5.1.2.	Loans granted	-	-	**-**	-	-	**-**
	Trade liabilities	1 126	-	**1 126**	857	-	**857**
	Revenue from sales	-	-	**-**	-	-	**-**

Transactions with key members of the managerial staff

Remuneration paid to members of the Management Board and members of the Supervisory Board by Erbud S.A. and its subsidiaries are presented in the table below:

	2018	2017
Management Board		
Short-term employee benefits (remuneration), incl:	5 099	3 785
jubilee awards	-	-
Supervisory Board		
Short-term employee benefits (remuneration)	429	462
Total	**5 528**	**4 247**

As at 31 December 2018 the managing persons (members of the Management Board and the Supervisory Board) held the following number of shares (all shares are ordinary ones):

	2018		2017	
Shareholder	Number of shares / votes	share in the equity / votes at the AGM	Number of shares / votes	share in the equity / votes at the AGM
Dariusz Grzeszczak	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	259 500	2.03%	259 500	2.03%
Agnieszka Głowacka	4 077	0.03%	4 077	0.03%
Albert Durr	28 000	0.22%	28 000	0.22%
Total	**1 065 477**	**8.32%**	**1 065 477**	**8.32%**

As of the date of issuing these Financial Statements, the Board members and holders of a commercial power of attorney did not have Erbud's stock options or other share-based benefits.

6.12. EVENTS AFTER THE REPORTING PERIOD

On **7 February 2019** was carried out the repurchase transaction of fourteen shares in Erbud Operations Sp. z o. o. by ERBUD S. A. Before the transaction, ERBUD S.A. held in Erbud Operations Sp. z o. o. 93% of the share capital and had 79% of votes at the General Meeting. After the buy-back of fourteen shares from one minority shareholder, ERBUD's share increased to 100%.

On 13 February 2019, Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. -a subsidiary of ERBUD S.A. - sold three thousand five hundred and eight shares in Efektywność Energetyczna Dla Polski Sp. z o.o. Before the transaction, ERBUD S.A. indirectly held 50% of the share capital in Efektywność Energetyczna Dla Polski sp. z o.o. and had 50% of votes at the General Meeting. After the sale transaction, the indirect share of ERBUD S.A. is 0%.

After the balance sheet date, by the date of preparing the financial statements there were no events which have not been, and should be recognized in the accounting books.

Signatures of the Management Board Members

Józef Zubelewicz

/ Management Board Member /

Dariusz Grzeszczak

/ Management Board Member /

Agnieszka Głowacka

/ Management Board Member /

Warsaw, March 27, 2019