ERBUD GROUP

Condensed Consolidated Financial Statements for the period ended 31 March 2019

prepared in accordance with International Financial Reporting Standards



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
	CONTINUING OPERATIONS		
Note 4.1.	Revenue from sales of products and services	600 967	432 355
Note 4.2.	Cost of products and services sold	573 414	407 726
	Profit / (loss) from sales before tax	**27 553**	**24 629**
Note 4.2.	Cost of sales	1 282	1 417
Note 4.2.	General and administrative costs	24 082	21 546
	Other operating income	3 112	3 704
	Other operating expenses	777	445
	Impairment of financial assets and contract valuation assets	1 077	-
	Share of net profit/(loss) of subsidiaries measured by equity method	175	20
Note 4.1.	**(Loss)/Profit on operating activity**	**5 776**	**4 945**
	Financial income	104	4 493
	Financial expenses	2 508	2 359
	(Loss)/Profit from continuing operations before tax	**3 372**	**7 079**
Note 4.3.	Income tax	1 549	2 460
	Net (loss)/profit from continuing operations	**1 823**	**4 619**
	(Loss)/Profit for the financial period	**1 823**	**4 619**
	Net loss/(profit) for the financial period attributable to:		
	Shareholders of the Parent Company	1 819	4 463
	Minority shareholders	4	156
	Weighted average number of ordinary shares	12 811 859	12 811 859
	Net earnings per share from continuing operations (in PLN)	0.14	0.36
	Basic net earnings per share (in PLN)	**0.14**	**0.36**
	Diluted weighted average number of shares	12 811 859	12 811 859
	Diluted net earnings per share from discontinued operations (in PLN)	0.14	0.36
	Diluted net earnings f per share (in PLN)	**0.14**	**0.36**
	ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS, INCL. ALTERNATIVE PERFORMANCE MEASURES		
	Amortization and depreciation	4 391	2 773
Note 4.1.	**EBITDA**	10 167	7 718

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
Consolidated net (loss)/profit	**1 823**	**4 619**
Foreign currency translation reserve	6	(668)
Valuation of hedging instruments	5	(1 458)
Other comprehensive income (including tax effect) reclassified to profit or loss	**11**	**(2 126)**
Total revenue for the period	**1 834**	**2 493**
attributable to:		
Shareholders of the Parent Company	1 830	2 315
Minority interests	4	178
Total income attributable to Shareholders of the Parent Company from:		
Continuing operations	1 830	2 315
	1 830	**2 315**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve capital	Foreign currency translation reserve	Valuation of hedging instruments	Retained earnings	Total	Non-controlling interests	Total equity
Establishment of impairment allowance in accordance with IFRS 9 as at 1 January 2018	**-**	**-**	**-**	**-**	**-**	**(9 528)**	**(9 528)**	**-**	**(9 528)**
As at 1 January 2018	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**38 126**	**266 329**	**9 999**	**276 328**
Net profit/loss for the period	-	-	-	-	-	4 463	**4 463**	156	**4 619**
Total income for the financial period	-	-	-	107	(1 458)	(797)	**(2 148)**	22	**(2 126)**
Total comprehensive income	**-**	**-**	**-**	**107**	**(1 458)**	**3 666**	**2 315**	**178**	**2 493**
First time introduction of German subsidiaries	-	-	-	-	-	6 692	**6 692**	-	**6 692**
Other	-	-	-	-	-	-	**-**	44	**44**
As at 31 March 2018	**1 281**	**213 197**	**11 103**	**967**	**304**	**48 484**	**275 336**	**10 221**	**285 557**
As at 1 January 2019	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**
Net profit/loss for the period	-	-	-	-	-	1 819	**1 819**	4	**1 823**
Total income for the financial period	-	-	-	5	6	-	**11**	-	**11**
Total comprehensive income	**-**	**-**	**-**	**5**	**6**	**1 819**	**1 830**	**4**	**1 834**
Acquisition of shares in subsidiaries	-	285	-	-	-	-	**285**	(385)	**(100)**
Other	-	-	-	-	-	(7)	**(7)**	-	**(7)**
As at 31 March 2019	**1 281**	**212 216**	**11 103**	**2 027**	**-**	**8 655**	**235 282**	**7 356**	**242 638**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31-03-2019	31-12-2018
	ASSETS	**1 088 363**	**1 098 400**
	Goodwill	39 467	39 462
	Property, plant and equipment	97 618	72 498
Note 5.1.	Financial assets	5 745	5 750
Note 4.7.	Deferred tax assets	30 463	30 410
Note 2.2.	Receivables under construction contracts -retention	16 455	9 535
	Share of net profit (loss) of subsidiaries measured by equity method	-	-
	Fixed assets	**189 748**	**157 655**
	Inventory	25 971	20 100
	Receivables under construction contracts -retention	46 067	53 362
Note 2.2.	Receivables under construction contracts -valuation	188 437	176 425
Note 6.2.	Trade and other receivables	529 013	463 660
Note 5.1.	Financial assets	70	7 493
	Cash and cash equivalents	99 172	206 608
	Cash accumulated in the VAT account	1 757	7 249
	Short-term prepayments	8 128	5 848
	Current assets	**898 615**	**940 745**
	LIABILITIES	**1 088 363**	**1 098 400**
Note 3.1.	Share capital	1 281	1 281
	Share premium reserves	212 216	211 931
	Reserve capital	11 103	11 103
	Other comprehensive income accumulated	2 027	2 016
	Retained earnings	8 655	6 843
	Equity of shareholders of the Parent Company	235 282	233 174
	Minority interests	7 356	7 737
	Equity	**242 638**	**240 911**
Note 3.2-3.4	Interest debt	102 380	82 179
	Provisions	18 703	17 658
Note 4.3.	Deferred tax liabilities	2 539	2 697
	Liabilities under construction contracts - retention	16 845	10 405
	Long-term liabilities	**140 467**	**112 939**
Note 3.2-3.4	Interest debt	46 812	45 976
	Provisions	38 441	40 690
	Liabilities under construction contracts - retention	102 596	108 097
Note 2.2.	Liabilities under construction contracts - valuation	129 757	116 313
Note 6.3.	Trade and other payables	350 008	404 984
	Prepaid deliveries	37 644	28 490
	Short-term liabilities	**705 258**	**744 550**
	Assets pledged as security	18 128	18 126

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit (loss) before tax	3 372	7 025
	Depreciation and amortization	4 391	2 775
	Profit (loss) from exchange rate differences	(121)	(70)
	Interest and share of profit (dividends)	902	409
	Other non-cash adjustments	41	(514)
		-	-
	Income tax paid	(5 826)	(2 472)
Note 6.4.	Change in working capital	(110 895)	(120 222)
		-	-
		-	-
	Net cash from operating activities	**(108 136)**	**(113 069)**
	CASH FLOWS FROM INVESTMENT ACTIVITIES		
	Proceeds from the sale of shares in subsidiary	-	53
	Proceeds from loans granted	4	-
	Other inflows	503	37 026
		-	-
	Payments for acquired property, plant and equipment	(1 902)	(1 516)
	Payments for investment property	(1 192)	-
	Payments related to loans granted	-	(3 880)
	Payments for acquired shares in companies	(101)	-
	Payments for the acquisition of subsidiaries, less cash taken over	-	(21 246)
	Other	-	(21 146)
		-	-
	Net cash from investment activities	**(2 688)**	**(10 709)**
	CASH FLOWS FROM FINANCIAL ACTIVITIES		
	Proceeds from debt incurred - loans and borrowings	17 960	67 230
	Other inflows	-	24
		-	-
	Debt repayment - capital	(13 062)	(15 897)
	Debt repayment - interest	(1 510)	(1 660)
	Payment of dividends	-	-
	Other outflows	-	(3 950)
		-	-
		-	-
	Net cash from financial activities	**3 388**	**45 747**
	NET CASH FLOWS	**(107 436)**	**(78 031)**
	Opening cash and cash equivalents	**206 608**	**190 170**
	Foreign exchange differences on cash and cash equivalents	-	-
	Closing cash and cash equivalents, incl.:	-	-
	- restricted cash	**99 172**	**112 140**
	Net cash from financial activities	16 283	15 515

KEY FIGURES CONVERTED TO EURO

	31-03-2019		31-12-2018	
	PLN	EUR	PLN	EUR
Fixed assets	189 748	44 114	157 655	36 664
Current assets	898 615	208 917	940 745	218 778
Equity capital	242 638	56 410	240 911	56 026
Liabilities and provisions for liabilities	845 725	196 621	857 489	199 416

	For the 3 months ended 31-03-2019		For the 3 months ended 31-03-2018	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	600 967	139 831	432 355	103 474
Cost of products and services sold	573 414	133 420	407 726	97 579
Gross profit/(loss) from sales	27 553	6 411	24 629	5 894
Operating (loss)/profit)	5 776	1 344	4 945	1 183
Gross (loss)/profit from continuing operations	3 372	785	7 079	1 694
Net (loss)/profit from continuing operations	1 823	424	4 619	1 105

	For the 3 months ended 31-03-2019		For the 3 months ended 31-03-2018	
	PLN	EUR	PLN	EUR
Net cash flow from operating activities	(108 136)	(25 161)	(113 069)	(27 060)
Net cash flow from investing activities	(2 688)	(625)	(10 709)	(2 563)
Net cash flow from financing activities	3 388	788	45 747	10 948
Net cash flow	(107 436)	(24 998)	(78 031)	(18 675)
Opening cash and cash equivalents	206 608	48 048	190 170	45 594
Closing cash and cash equivalents	99 172	23 056	112 140	26 646

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In the Financial Statements you will find icons that represent:

 Accounting policies

 Estimates

1. GENERAL INFORMATION

1.1. INTRODUCTION

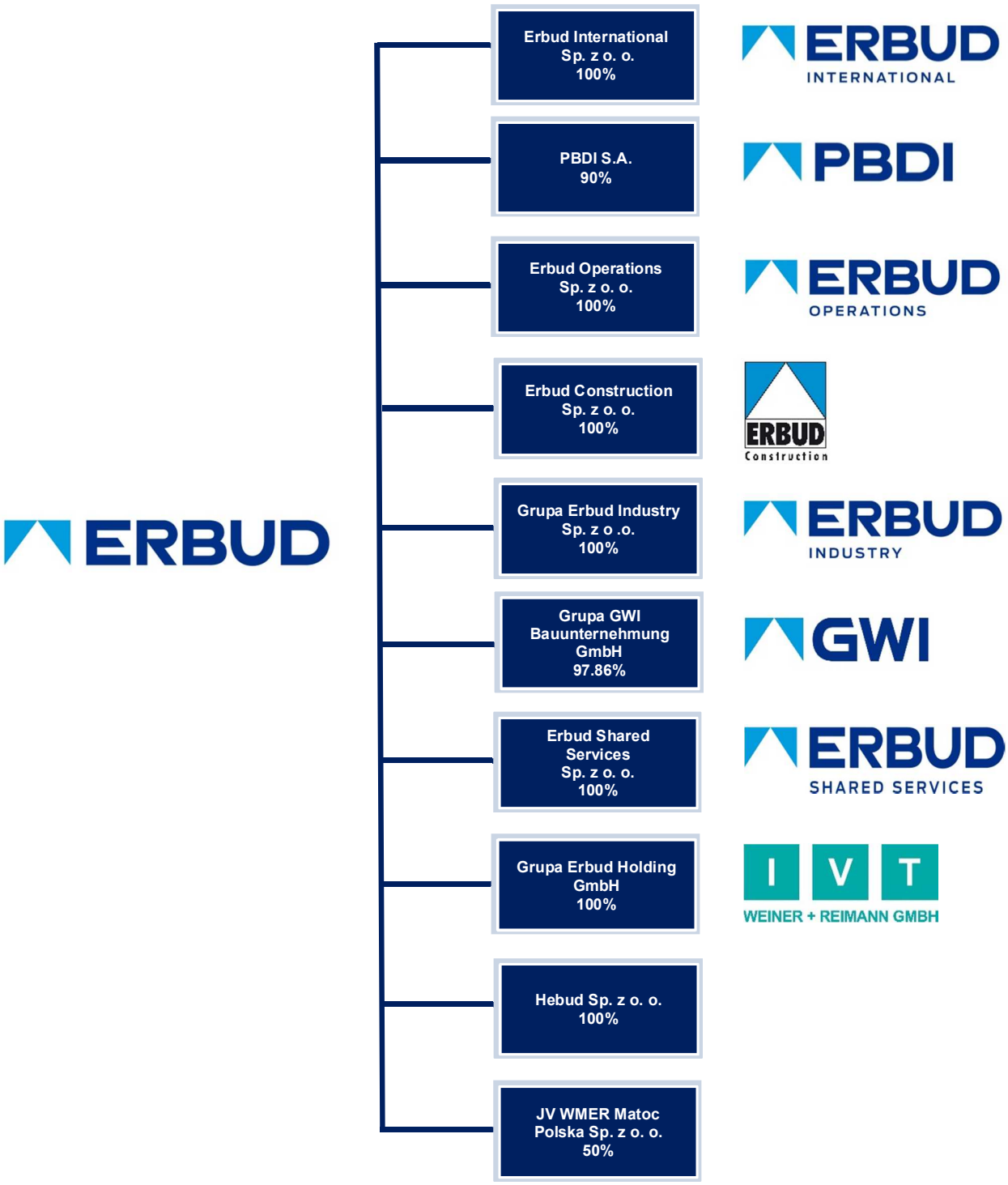
Erbud S.A. with its registered office in Warsaw, 1 Franciszka Klimczaka Street, is the parent company (the "Parent Company") of the Erbud S.A. Group (the "Group").

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 6.5.

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 consolidated quarterly financial statements have been prepared as at 31 March 2019 and for the three months ended 31 March 2109, and comparative figures as at 31 December 2018 and for the three months ended 31 March 2018.

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 15 May 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:

2. assets and liabilities are translated at the closing rate applicable at the balance sheet date;
3. 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.

Based on the probability of insolvency during the contractual period of less than 3 months, that has 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 applying 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 the calculations made by the Group which assume the application of the lessee's marginal interest rate, the total assets and liabilities of the Company increased by PLN 23.0 million as at 01.01.2019, and by PLN 21.5 million as at 31.03.2019. The Company took 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 facilities 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 6.2). 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 6.3). As the performance bond, the Group retains a part of payments due to the subcontractors, which are recognized under "Liabilities under construction contracts - Retention". 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 4.3.

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 PAYABLES UNDER CONSTRUCTION CONTRACTS

	For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
	Contracts in the period	Contracts in the period
Amounts recognised in the period		
Revenues from construction contracts	548 082	400 759
Costs related to construction contracts	523 317	364 759
Result before recognition and accounting for of future losses	**24 765**	**36 000**
Creation of provisions for future losses	-	(21)
Release /use of provisions created in previous periods	640	-
Gross result	**24 125**	**35 979**
Gross profit margin		
without provisions	5%	9%
with provisions	4%	9%

2. CONSTRUCTION CONTRACTS

2.2. RECONCILIATION OF AMOUNTS DUE TO CONSTRUCTION CONTRACTS IN PROGRESS

	31-03-2019	31-12-2018
Cumulative income from construction contracts	2 968 429	2 583 163
Cumulative amounts invoiced to customers	2 941 986	2 563 654
Accounting for construction contracts balance - revenues	**26 443**	**19 509**
including:		
(1) Receivables due to non-invoiced completed construction works	102 234	80 480
Write-offs due to contract valuation	-	(332)
(1a) Net receivables due to non-invoiced completed construction works - assets under construction contracts	102 234	80 148
(2) Liabilities due to invoiced non-completed construction works – liabilities under construction contracts	75 791	60 639
Cumulative costs related to construction contracts	2 728 070	2 376 047
	-	596
Cumulative expenses invoiced by customers	2 760 307	2 416 650
Accounting for construction contracts balance - costs	**32 237**	**40 603**
including:		
(3) Receivables due to invoiced non-completed construction works	86 203	96 277
(4) Liabilities due to non-invoiced completed construction works	53 966	55 674
	-	-
Accounting for construction contracts balance	**58 680**	**60 112**
including:		
Receivables due to construction contracts – valuation [(1a)+(3)]	188 437	176 425
Liabilities due to construction contracts – valuation [(2)+(4)]	129 757	116 313

Information about significant events that occurred during the three months of 2019 and after the balance sheet date

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.

Amendments under the Annex:

1) the remuneration has been 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 original contract amount was PLN 122 981 846.12. The change in the contract price results from the increase in remuneration for the second stage of construction.

2) The contract remains as conditional one.

On **17 April 2019,** the Issuer entered into a general contractor contract with VD spółka z ograniczoną odpowiedzialnością Mieszkania XVIII sp.k., a subsidiary of Vantage Development S.A., to complete the development project "Legnicka 33" in Wrocław.

The net value of the contract is PLN 67.2 million.

Under the Contract, Erbud is obliged to construct and handing over a multi-family residential building with underground garage named Legnicka 33, along with internal and external technical infrastructure, development works, including structural landscaping, greenery and accompanying structures, as well as internal communication system and necessary roads related to the performance of a non-road project by the Employer. There will be 239 flats and 11 commercial units in the building. Obtaining the occupancy permit is expected within 82 weeks from the date of delivery of Notice to Proceed, which the Employer provided to the Contractor immediately after the conclusion of the Contract.

On **26 April 2019,** the Company entered into construction contract to renovate and extend the indoor swimming pool at the Sports and Recreation Centre for OSiR Stargard Sp. z o.o. in Stargard on the following terms and conditions:

1. Customer: Ośrodek Sportu i Rekreacji OSiR Stargard Sp. z o.o. seated in Stargard, 33 Szczecińska Street, 73110 Stargard.
2. Completion period: 06.05.2019 - 26.10.2020.
3. Range of works: demolition, construction works, including mechanical and plumbing works, site development and accompanying utilities, swimming pool basins, supply of equipment; maintenance of the facility for a period of 1 year.
4. Net contract value: PLN 31,620,658.82.
5. Site location: Stargard, 33 Szczecińska Street.

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.

Share capital

The share capital as of 31 March 2019 consisted of 12,811,859 shares with a total value of PLN 1 281 thousand. 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 (dawniej ING PTE)	1 200 000	9.37%
AVIVA Otwarty Fundusz Emerytalny Aviva Santander	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%
PKO OFE	715 279	5.58%
Adler Properties Sp. Z o.o. controlled by Józef Zubelewicz	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 the shareholders any personal rights in relation to Erbud S.A., and in particular, do not give the right to appoint members of the Management Board or 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 were reserved for issuance under the sale options. All issued shares are ordinary and non-preference ones. There are no restrictions on rights to the shares or on the transferability of shares.

3.2. LIABILITIES DUE TO LOANS AND BORROWINGS

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.

	31-03-2019	31-12-2018
Long-term		
Bank loans	19 045	20 898
Short-term		
Overdrafts	23 505	24 538
Bank loans	17 686	15 744
Borrowings	-	17
	41 191	40 299
Total debt on loans and borrowings	**60 236**	**61 197**

3.3. 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.

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.

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 March	
							2019	2018
27-09-2017	C-series bearer, dematerialized, unsecured	functional	WIBOR 6M	27-09-2021	financing increased working capital demand	1	52 000	52 000
				Total current and non-current liabilities		1	**52000**	**52 000**

In the period from 1 January 2019 to 31 March 2019, the Company incurred costs due to interest on issued bonds amounting to PLN 635,000.

3.4. 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.

Period		31-03-2019 Nominal value of minimum fees	31-12-2018 Nominal value of minimum fees
Less than 1 year	Current	5 849	6 016
1 - 5 years	Non-current	31 895	9 847
		37 744	**15 863**
Finance costs due to financial leasing		788	905
Current value of minimum fees		**36 956**	**14 958**

In accordance with IFRS 16 "Leases", the Company recognized liabilities under rental and lease agreements amounting to PLN 21,587 thousand as long-term liabilities.

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.

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

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".

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	For the 3 months ended 31-03-2019			For the 3 months ended 31-03-2018		
	At home (Poland)	Abroad	Total	At home (Poland)	Abroad	Total
Sales to external customers, including::	537 191	63 776	**600 967**	368 192	64 163	**432 355**
Revenues recognized over time	509 782	38 300	**548 082**	357 907	42 852	**400 759**
Revenues recognized at a point in time	25 626	25 100	**50 726**	8 374	17 109	**25 483**
Other revenues recognized at a point in time	1 783	376	**2 159**	1 911	4 202	**6 113**
Fixed assets other than financial instruments and deferred tax assets						
Sales to external customers, including::	103 045	39 785	**142 830**	80 264	37 529	**117 793**

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

							For the 3 months ended 31-03-2019
	Building construction at home	Building construction abroad	Road-engineering	Industrial construction at home	Industrial construction abroad	Other segments	Total continuing operations
Total income							
Intersegment sales	-	-	(6 914)	(9 708)	-	-	**(16 622)**
Sale to external clients	453 797	38 568	41 017	59 094	25 208	(95)	**617 589**
Total income from sales	**453 797**	**38 568**	**34 103**	**49 386**	**25 208**	**(95)**	**600 967**
Segment results and reconciliation to gross (loss)/profit of the Group							
Prime costs	441 804	37 068	29 178	46 829	18 770	(235)	**573 414**
Result on other operating activity	(8 389)	(1 173)	(4 385)	(4 281)	(3 328)	(221)	**(21 777)**
Segment result – EBIT	**3 604**	**327**	**540**	**(1 724)**	**3 110**	**(81)**	**5 776**
EBIT margin	1.00%	1.00%	1.00%	-3.00%	12.00%	85.00%	**1.00%**
Result on financial activity	(1 580)	(194)	(174)	(378)	(78)	-	**(2 404)**
Result before tax excluding discontinued operations	**2 024**	**133**	**366**	**(2 102)**	**3 032**	**(81)**	**3 372**
Income tax	771	246	68	(342)	881	(75)	**1 549**
Net result excluding discontinued operations	**1 253**	**(113)**	**298**	**(1 760)**	**2 151**	**(6)**	**1 823**
Depreciation and amortization	901	521	748	1 521	549	151	**4 391**
Segment result – EBITDA	**4 505**	**848**	**1 288**	**(203)**	**3 659**	**70**	**10 167**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Building construction at home	Building construction abroad	Road-engineering	Industrial construction at home	Industrial constructi on abroad	Other segments	For the 3 months ended 31-03-2018 Total continuing operations
Total income							
Intersegment sales	-	-	(287)	(5 294)	-	-	**(5 581)**
Sale to external clients	283 895	39 770	49 755	39 192	24 308	1 016	**437 936**
Total sales	**283 895**	**39 770**	**49 468**	**33 898**	**24 308**	**1 016**	**432 355**
Segment results and reconciliation to gross (loss)/profit of the Group							
Prime costs	273 336	37 046	44 381	32 397	19 854	712	**407 726**
Result on other operating activity	(6 728)	(2 613)	(2 969)	(4 121)	(2 128)	(1 125)	**(19 684)**
Segment result – EBIT	**3 831**	**111**	**2 118**	**(2 620)**	**2 326**	**(821)**	**4 945**
EBIT margin	1.00%	0.00%	4.00%	-7.00%		-81.00%	**1.00%**
Result on financial activity	2 286	140	124	(363)	(60)	7	**2 134**
Result before tax excluding discontinued operations	**6 117**	**251**	**2 242**	**(2 983)**	**2 266**	**(814)**	**7 079**
Income tax	1 384	64	526	(443)	912	17	**2 460**
Net result excluding discontinued operations	**4 733**	**187**	**1 716**	**(2 540)**	**1 354**	**(831)**	**4 619**
Depreciation and amortization	324	241	747	855	405	201	**2 773**
Segment result – EBITDA	**4 155**	**352**	**2 865**	**(1 765)**	**2 731**	**(620)**	**7 718**

4.2. COST OF SALES

	For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
External services	402 552	279 771
Consumption of materials and energy	104 342	96 061
Costs of employee benefits	75 159	74 979
Amortization and depreciation	4 391	2 773
Taxes and fees	2 496	2 668
Other costs	4 740	5 272
Value of sold goods and materials	351	222
Total costs by nature	**594 031**	**461 746**
Change in inventories, products and deferred expenditures due to construction contracts	4 747	(31 057)
Sales costs (negative value)	(1 282)	(1 417)
General and administrative expenses (negative value)	(24 082)	(21 546)
Product cost of goods sold	**573 414**	**407 726**

4.3. TAXATION

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

Due to temporary differences between the 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 when there is a legally enforceable right to set off current tax receivables and payables, and they relate to income taxes levied by the same tax authority on the same taxable entity. This means that deferred tax assets and liabilities are offset 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 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
Gross profit before tax from continuing operations	**3 372**	**7 079**
Tax at the statutory tax rate applicable in Poland - 19%	**641**	**1 346**
Additional tax charge arising from the rate exceeding 19% in Germany	880	596
Adjustments to current income tax from previous years	-	-
Surplus of non-deductible expenses over income not recognised as taxable income	28	519
Tax recognized in the Consolidated Profit and Loss Statement, including:	**1 549**	**2 460**
Current income	1 760	1 744
Deferred income	(211)	716
Effective tax rate	**45,95%**	**34,76%**

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

			Impact on			Impact on		
		01.01.2018	net earnings	other comprehensive income	31.12.2018	net earnings	other comprehensive income	31.03.2019
	Deferred tax assets							
	Valuation of receivables from construction contracts	16 000	13 840	-	29 840	4 204	-	34 044
	Provisions	6 416	931	1 107	8 454	(658)	-	7 796
	Tax loss	1 718	960	-	2 678	816	-	3 494
	Accrued remuneration and charges	437	76	-	513	(52)	-	461
Note 6.2.	Impairment losses on receivables	2 043	414	1 960	4 417	-	-	4 417
	Other financial liabilities	1 567	450	-	2 017	(29)	-	1 988
	Accrued expenses	2 267	(483)	-	1 784	(28)	-	1 756
	Other	23 548	(7 298)	32	16 282	(3 670)	1	12 613
	Total	**53 996**	**8 890**	**3 099**	**65 985**	**583**	**1**	**66 569**
	Deferred tax assets							
	Valuation of receivables from construction contracts	29 473	1 778	350	31 601	594	-	32 195
	Provisions	1 970	(310)	3 112	4 772	(112)	-	4 660
	Tax loss	-	-	-	-	-	-	-
	Accrued remuneration and charges	127	34	-	161	(7)	-	154
	Impairment losses on receivables	222	16	-	238	(4)	-	234
	Other financial liabilities	(3)	-	-	(3)	-	-	(3)
	Accrued expenses	1 524	326	(347)	1 503	(99)	1	1 405
	Other	**33 313**	**1 844**	**3 115**	**38 272**	**372**	**1**	**38 645**
	Assets and liabilities Set-off	20 683			27 713			27 924
	After set-off	**25 346**			**33 107**			**33 002**
	Assets	23 014			30 410			30 463
	Liabilities	2 331			2 697			2 539
	Net impact of changes in the period		**7 046**	**(16)**		**211**	**-**	

In the year ended 31 March 2019 and 31 March 2018, there were no negative temporary differences from which deferred tax assets were recognized.

Information on receivables and payables due to income tax is presented in Note 4.3.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

From 1 January 2018, in accordance with IFRS 9, 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:

	Financial assets - loans granted
	Receivables under construction contracts – retention money
Note 6.2.	Trade and other receivables
Note 2.1.	Receivables under construction contracts - valuation
	Cash and cash equivalents

Financial liabilities measured at amortized cost mainly include:

	Liabilities under construction contracts – retention money
Note 2.1.	Liabilities under construction contracts – valuation
Note 6.3.	Trade and other liabilities
Notes 3.2.–3.4.	Debt

5.2. 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.

5.2.1. MARKET RISK – CURRENCY RISK

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.

5.2.2. 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 3.2.), issued bonds (Note 3.3.) and financial lease (Note 3.4.).

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..

5.2.3. CREDIT RISK

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.

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 6.2.

5.2.4. 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.

6. OTHER NOTES

6.1. 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

The goodwill impairment test carried out as at 31 December 2018 did not show the need to recognize impairment losses.

6.2. 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.

6. OTHER NOTES

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.

	31-03-2019			31-12-2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Trade receivables from non-related parties	528 214	2 117	86 097	476 906	43 122	433 784
Receivables due to corporate income tax	12 702	-	12 702	10 019	-	10 019
Other receivables from the state budget	3 777	-	3 777	3 547	-	3 547
Other receivables	27 647	1 210	26 437	17 520	1 210	16 310
Total	**572 340**	**43 327**	**529 013**	**507 992**	**44 332**	**463 660**

	For the 3 months ended 31-03-2019	For the 3 months ended 31-03-2018
Impairment allowances at the beginning of the period	**44 332**	**15 129**
Impact of IFRS 9 - opening balance sheet	-	10 674
Created	70	20 315
Reversed	1 077	1 873
Used	-	108
Other	-	102
Exchange differences on translation	2	93
Impairment allowances at the end of the period	**43 327**	**44 332**

6.3. 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.

	31-03-2019	31-12-2018
Trade liabilities	**289 654**	**328 807**
of which form related parties	1 152	1 125
Advances received	-	177
Liabilities to state budget:	**38 440**	**54 616**
VAT	22 827	36 791
Corporate income tax	2 634	4 597
Personal income tax	3 058	3 723
Social security contributions (ZUS)	8 543	8 574
Real property tax	171	1
Rehabilitation fund contributions (PFRON)	172	148
Holiday fund (tax paid in Belgium)	603	638
Other	432	144
Other liabilities	**21 914**	**21 383**
Remuneration	9 141	9 698
Accrued expenses	7 231	7 186
Other	5 542	4 499
Total	**350 008**	**404 984**

6.4. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of changes in working capital for the period from 1 January to 31 March 2019 and for the period from 1 January to 31 March 2018 is presented below.

	Change in cash flows 01.2019-03.2019	Change in cash flows 01.2018-03.2018
Change in provisions	**(1 139)**	(445)
Change in inventories	**(6 455)**	(6 862)
Change in receivables	**(56 980)**	10 390
Change in short-term liabilities, except for loans and borrowings	**(44 612)**	(92 209)
Change in prepayments	**(1 709)**	(31 096)
Change in working capital	**(110 895)**	**(120 222)**

6.5. 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 March 2019, 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.

				Parent's Company share in equity (equal to the voting power)	
Item No.	Business name	Seat	Profile	31-03-2019	31-12-2018
	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.

				Intermediate Parent's share in equity (equal to the voting power)	
Item No.	Business name	Seat	Profile	31-03-2019	31-12-2018
	Shares held indirectly				
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%**	**100.00%**
9	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services for energy sector	**100.00%**	**100.00%**
10	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services for energy sector	**100.00%**	**100.00%**
11	PflegeQuatier Düren GmbH	Dusseldorf, Germany	Construction	**43.35%**	**43.35%**

6. OTHER NOTES

By the date of publication of the financial statements prepared as of 31 March 2019, the structure of the ERBUD Group as compared to 31 December 2018 and as compared to the date of publication of the financial statements as at 31 March 2019 changed following the purchase by ERBUD S.A. of fourteen shares in Erbud Operations Sp. z o.o. Prior to the transaction ERBUD S.A owned at Erbud Operations sp. o.o. 93% interest in the share capital and held 93% votes at the general meeting. After the buy-back of fourteen shares from one minority shareholder the share of ERBUD S.A. increased to 100%. On 28 March 2019, the Court issued a decision on entry the change in the shareholding into the register.

6.6. EVENTS AFTER THE REPORTING PERIOD

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, May 15, 2019