ERBUD CAPITAL GROUP

Condensed Consolidated Financial Statement for the period ended on 30 June 2019

drawn up pursuant to the International Accounting Standard No. 34

"Interim Financial Accounting"



ERBUD

CONSOLIDATED STATEMENT OF RESULT

		For a 6-month-period, ended on 30 June 2019	For a 6-month-period ended on 30 June 2018	For a 3-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2018
	GOING CONCERN OPERATIONS				
Note 4.1.	Revenues from sales of products and services	1 198 722	959 762	597 755	527 407
	Costs of products and services sold	1 136 123	949 746	562 708	542 020
	Gross profit/(loss) on sales	**62 599**	**10 016**	**35 047**	**(14 613)**
	Cost of sales	2 718	2 753	1 436	1 336
	General administrative expenses	50 389	45 512	26 308	23 966
	Other operating income	10 150	5 215	7 038	1 511
	Other operating expenses	938	6 132	161	5 688
	(Loss)/Reversal of the value of financial assets and contract valuation assets	6 493	(1 253)	5 415	(1 253)
	Share in net profits/losses of equity-accounted subsidiaries	175	(22)	-	(42)
Note 4.1.	**Operating profit /(loss)**	**25 372**	**(40 441)**	**19 595**	**(45 387)**
	Financial income	884	8 313	781	3 821
	Financial expenses	5 246	4 571	2 738	2 212
	Gross profit /(loss) from continued operations	**21 010**	**(36 699)**	**17 638**	**(43 778)**
Note 4.2.	Income tax	4 863	(6 789)	3 314	(9 250)
	Net profit /(loss) from continued operations	**16 147**	**(29 910)**	**14 324**	**(34 528)**
	Net profit /(loss) for the accounting period	**16 147**	**(29 910)**	**14 324**	**(34 528)**
	Profit /(loss) generated in the accounting period appropriated to:				
	Shareholders of Parent Company	15 825	(28 425)	14 006	(32 887)
	Non-Controlling Stakeholders	322	(1 485)	318	(1 641)
	Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859	12 811 859	12 811 859
	Net profit/loss from continued operations per share (in PLN)	1.26	(2.33)	1.12	(2.69)
	Net earnings per share from core activity (in PLN)	**(1.26)**	**(2.33)**	**(1.12)**	**(2.69)**
	Average weighted number of ordinary shares (in pcs.)	(12 811 859)	(12 811 859)	(12 811 859)	(12 811 859)
	Diluted net earnings from continued operations per share (in PLN)	1.26	(2.33)	1.12	(2.69)
	Diluted earnings per share (in PLN)	**1.26**	**(2.33)**	**1.12**	**(2.69)**
	ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF PROFIT, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS				
	Amortization and depreciation	10 386	7 235	5 996	4 458
Note 4.1.	**EBITDA**	35 758	(33 206)	25 591	(40 929)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 6-month-period, ended on 30 June 2019	For a 6-month-period ended on 30 June 2018	For a 3-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2018
Consolidated profit / (loss), net	**16 147**	**(29 910)**	**14 324**	**(34 528)**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	6	1 449	-	2 117
Pricing of hedging instruments	(504)	(2 149)	(509)	(691)
Other comprehensive income (including tax effect) subject to reclassification into profit	**(498)**	**(700)**	**(509)**	**1 426**
Comprehensive income in the accounting period	**15 649**	**(30 610)**	**13 815**	**(33 102)**
Appropriated to:				
Shareholders of Parent Company	15 335	(29 205)	13 505	(31 519)
Non-Controlling Stakeholders	314	(1 405)	310	(1 583)
Comprehensive income attributable to the Shareholders of Parent Company due to:				
Going concern operations	15 335	(29 205)	13 505	(31 519)
	15 335	**(29 205)**	**13 505**	**(31 519)**

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

For a 6-month-period ended on 30 June 2018 and for a 6-month-period ended on 30 June 2019

	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income: Foreign exchange gains/losses resulting from conversion of foreign unit	Accumulated other comprehensive income: Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Equity
Posting of a revaluation entry pursuant to IFRS 9 as of 1 January 2018	**-**	**-**	**-**	**-**	**-**	**(9 528)**	**(9 528)**	**-**	**(9 528)**
As of 1 Jan. 2018	**1 281**	**213 197**	**11 103**	**860**	**1 762**	**47 654**	**275 857**	**9 999**	**285 856**
Net result for the accounting period	-	-	-	-	-	(28 425)	**(28 425)**	(1 485)	**(29 910)**
Comprehensive income in the accounting period	-	-	-	1 344	(2 149)	25	**(780)**	80	**(700)**
Other comprehensive income:	**-**	**-**	**-**	**1 344**	**(2 149)**	**(28 400)**	**(29 205)**	**(1 405)**	**(30 610)**
Dividend	-	(1 554)	-	-	-	(12 539)	**(14 093)**	(958)	**(15 051)**
Other	-	-	-	-	-	-	**-**	44	**44**
As of 30 June 2018	**1 281**	**211 643**	**11 103**	**2 204**	**(387)**	**(2 813)**	**223 031**	**7 680**	**230 711**
As of 1 January 2019	**1 281**	**211 931**	**11 103**	**2 022**	**(6)**	**6 843**	**233 174**	**7 737**	**240 911**
Net result in the accounting period	-	-	-	-	-	15 825	**15 825**	322	**16 147**
Comprehensive income in the accounting period	-	-	-	(496)	6	-	**(490)**	(8)	**(498)**
Other comprehensive income:	**-**	**-**	**-**	**(496)**	**6**	**15 825**	**15 335**	**314**	**15 649**
Dividend	-	-	-	-	-	-	**-**	(623)	**(623)**
Buyback of shares in subsidiaries	-	-	285	-	-	-	**285**	(385)	**(100)**
Other	-	-	-	-	-	1	**1**	-	**1**
As of 30 June 2019	**1 281**	**211 931**	**11 388**	**1 526**	**-**	**22 669**	**248 795**	**7 043**	**255 838**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 Jun. 2019	31 Dec. 2018
	ASSETS	**1 193 264**	**1 098 400**
	Goodwill	39 278	39 462
	Tangible fixed assets	95 375	72 498
Note 5.1.	Financial assets	2 393	5 750
Note 4.2.	Deferred tax assets	32 578	30 410
Note 2.1.	Receivables under building contracts - deposits	13 024	9 535
	Fixed assets	**182 648**	**157 655**
	Inventory	55 716	20 100
Note 2.1.	Receivables under building contracts - deposits	59 914	53 362
	Receivables under building contracts - pricing	215 927	176 425
Note 6.4.	Trade receivables and other receivables	555 449	463 660
Note 5.1.	Financial assets	3 419	7 493
Note 3.7.	Cash and cash equivalents	109 830	206 608
	Cash at VAT account	4 354	7 249
	Short-term prepayments	6 007	5 848
	Current assets	**1 010 616**	**940 745**
	LIABILITIES	**1 193 264**	**1 098 400**
Note 3.1.	Share capital	1 281	1 281
	Share premium	211 931	211 931
	Reserve capital	11 388	11 103
	Accumulated other comprehensive income	1 526	2 016
	Retained earnings	22 669	6 843
	Equity of shareholders of the Parent Company	248 795	233 174
	Equity of non-controlling stakeholders	7 043	7 737
	Equity	**255 838**	**240 911**
Note 3.2.-3.4	Interest debt	96 641	82 179
Note 6.6.	Provisions	18 883	17 658
Note 4.2.	Deferred tax liabilities	2 396	2 697
Note 2.1.	Building contract liabilities - deposits	15 318	10 405
	Long-term liabilities	**133 238**	**112 939**
Note 3.2.-3.4	Interest debt	86 693	45 976
Note 6.6.	Provisions	40 240	40 690
Note 2.1.	Building contract liabilities - deposits	115 059	108 097
	Building contract liabilities - pricing	147 056	116 313
Note 6.8.	Trade payables and other liabilities	391 107	404 984
	Prepaid deliveries	24 033	28 490
	Short-term liabilities	**804 188**	**744 550**
Note 3.5.	Assets used as collaterals for debt-related liabilities	16 526	18 126
Note 3.6.	Contingent assets	103 681	99 686
Note 3.6.	Contingent liabilities	626 690	734 606

CONSOLIDATED CASH FLOW STATEMENT

		For a 6-month-period, ended on 30 June 2019	For a 6-month-period ended on 30 June 2018	For a 3-month-period, ended on 30 June 2019	For a 3-month-period ended on 30 June 2018
	OPERATIONAL CASH FLOWS				
	Gross profit/loss	21 010	(36 699)	17 638	(43 778)
	Amortization and depreciation	10 386	7 235	5 996	4 459
	Foreign exchange gains/losses	(868)	(16)	(747)	108
	Interest and share in profits (dividend)	2 048	(651)	1 146	(1 060)
	Other non-cash adjustments	(45)	(333)	(87)	182
	Income tax paid	(3 748)	(3 509)	2 079	(1 037)
Note 6.9.	Change in balance of working capital	(153 653)	(84 972)	(42 758)	35 250
	Operational cash flows, net	**(124 870)**	**(118 945)**	**(16 733)**	**(5 876)**
	INVESTMENT ACTIVITY CASH FLOWS				
	Proceeds from the sales of interest in a subsidiary	3	-	3	-
	Inflows from credits/loans extended	7 459	4 131	7 455	4 131
	Other inflows	738	3 384	234	367
	Expenditures on the acquisition of tangible fixed assets	(7 554)	(3 666)	(4 459)	(2 150)
	Loans extended expense	-	(4 503)	-	(623)
	Expenditures on the acquisition of shares in companies	(106)	(60)	(5)	(60)
	Expenditures on the acquisition of subsidiaries less cash acquired	-	(24 158)	-	(15 828)
	Other	-	(103)	-	(103)
	Investment activity cash flows, net	**540**	**(24 975)**	**3 228**	**(14 266)**
	FINANCIAL ACTIVITY CASH FLOWS				
	Income from credits and loans taken	52 543	88 579	34 583	21 349
	Other inflows	-	1 116	-	1 092
	Debt (principal) repayment expense	(22 236)	(23 609)	(9 174)	(7 712)
	Debt (interest) repayment expense	(2 152)	(2 371)	(642)	(711)
	Dividend payment	(603)	(14 093)	(603)	(14 093)
	Other expenses	-	(3 950)	-	-
	Financial activity cash flows, net	**27 552**	**45 672**	**24 164**	**(75)**
	NET CASH FLOWS	**(96 778)**	**(98 248)**	**10 659**	**(20 217)**
	Opening cash balance	**206 608**	**190 170**	**99 172**	**112 140**
	Foreign exchange gains/losses concerning cash and cash equivalents	-	-	-	-
	Closing cash balance, of which:	**109 830**	**91 922**	**109 830**	**91 922**
	- restricted cash	17 061	16 402	17 061	16 402

BASIC DATA CONVERTED INTO EURO

	30 Jun. 2019		31 Dec. 2018	
	PLN	EUR	PLN	EUR
Fixed assets	182 648	42 956	157 655	36 664
Current assets	1 010 616	237 680	940 745	218 778
Equity	255 838	60 169	240 911	56 026
Liabilities and provisions for liabilities	937 426	220 467	857 489	199 416

	For a 6-month-period, ended on 30 June 2019		For a 6-month-period ended on 30 June 2018	
	PLN	EUR	PLN	EUR
Operational cash flows, net	(124 870)	(29 121)	(118 945)	(28 056)
Investment activity cash flows, net	540	126	(24 975)	(5 891)
Financial activity cash flows, net	27 552	6 425	45 672	10 773
Net cash flows	(96 778)	(22 569)	(98 248)	(23 174)
Opening cash balance	206 608	48 048	190 170	45 594
Closing cash balance	109 830	25 830	91 922	21 075

	For a 6-month-period, ended on 30 June 2019		For a 6-month-period ended on 30 June 2018	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	1 198 722	279 553	959 762	226 386
Cost of products and services sold	1 136 123	264 954	949 746	224 023
Gross profit/(loss) on sales	62 599	14 599	10 016	2 363
Operating profit /(loss)	25 372	5 917	(40 441)	(9 539)
Gross profit /(loss) from continued operations	21 010	4 900	(36 699)	(8 656)
Net profit /(loss) from continued operations	16 147	3 766	(29 910)	(7 055)

1. BACKGROUND INFORMATION---- 8
1.1. INTRODUCTION ---- 8
1.2. GROUNDS FOR DRAWING UPU THE FINANCIAL STATEMENT ---- 10
1.3. NEW STANDARDS ---- 11
1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union 11

2. BULDING CONTRACTS---- 14
2.1. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - DEPOSITS ---- 15

3. CAPITAL MANAGEMENT AND DEBT ---- 21
3.1. CAPITAL MANAGEMENT ---- 21
3.2. CREDIT AND LOAN LIABILITIES ---- 22
3.3. ISSUED BOND LIABILITIES ---- 24
3.4. LEASE LIABILITIES ---- 24
3.5. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES ---- 25
3.6. CONTINGENT ASSETS AND LIABILITIES ---- 25
3.7. CASH AND CASH EQUIVALENTS ---- 26

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME ---- 27
4.1. REPORTING SEGMENTS ---- 27
4.2. TAXATION ---- 31

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT ---- 34
5.1. FINANCIAL ASSETS AND LIABILITIES ---- 34
5.1.1. FINANCIAL ASSETS ---- 34
5.1.2. FINANCIAL ASSETS – LOANS EXTENDED ---- 35
5.2. FINANCIAL DERIVATIVES ---- 35
5.3. FINANCIAL RISK MANAGEMENT PRINCIPLES ---- 35
5.3.1. MARKET RISK – CURRENCY RISK ---- 36
5.3.2. MARKET RISK – INTEREST RATE RISK ---- 36
5.3.3. CREDIT RISK ---- 36
5.3.4. LIQUIDITY RISK ---- 37

6. OTHER NOTES ---- 38
6.1. TANGIBLE FIXED ASSETS ---- 38
6.2. GOODWILL ---- 42
6.3. FIXED ASSETS IMPAIRMENT ---- 43
6.4. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES ---- 43
6.5. OTHER ASSETS ---- 45
6.6. PROVISIONS ---- 46
6.7. DISPUTES ---- 48
6.8. TRADE PAYABLES AND OTHER LIABILITIES ---- 53
6.9. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT ---- 54
6.10. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES ---- 54
6.11. EVENTS THAT HAPPENED AFTER CLOSING OF ACCOUNTING PERIOD ---- 56

The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. BACKGROUND INFORMATION

1.1. INTRODUCTION

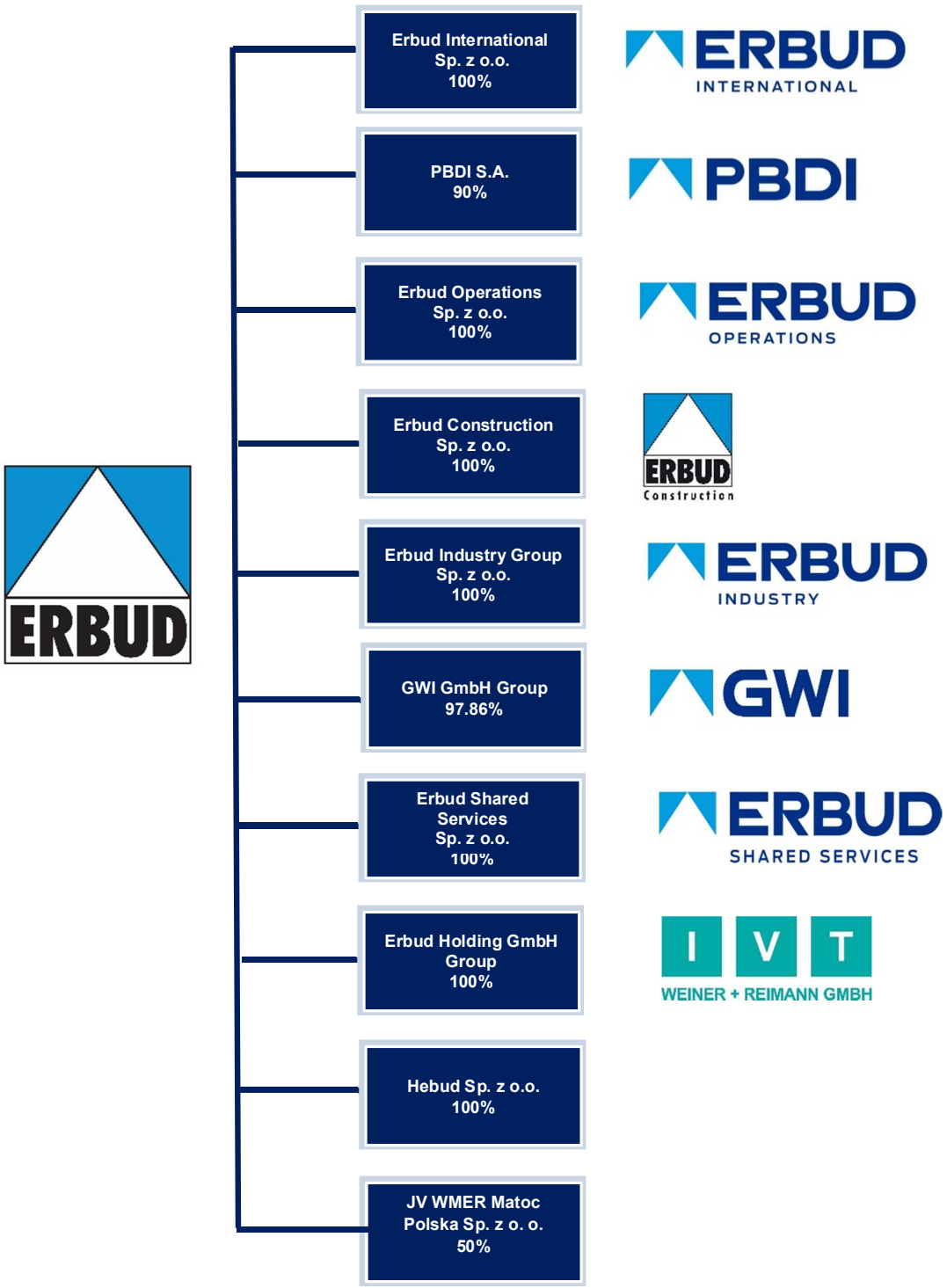
The Parent Company of Erbud S.A Capital Group ("Group") is Erbud S.A. ("Parent Company"), with its registered office at Warsaw, ul. Franciszka Klimczaka No. 1.

The Parent Company was entered into the National Court Register on 29 November 2006 under entry No. KRS 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). The Parent Company has been listed on the Warsaw Stock Exchange since 2007 and has been incorporated into the construction companies index "WIG Budownictwo".

The scope of the Group's activities comprises broadly understood construction and erection services performed on general contractor basis in Poland and in foreign countries. In addition, Erbud S.A. plays the role of a management, advisory and financial centre in the Group. The Group operates in the Polish market and in the markets of other European Union countries.

The duration of the Parent Company and the Group member companies is indefinite.

1. BACKGROUND INFORMATION



Detailed organisational structure of the Group is presented in the Note 6.10.

1.2. GROUNDS FOR DRAWING UPU THE FINANCIAL STATEMENT

IFRS Compliance Statement

This Condensed Consolidated Financial Statements has been drawn up in compliance with the International Accounting Standard No. 34.

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

This Condensed Interim Consolidated Financial Statement has been drawn up as of 30 June 2019 whereas comparable data dates back to 31 December 2018 and to 30 June 2018.

The Condensed Financial Statement has been drawn up on historical cost basis, except for financial derivatives that were priced at fair value.

This Condensed Financial Statement has been approved for publication by the Management Board on 4 September 2019.

Going Concern

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

Pricing at fair value

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

Conversion of position into foreign currencies

The financial statement items are measured in the currency of the core business environment where the entity carried out its operations ("functional currency"). The functional currency of the Parent Company and the currency used for the presentation of the Condensed Consolidated Financial Statement is the Polish zloty (PLN).

Transactions in foreign currencies are posted into ledgers in nominal terms converted into the Polish zlotys using the average exchange rate of the National Bank of Poland. At the moment of realisation the foreign exchange differences are posted as financial gains or losses.

At the balancing date cash assets and liabilities denominated in currencies other than Polish zloty are converted into Polish zlotys using the appropriate average exchange rate, effective at the end of the accounting period, determined for a certain currency by the National Bank of Poland.

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

At the balancing date assets and liabilities of foreign branches are converted into the presentation currency of the Group as follows:

- assets and liabilities are translated at the closing rate applicable at the balance sheet date,
- the revenues and costs are converted using average rate (unless the conversion at average rate would deviate substantially from the values obtained using the exchange rate prevailing at the transaction date).

Foreign exchange gains resulting from the conversion of foreign units are recognized in equity as other total income on accrual basis - foreign exchange gains on the translation of foreign units. At the moment of disposal of a foreign entity, the accumulated differed foreign exchange gains included in the equity, concerned with a certain foreign entity, are posted into profit and loss account.

1.3. NEW STANDARDS

In this Condensed Consolidated Financial Statement, the Group applied the following provisions of IFRS 9 and IFRS 15 that came into force. The impact of changes is described below.

New IFRS 16 "Leases"

The new standard regulating lease contracts (including hire and rent contracts) includes a new definition of lease.

Significant changes apply to the lessee: the standard requires recognition in the balance sheet, for each lease contract, the value of the "right to use an asset" and an analogous financial liability. The right to use the assets is then depreciated, while the liability is priced in the amortized cost. Simplifications are foreseen for short-term contracts (up to 12 months) and low-value assets.

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

The changes apply to annual periods beginning on or after 1 January 2019. The Company used the simplified approach when applied the standard for the first time.

According to the calculations made by the Group, according to the calculations assuming the application of the lessee's Marginal Interest Rate (MRi), the total assets and liabilities of the Company rose by PLN 23.0 million as of 1 January 2019 , and by PLN 20.1 million as of 30 June 2019. The Company took advantage of the exemption under which it did not have to classify low value assets under lease. The threshold value was established for the Group at the level of PLN 15 000 for each new single asset. The Group also enjoys the exemption for short-term contracts, including extension options and the break-up probability.

1.3.1. Published standards and interpretations, which have not yet been endorsed for use by the European Union

IFRS in the shape endorsed by the European Union do not differ significantly now from regulations adopted by the International Accounting Standards Board (IASB), except for the cases discussed below, which as of the date of signing this Condensed Financial Statement have not been endorsed yet for application:

a) IFRS 17 Insurance Contracts

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017.

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

As required by the International Accounting Standards Board (IASB), this standard will be effective for annual reporting periods beginning on or after 1 January 2021 but as of the date of drawing up this Condensed Financial statement, the standard was not yet endorsed by the European Union, so the actual effective date may still be subject to change.

The Management Board is currently analysing the effects of this standard on the Company's Condensed Financial Statement.

b) Annual Amendments to IFRS 2015 - 2017

In December 2017 the International Accounting Standards Board published the "Annual Amendments to IFRS 2015-2017", which modified 4 standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

c) IAS 19 Employee Benefits

On 7 February 2018 the International Accounting Standards Board published amendments to IAS 19 "Employee Benefits". The amendments to the standard specify the requirements related to the accounting treatment of modifications, limitations or settlements of the defined benefit plan.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2019 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

d) Amendments to the scope of references to IFRS Conceptual Assumptions

Amendments to the references to the IFRS Conceptual Assumptions were published by the International Accounting Standards Board on 29 March 2018.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

The Management Board is currently analysing the effects of these amendments for the Company's Condensed Financial Statement.

e) IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3 "Business Combinations", the definition of "business" was modified. The current definition has been narrowed down and is likely to result in more acquisitions being qualified as asset acquisitions.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

In the opinion of the Management Board, the implementation of these amendments will not have a significant impact on the Condensed Separate Financial Statement of the Company.

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

On 31 October 2018 the International Accounting Standards Board published amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which clarify the definition of materiality and enhance consistency between the standards. The amendments are not expected to have a significant impact on drawing up the financial statements.

As required by the International Accounting Standards Board (IASB), the amendments will be effective for annual reporting periods beginning on or after 1 January 2020 but as of the date of drawing up this Condensed Financial statement, the amendments were not yet endorsed by the European Union, so their actual effective date may still be subject to change.

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

On 11 September 2014 the International Accounting Standards Board published amendments to IFRS 10 "Consolidated Financial Statements", IAS 28 "Investments in Associates and Joint Ventures". The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28.

Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

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

The effective date of the amended standards was not set by the International Accounting Standards Board. The endorsements of these amendments has been postponed by the European Union.

In the opinion of the Management Board, the above changes may have a potentially material impact on future transactions entered into by the Company.

h) IFRS 14 "Regulatory Deferral Accounts"

On 30 January 2014 the International Accounting Standards Board published IFRS 14 "Regulatory Deferral Accounts". This standard allows entities that drawn up financial statements for the first time (on or after 1 January 2016) pursuant to IFRS to recognize amounts resulting from operations with regulated prices, in compliance with the previously applied accounting principles. To enhance comparability with entities that already apply IFRSs and do not post such amounts, under published IFRS 14 amounts resulting from operations with regulated prices should be presented separately in both the statement of financial position, in the profit and loss account and the statement of other comprehensive income.

By virtue of the European Union's decision, IFRS 14 will not be endorsed and thus will not affect the condensed separate financial statement.

There are no other IFRS standards or IFRIC interpretations that are not yet effective and which might have a material impact on the Company, as expected.

In this Condensed Financial Statement, the Group applied the following provisions of IFRS 9 and IFRS 15 that came into force.

2. BULDING CONTRACTS



The Group signs fixed-price contracts for the execution of construction contracts, mainly in the areas of apartment construction (including entire housing estates), hotels, SPA facilities, shopping malls, wind farms, power plants, production rooms, and highways.

Revenues and costs related to the building contracts are recognized by the Group in adherence to contract execution progress rate method. To determine contract execution progress rate, the Group applies the percentage of work progress method, i.e. determines the value of revenues and costs for executed building contracts in the period from the contract date to the balancing date proportionally to the progress rate determined by the measurement of the work performed. From thus determined figures the Group deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period.

If it is not possible to estimate in a reliable manner the financial result of the building contract (it is not feasible to determine the progress rate of the non-completed service in a reliable manner at the balancing date), then the revenues are recognised only and exclusively up to the level of costs borne, whose recovery is probable, whereas contractual costs are carried as the costs of the period in which costs were borne.

On the other side, the pricing results (i.e. the determination of revenues and costs using the progress rate method) are recognized as "Receivables (or liabilities) under building contracts - pricing".

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Group recognizes invoiced revenue in the line "Trade and other receivables" (Note 6.4) The Contractors under building contracts signed with the Group retain part of the payments as performance bond in relation to the contracts. These figures are recognized as "Building contract receivables - deposits" (Note 2.1) and are refundable most often after project completion after the end of the warranty period.

The Group engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 6.8) The Group retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Building contract liabilities - deposits" (Note 2.1).

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position - see Note 4.2.

3. CAPITAL MANAGEMENT AND DEBT

The application of the progress rate method for the recognition of revenue and costs under construction contracts requires estimation with respect to the determination of the work progress rate, i.e. quantity survey at the balance sheet date in relation to the total work under the contract.

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

The Group has adequate control processes in place to ensure that the calculation of recognised revenues and expenses is based on current and reliable estimates of the measurement, subject to verification and approval by designated persons. The quantity survey made by construction site personnel is subject to verification by the branch manager responsible for the construction site, and then additionally by the Group's internal audit department.

The Group keeps track of projects being implemented - construction contracts in the internal system used for project management. Information concerning certain contract, its progress rate, is entered into the system by the Contract/Site Manager and then approved by the Branch Manager responsible for the construction site. The budgets of individual contracts are subject to the formalized updating process during the year, based on current information, and are approved by the Management Board. If between official budget revisions there are events that have material impact on contract performance, the value of total revenues or contract costs is updated on an ongoing basis, i.e. changes in the scope of the contract are reflected in the Group's internal system immediately after they are negotiated by the Group with the customer.

2.1. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - DEPOSITS

	30 Jun. 2019			31 Dec. 2018		
	Maturity below 12 months	Maturity above 12 months	Total	Maturity below 12 months	Maturity above 12 months	Total
Receivables under building contracts - deposits	59 914	13 024	**72 938**	53 362	9 535	**62 897**
Liabilities under building contracts - deposits	115 059	15 318	**130 377**	108 097	10 405	**118 502**

Information about substantive contracts signed in the period of six months of 2019 and after the balance sheet date.

On 11 January 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

The Issuer acts in the Contract as a Partner of Consortium established with PBDI S.A. with its registered office in City of Toruń (Consortium Leader) - a 90% subsidiary of the Issuer, and Electrum Sp. z o.o. with its registered office in the City of Białystok (Consortium Partner).

1. Contract Date: 10 January 2019

2. Investor: Windfarm Polska II spółka z ograniczoną odpowiedzialnością with its registered office in the City of Koszalin, at ul. Wojska Polskiego 24-26 75-712 Koszalin;

3. Total net contract value: PLN 41 350 000.00 The net value of the scope performed by Electrum Sp. z o.o. totals PLN 11 850 400.00;

4. Works under contract: design, works performance, equipment, supply, construction, testing and commissioning of construction and electrical infrastructure for the project involving the construction of a wind at a locality of Barwice, Poland, consisting of 14 wind turbines, 1 electrical substation and connection to the 110 kV transmission grid;

5. Contract execution date: by 29 February 2020;

On 4 February 2019 an annex to the construction works contract of 12 June 2018 concerning the development of a detailed design, construction and commissioning of the Potęgowo - East wind farm with a capacity of PLN 101.25 MW was concluded by the Consortium of PBDI S.A. companies with its registered office in the City of Toruń (the Issuer's Subsidiary), the Issuer, Electrum sp. z o.o. with its registered office in the City of Białystok.

The annex implemented the following changes:

1. Remuneration was increased up to PLN 128 701 845 net including the value of works performed by Electrum Sp. z o.o. PLN 43 276 000.20 net The original contract value totalled PLN 122 981 846.12. The contract value was changed due to an increase of a remuneration for the execution of Phase 2 of construction.

2. The conditional nature of the contract remains unchanged.

On 17 April 2019 ERBUD S.A. signed a contract with a subsidiary of Vantage Development S.A. - spółka VD spółka z ograniczoną odpowiedzialnością Mieszkania XVIII sp.k. (Employer). It was a general contracting agreement executed as part of the general contracting process for the execution of the Legnicka 33 development project in the City Wrocław (the Investment Project).

The value of contract amounts to PLN 67.2 M, net.

Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot at Legnicka 33 along with internal and external technical infrastructure, land development and buried infrastructure, including small architecture and greenery, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment by the Employer. The Investment Project will involve 239 apartments and 11 service units. The occupancy permit is expected to be granted within 82 weeks from the date of delivery of the works commencement order.

On 26 April 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

Contract for construction works concerning reconstruction and expansion of the indoor municipal swimming pool located at the Sports and Leisure Centre OSiR Stargard Sp. z o.o. in the City of Stargard.

THE INVESTOR Sports and Leisure Centre OSiR Stargard Spółką z ograniczoną odpowiedzialnością with its registered office in the City of Stargard at ul. Szczecińska No. 35 73-110 Stargard

EXECUTION TIMEFRAME From 6 May 2019 to 26 October 2020.

SCOPE OF WORKS: execution of demolition works, construction works together with installation works, land development and accompanying technical infrastructure, execution of swimming pool basins, supply of equipment, along with facility maintenance for 1 year.

VALUE PLN 31 620 658 82 M, net

EXECUTION SITE Stargard, at ul. Szczecińska 35

On 6 May 2019 a contract was signed to perform building shell: UNT Upper Nord Tower with hotel, residential part, office part, catering part and underground car park facility under the following conditions:

1. Subject of the contract: construction of the UNT Upper Nord Tower with a hotel and underground car park facility, at Mercedesstraße 2/2a, 40470 Düsseldorf

2. The contracting parties:

a) Customer: Upper Nord Tower GmbH & Co. KG, Wilmersdorfer Str. 39 10627 Berlin

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf

3. Contract value: EUR 23 980 000.00 net (converted at the average exchange rate of the National Bank of Poland as of 6 May 2019): PLN 102 747 106.00) + applicable VAT tax, gross, EUR 28 536 200.00 (calculated at the average exchange rate of the National Bank of Poland as of 6 May 2019: PLN 122.269.056 14

4. Execution period: 1 July 2019 – 20 Sept. 2021

On 13 May 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor: DEVELOPMENT PARK III - ECHO PROJECT - 112 SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ -SPÓŁKA KOMANDYTOWA, 25-323 Kielce, Al. Solidarności 36 , Tax ID (NIP) No.: 6572904450 REGON Statistical No.: 26056624300000

2. The contract value equals to PLN 33 350 000.00 million, net

3. Subject of the contract: General Contractor for the whole facility - Guesthouse building - Warsaw ul. Suwak 13

4. Contract execution site at: ul. Suwak 13 (former Woronicza 37), Warsaw

5. Execution Dates: Start Date - 13 May 2019 End Date - 4 December 2020

3. CAPITAL MANAGEMENT AND DEBT

On 15 May 2019 the Issuer's subsidiary GWI GMbH signed two contracts for various construction activities with PflegeQuartier Düren GmbH for the same project: construction of the Neue Jülicher Straße 52 52353 Düren senior citizens' complex. In PflegeQuartier Düren GmbH company, GWI GmbH holds 51% shareholding.

The contracts were signed under the following terms and conditions:

Construction 1

1. Subject of the contract: Building shell works - construction of the Neue Jülicher Straße senior citizens' complex 52 52353 Düren

2. Contract Date: 15 May 2019

3. The contracting parties:

a) Customer: PflegeQuartier Düren GmbH, Hansaallee 247 b, 40549 Düsseldorf

b) Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf;

4. Contract value: EUR 6 706 499.68 net

5. Execution period: 16 May 2019 – 31 December 2019.

On 23 May 2019 PBDI S.A. based in Toruń (a subsidiary, controlled in 90% by the Issuer) concluded a substantive Construction Work Agreement under terms and conditions specified below:

1. Contract Date: 23 May 2019

2. Investor (exact name and registered office): Windfarm Gaworzyce Spółka z ograniczoną odpowiedzialnością with its registered office in the City of Warsaw, at ul. Wybrzeże Kościuszkowskie 41 in the City of Warsaw 00-347;

3. Total contract value, net: PLN 24 764 741.62 net

4. Subject of the contract: Construction works concerning the Żukowice wind farm;

5. Contract execution date: by 30 June 2020;

On 30 May 2019 the Issuer's Subsidiary - Erbud Operations Sp. z o.o. signed a substantive construction contract under terms and conditions specified below:

1. Date of entering into annexes to the Contract: 30 May 2019

2. Investor: "Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), 31-826 Krakow os. Złotej Jesieni 1

3. Contract value: PLN 41 807 700.00 gross "(PLN 33 990 000.00 net)

4. Subject of the contract "Execution of thermal upgrading works on the main building of the Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Krakow Ltd.), (constructed using ""Design & Build"" formula)

5. Contract execution site: Krakow

6. Execution timeframe: 30 months.

3. CAPITAL MANAGEMENT AND DEBT

On 6 June 2019 the Issuer signed a substantive Contract for construction works under terms and conditions specified below:

1. Investor "Independent Public Teaching Hospital No. 4 in Lublin, ul. Dr. K. Jaczewskiego 8 20-954 Lublin,"

2. Contract value: PLN 45 414 060.00 gross, PLN 36 922 000.00 net

3. Subject of the contract "Name of order: "Thermal modernisation of the Main Hospital Building and the Polyclinic Building in order to improve energy efficiency of the Independent Public Hospital Clinic No. 4 in Lublin".

The scope of work includes: modernisation of the heating system, insulation of flat roofs and roofs, modernisation of the hot water preparation system, modernisation of the lighting system, insulation of all external walls, external ceilings, replacement of parts of windows and doors, land development components. A photovoltaic installation will be installed as part of the project.

4. Contract execution site: ul. Dr. K. Jaczewskiego 8 20-954 Lublin,"

5. Contract execution date: until 6 September 2021.

On 17 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT concerning the project involving the execution of

a complex of two multi-family residential buildings with service premises on the ground floor, with an underground car park facility and the necessary technical infrastructure at ul. Milczańska in the City of Poznań.

INWESTOR Bouygues Immobilier Polska Sp. z o.o.

Al. Armii Ludowej 14

00 - 638 Warsaw

EXECUTION TIMEFRAME: 19 July 2019 - 21 July 2021

SCOPE OF WORKS: comprehensive execution of civil works, installation works, land development with accompanying technical infrastructure.

CONTRACT VALUE: PLN 83 143 824.84 net - lump sum payment

EXECUTION SITE: the City of Poznań, at ul. Milczańska

3. CAPITAL MANAGEMENT AND DEBT

On 24 July 2019 ERBUD S.A. signed Contract for construction works under terms and conditions specified below:

CONSTRUCTION WORKS CONTRACT" concerning a public procurement contract carried out in the form of an open tender for: construction of a Maritime Scientific Centre named after Prof. Jerzy Stelmach in the City of Szczecin"

INVESTOR: Maritime Scientific Center named after Prof. Jerzy Stelmach in the City of Szczecin

EXECUTION DATE: 20 months from the Contract Date

CUBIC CAPACITY (in m³) 49 031.6 m^3

TOTAL FLOOR AREA (in m²): 10 711 7 m2; USEFUL FLOOR AREA: 6.949 1 m^2

SCOPE OF WORKS: execution of civil and installation works, land development with accompanying technical infrastructure, supply of equipment, mechanical and process start-up.

CONTRACT VALUE: PLN 74 265 594.46 net - lump sum payment

EXECUTION SITE: Szczecin, Tadeusza Apolinarego Wendy 6 71-899 Szczecin

On 25 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, at ul. Szopena 2 35-055 Rzeszów

2. The contract value equals to PLN 29 180 251.69 NET

3. Subject of the contract: "Reconstruction, superstructure and extension of the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów together with building systems: water supply and sewage discharge, central heating, gas distribution, mechanical ventilation and air-conditioning, cooling, electrical, telecommunication and medical gases systems; demolition of a part of the Subcarpathian Pulmonary Disease Centre building - B segment; extension, alteration of the medical gases building together with building systems: wiring, ICT and medical gases, central heating, mechanical ventilation systems; construction of transformer station and power generating unit; construction equipment: parking places, roads, pedestrian access roads, retaining wall, oxygen tank, air intake; outdoor ground systems: water supply, central heating, central hot water, process heat, gas distribution, sanitary sewerage system, central heating, medical gases, rainwater drainage system, electrical LV, alteration of electrical systems, outdoor lighting of the area and cable ducts; connections and networks: alteration of the sanitary sewage system, MV electrical connection, alteration of ICT networks" located on the plots of land Nos. 69/19 69/17 69/14 69/20 69/21 precinct 207 in the City Rzeszów at ul. Rycerska 2 – PHASE 1"

4. Contract execution site: "Frederic Chopin" Provincial Hospital Clinic No. 1 in the City of Rzeszów, the Subcarpathian Pulmonary Disease Centre in the City of Rzeszów, ul. Rycerska 2 35-241 Rzeszów

5. Execution timeframe from 25 July 2019 to 25 March 2021.

On 30 July 2019 the Issuer signed a Contract for construction works under terms and conditions specified below:

1. Investor (exact name and registered office) Lake Hill Sp. z o.o. Al. Jana Pawła II 12 00-124 Warsaw

2. The contract value equals to PLN 26 408 721.00

3. Subject of the contract: construction of Lake Hill II investment project including HOTEL BUILDINGS C & D together with land development at the locality of Sosnówka

4. Contract execution site: Sosnówka, the Podgórzyn Municipality

5. Execution timeframe: July 2019 - December 2020

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

Share capital comprises common stock and is carried at the nominal value (in adherence to the Statutes of the Parent Company and an entry made into the National Courte Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal value. It is recognised in the line "Share premium reserve capital".

Other supplementary capitals are set up mainly from retained earnings including amounts obligatorily appropriated to the reserve capital in accordance with the requirements of the Commercial Companies Code.

Equity allocated to the non-controlling interests represents a part of equities of subsidiaries covered with full consolidation that belongs to other stakeholders than the entities that are Group members.

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

The Group's supplementary capital is set up in accordance with the provisions of the Polish Commercial Companies Code and the decisions of the shareholders. Pursuant to the Commercial Companies Code, a supplementary capital should be set up to cover losses, that should account for at least 8% of the profit for a certain accounting year, until the supplementary capital reaches at least one third of the share capital. the supplementary capital set up in this manner is not subject to distribution. The General Meeting of Shareholders decides on the use of the supplementary and reserve capital, however, a part of the supplementary capital may be used only to cover the loss reported in the financial statements and is not subject to distribution into other purposes.

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

The Group manages its capital structure and as a result of changes in economic conditions, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Group may manage appropriately the dividend payment to shareholders or issue to new shares.

Share capital

Shareholder	No. of shares	% shareholding in share capital
Wolff & Muller Holding GmbH & Co.KG	4 152 865	32.41%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2 136 260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1 200 000	9.37%
AVIVA Open-End Pension Fund Aviva Santander	1 183 146	9.23%
Dariusz Grzeszczak	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%
Other shareholders	1 974 745	15.42%
Total	**12 811 859**	**100%**

3. CAPITAL MANAGEMENT AND DEBT

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-a-vis Erbud S.A., and in particular do not grant the right to appoint members of Erbud's Management or Supervisory Boards.

The number of shares making up the approved capital equals to the number of shares issued. The par value per share for all share series is PLN 0.10. No shares were reserved for the purposes of the issue related to the exercise of put options. All issued shares are ordinary non-preference shares. There are no limitations on rights to shares or limitations on share transferability.

3.2. CREDIT AND LOAN LIABILITIES

Credit and loan liabilities are initially recognized at fair value less transaction costs. At each balancing date, credits and loans are priced at amortized cost using effective interest rate.

	30 Jun. 2019	31 Dec. 2018
Long-term		
Bank loans	19 602	20 898
Short-term		
Overdraft facilities	59 410	24 538
Bank loans	15 512	15 744
Loans	1 381	17
	76 303	40 299
CREDIT AND LOAN LIABILITIES	**95 905**	**61 197**

The line "Long-term loans and borrowings" comprises the amount of PLN 1 581 thousand in relation to a loan received from De Lage Landen.

3. CAPITAL MANAGEMENT AND DEBT

	30 June 2019	31 Dec. 2018
	In the functional currency	In the functional currency
Loans and borrowings		
Long-term	19 602	20 898
Short-term	76 303	40 299
Total	**95 905**	**61 197**
Including those bearing interest rate:		
Fixed	-	-
Interest rates	1.5% - 4%	1.5% - 4%
Variable	-	-
Base interest rate	Wibor 1M - 3M; EURIBOR; EONIA	Wibor 1M - 3M;EURIBOR;EONIA

As at the balance sheet date, the Group has access to bank and multi-purpose insurance lines with the total value of PLN 1 170 181 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees. As at the balance sheet date, the Group utilized PLN 92 943 thousand to take out loans and PLN 605 071 thousand to take out bank and insurance guarantees.

Covenants

Loan agreements and multi-purpose financial agreements (a loan with a guarantee facility) as of the date of publication of the condensed financial statements contain financial ratios that the borrower has undertaken to maintain during the term of the loan. As at 30 June 2019 two banks' equity based ratios were broken: ING Bank Śląski and mBank S.A.. At present, the Management Board of ERBUD S.A. has asked the financing institutions to express their consent to ERBUD's non-compliance with these indicators. A breach of covenants may result in liabilities under from loan agreements and financial agreements with the banks described below being immediately due and payable. All liabilities under loan agreements were disclosed in the financial statement as short-term liabilities. As of the date of publication of the condensed financial statement, the Issuer received an exemption from ING Bank Śląski from compliance with the required conditions as of 30 June 2019.

Ratios based on consolidated data			30 June 2019
ING Bank	Net debt / EBITDA	max. 3.0 at the end of Q2	0.79
		max. 2.5 at the end of Q4	
	capitalisation	min. 0.25	0.21
	current ratio	min. 1.2	1.28
mBank S.A.	EBIT margin	min. 1%	1.70%
	share of equity	min. 25%	21.4%
	Net debt / EBITDA	max. 2.5 at the end of Q2	0.79
		max. 2.0 at the end of Q4	

3. CAPITAL MANAGEMENT AND DEBT

3.3. ISSUED BOND LIABILITIES

Liabilities related to issued bonds are initially recognized at fair value less transaction costs. At each balancing date, the issued bond liabilities are priced at amortized cost using effective interest rate.

As at the balance sheet date, the Group had the following outstanding debt in relation to issued bonds posted into long-term liabilities:

Issue date	Type of issued bonds	Currency (specify whether functional or foreign currency)	Interest rate	Maturity date	Purpose of financing	Par value of shares		
							30 Jun. 2019	31 Dec. 2018
27 Sept. 2017	C series bearer shares, dematerialized, unsecured	functional	WIBOR 6M	27 September 2021	financing of an increased working capital requirement	1	52 000	52 000
			Total short and long-term liabilities			1	**52 000**	**52 000**

3.4. LEASE LIABILITIES

Period		30 Jun. 2019 Nominal value of minimum payments	31 Dec. 2018 Nominal value of minimum payments
Below 1 year	Short-term	9 825	6 016
1 - 5 years	Long-term	26 355	9 847
		36 180	**15 863**
Lease financial costs		751	905
Present value of minimum payments		**35 429**	**14 958**

The description of accounting policies related to IFRS 16 "Leases" standard is presented in Note 6.1.

In the line "Short-term Liabilities", the Group recognized liabilities under lease and tenancy agreements pursuant to IFRS 16 "Leases" standard in the amount of PLN 4 461 thousand and long-term liabilities in the amount of PLN 15 622 thousand.

3. CAPITAL MANAGEMENT AND DEBT

3.5. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 30 June 2019 the following assets were secured with property, plant and equipment for a total value of PLN 16 526 thousand (31 December 2018 - PLN 18 126 thousand):

	30 Jun. 2019	31 Dec. 2018
Tangible fixed assets	16 526	18 126
Other	-	-
Total	**16 526**	**18 126**

For information on credit and loan related debt, see Note 3.2.

3.6. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
Other items				
Guarantees and sureties	101 456	97 461	558 709	668 278
Bills of exchange	2 225	2 225	21 299	19 646
Disputes	-	-	46 682	46 682
Including dispute against Warsaw Modlin Airport	-	-	34 381	34 381
Total	**103 681**	**99 686**	**626 690**	**734 606**

Contingent assets include guarantees and sureties received by the Group from subcontractors under performance bonds and implied warranties.

Contingent liabilities of the Group relate primarily to orders to extend guarantees by the Group and banks to the Group's contractors to secure their claims under construction contracts, mainly performance bonds and bid bonds.

3. CAPITAL MANAGEMENT AND DEBT

3.7. CASH AND CASH EQUIVALENTS

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

The Group has at its disposal cash with restricted availability. This category comprises primarily funds securing bank guarantees issued in relation to the building contracts executed by the Group and derivatives-related liabilities, if their restricted availability period does not exceed 3 months.

The Group discloses cash with restricted availability as cash and cash equivalents in the consolidated statement of financial position.

	30 Jun. 2019	31 Dec. 2018
Cash in hand	197	103
Cash at bank	94 000	184 103
Cash at bank with restricted availability (securing bank guarantees)	15 633	18 772
Other cash assets	-	3 630
Total cash and cash equivalents	**109 830**	**206 608**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. REPORTING SEGMENTS

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

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
- road engineering,
- industrial construction at home,
- industrial construction in foreign countries,
- other segments.

The breakdown of the overall business into individual segments was done through qualification of individual entities of the Group on the basis of their core, statutory activities and significance of companies' operations for the segment. Such breakdown corresponds to the distribution of major risks and returns on investments made.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Consolidated Financial Statements. The transactions among individual segments are performed following arm's length principle.

The Management Board analyses the segment results using key performance indicators (KPIs) such as EBIT, EBIT and EBITDA margin. It should be borne in mind that these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. The Group defines EBIT as gross profit increased by financial costs less financial revenues. The EBIT margin is defined as the ratio of EBIT to sales revenues expressed as a percentage. EBITDA is defined as EBIT increased by depreciation in the period.

Reporting segment	Description of segment operations	Operational segments aggregated in the reporting segment	Reasons for aggregation of operational segments into reporting segments
Residential/commercial buildings at home,	Construction of residential buildings, office and public utility buildings in Poland	The operating segment comprises the following companies: the parent company - Erbud S.A., Erbud International Sp. z o.o., Erbud Operations Sp. z o.o. and Hebud Sp. z o.o. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred expenses by a certain segment.	The operating segments were aggregated based on similarity: - long-term average gross margins; - similarities between the products and services offered by the companies, - manufacturing processes, - distribution methods - types of customers.
Residential/commercial buildings in foreign countries,	Construction of residential, office and public buildings in foreign countries (mainly in Germany and Belgium)	The operating segment is the GWI Group, whose parent company is a subsidiary of GWI GmbH. In addition, a certain portion of the parent company Erbud S.A.'s operations is allocated to the segment. It comprises agency services in entering into contracts executed by subsidiaries on the basis of specifically identifiable, actually generated revenues and incurred costs related to a given segment and a portion of Erbud International Sp. z o.o.'s operations according to the same rules as stated in relation to the parent company Erbud S.A.	No data aggregation.

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Road engineering	Construction of roads and wind farms	The operating segment is PBDI S.A.	No data aggregation.
Industrial construction at home,	Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose members include: Erbud Industry Group, Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o, Erbud Industry Południe Sp. z o.o. In addition, part of the operations of the parent company Erbud S.A. is allocated to the segment based on the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Industrial construction in foreign countries	Implementation of industrial projects in the broadly understood industry	The operating segment is the entire Erbud Industry Group whose member companies include: Erbud Holding Deutschland GmbH, Erbud Beteiligungs GmbH, Target –IVT. In addition, a portion of activities of the subsidiary Erbud Industry Południe Sp. z o.o. has been allocated to the segment according to the same rules as in the case of the "building construction in foreign countries" segment.	No data aggregation.
Other segments	Widely understood support activities	The operating segment is Erbud Shared Services Sp. z o.o.	No data aggregation

Basic information on segments in the accounting periods 01.2019 - 06.2019 and 01.2018 - 06.2018

The Group operates in Poland and abroad (in Germany, Belgium, the Netherlands, Sweden and France). Revenues from external customers and assets in any country other than Poland are not significant, therefore they were aggregated in the total line and disclosed as "Foreign operations".

	For a 6-month-period, ended on 30 June 2019			For a 6-month-period ended on 30 June 2018		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers incl.	1 082 023	116 699	**1 198 722**	821 091	138 671	**959 762**
Accrued and deferred income	1 022 021	62 159	**1 084 180**	778 802	98 367	**877 169**
Income recognized at point in time	55 407	53 947	**109 354**	36 179	35 953	**72 132**
Other income recognized at point in time	4 595	593	**5 188**	6 110	4 351	**10 461**
Fixed assets other than financial instruments and deferred tax assets	97 422	39 624	**137 046**	77 902	36 550	**114 452**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Data concerning revenues and results as well as assets and liabilities in individual accounting segments are presented in the table below.

							For a 6-month-period, ended on 30 June 2019
	Residential/commercial buildings at home	Residential/commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Other segments	Total continued activities
Total income							
Inter-segment sales	-	-	(7 691)	(10 555)	-	-	**(18 246)**
Sales to third party customers	866 564	62 422	122 622	111 160	54 277	(77)	**1 216 968**
Total sales revenues	**866 564**	**62 422**	**114 931**	**100 605**	**54277**	**(77)**	**1 198 722**
Segments' results and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	833 479	65 361	103 362	93 089	41 169	(337)	**1 136 123**
Other operating profit/loss	(23 153)	4 809	(7 366)	(8 818)	(7 010)	4 311	**(37 227)**
Segment performance – EBIT	**9 932**	**1 870**	**4 203**	**(1 302)**	**6 098**	**4 571**	**25 372**
EBIT margin	1%	3%	4%	-1%	11%	-5911%	**2%**
Financial activity gains/losses	(2 282)	(789)	(402)	(724)	(164)	(1)	**(4 362)**
Gross profit/loss excluding discontinued activities	**7 650**	**1 081**	**3 801**	**(2 026)**	**5 934**	**4 570**	**21 010**
Income tax	2 616	(483)	1 032	(28)	1 714	12	**4 863**
Net profit/loss excluding discontinued activities	**5 034**	**1 564**	**2 769**	**(1 998)**	**4 220**	**4 558**	**16 147**
Amortization and depreciation	3 241	957	1 936	2 812	1 140	300	**10 386**
Segment performance – EBITDA	**13 173**	**2 827**	**6 139**	**1 510**	**7 238**	**4 871**	**35 758**
Assets and liabilities							
Total assets	**700 429**	**128 653**	**153 463**	**127 869**	**74 015**	**8 835**	**1 193 264**
Total liabilities	**599 467**	**66 260**	**108 035**	**108 995**	**48 860**	**5 809**	**937 426**
Other material items							
Share in performance of associates and joint-ventures measured with equity method	-	-	-	-	-	-	**-**
Impairment of financial assets	2 481	(9 068)	40	(36)	85	5	**(6 493)**
Capital expenditures on tangible fixed and intangible assets	2 040	903	679	1 341	2 520	306	**7 789**
Interest income	685	29	111	16	1	11	**853**
Interest expenses	1 960	346	299	642	137	12	**3 396**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Residential/ commercial buildings at home	Residential/ commercial buildings in foreign countries	Road engineering	Industrial construction segment at home	Industrial construction segment in foreign countries	Other seg-ments	For a 6-month-period ended on 30 June 2018 Total continued activities
Total income							
Inter-segment sales	-	-	(614)	(16 538)	-	-	**(17 152)**
Sales to external customers	614 627	93 046	114 933	107 209	45 625	1 474	**976 914**
Total sales revenues	**614 627**	**93 046**	**114 319**	**90 671**	**45 625**	**1 474**	**959 762**
Segments' results and reconciliation with (Loss)/Gross profit of the Group							
Cost of goods sold (COGS)	622 550	101 419	104 404	84 444	36 131	798	**949 746**
Other operating profit/loss	(20 027)	(7 140)	(6 433)	(9 000)	(2 346)	(5 511)	**(50 457)**
Segment performance – EBIT	**(27 950)**	**(15 513)**	**3 482**	**(2 773)**	**7 148**	**(4 835)**	**(40 441)**
EBIT margin	-5%	-17%	3%	-3%	16%	-328%	**-4%**
Financial activity gains/losses	2 839	989	687	(576)	(205)	8	**3 742**
Gross profit/loss excluding discontinued activities	**(25 111)**	**(14 524)**	**4 169**	**(3 349)**	**6 943**	**(4 827)**	**(36 699)**
Income tax	(5 453)	(4 783)	1 085	(455)	2 779	38	**(6 789)**
Net profit/loss excluding discontinued activities	**(19 658)**	**(9 741)**	**3 084**	**(2 894)**	**4 164**	**(4 865)**	**(29 910)**
Amortization and depreciation	1 771	493	1 759	1 763	1 027	422	**7 235**
Segment performance – EBITDA	**(26 179)**	**(15 020)**	**5 241**	**(1 010)**	**8 175**	**(4 413)**	**(33 206)**
Assets and liabilities							
Total assets	**598 762**	**122 475**	**112 111**	**102 445**	**77 456**	**8 896**	**1 022 145**
Total liabilities	**523 266**	**68 393**	**53 824**	**93 347**	**50 702**	**1 902**	**791 434**
Other material items							
Share in performance of associates and joint-ventures measured with equity method	-	-	(22)	-	-	-	**(22)**
Impairment of financial assets	(1 129)	2 120	262	-	-	-	**1 253**
Capital expenditures on tangible fixed and intangible assets	796	920	472	634	468	376	**3 666**
Interest income	2 412	7	421	101	-	13	**2 954**
Interest expenses	2 242	273	106	612	115	5	**3 353**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.2. TAXATION

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

Due to temporary differences between the value of assets and liabilities shown in the accounting books and their tax value and the tax loss deductible in the future, the Group companies, using the balance sheet method, set up: deferred income tax liabilities in respect of positive temporary differences and determine deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

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

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

The Group recognizes deferred tax asset based on the assumption that in the future profit will be generated for tax purposes that will allow to realise the asset.

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realisation of the deferred tax asset.

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

	For a 6-month-period, ended on 30 June 2019	For a 6-month-period ended on 30 June 2018
Gross profit /loss before tax on continued activities	**21 010**	**(36 699)**
Tax according to the statutory tax rate applicable in Poland - 19%	**3 992**	**(6 973)**
Additional tax burden being a result of a rate exceeding 19% in Germany	582	(942)
Adjustments of current income tax carried forward	-	-
Surplus of fixed costs not classified as tax deductible expenses over non-taxable income	289	1 126
Tax posted into Consolidated Profit and Loss Account, of which:	**4 863**	**(6 789)**
Current tax	7 348	2 936
Deferred tax	(2 485)	(9 725)
Effective tax rate	**23.15%**	**18.50%**

4. Explanatory notes to the Statement of Comprehensive Income

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

			Impact on			Impact on		
		1 January 2018	Net profit/loss	Other comprehensive income	31 Dec. 2018	Net profit/loss	Other comprehensive income	30 June 2019
	Deferred tax assets							
	Receivables under building contracts - pricing	37 639	(1 146)	-	36 493	11 917	-	48 410
Note 6.6.	Provisions	6 416	931	1 107	8 454	141	-	8 595
	Tax loss	2 516	9 220	-	11 736	(5 500)	-	6 236
	Accrued wages and salaries, and charges	437	76	-	513	(24)	-	489
Note 6.4.	Receivables revaluation	2 043	414	1 960	4 417	471	-	4 888
	other financial liabilities	1 568	450	-	2 018	(53)	-	1 965
	Deferred expenses	2 267	(483)	-	1 784	1 199	-	2 983
	Other	1 110	(572)	32	570	1 748	(53)	2 265
	Total	**53 996**	**8 890**	**3 099**	**65 985**	**9 899**	**(53)**	**75 831**
	Deferred tax liabilities							
	Building contract liabilities - pricing	29 473	1 778	350	31 601	7 767	-	39 368
	Asset revaluation	1 970	(310)	3 112	4 772	(191)	-	4 581
	Financial expenses activated	-	-	-	-	-	-	-
	Balance sheet pricing and liabilities discount	127	34	-	161	(11)	-	150
	Accrued interest on debt	222	16	-	238	86	-	324
	Accrued revenues	(3)	-	-	(3)	-	-	(3)
	Other	1 524	326	(347)	1 503	(237)	(37)	1 229
	Total	**33 313**	**1 844**	**3 115**	**38 272**	**7 414**	**(37)**	**45 649**
	Offset assets and liabilities	20 683			27 713			30 182
	Post-offset balance	**25 345**			**33 107**			**34 974**
	Assets	23 014			30 410			32 578
	Liabilities	2 331			2 697			2 396
	Net impact of changes in the period		**7 046**	**(16)**		**2 485**	**(16)**	

4. Explanatory notes to the Statement of Comprehensive Income

In the years ended on 30 June 2019 and 31 December 2018 there were no negative items of temporary differences on which no deferred tax assets were recognised.

The table below shows the periods of realisation of deferred income tax assets and liabilities.

	30 Jun. 2019		31 Dec. 2018	
	Assets	Liabilities	Assets	Liabilities
Short-term	24 795	438	25 110	361
Long-term	7 783	1 958	5 300	2 336
Total	**32 578**	**2 396**	**30 410**	**2 697**

Information about income tax receivables and liabilities amounts is presented in Notes 6.4 and 6.8.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

Since 1 January 2018, the Group has classified instruments, pursuant to with IFRS 9, into the following categories:

- Assets priced at amortized cost,
- Financial assets priced at fair value through financial profit or loss,
- Financial liabilities priced at amortized cost,
- Derivative instruments determined as hedging instruments in hedge accounting.

Financial assets priced at amortized cost include primarily:

Note 5.1.2.	Financial Assets - Loans Extended
Note 2.1.	Receivables under building contracts - deposits
Note 6.4.	Trade receivables and other receivables
	Receivables under building contracts - pricing
	Cash and cash equivalents

Financial liabilities priced at amortized cost comprise mainly:

Note 2.1.	Building contract liabilities - deposits
	Building contract liabilities - pricing
Note 6.8.	Trade payables and other liabilities
Note 3.2. - 3.4.	Debt

5.1.1. FINANCIAL ASSETS

As at 30 June 2019 the Group was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		30 Jun. 2019	31 Dec. 2018
Note 2.1.	Building contract liabilities - bid bonds		
Note 5.1.2.	Loans extended	3 423	10 856
	Building contract liabilities - pricing	2 389	2 387
	Total	**5 812**	**13 243**
Note 6.8.	Trade payables and other liabilities		
	Long-term	2 393	5 750
	Short-term	3 419	7 493
Note 3.3. - 3.5.	Debt		

5.1.2.FINANCIAL ASSETS – LOANS EXTENDED

Debt instruments held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') are priced at amortized cost. Interest income is measured using the effective interest rate method and disclosed under "Interest income" in the financial result. Impairment losses are recognised in compliance with the accounting policy indicated and presented in the Section titled "Impairment losses on financial assets".

The value of financial assets is updated by an impairment loss calculated using the expected credit loss method pursuant to IFRS 9 standard.

No impairment losses were recognised for the loans granted. Loans are not overdue as of the balance sheet date. Loans granted are burdened with credit risk and interest rate risk, which are described respectively.

5.2. FINANCIAL DERIVATIVES

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

The Group hedges cash flows resulting from loans granted by the Group and inflows from building contracts signed with contractors. Changes in the fair value of derivative financial instruments in the part constituting an effective hedge refer directly to the revaluation reserve. The ineffective part is posted into income statement as financial income or financial costs. In the period in which the hedged item of a financial instrument affects the financial result, the amount related to this instrument previously recognized in other total income is also transferred to the income statement.

The concluded derivatives are used to limit the Group's exposure to currency risk. Further information on currency risk management is provided in Note 5.3.1.

Moreover, derivative instruments representing assets expose the Group to credit risk. As of the balance sheet date and in the comparative period, there were no significant items of derivative instruments in the asset line.

Derivative financial instruments held by the Group - forward contracts - are measured at fair value and classified at level 2 in the fair value hierarchy, i.e. they are measured based on observable input data other than quoted prices. In compliance with the Group's risk management policy, prospective ("ex-ante") and retrospective ("ex-post") tests of hedge effectiveness are carried out at each balance sheet date. Prospective hedge effectiveness test: the dollar offset method was used using a hypothetical derivative instrument. For the purposes of the prospective test, historical market rates of exchange rates and interest rates effective one month before the balance sheet date are used.

5.3. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the Erbud Group is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Management Board of the Parent Entity is responsible for determining the rules for the management of such risks and for verifying them.

5.3.1.MARKET RISK – CURRENCY RISK

While performing their core operations, the Group member companies conclude construction contracts that are denominated in EUR. The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. The contracts executed are mostly concluded by the Group in Polish currency (PLN), while contracts executed abroad are concluded in EUR.

With regard to receivables and liabilities resulting under concluded construction contracts that will be paid for in EUR and with reference to loans denominated in EUR, the Group applies forward contract hedging for EUR currency as part of hedge accounting.

5.3.2. MARKET RISK – INTEREST RATE RISK

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

In addition, the Group invests idle cash partly in investments with a variable interest rate (deposits) and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Group to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate expose the Group to the risk of fair value volatility, however, owing to the fact that the Group does not measure these items at fair value, this impact is not reflected in the financial statements.

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

5.3.3. CREDIT RISK

Cash and cash equivalents

The Group minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Group cooperates with highly reliable financial institutions,

Trade receivables and receivables under construction contracts

To protect against credit risk resulting from receivables under construction contracts (i.e. trade receivables, receivables under construction contracts - deposits and valuation of construction contracts), the Group has in place a policy of assessing and verifying credit risk related to all contracts, both at the offering phase and during contract execution. Before signing a contract, each counterparty is evaluated in terms of its ability to meet its financial obligations. In the event of a negative assessment of the counterparty's payment capability, entering into the contract depends on the establishment of adequate financial or asset collaterals. Moreover, contracts with investors contain clauses providing for the right to suspend the execution of works, if there is a delay in the transfer of payments for services rendered. If possible contractual clauses are also developed to condition payments to subcontractors on the receipt of funds from the investor.

The Group has no credit risk concentration in relation to trade receivables and receivables under construction contracts - in relation to bid bonds and valuation of construction contracts.

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.4.

5.3.4.LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Group maintains an appropriate amount of cash and transferable securities as well as enters into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group pursues a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash.

Liquidity management is supported by the existing liquidity forecast reporting system by the Group member companies.

The table below shows the Group's financial liabilities as of 30 June by maturity date based on contractual non-discounted payments.

							30 Jun. 2019
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Discount rate	Balance-sheet values
Credit and loan liabilities	16 493	59 810	19 602	-	**95 905**	-	**95 905**
Issued bond liabilities	-	-	52 000	-	**52 000**	-	**52 000**
Lease liabilities	996	9 394	24 866	173	**35 429**	-	**35 429**
Building contract liabilities - bid bonds	5 420	109 639	15 955	119	**131 133**	756	**130 377**
Trade payables	88 574	223 778	-	-	**312 352**	-	**312 352**
Financial derivatives - liabilities	-	-	-	-	-	-	-
Total	**111 483**	**402 621**	**112 423**	**292**	**626 819**	**756**	**626 063**

							31 Dec. 2018
	Below 3 months	3-12 months	1-5 years	Above 5 years of age	Total non-discounted flows	Discount rate	Balance-sheet values
Credit and loan liabilities	15 006	25 293	8 105	12 793	**61 197**	-	**61 197**
Debt related to issued bonds	-	-	52 000	-	**52 000**	-	**52 000**
Debt related to financial lease	903	4 774	9 281	-	**14 958**	-	**14 958**
Building contract liabilities - bid bonds	6 621	101 476	10 989	152	**119 238**	736	**118 502**
Trade payables	80 562	248 245	-	-	**328 807**	-	**328 807**
Financial derivatives - liabilities	-	-	-	-	-	-	-
Total	**103 092**	**379 788**	**80 375**	**12 945**	**576 200**	**736**	**575 464**

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

The most important items of tangible fixed assets are means of transport as well as technical equipment and machinery used primarily for the construction of public, commercial, residential and industrial facilities. In addition, the Group is also in the possession of buildings and structures as well as lands.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all write downs for impairment. The policy concerning the impairment assessment is presented in Note 6.3.

The initial value of tangible fixed assets comprises their purchasing price plus all costs connected directly with the purchase and adaptation of the asset to the condition fit for use. The initial value also comprises the cost of spare parts of machinery and equipment when incurred, if the recognition criteria are met, i.e. the Group expects that spare parts will be used for more than one year and it is possible to assign them to a specific item of tangible fixed assets.

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred, except when such costs cause an increase of expected future economic benefits from holding a given item of tangible fixed assets - then incurred costs increase the initial value of such item.

The Group annually verifies the residual value, useful life and depreciation methods of tangible fixed assets.

Fixed assets under construction are priced at the level of costs connected directly with their acquisition or manufacturing including costs of financing, less write-downs for impairment. Fixed assets under construction are not depreciated until their construction has been completed.

The depreciationrates are determined on the basis of expected economic life of tangible fixed assets Each year the Group revises the economic lives based on current estimates.

The Group concluded lease contracts for an average period of 5 years. Such lease contracts include an option for extension, once the basic term has expired. Additionally, under the concluded contracts the Group is entitled to repurchase the leased asset at the end of life of contract.

6. OTHER NOTES

Debt related to financial lease contracts is referred to in Note 3.4.

	Lands including right of perpetual usufruct to land	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Other	Total
Net value as of 1 Jan. 2018	**8 101**	**11 446**	**8 085**	**17 712**	**1 777**	**-**	**2 162**	**49 283**
Increased by:								
Acquisition	1 400	1 715	6 938	1 963	1 243	195	345	**13 799**
Lease	-	-	1 409	8 582	-	-	-	**9 991**
Acceptance of fixed assets	798	5 291	483	2 862	2 023	-	5 491	**16 948**
Other, including reclassification adjustments	-	-	1	1 542	-	-	-	**1 543**
Decreased by:								
Amortization and depreciation	29	1 192	3 568	7 367	1 703	-	1 126	**14 985**
Disposal and liquidation	632	216	452	2 875	52	-	-	**4 227**
Internal reclassifications to a certain item	-	-	-	32	-	-	-	**32**
Other	(5)	(37)	(8)	(49)	(41)	-	(38)	**(178)**
Net value as of 31 Dec. 2018	**9 643**	**17 081**	**12 904**	**22 436**	**3 329**	**195**	**6 910**	**72 498**
Impact of implementation of IFRS 16 standard as of 1 Jan. 2019	4 656	17 690	-	693	-	-	-	**23 039**
Net value as of 1 Jan. 2019	**14 299**	**34 771**	**12 904**	**23 129**	**3 329**	**195**	**6 910**	**95 537**
Increased by:								
Acquisition	-	234	524	1 593	1 059	4 291	88	**7 789**
Lease	-	-	575	3 414	-	-	-	**3 989**
Decreased by:								**-**
Amortization and depreciation	109	3 247	1 853	4 064	595	-	518	**10 386**
Disposal and liquidation	356	-	41	634	10	-	-	**1 041**
Internal reclassifications to a certain item	-	-	-	32	-	234	-	**266**
Other	-	-	-	3	-	-	-	**3**
Foreign exchange gains and losses from translation	(9)	(89)	(5)	(48)	(31)	(8)	(54)	**(244)**
Net value as of 30 June 2019	**13 825**	**31 669**	**12 104**	**23 355**	**3 752**	**4 244**	**6 426**	**95 375**

6. OTHER NOTES

Right to use assets under lease, lease liabilities

The right to use assets includes lease assets in compliance with the requirements of IFRS 16 standard. The standard was applied for the first time in 2019 a simplified method of its implementation was adopted (without retrospective recognition), therefore the impact on equity is not recognised.

The following simplifications in data presentation have been adopted:

- no lease contracts for low-value assets (below PLN 15 thousand) are activated,
- contracts that will be terminated during the current year are omitted,
- impact on equity equals PLN 0.

The value of the lease liability was calculated based on the following assumptions:

- in the case of perpetual usufruct of land, perpetual usufruct right was established,
- in the case of forward contracts, the maximum period generating liability was assumed,
- in the case of contracts with unlimited duration - their individual business analysis determining the assumed useful life was carried out,
- discount rate for perpetual usufruct of land was assumed at the level of 3.4%
- discount rate for other leased assets was assumed at the level of 3.36%
- discount rate for leased assets used in subsidiaries in Germany was assumed at the level of 1.68%.

The Company posted into classified activated leased assets the following items:

- perpetual usufruct right to land,
- lease of office, warehouse, social and workshop space - period of use: 2-3 years,
- means of transport - useful life 6 years.

Data concerning the right to use assets under lease are presented in tables below.

	As of:	
	30 June 2019	1 Jan. 2019
Lands	4 561	4 656
Buildings and structures	14 864	17 690
Means of transport	541	693
Total	**19 966**	**23 039**

	LANDS	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT	TOTAL
Net value as of 1 Jan. 2019	-	-	-	-
An increase caused by IFSR 16 coming into force	4 656	17 690	693	23 039
Amortization and depreciation	95	2 793	145	3 033
Foreign exchange gains and losses from translation	-	(33)	(7)	(40)
Net value as of 30 June 2019	**4 561**	**14 864**	**541**	**19 966**

1 Jan. 2019

6. OTHER NOTES

Off-balance operating lease liabilities as of 31 Dec. 2018	-
(-) short-term (expiring in 2019)	-
(+/-) land perpetual usufruct right	9 718
(+) lease of buildings and structures	18 837
(+) lease of means of transport	708
Total	**29 263**
(-) discounted amount	6 224
Balance sheet items of liabilities including:	**23 039**
long-term	17 659
short-term	5 380

	1 Jan. 2019
Lease liabilities	**29 263**
(-) discounted amount	6 224
Entitlement to utilize assets	**23 039**

6.2. GOODWILL

Goodwill arises as a result of accounting for the acquisition of projects using the acquisition method.

Accounting principles concerning goodwill impairment are described in Note 6.3.

	For a 6-month-period, ended on 30 June 2019	For a 12-month-period ended on 31 Dec. 2018
Opening balance of goodwill	**39 462**	**22 968**
Increases	-	16 494
Foreign exchange gains and losses from translation	(184)	-
Closing balance of goodwill	**39 278**	**39 462**
Including acquisitions:		
Przedsiębiorstwa Budownictwa Drogowo – Inżynieryjnego S.A.	18 274	18 274
Erbud Holding GmbH	16 310	16 494
Other	4 694	4 694

6. OTHER NOTES

6.3. FIXED ASSETS IMPAIRMENT

The Group carries out test for fixed asset impairment, if there are reasons for impairment and additionally it carried out a test for goodwill once a year. Recoverable amount is determined at the lowest possible level, i.e. for an individual asset or for the cash-generating centre to which the asset belongs.

Tangible fixed assets impairment

At each balancing date the it is evaluated if there are any objective reasons indicating a risk of asset or asset category impairment. If there are such reasons, the estimated recoverable value is agreed for the asset and an impairment loss is written off, in the amount equal to the difference between the recoverable value and balance sheet value. The recoverable value corresponds the higher of the following two values: fair value less costs closing sales or value in use. The impairment loss is posted into profit and loss account. As of each balancing date, the Group also assesses whether there are any indications that the impairment loss recognised in previous periods should be reduced or completely reversed.

Goodwill impairment

Goodwill is tested for impairment at least once a year. Potential impairment is recognized immediately as a decrease in goodwill and recognized in the Profit and Loss Account, additionally it is not subject to reversal in subsequent reporting periods.

To carry out possible impairment test, the goodwill is allocated to the cash generating units. In the event of a disposal of an operation within a cash-generating centre to which goodwill has been allocated, the goodwill associated with the disposal shall be included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill impairment

The Company did not identify any factors that could indicate grounds for impairment of fixed assets, therefore no impairment test was performed as of 30 June 2019.

6.4. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

In the trade receivables as well as other receivables category the Group recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Group) and budget receivables, including corporate income tax receivables and tax on goods and services receivables.

Receivables due to deliveries and services, whose maturity is usually from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. As of the balance sheet date, these items are carried at amortized cost, including any revaluation write-off.

6. OTHER NOTES

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there is any indication of impairment or not. For trade receivables which, on the basis of a portfolio analysis, were assessed as not impaired, the estimation of possible revaluation write-downs is based on the use of a write-down matrix based on historical data adjusted for the impact of future factors. For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-downs were set up depending on the assessment of their recoverability.

If the value of money in time is material, the value of receivables is determined through discounting projected future cash flows to the present value, using a gross discount rate reflecting current market-based appraisals of time value of money. If the discounting method has been applied, an increase of receivable value over time is posted as financial income.

	30 Jun. 2019			31 Dec. 2018		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables from non-related entities	550 539	36 748	513 791	476 906	43 122	433 784
Receivables from corporate income tax	6 186	-	6 186	10 019	-	10 019
Other financial receivables	4 937	-	4 937	3 547	-	3 547
Other receivables	31 745	1 210	30 535	17 520	1 210	16 310
Total	**593 407**	**37 958**	**555 449**	**507 992**	**44 332**	**463 660**

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

	For a 6-month-period, ended on 30 June 2019	For a 12-month-period ended on 31 Dec. 2018
Opening balance of write-downs	**44 332**	**15 129**
Impact of IFRS 9 - opening balance	-	10 674
Setting up	6 043	20 315
Reversal	12 336	1 873
Utilisation	20	108
Other	-	102
FX gains and losses from translation	(61)	93
Closing balance of write-downs	**37 958**	**44 332**

Aging structure of past due receivables, for which no impairment was found, is as follows:

Past due receivables:	30 Jun. 2019	31 Dec. 2018
Below 1 month	42 639	52 636
1-3 months	24 130	24 047
3-6 months	27 683	10 090
6 months - 1 year	10 687	7 880
in 1	40 349	30 219
Total net assets	**145 488**	**124 872**

As of 30 June 2019 the amount of past due receivables includes disputed receivables, including PLN 8 188 thousand secured by mortgages from Kępska S.A. and PLN 1 895 thousand from the Academy of Music. Partial write-downs were created for disputable receivables based on estimated discounted cash flows. The aforementioned entities are the subject of disputes described in Note 6.7.

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

6.5. OTHER ASSETS

Assets held for sales are assets whose carrying amount in the balance sheet will be recovered mainly through a sale transaction rather than through their further use. These items are priced taking any of the amounts, with the lower value: carrying amount in the balance sheet and fair value less disposal costs (fair value is determined in accordance with IFRS 13).

The **Insurance** item comprises prepayments made by the Group under insurance contracts concerning future accounting periods. They are recognized in the income statement proportionally to the time expired.

	30 Jun. 2019	31 Dec. 2018
Fixed assets put up for sale	-	-
Insurance	4 929	5 071
Other	1 078	777
Total	**6 007**	**5 848**

6.6. PROVISIONS



The Provisions category mainly comprises provisions for warranty repairs, provisions for employee benefits and post-employment benefits, and provisions for litigations and disputes.

Provisions for warranty repairs

Provisions for warranty repair costs result from the Group's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. Assumptions used to calculate the provision for warranty repairs as of 30 June 2019 were based on the records of warranty repairs in the 2015-2018 period.

Provisions for short-term employee benefits

This category comprises provisions for non-utilized holidays. The basis for calculation of provision for non-utilized leave is the specification of non-utilized leave days at a certain balancing date broken down by employees and their daily gross salary plus social contribution surcharges paid by the Employer.

Provision for benefits in the post-employment period

This category comprises provisions for retirement and pension severance pays, to be paid by the Group under the effective law and the remuneration rules and regulations. The amount of the provision is determined at the present value using actuarial techniques requiring the adoption of certain assumptions. Assumptions vital to pricing include the levels of discount rates, projected rates of return on assets (ROA), forecast wage increases. Due to pricing complexity, the assumptions made, its long-term nature, the liabilities related to the above mentioned benefits are very sensitive to assumption changes. All the above assumptions are verified and updated at the end of each reporting period.

Provisions for litigation and disputes

Detailed analysis of potential risks related to litigation, making decisions about a need to reflect the impact of such litigation in the Group's financial statements and the amount of the provision are made by the legal departments and Management Boards of individual Group member companies.

6. OTHER NOTES

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provisions for employee benefits and post-employment benefits*	Provisions for litigations and disputes	Other	Total
As of 1 Jan. 2018	**15 836**	**15 514**	**1 763**	**7 094**	**40 207**
Increase	6 440	11 731	581	3 271	22 023
Dissolution	2 186	887	867	5 056	8 996
Increase due to acquisition	-	14 541	-	985	15 526
Utilisation	(13)	9 170	-	1 255	10 412
As of 31 Dec. 2018	**20 103**	**31 729**	**1 477**	**5 039**	**58 348**
short-term	16 937	18 443	979	4 331	40 690
long-term	3 166	13 286	498	708	17 658
As of 1 Jan. 2019	**20 103**	**31 729**	**1 477**	**5 039**	**58 348**
Increase	1 625	19 681	1 000	1 816	24 122
Dissolution	7	371	-	1 746	2 124
Increase due to acquisition	-	-	-	-	-
Utilisation	2 000	16 779	-	2 212	20 991
FX gains and losses from translation	(26)	(183)	-	(23)	(232)
As of 30 June 2019	**19 695**	**34 077**	**2 477**	**2 874**	**59 123**
short-term	16 555	19 533	1 979	2 173	40 240
long-term	3 140	14 544	498	701	18 883

*) The main part of this item are provisions for non-utilized holidays

Provisions for litigations and disputes

The increase in provisions in the current reporting period by PLN 1 000 thousand is caused, inter alia, by setting up a provision by the Group for potential damages that the Group may be charged with due to the performance of the contract for the Institute of Mother and Child.

6.7. DISPUTES

Party to the dispute	Description of Works under Dispute	30 June 2019	31 Dec. 2018
Actions brought against the Company			
Claimant: Mazowiecki Port Lotniczy Warszawa-Modlin sp. z o.o. (*Warsaw Modlin Airport*) ("MPL") Defendant: ERBUD S.A. in Warsaw Date of servicing an action to ERBUD S.A.: 23 May 2014 Value of the dispute: PLN 34 381 374.64	On 12 May 2014 a statement of claim was delivered to ERBUD S.A. in which the Warsaw Modlin Airport (MPL) requested payment of PLN 34 381 374.64 for damages along with statutory interest and litigation costs. The damages claimed by the Warsaw Modlin Airport (MPL) consists of losses and benefits incurred by the claimant and lost as a result of allegedly improper performance by ERBUD of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway. 11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Airport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the claimant, the Company instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount of PLN 19 892 366.30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by ERBUD S.A. for repairs of the airfield surface at the Warsaw-Modlin airport. The case has a complicated factual state of affairs and extensive evidence has been submitted during the proceedings. It will be necessary take several proofs from the expert opinions. At the same time, ERBUD S.A. supports the assessments presented in the earlier memoranda, according to which the risk of awarding a claim in favour of MPL is lower than the chance of claim dismissal. However, even if the Court found MPL's claim justified, the amount of awarded damages would be significantly lower than the amount claimed in the action brought by MPL, since ERBUD S.A. is able to question almost every element of the claim lodged by MPL.	Posted as conditional liability	Posted as conditional liability
Actions brought by the Company			
Defendant: Bank Millennium S.A. in Warsaw Date of bringing an action: 22 December 2010 Value of the dispute: PLN 71 065 496	In 2008 Bank Millennium S.A. advised ERBUD S.A. to conclude FX option transactions to hedge against FX risk under the contracts denominated in EUR executed by the Issuer. The Bank's proposal was driven by a need of the Issuer to obtain collateral adequate to its situation. According to the Company, the product was not optimally adjusted to the ERBUD S.A. needs. In Q4 2008 as a result of a drastic revaluation of Polish zloty (PLN) in the PLN/EUR pair, 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 over the content of FX option transactions, mainly with respect to the exclusion of option structures. During numerous discussions, the Issuer presented its position to the Bank, in which it demanded that the transaction be carried out with the undertaking of actions aimed at enforcing of existing claims. In order to limit the amount of potential loss, the disputed transactions were restructured and the Bank was informed about legal actions taken in the future to remedy the loss resulting from FX option transactions. The restructuring details were presented by the Issuer in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. The Issuer never agreed with the position of Bank Millennium S.A. and therefore called upon the Bank twice demanding the Bank to pay the amount of PLN 71 065 496 which consists of the amounts collected by the Bank from the Issuer's bank account, foregone profits and costs of legal and financial advisors. In connection with the above, the Issuer decided to bring an action for payment of compensation for the loss. 16 September 2016 The Management Board of ERBUD S.A. was informed by its legal advisors about the decision taken by the District	No impact	No impact

	Court in Warsaw. Pursuant to the decision, the Court dismissed the Issuer's claim in its entirety. On 4 November 2016 the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal 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 incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer. The above ruling does not have any influence on the financial position of the Issuer because the entire loss related to options was settled in the year of its occurrence, i.e. in 2008. On 29 May 2018 the Court of Appeal in Warsaw announced the ruling in the case filed by ERBUD S.A. against Bank Millennium S.A., in which it upheld the appeal of the Company. The Court of Appeal in Warsaw, in its decision of 29 May 2018 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 about the costs of the appeal proceedings. On 13 July 2018 the Company was informed about a complaint filed by Bank Millennium S.A. with the Supreme Court against the ruling of the Court of Appeal in Warsaw of 29 May 2018 concerning the action brought by ERBUD S.A. against Bank Millennium S.A. In its complaint Bank Millennium questions the advisability of repealing the ruling and referring the case back to the District Court in Warsaw for re-examination, indicating that the Court of Appeal should decide the case itself. on behalf of the Company its Legal advisors submitted a response to the complaint. On 28 September 2018 the Supreme Court issued a decision about the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. By virtue of its decision of 28 September 2018 the Supreme Court, overruled the appealed decision of the Court of Appeal in Warsaw of 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on the costs of the appeal proceedings.		
Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic Date of bringing an action: 14 February 2012 Value of the dispute: PLN 26 923 644.16	Current state of the affairs: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22 925 604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014 the defendant filed a counterclaim for the amount of PLN 5 651 633. On 6 November 2015 a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties have been interviewed. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018 the court dismissed both oppositions. ERBUD S.A. requested the delivery of the decision along with rationale. Once the written rationale has been examined, a decision will be made to lodge a complaint. The date of hearing is missing.	No impact	No impact

6. OTHER NOTES

Defendant: Kępska S.A. with its registered office in Warsaw Date of bringing an action: 22 April 2014 Value of the dispute: PLN 9 877 132 .	The Issuer is claiming from Kępska S.A. the payment of remuneration for the execution of construction works. Action brought on 22 April 2014. The Issuer requested that Kępska S.A. be adjudicated to pay the above amount. In the course of the case examination, a court expert opinion and two complementary opinions were prepared. According to these opinions, Erbud performed the works under the contract in compliance with deadlines amended by the annexes and by virtue of additional agreement. By virtue of its decision of 24 April 2018 the Court allowed the claim for payment and adjudicated Kępska S.A. to pay Erbud the amount of PLN 9 877 131.31 with statutory interest. In the rationale, the Court stated that the defects of the works referred to by the defendant did not entitle the defendant to withdraw from the agreement and that Erbud should be paid for works performance. On 6 November 2018 as a result of appeals filed by Erbud and Kępska S.A. against the court decision, the Court of Appeal in Wrocław recognized, by virtue of its ruling, the termination of the general contractor agreement by Erbud SA to be effective, adjudicated the amount of PLN 4 316 464.11 plus interest from Kępska S.A. to Erbud SA, set aside the court decision for re-examination with regard to the receivables awarded therein in the amount of PLN 5 560 667.20 and dismissed the appeals of the Parties to the remaining extent. Upon the Issuer's request, the Court Enforcement Officer runs enforcement proceedings to obtain the cash benefit awarded to Erbud. At the same time, on the basis of the obtained executive title, the Issuer filed for initiation of enforcement proceedings against a part (secured with a mortgage) of the legally awarded amount of PLN 2 901 964.11 from the real estate at ul. Kępska 8 in the City of Opole, encumbered with a compulsory mortgage established in favour of Erbud. Proceedings to this extent are run by the Court Enforcement Officer at the District Court in the City of Opole. On 24 January 2019 the Court Enforcement Officer suspended the enforcement proceedings pursuant to Article 146 of the Bankruptcy Law.	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.
Defendant: Academy of Music in the City of Łódź Date of bringing an action: 20 December 2013 Value of the dispute: PLN 2 050 515 Counterclaim	Action of 20 December 2013 for payment of remuneration for construction works performed by the Parent Company together with interest and compensation for misperformance of contract. Value of the dispute: PLN 2.051 thousand. The parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5 in which the expert upheld the position voiced in the main opinion. On 20 March 2019 the court closed the hearing and on 22 March 2019 announced its decision under which: - awarded ERBUD the amount of PLN 1 970 364.40 with statutory interest accrued from 19 December 2013 until the date of payment, - dismissed the remainder of the action - ordered the costs of court proceedings totalling PLN 120 203.57 to be paid to ERBUD. The decision is not final and binding.	A partial write-down was set up based on discounted cash flows.	A partial write-down was set up based on discounted cash flows.
Defendant: Erbud SA Value of the dispute: PLN 4 135 790.96 Date of bringing an action: 16	On 20 December 2013 ERBUD S.A. brought an action for payment of PLN 1 895 430.00 as remuneration for the construction works performed by the Claimant for the Defendant under Contract No. 694/U/AMŁ/2012 of 20 December 2012 under which the Claimant issued an invoice to the Defendant on 30 July 2013 and for the payment of PLN 74 934.40 - in relation to the statutory interest due to the Claimant on the amount of remuneration accrued from the due date of the claim (i.e. 29 August 2013) to the date of bringing an	n/a	n/a

December 2014	action (i.e. 20 December 2013) and the amount of PLN 80 150.37 - as compensation of Academy's misperformance of the Contract No. 209/U/AMŁ/11 of 15 September 2011 as a result of which ERBUD S.A. suffered damage in the form of higher costs of running construction activities for a period longer than provided for in the aforementioned Contract, i.e. in the period from 1 June 2013 to 15 July 2013. The defendant Academy of Music filed a response to the statement of claim demanding that the statement of claim be dismissed in its entirety and referred to its statutory right of set-off of contractual penalties. Pursuant to the Decision of 5 November 2015 the Court merged the case with a counterclaim brought by the Academy of Music. More witnesses are being interviewed. Upon the request of the Academy of Music, mediation proceedings were conducted in order to reach a settlement. The Parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5 in which the expert upheld the position voiced in the main opinion. On 20 March 2019 the court closed the hearing and on 22 March 2019 announced its decision under which: - dismissed the Academy's claim - ordered the costs of court proceedings totalling PLN 7.217 to be paid to ERBUD.		
Defendant: Platinum Resort Sp. z o.o. Date of bringing an action: 3 December 2018 Value of the dispute: 16 301 236.97	Erbud filed a request with the District Court in Szczecin to secure a cash claim in the amount of PLN 5 455 851.09 in relation to the contractual penalty for withdrawal from the Construction Works Contract of 26 January 2017 for the execution of the project titled "Construction of a four-star hotel complex consisting of: Three hotel buildings with land development in Żeromskiego Street in the City of Świnoujście" by encumbering the properties belonging to Platinum Resort Sp. z o.o. with a joint compulsory mortgage. Pursuant to its Decision of 19 November 2018 the Court granted security by entering the compulsory mortgage into the land and mortgage registers of the aforementioned real estate, as well as by the attachment of bank accounts of Platinum Resort Sp. z o.o. On 3 December 2018 the Issuer filed a lawsuit for payment of PLN 16 301 236.97 together with interest in the writ of payment proceedings for remuneration and other claims related to the execution of the aforementioned investment together with 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 Szczecin Court of Appeal has not heard the complaint. The Szczecin District Court found that there were no grounds for issuing a payment order and referred the case to be examined in ordinary proceedings. The claim was forwarded for servicing to the defendant. By virtue of decision of 22 February 2019 the District Court secured the claim of Erbud S.A. for another amount of PLN 3.5 million by establishing a compulsory mortgage on the property.	n/a	n/a
Defendant: Nordic Astrum Sp. z o.o. Date of bringing an action: 30 April 2018 Value of the dispute: 3.716.248 43	Erbud filed a lawsuit with the Łódź District Court for the investor's (defendant's) liability for failure to perform contract consisting in non-payment of PLN 3 716 248.43 to Contractor (Claimant) for the construction work performed, together with statutory late interest. On 2 July 2018 a decision on securing the Claimant's claim was issued. On this basis, the Court Enforcement Officer initiated security proceedings consisting in seizure of movables and bank accounts of Nordic Astrum sp. z o.o. The proceedings is still underway. The history of Nordic Astrum sp. z o.o. bank accounts was obtained. On 11 February 2019 the decision on granting the security was served to the Company. Currently, we are preparing a submission responding to the argumentation contained in the complaint. The	A write-off was established	A write-off was established

	files should be sent to the Łódź Court of Appeal to enable complaint examination. No further procedural decisions were taken. In July 2019 the Łódź Court of Appeal dismissed the defendant's complaint as groundless. The District Court in Łódź scheduled hearings for 18 and 20 November 2019 in order to collect evidence necessary to settle the case.		
Defendant: IMPULS Przedsiębiorstwo Handlowe Sp. z o.o. Date of bringing an action: 12 January 2018 Value of the dispute: 9 202 092.00	Erbud SA filed a suit with the Regional Court in Poznań for the payment of PLN 9 202 091.47 with statutory interest accrued until the date of payment and costs of proceedings, in relation to damages resulting from failure to perform contract, as well as to the defendant's obligation to pay the price for the construction materials purchased. By virtue of default judgment of 2 July 2019 the Court of First Instance accepted the claims of ERBUD S.A. and adjudicated an additional amount of PLN 125 017.00 as reimbursement of the costs of the proceedings. The judgment is not final and binding.	A partial write-off was established	A partial write-off was established
Defendant: District Infrastructure Board Date of bringing an action: 5 April 2019 Value of the dispute: 1 882 390.43	On 5 April 2019 Erbud SA acting jointly with "Ebud-Przemysłówka" Sp. z o.o. Multitrade Enterprise filed a claim against the State Treasury - Regional Infrastructure Board in the city of Bydgoszcz for the amount of PLN 1 882 390.43 including PLN 1 034 814.73 along with statutory late interest claimed by Erbud from the State Treasury - Regional Infrastructure Management Board and the amount of PLN 847.PLN 575.69 along with statutory late interest claimed by "Ebud - Przemysłówka" Sp. z o.o. Multitrade Enterprise from the State Treasury - Regional Infrastructure Management Board in Bydgoszcz as remuneration for performed and accepted works specified in the contract concluded by the Claimants, acting as contractors under a Consortium Agreement, with the aim to prepare design documentation and using it to perform the construction and alteration of facilities in the military complex at ul. Szubińska 105 for the purposes of the Centre for Doctrines and Training of the Armed Forces in the City of Bydgoszcz. The Court of First Instance found that there were no grounds for issuing a payment order in the writ of payment proceedings and adjudicated that the case be entered in the general register. On 1 August 2019 Erbud's attorneys were served with a response to the statement of claim drawn up by the General Prosecutor's Office of the Republic of Poland. No further dates or dispositions. Estimated date for completion of proceedings before the Court of First Instance: 2020	n/a	

6.8. TRADE PAYABLES AND OTHER LIABILITIES

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

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

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

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

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

	30 Jun. 2019	31 Dec. 2018
Trade payables	**312 352**	**328 807**
including to related entities	1 145	1 125
Advances received	-	177
Financial liabilities in relation to	**2 000**	**-**
other	2 000	-
Liabilities vis-a-vis budget in relation to:	**42 549**	**54 616**
Value added tax	23 198	36 791
corporate income tax	4 484	4 597
Personal income tax	4 329	3 723
Social Insurance Institution	9 282	8 574
real estate tax	114	1
State Fund for the Rehabilitation of the Disabled	163	148
holiday accrual (Belgium tax)	683	638
other	296	144
Other liabilities	**34 206**	**21 384**
wages & salaries	10 281	9 698
accruals	11 983	7 186
other	11 942	4 500
Total	**391 107**	**404 984**

6. OTHER NOTES

6.9. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of the change in working capital for the period from 1 June to 30 June 2019 and for the period from 1 June to 30 June 2018.

	Change in balance of Cash Flow Statement in the period from Jan. 2019 to June 2019	Change in balance of Cash Flow Statement in the period from Jan. 2018 to June 2018
Change in provisions balance	**802**	(842)
Change in inventory balance	**(36 092)**	(10 103)
Change in balance of receivables	**(121 491)**	(49 145)
Change in balances of short-term liabilities, excl. credits and loans	**9 291**	(892)
Change in balance of prepayments and accruals	**(6 163)**	(23 990)
Change in balance of working capital	**(153 653)**	**(84 972)**

6.10. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES

Related entities and consolidation rules: The consolidated financial statements comprise data of the Parent Entity and its subsidiaries.

Subsidiaries are consolidated using the full method from the date of control acquisition to the date of control loss. The control is exercised when the Parent Company is exposed to variable financial results due to its involvement in the entity in which it made investment, or when it has the right to changing financial results and is capable of influencing the level of these financial results by exercising its control over the entity. The financial statements of subsidiaries are drawn up for the same accounting period as the financial statement of the Parent Company using consistent accounting principles. If control is lost over a subsidiary, the profit or loss on the transaction resulting in the control loss is recognized in the income statement.

Settlement of acquisition of ventures is made using the acquisition method. Under this method the identifiable assets and liabilities acquired are carried at fair value as of the acquisition date**.** The payment made under merger of business entities is priced using fair value, calculated as collective sum of fair values as the date of acquisition of assets submitted by the Group, liabilities taken by the Group against previous owners of the acquired entity and equity instruments issued by the Group in exchange for taking over control over acquired entity. The acquisition costs are recognized in the profit and loss account at the moment of incurring them. The surplus of the acquisition price and non-controlling interests measured at fair value over the fair value of the net assets acquired, including the exceptions specified in IFRS 3, is goodwill.

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

Group Structure

As of 30 June 2019 the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries.

Detailed information on the Group's structure is presented in the tables below.

				Parent Company's share in equity (equal to the voting rights held)	
Item	**Name of entity**	**Registered office**	**Scope of activities**	**30 Jun. 2019**	**31 Dec. 2018**
	Shares held directly				
1	Erbud International Sp. z o.o.	The City of Toruń	Construction services	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	The City of Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Operations Sp. z o.o.	The City of Rzeszów	Construction services	**100.00%**	93.00%
4	Erbud Construction Sp. z o.o. *	The City of Toruń	Construction services	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	The City of Toruń	Engineering services	**100.00%**	100.00%
6	GWI GmbH	Düsseldorf, Germany	Construction services	**97.86%**	97.86%
7	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	**100.00%**	100.00%
8	Erbud Holding GmbH	Düsseldorf, Germany	Management services	**100.00%**	100.00%
9	Hebud Sp. z o.o.	Minsk, Belorussia	Construction services	**100.00%**	100.00%
10	Toruńska Sportowa w likwidacji Sp. z o.o.*	The City of Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
11	JV WMER Matoc Poland Sp.z o.o	Warsaw	Construction services	**50.00%**	100.00%

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

				Shares of Parent Company held indirectly (corresponding to the voting rights held)	
Item	**Name of entity**	**Registered office**	**Scope of activities**	**30 Jun. 2019**	**31 Dec. 2018**
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	Erbud Industry Pomorze Sp. z o.o.	The City of Gdansk	Maintenance services in the industrial segment	**100.00%**	100.00%
3	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
6	Efektywność Energetyczna dla Polski Sp.z o.o.	The City of Szczecin	Consulting services	**0.00%**	50.00%
7	Erbud Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
8	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
9	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
10	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%

6. OTHER NOTES

Transactions with related entities

The tables below present the totals for transactions concluded by the Parent Company with related entities for the period ended 30 June 2019 and as of 31 December 2018:

		30 Jun. 2019			31 Dec. 2018		
		Joint venture	Other relation	Total	Joint venture	Other relation	Total
	Trade receivables	1 870	63	**1 933**	1 819	42	**1 861**
Note 5.1.2.	Loans extended	-	-	**-**	-	-	**-**
	Trade payables	1 144	-	**1 144**	1 126	-	**1 126**
	Sales revenues	-	-	**-**	-	-	**-**

6.11. EVENTS THAT HAPPENED AFTER CLOSING OF ACCOUNTING PERIOD

The Management Board of ERBDU S.A. notifies that on 30 August 2019 it was informed about the sale of the development project "Retirement Home in Düren" by Pflegequartier Düren GmbH with its registered office in 40549 Düsseldorf - a 51% subsidiary of GWI GmbH (a subsidiary of ERBUD S.A.) under the following terms and conditions:

- Sales date: 30 August 2019
- Seller: Pflegequartier Düren GmbH with registered office at: 40549 Düsseldorf, Hansaallee 247b (51% shareholding in the company is held by GWI GmbH)
- Buyer: Corpus Sireo Health Care IV SICAV-FIS, 4a, rue Albert Borschette, L - 1246 Luxemburg
- Subject of the contract: Retirement Home - A (retirement home), B (39 apartments with care) and C (day care, 2 nursing groups and 8 apartments with care), Neue Jülicher Straße, 52353 Düren
- Price: EUR 26 100 000.00 (PLN 114 432 840.00 at the average exchange rate of the National Bank of Poland as of 30 August 2019). - – 4 3844)
- The final financial settlement will take place once the facility has been constructed and acquired by the Buyer, i.e. 2020.

Signatures of all Management Board members:

Józef Zubelewicz
/A Management Board member/

Dariusz Grzeszczak
/A Management Board member/

Agnieszka Głowacka
/A Management Board member/

Mariola Zielińska
/A person responsible for book-keeping/

Warsaw, 4 September 2019