

ERBUD CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARD

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015 (in PLN thousands)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	26	1 763 282	1 692 055
Participation of consortium members		0	-114 225
Revenues from sales of products and services and of goods and materials excluding the participation of consortium members		**1 763 282**	**1 577 830**
Cost of sold products and services and of goods and materials	27	1 641 581	1 592 813
Participation of consortium members		0	-114 225
Cost of sold products and services and of goods and materials excluding the participation of consortium members		**1 641 581**	**1 478 588**
Profit (loss) on sales before tax		**121 701**	**99 242**
Cost of sales		6 493	4 950
General and administrative costs		71 558	56 566
Other operating income	28	12 321	6 876
Other operating expenses	28	11 873	8 356
Share of net profit (loss) of subsidiaries valued by equity method	5	0	6 882
Profit from the sale of shares in jointly controlled entity		7 430	0
Profit (loss) on operating activities		**51 528**	**43 128**
Financial income	29	4 812	3 980
Financial expenses	29	11 511	11 054
Profit (loss) on continuing operations before tax		**44 829**	**36 054**
Income tax	30	13 140	8 162
Net profit (loss) on continuing operations		**31 689**	**27 892**
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial year		**31 689**	**27 892**
attributable to:			
Shareholders of the Parent Company		27 846	26 431
Minority shareholders		3 843	1 461
Weighted average number of shares / Weighted average diluted number of shares (in units)		12 780 257/ 12 811 859	12 738 236/ 12 768 272
Earnings (loss) per share / Diluted earnings (loss) per share on continuing operations (in PLN)	32	2.8 /.2.17	2.07 / 2.07

Consolidated profit (loss) before tax	**31 689**	**27 892**
Exchange rate differences on translating foreign branches and entities	470	363
Valuation of hedging instruments	2 073	-1 067
Other total net income	**2 543**	**-704**
Total income for the period	**34 232**	**27 188**
attributable to:		
Shareholders of the Parent Company	30 355	25 682
Minority shareholders	3 877	1 506

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Paweł Smoleń
/ Management Board Member /

Warsaw, March 17, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2015 (in PLN thousands)

	Note	31.12.2015	31.12.2014
ASSETS		**1 098 889**	**1 051 445**
Fixed assets		**174 585**	**162 161**
Tangible fixed assets	6**Błąd ! Nie można odnaleźć źródła odwołania.**	45 963	42 430
Investment property	12	51 503	9 377
Goodwill	10	22 968	22 066
Intangibles	0	2 263	2 263
Financial assets	12	12 808	41 298
Deferred tax assets	30	39 000	44 651
Prepayments		80	76
Current assets		**924 304**	**889 284**
Inventory	13	127 987	112 336
Trade and other receivables	14	327 612	317 643
Income tax receivables	14	3 913	5 883
Financial assets	12	5 439	235
Non-current assets held for sale		3 135	0
Cash and cash equivalents	16	254 138	209 263
Construction contracts	24	157 481	182 088
Short-term prepayments	15	5 209	6 503
Retention money	14, 25	39 390	55 333
LIABILITIES		**1 098 889**	**1 051 445**
Equity attributable to shareholders of the Parent Company		**298 875**	**274 339**
Share capital	17.1	1 281	1 276
Exchange differences on translating foreign branches and entities		761	671
Valuation of hedging instruments		1 006	-1 067
Supplementary capital	17.2	229 619	223 094
Undistributed profits		66 208	50 365
Minority interests		**16 912**	**13 192**
Total shareholders' equity		**315 787**	**287 531**
Long-term liabilities		**138 245**	**144 797**
Bank loans and borrowings	18	25 947	22 801
Other financial liabilities	20.1-2	7 159	6 624
Provision for retirement and similar benefits	21	1 727	1 455
Other provisions	21	3 780	3 538
Provision for issuance of bonds	19	65 000	65 000
Provision for deferred income tax	30	34 632	45 379
Short-term liabilities		**644 857**	**619 117**
Bank loans and borrowings	18	81 419	30 065
Other financial liabilities	20.1-2	6 266	6 827
Trade and other liabilities	22	264 085	394 721
Current tax liabilities	22	4 740	2 751
Liabilities due to bonds issue		0	0
Provision for retirement and similar benefits	21	8 531	7 124
Other provisions	21	21 840	15 448
Retention money	22, 25	98 100	92 832
Building contracts	24	120 152	42 538
Other accruals	15	39 724	26 811

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Paweł Smoleń
/ Management Board Member /

Warsaw, March 17, 2016

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015 (in PLN thousands)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Profit / (loss) before tax		**44 829**	**36 054**
Total adjustments:		**-26 250**	**71 459**
Depreciation and amortization		10 568	8 875
(Profit) loss from exchange rate differences		-56	-154
Interest and dividends received		4 183	8 428
(Profit) loss on investment activities		-8 602	-8 800
Change in provisions	16	8 087	-800
Change in inventory	16	-10 652	-1 428
Change in receivables	16	8 799	-93 062
Change in short-term liabilities, excluding loans and borrowings	16	-135 858	212 417
Change in prepayments and accruals	16	117 649	-53 045
Other adjustments		-5 306	123
Income tax paid		-15 062	-1 095
Net cash generated by operating activities		**18 579**	**107 513**
Cash flows from investment activities			
Inflows		**30 594**	**6 747**
Disposal of intangible and tangible fixed assets		868	3 016
Disposal of investment in real property and intangible assets		973	949
From financial assets, incl.		17 025	663
- Repayment of granted loans		16 901	18
- Dividends and interest received		124	645
- Disposal of financial assets			0
Net inflows from the sale of jointly controlled entity		11 461	
Other		267	2 119
Outflows		**39 958**	**30 191**
Acquisition of intangible and tangible fixed assets		8 463	3 594
Investments in real estate and intangible assets		20 814	1 752
Acquisition of financial assets		3 755	7 760
Long term loans granted		6 700	15 872
Other		226	1 213
Net cash (used in)/generated by investing activities		**-9 364**	**-23 444**
Cash flows from financing activities			
Inflows		**107 442**	**76 006**
Net inflows from shares and other capital instruments issued and from capital contributions		549	521
Loans and borrowings		106 893	52 885
Issuance of debt securities		0	22 395
Other		0	205
Outflows		**71 782**	**75 402**
Buy-back of shares		0	20
Dividends and other payments to shareholders		6 583	9 450
Repayment of loans and borrowings		52 361	39 719
Redemption of debt securities		0	10 000
Payment of liabilities arising from financial leases		5 854	3 852
Interest paid		6 984	8 927
Due to other financial liabilities		0	720
Other		0	2 714
Net cash used in financing activities		**35 660**	**604**
Total net cash flows		**44 875**	**84 673**

Balance sheet change in cash, including		**44 875**	**84 673**
- Change in cash due to exchange differences		0	0
Cash opening balance		**209 263**	**124 590**
Closing balance of cash, including	**16**	**254 138**	**209 263**
- Restricted cash		51 742	45 966

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Paweł Smoleń
/ Management Board Member /

Warsaw, March 17, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company									
	Share capital	Treasury shares	Reserve capital	Exchange differences on translation of foreign entities	Valuation of hedging instruments	Undistributed profit (loss) Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Share capital
As at 1 January 2015	**1 276**	**0**	**223 094**	**671**	**-1 067**	**50 365**	**0**	**274 339**	**13 192**	**287 531**
Profit / loss for the period	0	0	0	0	0	0	27 846	**27 846**	3 843	**31 689**
Other total income	0	0	0	90	2 073	346	0	**2 509**	34	**2 543**
Total income for the period	**0**	**0**	**0**	**90**	**2 073**	**346**	**27 846**	**30 355**	**3 877**	**34 232**
Buyout of minority interests of Erbud Industry Centrum	0	0	25	0	0	0	0	**25**	-47	**-22**
Increase of share capital under the authorized capital	5	0	545	0	0	0	0	**550**	0	**550**
Shares-based payment (Management Stock Option Scheme)	0	0	91	0	0	0	0	**91**	0	**91**
Transfer of net profit from the previous year to retained earnings	0	0	5 864	0	0	-5 864	0	**0**	0	**0**
First time consolidation of subsidiary (PDI Germany)	0	0	0	0	0	-104	0	**-104**	104	**0**
	0	0	0	0	0		0	**0**	0	**0**
As at 1 January 2015	**0**	**0**	**0**	**0**	**0**	**-6 381**	**0**	**-6 381**	**-214**	**-6 595**
Profit / loss for the period	**1 281**	**0**	**229 619**	**761**	**1 006**	**38 362**	**27 846**	**298 875**	**16 912**	**315 787**

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Warsaw, March 17, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company									
						Undistributed profit (loss)				
	Share capital	Treasury shares	Reserve capital	Exchange differences on translation of foreign entities	Valuation of hedging instruments	Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Share capital
As at 1 January 2014	**1 271**	**0**	**222 793**	**591**	**0**	**30 563**	**0**	**255 218**	**11 748**	**266 966**
Profit / loss for the period	0	0	0	0	0	0	26 431	**26 431**	1 461	**27 892**
Other total income	0	0	0	80	-1 067	238	0	**-749**	45	**-704**
Total income for the period	**0**	**0**	**0**	**80**	**-1 067**	**238**	**26 431**	**25 682**	**1 506**	**27 188**
Buyout of minority interests of Erbud Industry Centrum	0	0	-9	0	0	0	0	**-9**	0	**-9**
Increase of share capital under the authorized capital	5	0	517	0	0	0	0	**522**	0	**522**
Shares-based payment (Management Stock Option Scheme)	0	0	277	0	0	0	0	**277**	0	**277**
Transfer of net profit from the previous year to retained earnings	0	0	0	0	0	0	0	**0**	0	**0**
First time consolidation of subsidiary (Erbud Rzeszów)	0	0	0	0	0	1 549	0	**1 549**	439	**1 988**
Dividend to shareholders	**0**	**0**	**-484**	**0**	**0**	**-8 416**	**0**	**-8 900**	**-501**	**-9 401**
As at 31 December 2014	**1 276**	**0**	**223 094**	**671**	**-1 067**	**23 934**	**26 431**	**274 339**	**13 192**	**287 531**

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Warsaw, March 17, 2016

KEY FIGURES CONVERTED TO THE EURO

	31.12.2015		31.12.2014	
	PLN	**EUR**	**PLN**	**EUR**
Fixed assets	174 585	40 968	162 161	38 045
Current assets	924 304	216 896	889 284	208 639
Shareholders' equity	315 787	74 102	287 531	67 459
Liabilities and provisions for liabilities	783 102	183 762	763 914	179 226

Items of the balance sheet as at 31 December 2015 were converted at the Euro rate which was set by the NBP on that date i.e. 4.2615 PLN/EUR.

Items of the balance sheet as at 31 December 2014 were converted at the Euro rate which was set by the NBP on that date i.e. 4.2623 PLN/EUR.

	Year ended 31 December 2015		Year ended 31 December 2014	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	1 763 282	421 354	1 692 055	403 899
Cost of products, services, goods and materials sold	1 641 581	392 272	1 592 813	380 210
Profit on sales before tax	121 701	29 082	99 242	23 689
Profit on operating activities	51 528	12 313	43 128	10 295
Gross profit (loss)	44 829	10 712	36 054	8 606
Net profit (loss)	31 689	7 572	27 892	6 658

Items of the profit and loss statement for the year ended 31 December 2015 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1848 PLN/EUR.

Items of the profit and loss statement for the year ended 31 December 2014 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1893 PLN/EUR.

	Year ended 31 December 2015		Year ended 31 December 2014	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	18 579	4 440	107 513	25 664
Cash flows from investment activities	-9 364	-2 238	-23 444	-5 596
Cash flows from financing activities	35 660	8 521	604	144
Net cash flows	44 875	10 723	84 673	20 212
Cash opening balance	209 263	49 096	124 590	30 042
Cash closing balance	254 138	59 636	209 263	49 096

Cash flow items for the year ended 31 December 2015 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1848 PLN/EUR.

Cash flow items for the year ended 31 December 2014 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1893 PLN/EUR.

For translating cash as at 1 January 2015 it was applied the exchange rate set by the NBP as of that day, i.e. 4.2623 PLN/EUR.

For translating cash as at 1 January 2014 it was applied the exchange rate set by the NBP as of that day, i.e. 4.1472 PLN/EUR.

For translating cash as at 31 December 2015 it was applied the exchange rate set by the NBP as of that day, i.e. 4.2615 PLN/EUR.

For translating cash as at 31 December 2014 it was applied the exchange rate set by the NBP as of that day, i.e. 4.2623 PLN/EUR.

EXPLANATORY NOTES

1 General information

The ERBUD Joint Stock Company [ERBUD S.A. is the Parent Company (the "Parent", the “Company”) of the ERBUD Group (the "Group"). ERBUD SA registered on 29 November in the National Court Register under the KRS number 0000268667 (District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register), based in Warsaw, 300A Puławska St. and established in way of conversion of the Erbud limited liability company.

The Erbud Limited Liability Company [ERBUD Sp. z o.o.] was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

The Parent’s main activity are services in the field of large volume civil engineering (PKD 4521A).

The core businesses of the Group are widely understood construction and assembly works performed as general contractor in Poland and abroad. Erbud S.A. is the management, financial and advisory centre of the Group.

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

These Consolidated Financial Statements have been approved for publication by the Management Board on 17 March 2016.

1.1 Composition of the Group

As of 31 December 2015, the Group consists of the Parent Company Erbud SA with its headquarters in Warsaw and the below listed fully consolidated subsidiaries, with the exception of Erbud Construction Sp. z o.o. that is not consolidated due to the immateriality for the consolidated financial statements.

Company’s Name	Registered office	Activity range	Direct Parent’s share in the Group	Indirect Parent’s share in the Group
Erbud International Sp. z o.o.	Toruń	Civil Construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road Construction	94.27%	
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil Construction	79.00%	
Erbud Construction Sp. z o.o.	Toruń	Civil Construction	100.00%	
Erbud Industry Group				
Erbud Industry Sp. z o.o.	Toruń	Engineering	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Energy services		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Energy services		100.00%
Erbud Industry Południe Sp. z o.o.	Będzin	Energy services		99.29%
GWI Group				
GWI GmbH	Düsseldorf, Germany	Civil Construction	85.00%	
PDI Düsseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Civil Construction		43.35%
PDI Düsseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Civil Construction		43.35%
Budlex Group				
Budlex S.A.	Warszawa	Holding - financing subsidiaries, project management, warranty replacement, accounting services	89.96%	
Budlex Construction sp. z o.o.	Toruń	Real estate development		89.96%

Budlex Partner sp. z o.o.	Toruń	Real estate development, rental	89.96%
Budlex Azalia sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Brzoskwiniowa sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Properties sp. z o.o.	Warszawa	Real estate development, rental	89.96%
Domator Łódź sp. z o. o.	Warszawa	Real estate development	89.96%
Budlex Glinki A3 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Glinki A3/3 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Wrzos sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica L7 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Zbożowa 1 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Zbożowa 1 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica L6-7 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica L6-7 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Rubinowy Dom sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Sadowa L6 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Irys sp. z o.o.s.k.	Toruń	Real estate development	89.96%
Budlex Magnolia sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Irys sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Sadowa sp. z o.o.s.k.	Toruń	Real estate development	89.96%
Calypso Office sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Magnolia sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Wrzos sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica L7 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Pestalozziego 3 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 9 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 10 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 11 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Pestalozziego 3 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 9 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 10 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 11 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Wumbud sp. z o.o.	Toruń	Real estate development	89.96%
Residential Lease sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Rental sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Properties Holding sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Metropolitan Project sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Capitol Project sp. z o.o.	Warszawa	Real estate development	89.96%

Jointly controlled entities recognized by equity method - joint ventures

Company's Name	Registered office	Activity range	Direct Parent's share
Projekt P2 SPV Sp. z o.o.	Poznań	Real estate development	50 %

Associated entity not included in the consolidated financial statements due to immateriality*

Company's Name	Registered office	Activity range	Direct Parent's share
Toruńska Sportowa w likwidacji Sp. z o.o.	Toruń	Sports, entertainment and recreation	39 %

* amount of less than 0.5% of total assets

As of 31 December 2014, the Group consists of the Parent Company Erbud SA based in Warsaw and the following subsidiaries, fully consolidated with the exception of Erbud Construction Sp. o.o. that is not consolidated due to insignificant impact on the Consolidated Financial Statements.

Company's Name	Registered office	Activity range	Direct Parent's share in the Group	Indirect Parent's share in the Group
Delta Sp. z o.o.	Toruń	Civil Construction	100.00%	
Erbud International Sp. z o.o.	Toruń	Civil Construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road Construction	94.27%	
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil Construction	79,00%	
Erbud Construction Sp. z o.o.	Toruń	Civil Construction	100.00%	
Grupa Erbud Industry				
Erbud Industry Sp. z o.o.	Toruń	Engineering	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Energy services		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Energy services		100.00%
Energoserv Pomorze Sp. z o.o.	Toruń	Energy services		100.00%
GWI GmbH	Düsseldorf, Germany	Civil Construction	85.00%	
Grupa Budlex				
Budlex S.A.	Warszawa	Holding - financing subsidiaries, project management, warranty replacement, accounting services	89.96%	
Budlex Construction sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Partner sp. z o.o.	Toruń	Real estate development, rental		89.96%
Budlex Azalia sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Brzoskwiniowa sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Properties sp. z o.o.	Warszawa	Real estate development, rental		89.96%
Domator Łódź sp. z o. o.	Warszawa	Real estate development		89.96%
Budlex Glinki A3 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Glinki A3/3 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Wrzos sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica L7 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Zbożowa 1 sp. z o.o.	Toruń	Real estate development		89.96%

Budlex Zbożowa 1 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica L6-7 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica L6-7 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Rubinowy Dom sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Sadowa L6 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Irys sp. z o.o.s.k.	Toruń	Real estate development	89.96%
Budlex Magnolia sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Irys sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Sadowa sp. z o.o.s.k.	Toruń	Real estate development	89.96%
Calypso Office sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Magnolia sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Wrzos sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica L7 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Pestalozziego 3 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 9 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 10 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Winnica 11 sp. z o.o.	Toruń	Real estate development	89.96%
Budlex Pestalozziego 3 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 9 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 10 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 11 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Wumbud sp. z o.o.	Toruń	Real estate development	89.96%
Residential Lease sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Rental sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Properties Holding sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Metropolitan Project sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Capitol Project sp. z o.o.	Warszawa	Real estate development	89.96%

Parent Company

The Parent Company ERBUD S.A is not controlled by any other company.

Jointly controlled entities recognized by equity method - joint ventures

Company's Name	Registered office	Activity range	Direct Parent's share
Project Deptak P2 Sp. z o.o.	Poznań	Real estate development	50 %

Associated entity not included in the consolidated financial statements due to immateriality*

Company's Name	Registered office	Activity range	Direct Parent's share
Toruńska Sportowa w likwidacji Sp. z o.o.	Toruń	Sports, entertainment and recreation	39 %

* amount of less than 0.5% of total assets

1.2 Composition of the Management Board and the Supervisory Board of the Parent Company

As at 31 December 2015 the Management Board of the Parent was consisted of:

Dariusz Grzeszczak - Management Board Member
Józef Zubelewicz - Management Board Member
Paweł Smoleń - Management Board Member

As at 31 December 2015 the Supervisory Board of the Parent was consisted of:

Udo Berner - Chairman of the Supervisory Board
Józef Olszyński - Vice Chairman of the Supervisory Board
Albert Durr - Member of the Supervisory Board
Gabriel Główka - Member of the Supervisory Board
Zofia Dzik - Member of the Supervisory Board
Michał Otto - Member of the Supervisory Board
Janusz Lewandowski - Member of the Supervisory Board

1.3 Going-concern assumption

The Consolidated Financial Statements of the Capital Group for the year ended 31 December 2015 were prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

1.4 Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2015 and include comparative data for the year ended 31 December 2014 and as at 31 December 2014.

1.5 Approval of Financial Statements

The Consolidated Financial Statements were approved by the Management Board and authorised for issue on 17 March 2016.

2 Significant accounting policies applied

The accounting policies applied when preparing these Consolidated Financial Statements are set out below and have been used in all the years presented on a continuous basis, unless otherwise stated.

2.1 Basis of preparing the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IFRS as adopted by the EU for in force at the balance sheet date. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

Having regard to the approval process for IFRS by the European Union, as at the day of publication of these Consolidated Financial Statements, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

Amendments and interpretations applied for the first time in 2015

The following amendments to existing standards and interpretations issued by the International Accounting Standards Board and approved by the EU came into force in 2015:

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" - changes in the procedures for annual amendments to IFRSs (IFRS 3, IFRS 13 and IAS 40) focused on removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- Interpretation of IFRIC 21 "Levies Charged by Public Authorities" - approved by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The above amendments to standards had no significant impact on the accounting policy applied by the Group.

Amendments to standards which have been published but are not yet effective

When approving the Financial Statements the Group did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU but are not yet effective:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations, approved by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure initiative, approved by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants, approved by the EU on 23 November 2015 (effective for annual periods beginning or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" - Explanations in terms of acceptable methods of recognizing depreciation and amortization, approved by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 "Employee Benefits" - Defined benefit plans: employee contributions - approved by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 27 "Separate Financial Statements" - The use of the equity method in the separate financial statements, approved by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" - changes in the procedures for annual amendments to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) focused on removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" - changes in the procedures for annual amendments to IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34) focused on removing

inconsistencies and clarifying wording, adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016);

The Group decided not to adopt the above changes to the standards. The Group estimates that the abovementioned changes to the standards would not have a material impact on the Consolidated Financial Statements if they were applied by the Group at the balance sheet date.

Standards and amendments to standards that have been adopted by the IASB but not yet approved by the EU

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and amendments to standards which as of 10 March 2016 have not yet been approved to be applied:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 "Regulatory Deferral Accounts" (EU approval process has been stopped);
- IFRS 15 "Revenue from Contracts with Customers" and Amendments to IFRS 15: Effective Date of IFRS 15 (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 "Lease" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (EU approval process has been stopped for an unspecified period of time);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1January 2017);
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The principles of hedge accounting for financial assets and financial liabilities have not been approved for use in the EU. According to the Group, applying of hedge accounting for financial assets and financial liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not have a material impact on the Consolidated Financial Statements, if adopted as at the balance sheet date.

The Consolidated Financial Statements have been prepared on the historical costs basis except for the hyperinflation adjustment described in Note 21, and except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (in the main or most advantageous market) at the measurement date and under current market conditions, regardless of whether the price is directly observable or estimated using another valuation technique. In measuring the fair value, the Group takes into account the characteristics of the asset or liability being measured if market participants take these characteristics into account when pricing the asset or liability at measurement date. Fair value for measurement and/or disclosing information in the Consolidated Financial Statements shall be determined on the above basis, with the exception of share-based payment transactions, which are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and valuations that have some similarities to fair value but are not fair values such as net selling price pursuant to IAS 2 or fair value in accordance with IAS 36.

Fair value measurements are categorised by the Group using the following hierarchy that reflects the significance of the inputs used to measure:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level** 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

2.2 Basis of consolidation

2.2.1 Subsidiaries

The Consolidated Financial Statements incorporate the Financial Statements of the Parent Company and entities controlled by the Parent Company prepared as at the balance sheet date. Control is achieved where the Parent Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date the Group obtains control over the subsidiary and cease to be consolidated when the Group loses control of the subsidiary. Total comprehensive income of subsidiaries is attributed to the owners of the Parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The underlying financial statements of subsidiaries are prepared for the same reporting period as the statements of the Parent, using consistent accounting policies.

Consolidation procedures

The full consolidation of subsidiaries was carried out under the following principles:

- all respective assets and liabilities of subsidiaries and the Parent Company have been aggregated, regardless of the ownership percentage;
- all respective incomes and expenses of subsidiaries and the Parent Company have been aggregated, regardless of the ownership percentage;
- after adding up the figures, adjustments and consolidation exclusions were made.

From the Consolidated Financial Statements have been excluded:

- equity of subsidiaries prior to taking control;
- value of the shares held by the Parent and other consolidated entities in subsidiaries;
- mutual receivables and liabilities of consolidated entities, and other settlements of similar nature;
- incomes and expenses relating to operations carried out between the consolidated entities;
- profits from operations between consolidated entities, which were unrealized from the Group's point of view, and included in consolidated assets and liabilities as well as unrealized losses, unless the transaction proves that there is an impairment of the asset transferred;
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

Consolidated net profit is attributable to shareholders of the Parent Company and the owners of non-controlling interests.

Associates

An associate is an entity over which the Parent has significant influence, and which is neither a subsidiary nor a joint venture. Significant influence means the power to participate in the financial and operating policy decisions of the associate but not control or joint control over those policies.

Financial interests in associates are valued using the equity method, except when the investment is classified as held for sale. Investments in associates are valued at acquisition cost, taking into account changes in the Company's share in the net assets which occurred until the balance sheet date, less impairment of individual investments. Losses of associates in excess of the Group's interest in those associates are not recognized, unless the Parent Company is not committed to cover the losses or make payments on behalf of the associate.

The excess of acquisition price over the share in fair value of identifiable net assets of the associate (including contingent liabilities) as at the date of acquisition is recognized as goodwill, increasing the value of investments in

associates. If the acquisition price is lower than the share in fair value of identifiable net assets (including contingent liabilities) as at the date of acquisition, the difference is recognized as income when determining the investor's share in profit or loss of the associate for the period in which the acquisition took place.

Joint Arrangements

The Group's interests in joint arrangements are recognized as:

- joint operations (partnerships): where the Group has both the rights to the assets and obligations for the liabilities of the joint arrangement) – assets and liabilities of the Group (including share in jointly assets and debts); income and expenses of the Group under the Joint Arrangement is recognized directly in the books of the partners;
- joint ventures (corporations): where the Group has rights to only the net assets of the joint agreement) – such entities are consolidated by equity method.

Minority interests' transactions not resulting in changes in control

Minority interests' transactions not resulting in changes in control are recorded with a corresponding adjustment to the equity.

Acquisitions of entities which are not under common control

Acquisitions of subsidiaries by the Group are accounted for using the acquisition method, excepting the purchase of entities under common control.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net asset can be initially measured at fair value or according to the share of non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made by the Group on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of

the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations under common control

Business combinations arising from transfers of interests in entities that are directly or indirectly controlled by the main shareholder, which also controls the Erbud Group, are recognized on the basis of pooling of interests method, i.e. as if the acquisition had occurred at the beginning of the earliest comparative period or the date of the establishment of joint control. The acquired assets and liabilities are recognized at the carrying value following their valuation in accordance with uniform valuation methods and appropriate exclusions. Excluded is the value of the equity of the acquired company, and any difference between the carrying amount and the acquisition cost is recognized directly in equity and reported in retained earnings. Also excluded are the inter-company receivables and liabilities, income and expenses of business operations between the companies, profits or losses of the economic transactions prior to the acquisition included in the value of assets and liabilities subject to consolidation. Costs related to the acquisition of entities under common control are accounted for as other operating activities in the period in which they are incurred.

Loss of control

If the Group loses control of the subsidiary, gain or loss is calculated as the difference between:

• the sum of the fair value of the consideration received and the fair value of retained interests, and

• the carrying amount of assets (including goodwill) and liabilities of the subsidiary,

and recognized in profit. In case the assets of a subsidiary are measured at revalued amount or fair value and the resulting cumulative gain or loss is recognized in other comprehensive income and recorded to equity. The values previously recognized in other comprehensive income and accumulated in equity are accounted for in such a way as if the Group had directly disposed of relevant asset (i.e. they are transferred to the result or directly to retained earnings, in accordance with the appropriate IFRS).

The fair value of the investment retained in the former subsidiary as at the date of loss of control is regarded as the fair value on initial recognition, and then accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or as the cost on initial recognition of an investment in associate or jointly controlled entity .

Changes in fair value of contingent consideration not qualified as adjustments relating to the valuation period are accounted for according to the classification of contingent consideration. Contingent consideration classified as

equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability shall remeasured at each reporting date in accordance with IAS 39 or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and gains or losses arising from the revaluation are recognized in profit or loss.

2.2.1 Subsidiaries

The entities of the Group keep their account books in accordance with the policy (rules) set out by the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued on basis thereof ("National Accounting Standards").

In 2015, Erbud International Sp. z o. o. had a foreign branch. The entity was subject to tax and accounting rules being in force in the country where it operates, i.e. in Germany i.e. In accordance with art. 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. According to art. 264 item 1 and in relation to art. 242 item 3 of the German Commercial Code (HGB), the annual balance consists of: balance sheet, profit and loss account, annex. Branches are treated as small capital companies in terms of art. 267 item 1 of the German Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

The Consolidated Financial Statements include adjustments not recognised in the account books of the Group's entities made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

The subsidiaries are subject to consolidation for the period from the date of taking control of them by the Group and are not consolidated from the date of lose control. Controlling by the Parent Company is when it directly or indirectly, through its subsidiaries has more than half of the voting power in that company, except that it is possible to prove that this property does not constitute the control. The control also occurs when the Company has the option to decide on financial and operating policy of the entity.

Takeover of subsidiaries by the Group is accounted for using the acquisition method.

Financial results of companies acquired or sold during the year are included in the consolidated financial statements from / to the date of their purchase/sale.

The Parent and its subsidiaries have been consolidated under the full method subject to the following principles:

- all relevant assets and liabilities of subsidiaries and the Parent have been aggregated, regardless of what is the Parent's ownership interest in a subsidiary;
- after adding up the figures, adjustments and consolidation exclusions were made;
- all relevant items of income and expenses of subsidiaries and the Parent have been aggregated, regardless of what is the Parent's ownership interest in a subsidiary;
- consolidation adjustments and exclusions were made after the summarizing.
- after adding up the figures, adjustments and consolidation exclusions were made.

From the Consolidated Financial Statements have been excluded:

- equity of subsidiaries as at the date of taking control of them;
- value of shares held by the Parent and other consolidated entities in subsidiaries;
- mutual receivables and liabilities of consolidated entities, and other settlements of similar nature;
- incomes and expenses relating to operations between the consolidated entities;
- profits from operations between consolidated entities, which were unrealized from the Group's point of view, and included in consolidated assets and liabilities as well as unrealized losses;
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

2.2.2 Associates

An associate is an entity over which the Parent has significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for by using the equity method. The financial statements of

associates are the basis for measurement of shares held by the Parent using the equity method. The financial year of associates and the Parent is the same. The Group's entities keep their accounting records in accordance with the policy (rules) set out by the Accounting Law of 29 September 1994 ("Act"), as amended and by regulations issued under them ("National Accounting Standards"). The Consolidated Financial Statements include adjustments not recorded in the books of the Group's entities in order to maintain compliance of the statements of these units with standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

Investments in associates are recorded in the balance sheet at acquisition cost add subsequent changes in the Parent's share in net assets of those associates, and less any impairment losses. Profit and loss account reflects the share in operating results of the associates. If changes are recognized directly in equity of associates, the Parent company recognizes its share in each change and discloses it, if appropriate, in the statement of changes in equity.

Gains and losses arising from transactions between the Group and its associated unit are eliminated on consolidation proportionately to the Group's share in the equity of the associate.

2.2.3 Interests in joint ventures

For the joint venture which is a jointly controlled entity and in which - according to the contractual arrangement - the parties have established joint control of its business activity, all financial and operating decisions relating to the activities require the unanimous consent of the parties. An investment in joint venture is accounted for by the Group using the equity method. Financial statements of the joint venture are prepared as at the same reporting date as the financial statements of the Group. Any adjustments are intended to eliminate differences in the rules (policy) accounts applied.

2.2.4 Non-controlling interests

Transactions with non-controlling interests are recognised in equity.

2.3 Currency of measurement and currency of Financial Statements

Items reported in the financial statements are measured in the currency of the primary economic environment in which the entity operates ("functional currency").

The Consolidated Financial Statements of the Group is presented in PLN (Polish Zloty) which is the functional currency and presentation currency of the Parent.

Transactions in foreign currency are accounted for in the accounts at nominal value converted into PLN at the rate of average rates of Polish National Bank. Exchange differences arising when monetary items are settled, are recorded as income or expense.

As of the balance sheet date, cash assets and liabilities quoted in other currencies than the PLN are converted into PLN by using the current average rate for the given currency fixed by the Polish National Bank at the end of the reporting period. The exchange differences araising on translation are included respectively in income (expense), or in the cases referred to the accounting rules (policy), are capitalized in the value of assets. The non-monetary assets and liabilities recognized at historical cost in foreign currency are recorded at the historical rate valid on the transaction date. The non-monetary assets and liabilities recognized at fair value in foreign currency are translated at the rate of the date of valuation to fair value.

Below are presented rates used for the balance sheet measurement:

Currency unit	31 December 2015	31 December 2014
EUR	4.2615	4.2623

Assets, liabilities and results of foreign branches of subsidiaries, and subsidiaries with different functional currency

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

- assets and liabilities of branches and any balance sheet presented (i.e. taking into account comparable data) are translated at the closing rate at the date of each balance sheet;
- income and expense items are translated at average exchange rate (unless the conversion using the average exchange rate would be significantly different from the values obtained by using the exchange rates valid as at the date of transaction).

Exchange differences arising from the conversion are recognized as a separate item of equity under "Exchange differences on translation of foreign branches".

At the time of disposal of a foreign entity, accumulated deferred exchange differences recognized under the shareholders' equity are reported in profit or loss.

2.4 Estimates and assumptions

Estimates and assumptions arising from past experience and predictions on future events are verified at each balance date.

2.4.1 Critical judgements in applying accounting policies

Identifying the construction contracts sale

Revenue from the construction contracts achieved in the period between the agreement signing date and the balance sheet date - after deduction of income, which affected the financial result in the previous financial periods – is calculated in proportion to rate of performance, which is based on the measurement of works or measured by the share of costs incurred from the date of the agreement signing date until the date of determination of the income amount in the total cost of the performance. The budget of each contract is, based on current information, formally updated (revised) throughout the year and approved by the Management Board. If an event occurs between the official revisions of the budget, which significantly affect the outcome of the contract, the value of total revenue or contract costs may be updated earlier.

If the rate of completion of works cannot be determined as at the balance sheet date in a reliable manner, revenue is recognized at the amount of costs incurred during the financial period, but not higher than the costs likely covered in the future by the customer.

2.4.2 Estimation uncertainty

Basic assumptions on the future events and other key sources of uncertainty occurring as at the balance sheet date, giving a significant risk of substantial adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows.

Provisions for legal claims

In case where entities are parties to legal proceedings, layers advising the units of the Group and the Boards of companies constituting the ERBUD Group estimate the amount of reserves to cover the effects of the ongoing proceedings.

Provisions for employee benefits

Provisions for employee benefits were estimated by the Company with regard to turnover ratio, the probability of granting and the discount rate as of the date of estimation.

Provisions for remedying defects

In case of construction works, the companies of the Erbud Group are obliged to provide warranties on their services. Creation of guarantee repair provisions has been described in section 2.18 below.

Depreciation rates

Depreciation rates are calculated on the basis of the anticipated period of economic usefulness of components of tangible fixed assets and intangible assets. Based on current estimates the Group verified every year the periods of economic utility.

Recognition of incomes from long-term contracts

The Group uses a method of percentage progress of works to settle the long-term contracts. Revenues and expenditures due the execution of building contracts from the contract conclusion to the balance date are set in proportion to the construction stage according to the measurement report on work carried out, after adding incomes and costs which affected the financial results in previous years.

If the result of works may not be reliably set on the balance date, it is deemed that the income is equal to the costs incurred in the given period, but not higher than the costs, which will be probable covered by the customer in the future.

Deferred tax assets

The Group recognizes an item of deferred tax assets basing on the assumption that future tax profits will be achieved as to realize the assets.

Impairment of assets

The Group tests its assets for indications of impairment where such indications exist and at least once a year reviews additionally value of the Company. Recoverable value is estimated for each asset item, unless this item does not generate cash inflows that are considerably independent of cash inflows from other assets or groups of assets. If this occurs, the value recovered is determinated at level of the cash generating unit to which the asset item belongs. Estimation of the value-in-use consists in determination of future cash flows generated by the cash-generating unit and in establishing discount rate to apply in order to calculate the present value of these flows.

2.5 Property, plant and equipment

Tangible fixed assets are recognised at purchase price / production cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Initial value of fixed assets includes the purchase price increased by all costs directly related to the purchase and adaptation of a property component to be capable to use. The cost of replacing parts of plant and equipment at the time they are incurred is included in expenses if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repairs charge the profit and loss account as incurred, except where it can be show that these costs caused an increase in expected future economic benefits from the ownership of a fixed asset. The expenses incurred increase then the initial value of the fixed asset.

Fixed assets, excluding land, are depreciated linearly over a period corresponding to the estimated duration of their economic usefulness. Amortization begins when the property, plant and equipment is available for use.

Useful lives of property, plant and equipment are as follows:

	Annual depreciation rate
• Buildings and structures	2-45%
• Technical equipment and plant	6-30%
• Vehicles	12.5-20%
• Other	10-30%

Subsequent expenditures are included in the carrying amount of an fixed asset or recognized as a separate fixed asset only if probably is that an inflow of economic benefits to the Group from this item will take place and the cost of given item can be reliably measured. Other costs incurred after the initial recognition, such as the cost of repairs, maintenance and commission fees affect the financial results of the reporting period in which they are incurred, except of general service costs, which are included in the carrying amount of the relevant item of tangible fixed assets.

The final value and duration of use of fixed assets are verified at least once a year and, where appropriate, are revised. If there are indications that it may be impaired and the carrying amount exceeds the estimated recoverable amount, the value of the asset or cash-generating units which own those assets are reduced to the level of the recoverable amount. The recoverable amount is the higher one of the following two values: the fair value less costs of sell or the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of money value over time and risk associated with the given asset item. In the case where an asset item does not generate cash income in a manner substantially independent, the recoverable amount is establish for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account under "Cost of sales".

An item of tangible fixed assets may be derecognized after its disposal or where economic benefits resulting from the further use of the asset are not expected. Any gains or losses resulting from the derecognition of an asset (calculated as the difference between any net incomes from the sale and the carrying amount of a given item) are recognized in the profit and loss account during the period in which they were recognized.

Gains and losses on disposal of fixed assets are estimated by comparison of the incomes from the sale with their carrying amount and are recognized in profit and loss account.

The final value, duration of use and depreciation method of assets is verified and, if necessary revised, at the end of each financial year.

Commenced investments associated with fixed assets under construction are measured at the amount of the total cost which is in direct relation to their acquisition or construction, including financing costs and less any impairment losses. Fixed assets under construction are not depreciated until the completion, i.e. until they are available for use.

Transfers within the item "Buildings and land" concern items transferred to the long-term investments; reduction under the item "Land" applies to the land value transferred to the long-term investments, and increase under the item "Buildings and structures" applies to changes in the proportion between the part of building used for own needs and the other one considered as a long-term investment.

2.6 Leasing

Finance lease agreements which transfer all the risks and rewards incidental to ownership of assets under a lease, are capitalized at the day when the lease is coming into force at the lower of the following two values: the fair value of the lease subject or the present value of the minimum lease payments. Lease payments are divided between finance costs and payments of principal repayment, taking into account the fixed rate of interest with regard to the obligation.

Financial expenses are recognized immediately in profit or loss account. Fixed assets used under finance leases are subject to depreciation according to the rules applied to the assets that are owned.

In the absence of certainty, that after the end of the lease agreement the Company receives the right to property, assets are written off over a shorter of two following periods: the lease period or the period of economic usefulness.

Lease agreements under which the lessor bears all the risks and rewards of ownership of assets under a lease are classified as operating lease agreements. Lease payments due to operating leases and the subsequent lease payments are recognized in the profit and loss account as expense using the line method over the duration of the lease.

2.7 Impairment of non-financial assets

At each balance sheet date the companies of the Group evaluate whether there is any objective indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and a write-off is made in an amount equal to the difference between the possible value to recover and the carrying amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For purposes of analysis in terms of impairment, assets are grouped at the lowest possible level in respect of which there are separately identifiable cash-generating units. The cash-generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Loss arising from impairment is recognized in the profit and loss account.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In the event that such indication exists, the impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such case, the carrying amount of the asset item is increased to its recoverable amount. However, he increased carrying amount attributable to a reversal of an impairment loss cannot exceed the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss for an asset is recognized immediately as income in the profit or loss, unless the given item of asset is carried at revalued amount; in this case, the reversal is treated as an increase in revaluation capital.

2.8 Borrowing costs

As binding, the Group adopts the rule that allowed alternative approach clarified by IAS 23 Borrowing costs. According to this approach:

- borrowing costs are recognized as an expense in the period in which it incurs them, except costs capitalized in accordance with the principle set out below,
- borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset item are activated as part of the purchase or manufacturing cost of that asset item.

The amount of borrowing costs eligible for capitalisation is determined in accordance with the above-cited standard.

Inventories in real estate development companies, fixed assets, investment properties and intangible assets are primarily qualifying assets of the Erbud Group.

2.9 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation or for both of these benefits, where such property is neither used for the purpose manufacturing, supply of goods or services or for administrative activity, nor held for sale in the course of ordinary business of the unit.

Investment properties are measured initially at purchase price or production cost. The initial measurement includes costs of transaction. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

Transfers of assets to the investment property are made only if there is a change of use, evidenced by the end of use of the asset by the owner, conclusion of an operating lease contract or completion of the investment property construction.

In the event, the investment property is transferred by the owner to the assets used or to the inventories, the alleged cost of such asset item, which will be adopted for the purpose of its inclusion in another category, is equal to the fair value of the property at the date of modification of its use. If an asset used by the owner i.e. the Group becomes an investment property, the Group applies the principles set out in the section "Property, plant and equipment" up to the date of change in use. In case of transfer of assets from the inventories to the investment property, the difference between the fair value of the property determined as on the date of transfer and its previous carrying amount is recognized in the profit and loss account. When the Group finishes the building or execution of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit and loss account.

2.10 Intangible assets

An intangible asset is recognized when future economic benefits that can be directly related to those assets are expected.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs on permanent impairment. Intangible assets are amortized linearly over a period corresponding to the duration of their estimated economic usefulness, which for the Group is as follows:

- Patents and licenses 5 -15 years
- Software 1-5 years

The Group determinates whether the useful life of intangible assets is finite or indefinite. Intangible assets with an finite useful life are amortized over the useful life and tested for impairment, whenever there is an indication of impairment. The period and method of amortization of intangible assets with a finite useful life reviewed at least at the end of each financial year. Changes in the expected useful life or the expected way of consumption of economic benefits from a given asset are recognized by changing the period or method of depreciation and treated as changes in estimates.

Intangible assets with an indefinite useful life and those that are not used, each year are subject to verification of the possible impairment of individual assets or at the level of cash-generating unit.

Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures incurred for real estate development, are not capitalized and are included in the cost of the period in which they are incurred.

Gains or losses resulting from the derecognition of intangible assets are valued at the difference between the net sales income and the carrying amount of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

2.11 Goodwill

Goodwill is the excess of the sum of:

- the consideration transferred, measured at the acquisition-date fair value;
- the contingent consideration, measured at the acquisition-date fair value;
- the value of any non-controlling interests in the acquire, measured at fair value or proportionate to the acquiree's identifiable net assets;
- the acquisition-date fair value of shares previously held in the acquire - when a business combination is achieved in stages;

over the net of the acquisition-date amounts of the identifiable assets acquired, with the exceptions specified in IFRS 3.

Goodwill represents a payment made by the acquirer that is expected to future economic benefits from assets which are not individually identified and separately recognized.

Goodwill is recognized as an asset, is not amortized, but at least once a year is analysed for impairment. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

If the activity forming part of a cash-generating unit to which goodwill has been allocated is sold, goodwill relating to the sold business is taken into account when determining gain or loss on disposal.

Goodwill arising before the date of adopting IFRS was accounted for as the value recognised in accordance with the previously applied accounting principles and subject to an impairment test at the date of transition to IFRS. Furthermore, goodwill is tested for impairment annually and recognised in the statement of financial position at cost less accumulated impairment losses. In order to make the possible impairment test, goodwill is allocated to cash-generating units (GGUs).

A CGU is the smallest identifiable group of assets that generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2.12 Financial instruments

Financial assets and liabilities are recognized on the balance sheet of the Group, when the Group becomes a party to a binding contract.

Instruments owned are recognized in the Group’s balance sheet by the following categories:

- financial assets: financial assets available for sale, financial assets held to maturity, loans and receivables, financial assets carried at fair value by profit and loss account (including financial derivatives);
- financial liabilities and equity instruments, bank credits and loans , trade payables, liabilities carried at fair value by profit and loss account (including financial derivatives).

The classification is based on the criterion of acquisition of investments or incurring obligations. The Management Board determines the classification to each category of investments or liabilities by their initial recognition and then verifies as on each balance date.

Financial assets carried at fair value, with gains or losses accounted in the profit and loss account include two categories:

- financial assets held for trading and
- financial assets held at the time of initial recognition of fair value and gains or losses recognized in the profit and loss account

Financial assets are classified as current assets or liabilities held for trading if them:

- were purchased primarily for the purpose of sale or redemption in the short period

- are a derivative (except for hedging instruments).

Changes in the value of these financial instruments are included in income or financial costs. Assets valued at fair value through profit or are classified as current assets.

Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market and not included in the derivatives. They are included in current assets, unless their maturities not exceeding 12 months from the balance sheet date. Loans and receivables with maturity of over 12 months from the balance sheet date are classified as current assets.

Trade receivables for the ongoing construction contracts and due to advances are classified as short-term receivables, as it is expected that they will be settled in the normal unit operating cycle.

Receivables from due to retention money and borrowings with maturity of less than 12 months are recorded as accounts receivable. Long-term receivables due to the deposit guarantees are subject to the discount of present value at the effective interest rates.

Borrowings and trade receivables are initially recognized at fair value and subsequently measured at amortized cost and reducing by the write-downs on permanent impairment. Impairment losses for the accounts receivable are created when there is objective evidence that the Group will not be able to receive all amounts owed under the original terms of receivables.

Investments held to maturity are financial assets not classified as financial assets held for trading or loans and receivables, with fixed or determinable payments and fixed maturity which the Group's Management Board intends and is able to hold to maturity.

Purchases and sales of investments are recognized on the transaction date, i.e. the date on which the Group commits itself to purchase or sell an asset. The investment is initially recorded at fair value plus transaction costs. In the next periods the investments held to maturity are valued according to the adjusted purchase price (amortized cost).

Financial assets available for sale are financial instruments not qualified for any of the other categories of financial instruments.

Financial assets available for sale are carried after the initial recognition at fair value. If it is not possible to determine the fair value of financial assets available for sale, and the maturity is fixed, they are measured at the amortized cost; if the assets have no fixed maturity date, the valuation is made at purchase cost.

Profits and losses of changes in fair value are carried in the period they arise. The occurred differences in the carrying amount are recognized directly in equity. Financial assets available for sale classified as non-monetary, where the fair value is impossible to determine, are valued at acquiring cost less any permanent impairment. In the event of sale of securities included in the "available for sale", the total adjustments to the level of the current fair value is recognized in equity, are carried in the profit and loss account as gains and losses on financial assets.

Financial instruments are derecognizerd from the balance sheet when the Group loses control over the contractual rights constituting the financial instrument. Generally it takes place when the instrument is sold or when all flows attributable to that instrument are transferred to the independent third party.

Purchase and sale of financial assets are recognized as of the date of transaction. At the time of initial recognition they are measured at purchase cost, i.e. at fair value, including transaction costs.

Exclusion from the statement of financial position

The Group excludes a financial asset item (or part thereof or part of a group of similar financial assets) from the statement of financial position when:

- the right to receive cash flows from the financial asset has expired;
- the Group has assign the right to receive cash flows from the asset, or pledged to transfer the cash received without undue delay to a third party dealing as a broker and either (a) the Group has transferred in substance all the risks and rewards of ownership of the asset, or (b) the Group has not retained nor transferred in substance all risks and rewards of the asset but has assigned the control of the financial asset.

If the Group has transferred its rights to receive cash flows from the asset, or pledged to intermediate in the transaction, but not transferred or retained in substance all the risks and rewards of ownership of an asset or the said transfer did not result in the assign of control of the asset, then the new asset is recognized to the extent to which the Group continues its involvement in the asset.

In such case, the Group recognizes the related liability. The transferred asset and associated liability is valued having regard to rights and obligations the Group has retained.

Involvement in the asset, which takes the form of guarantees, is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for this asset.

2.13 Impairment of financial assets

At each balance sheet date the Group assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

If there are objective indications that the loss has been suffered due to the impairment of loans and receivables measured at amortized cost, the amount of impairment loss is equal to the difference between the carrying amount of financial asset and the present value of estimated future cash flows (excluding not yet incurred future losses due to bad debts), discounted at original effective interest rate (i.e. the interest rate fixed at initial recognition). The carrying amount of the asset is reduced either directly or through the reserve. The amount of losses is recognized in the profit and loss account.

At first the Group assesses whether there are objective indications of impairment of individual components of financial assets that are individually significant, and an indications of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective indications of impairment of individually assessed financial asset, regardless of whether it is a significant one or not, the Group includes this component to financial assets with a similar credit risk characteristics and completely assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognized or was found that the current impairment will not change, are not taken into account when totally assessing assets for impairment.

If impairment loss has decreased in the next period, and that reduction can be objectively related to an event following the impairment recognition, the previously recognized impairment is to be reversed. Subsequent reversal of an impairment loss is recognized in the profit and loss account to the scope in which the carrying amount of asset does not exceed its amortized cost as at the reversal date.

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value cannot be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

If there are objective indications that an impairment of financial assets available for sale has occurred, the amount representing the difference between the cost of the asset (less any repayment of capital and depreciation) and its current fair value, less any impairment losses previously recognized in the profit or loss account, is derecognized from equity and transferred to the profit and loss account. Reversal of an impairment loss of equity instruments classified as available for sale cannot be recognized in the profit or loss account. If in a subsequent period the fair value of debt instruments available for sale increases, and this increase can be objectively related to an event following the recognition of impairment losses in the profit and loss account, the amount of reversed impairment is recognized in the profit or loss account.

2.14 Inventories

Materials, goods, work in progress and finished goods are current assets inventories.

The Group applies the following rules of inventory classification to the specific categories:

- **materials** – elements stored in the storage places for use in manufacturing processes, particularly for construction purposes;
- **work in progress** – includes costs of development projects under construction as well as materials of general-purpose stock and low-processing materials, which can easily and without incurring significant costs be used for other contracts or sold (if they are required for this contract);
- **goods** – the stock acquired in the purpose of their resale, including land for development projects in the implementation of development projects;
- **finished goods** – products of own production, which proceeding been fully completed, apartments, premises and buildings for sale.

Elements stored on construction sites to be used by the Company or a subcontractor for specific purposes on particular site only, which probably cannot be used by execution of other contracts or sold, are not considered to be inventory. These items are accounted for directly to the cost of the contract and included in the valuation of the contract according to the progress of work.

Inventories are measured at the lower of the two values: purchase cost or net selling price.

Costs incurred to bring each item of inventories to its present location and value, both for the current and previous year, are recognized in the following manner:

- **materials** - at purchase cost determined by the using the FIFO method
- **work in progress and finished products** - cost of direct materials and labour and manufacturing overhead costs under the assumption of normal capacity utilization, excluding borrowing costs
- **goods** - at purchase cost determined by the using the FIFO method.

Net selling price is the achievable price as at the balance sheet date, without VAT and excise tax, less discounts and other costs related to preparing the item for sale and to making the sale.

2.15 Trade and other receivables

Claims due to supplies and services, whose maturity is usually between 30 and 180 days, are recorded and reported according to the amounts originally invoiced, including provision for bad debts. Provision for uncollectibles is assessed when it is improbable to recover receivables. Bad debts are written off in the profit and loss at the time of their loss.

Where the effect of money inflow over time is substantial, the value of accounts receivable is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time. In case the discounting method has been used, the increase in receivables on an accrual basis is recognised as financial income.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with maturity not exceeding three months.

As restricted cash the Group primarily treats the assets:

- which are a collateral for bank guarantees and liabilities due to derivatives;
- collected on escrow accounts in the real estate development companies;

if their maturity does not exceed 3 months.

Cash at bank and in hand are valued at their nominal value.

The Group recognised restricted cash in the balance sheet under cash and cash equivalents. For the purpose of cash flows statement, cash at the beginning and end of the period is reduced by cash restricted and it balance change is recognised in the flows from operating activities.

2.17 Equity

The share capital consists of ordinary shares and is recognised at their nominal value (in accordance with the Articles of Association of the Parent and the entry into the National Court Register).

The amount resulting from the difference between the premium price of shares covered by the Parent and their nominal value make a surplus from the sale of shares above their nominal value.

Equity attributable to non-controlling shareholders is a part of the equity of subsidiaries that are fully consolidated, which is owned by other shareholders than those included in the Group.

Net profit (loss) of subsidiaries attributable to shareholders other than the companies of the Group is the profit (loss) of non-controlling interests.

Treasury shares

Redemption of own shares is recorded at cost and deducted from equity. Gains or losses occurred at the redemption, sale, issue or cancellation of treasury shares does not affect the profit and loss account. The remainder between the carrying value and the purchase price in case of re-issue of shares is recorded in the surplus from the sale of shares above their nominal value. The rights attached to the shares are cancelled, and accordingly, the payment of dividends is not allocated to them.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the influence of the money value over time is material, the provision is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time and the potential risks associated with the given liability. If the discount method has been used, the increase in reserves on an accrual basis is recognized as financial expense.

Provisions for liabilities include, but are not limited to:

- guarantee repair provision,
- provision for losses form contracts,
- provision for litigations,
- unused leave provision,
- retirement provision.

Guarantee repair provision

In the case of construction contracts the companies forming the Erbud Group are obliged to provide warranties on their services.

The general rule is creation of provisions for guarantee costs based on the rate of guarantee costs calculated as the quotient of guarantee repair costs to the revenues from the given contract and charging costs of services sold. This value is subject to individual review and may increase or decrease in justified cases.

In some cases, the provision for guarantee repair is recognized as at balance sheet date in the amount established on the basis of past experience in the field of a guarantee repairs.

Provision for litigations

The legal divisions and boards of companies of the Group make detailed analysis of potential risks related to ongoing operations and on this basis decide if recognition of the effects of those proceedings in the books of the Group entities is necessary and state the amount of provision.

Unused leave provision

The basis for calculating the reserve for holiday leave provision is a list of unused leave days as at the given balance sheet date, divided by individual employees their daily gross salary plus social security overheads.

Provision for retirement benefits, disability pensions and anniversary awards

The Group entities are required to pay severance and pension allowances in accordance with relevant regulations. The Group also committed to running the awards program. Therefore, there are created provisions for the present value of liabilities arising from the above-mentioned benefits. Payments are written off in the profit and loss account so as to stagger the benefits for the entire period the persons are employed. The year 2011 was the last year of the awards program.

Group companies have adopted a policy of recognizing actuarial gains and losses in the period in which they occur. All actuarial gains and losses are recognized in profit or loss.

The Group does not create a special fund for collecting payments due to future benefits.

Cost of retirement and pension allowances as well as awards, and the present value of liabilities due to the fore-said titles is determined using actuarial techniques. Making an actuarial valuation requires assumptions: discount rates, projected ratios of return on assets and increases in salaries. Because of the complexity of valuation, assumptions made, and the long-term nature, the liabilities under the above benefits are very sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

2.19 Bank loans and borrowings, debt securities

At their initial recognition, bank loans and borrowings are recorded at purchase price equal to the fair value of cash received, less any costs related to obtaining bank credits or loans.

In subsequent periods, credits and loans are valued at amortized cost using the effective interest rate. When determining the amortized cost all costs related to obtaining bank credits or loans and discounts or premiums to account for the settlement of liabilities.

In the profit and loss account are recognized all results of the adjusted purchase price and effects of the debt derecognition or it impairment.

2.20 Trade and other liabilities

Due to their characteristics, liabilities are divided into:

- provisions,
- contingent liabilities,
- financial liabilities,
- current liabilities,
- non-current liabilities.

Contingent liabilities are possible liabilities which depend on a possible event or situation to occur. These liabilities are disclosed in the notes and additional information.

Financial liabilities are obligations to deliver financial assets or to exchange financial instruments with another entity to adverse conditions.

Current liabilities are all liabilities for supplies and services as well as a whole or that part of the other debts that are due in less than 12 months from the balance sheet date. Liabilities are valued as of the balance sheet date in the amount payable.

Long-term liabilities are liabilities for any other items than supplies and services which are due for more than 12 months from the balance sheet date.

Liabilities for supplies and services due to ongoing building contracts and advance payments received are classified as current liabilities, as it is expected that they will be settled in the normal operating cycle of the unit.

Liabilities arising from performance bond with a maturity of less than 12 months are recognized as current liabilities. Long-term debts under the guarantee deposit are to be discounted to present value on the effective interest rates.

2.21 Prepayments and accruals

The Company accounts for receivables and prepayments if they relate to future reporting periods.

The most important condition to recognize costs on an accrual basis is to meet the requirement of accounting them to the unit's assets i.e. to stocks with reliably determined value, which were generated as a result of past events that will impact the future economic benefits for the undertaking.

Impairment of deferred expenditures may be recognised pursuant to the laps of time or amount of benefits. Time and method of settlement must be justified by the nature of costs, observing precautions.

In case of deferred expenditures which will not be accounted in the next 12 months from the balance sheet date, such settlement should be presented as a separate item on the balance of the long-term accruals.

2.22 Measurement of incomes and expenses

Revenue from sales is recognised at the fair value of the consideration received or payable and it represents receivables for products, goods and services provided in the normal course of business less discounts, VAT and other sales-related taxes.

Revenue from sales of goods is recognized when the goods have been delivered, all rights to this product have been transferred, and all of the following conditions have been meet:

- transfer of significant risks and benefits associated with the ownership of the goods from the Group to the buyer;
- assignment by the Group of management functions associated with ownership and effective control over the goods sold;
- the possibility to make a reliable estimate of the amount of revenue; and
- the possibility of reliable valuation of costs incurred or expected in connection with the transaction.

Payments receipt for delivered goods and unfinished services are recognized in the statement of financial position as other accruals.

Revenue from construction contracts is recognized in accordance with the Group's accounting policy set out below.

Interest income is recognized in relation to the principal amount, in accordance with the effective interest rate method.

Dividend income is recognized at the time when it was established the shareholders' right to receive payment.

Pursuant to the accrual basis of accounting the Group recognizes all costs for the reporting period in the profit or loss regardless of the period of their actual settlement. Costs incurred and not related to the period are recognized in assets as short-term accruals, and the not incurred costs, and attributable to the period, are the other accruals.

2.23 Construction contracts

The Group's companies recognize revenues from executed contracts by reference to the stage of completion of the contract activity. The budgets of individual contracts are subject to a formal update procedure based on current information in the course of the year and are approved by the Management Board.

The stage of completion method can be applied when an entity can reliably measure the amount of outcome of its construction services.

In accordance with the above method, revenue from the contract is recognized in the profit and loss account as income of that period in which the relevant works covered by the contract were executed. Contract costs related to the given works are recognized in the profit and loss account as an expense attributable to that period in which such works were executed. When it is probable that total costs will exceed total income on contract, the expected loss is recognized as an expense in the period in which it was disclosed.

By determining the stage of completion, the unit uses the method that will reliably state the work already performed. These methods may, depending on the nature of the contract, include:

- measurement of works performed,
- proportion of contract costs incurred for works performed to date relative to the estimated total contract costs,
- comparison of works de facto carried out with the work under the contract.

When determining the state of progress on the basis of contract costs incurred to date, only those costs that reflect work performed are recognised.

If the result of the construction contract cannot be measured reliably, revenue is recognized only to the amount of the costs incurred, which are likely to be recovered, and contract costs are recognized as an expense in the period in which they were incurred.

The measurement results are recognized in assets and liabilities respectively in the consolidated statements of financial position under "Construction Contracts".

2.24 Real estate development

Revenue from sales of development projects is recognized upon transfer of control, all the significant risks and rewards attributable to the ownership of the property to the final recipient. The Company considers that the transfer of risks, benefits and control occurs at the time of signing a notarial deed on transfer of ownership of real estate.

Until recognition of revenue from real estate development, costs incurred are recognized in assets under "Work in progress". At the time of recognition of income from the sale, the Group recognizes the cost of production of a specific area (in proportion to the area sold).

2.25 Profit/loss on sales before tax

Gross profit (loss) on sales is

- revenue from sales of basic production and other services rendered within the core business of the Group’s companies and of goods and materials less
- production costs of goods and services sold and the value of goods and materials sold.

2.26 Profit/loss on operating activity

Profit (loss) from operating activities include revenues and expenses from operating activities without financial costs and incomes, to which primarily belong interests, foreign exchange differences and costs of bank commissions and guarantees.

2.27 Taxes

Current tax is calculated on the basis of the tax result (taxable income) of the financial year. Tax profit (loss) differs from accounting profit (loss) in connection with dercognicion of tax deductible costs which are tax deductibles in the following years and the items of costs and revenues, which will never be subject to tax. Taxes are calculated on the basis of tax rates in force during the financial year.

Income tax on income earned in the country is calculated in accordance with local tax law while the income of units operating abroad are subject to tax according to local regulations, having regard to the agreements on the avoidance of double taxation.

In view of the differences between the book value of the assets and liabilities and their tax base and the deductible tax loss in the future, the Group companies establish a provision and assets for deferred income taxes.

Provision for deferred tax liability is recognized in reference to all positive temporary differences in the amount of income tax, which requires payment in the future:

- except where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss; and
- in the case of positive temporary differences arising from investments in subsidiaries or associates and participation in joint ventures - except where the timing of the reversal of temporary differences is controlled by the building investor and it is probable that in the foreseeable future the temporary difference will not be reversed.

The **deferred tax assets** are recognised as an amount to be deducted in the future from income tax in respect of deductible temporary differences and tax loss deductions, observing precautions:

- except where the deferred tax due to temporary differences arises from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion does not affect neither the accounting profit nor taxable profit nor tax loss; and
- in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount, in which it is probable that in the foreseeable future, the above temporary differences will reversed and the taxable income will be achieved to deduct the negative temporary differences.

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and is reduced accordingly to the extent that it is no longer likely to achieve taxable income sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and provision for deferred tax are measured using tax rates that will apply during the period when the asset is realized or reserve resolved, based on tax regulations in force as at the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity and not in the profit and loss account.

Assets and provisions for deferred income tax are compensated within the individual entities composing the Group.

2.28 Assets held for sale

Here are included items of non-current assets (or disposal groups) if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Measurement of non-current asset (or disposal group) is recognized at the lower of its carrying amount and fair value less sell costs. The fair value of assets classified as held for sale (disposal groups) is determined in accordance with IFRS 13.

2.29 Segment reporting

The organization and management of the Group are held by segments.

The Erbud Group operates in four principal business areas:

- large-volume building;
- real estate development;
- road-engineering;
- construction for the energy sector,

Other areas of activity that do not meet the conditions for recognition as reporting segments include the entities operating, i.a. in manufacturing, service and trade.

Breakdown of activities by individual segments was done by qualifying individual entities according to their core statutory activity and the importance of the activities of companies to the segment. Such a breakdown corresponds to the distribution of principal risks and returns on investment.

The Group applies the same accounting policy for all segments. Transactions between segments are made at arm's length principle.

Shares in entities measured using the equity method are classified to the appropriate segment in view of the scope of activity of the unit valued by this method.

2.30 Earnings per share

Basic earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting the interest on the redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

2.31 Share-based payment

The Erbud Capital Group manages a program of share-based payments settled in equity instruments, under which employees receive equity instruments of Erbud SA and its subsidiaries. The fair value of employee services in exchange for equity instruments of the Group or its subsidiaries is accounted for as an increase in capital reserve for a period in which the acquisition conditions are met (the vesting period). The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted at the grant date of instruments. Vesting conditions, other than market ones, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the cost of services rendered should be based on the number of equity instruments that eventually will be vest.

2.32 Hedge accounting

The Group applies hedge accounting. Changes in the fair value of derivative financial instruments designated to hedge cash flows as part of an effective hedging are recognized directly in other comprehensive incomes.
The statement of financial position presents derivative financial instruments as a separate item or as part of other assets and liabilities, if their value is immaterial.

Additional information on the principles of recognition and measurement of derivative financial instruments and hedge accounting is included in note 12.2.

3 Changes in accounting policies applied

3.1 Error adjustment

During the reporting period ended 31 December 2015, there were no error adjustments, which would affect the current period or past periods.

3.2 Changes in estimates

During the reporting period ended 31 December 2015, there were no changes in the methodology of estimates.

3.3 Changes in accounting policy

During the reporting period ended 31 December 2015, there were no changes in accounting policies.

4 Discontinued operations

In the year ended 31 December 2015 and the year ended 31 December 2014, there were no discontinued operations within the meaning of IFRS 5.

5 Segment information

In the year ended 31 December 2015, the Group operated in the following business areas:

- large-volume building;
- real estate development;
- road-engineering;
- construction for the energy sector.

In the year ended 31 December 2015, the Group conducted operations in the following geographical areas:

- domestic market;
- abroad (Germany, Belgium. Luxembourg).

The segmentation has been made by classification of the individual entities on basis of their activities specified in the Articles of Association. The Group applies a uniform accounting policy for all segments.

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2015:

Revenue and costs by business segments

For the period from 1 January to 31 December 2015	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Sale to external clients	1 130 960	47 864	330 741	253 717	**1 763 282**
Total income	**1 130 960**	**47 864**	**330 741**	**253 717**	**1 763 282**
Cost of products, goods and materials sold to external clients	1 053 823	41 208	309 734	236 816	**1 641 581**
Total cost of products, goods and materials sold	**1 053 823**	**41 208**	**309 734**	**236 816**	**1 641 581**
Total gross sales	**77 137**	**6 656**	**21 007**	**16 901**	**121 701**
Sales costs	241	1 834	2 565	1 853	**6 493**
General and administrative costs	44 457	2 539	8 692	15 870	**71 558**
Result on other operating activity	299	297	42	-190	**448**
Share of net profit (loss) of subsidiaries valued by equity method	0	7 430	0	0	7 430
Segment result	**32 738**	**10 010**	**9 792**	**-1 012**	**51 528**
Result on financing activity	-5 686	39	412	-1 464	**-6 699**
Income tax	7 017	2 478	3 128	517	**13 140**
Net profit	**20 035**	**7 571**	**7 076**	**-2 993**	**31 689**

Other items by business segments

For the period from 1 January to 31 December 2015	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment depreciation and amortisation	3 098	1 063	3 050	3 357	**10 568**
Interest income	1 203	1 274	807	29	**3 313**
Interest costs	5 125	1299	233	1 223	**7 880**
Impairment of assets	4 166	5 913	56	5	**10 140**
Reversal of impairment losses on assets	238	0	328	74	**640**
Capital expenditure for:	**6 731**	**1 371**	**2 764**	**8 209**	**19 075**
- Tangible fixed assets	3 482	1 371	1 388	4 359	**10 600**
- Intangible fixed assets	176	0	25	122	**323**
- Increase due to acquisition	0	0	0	1 221	**1 221**
Other non-cash outlays	3 073	0	1 351	2 507	**6 931**

Assets and liabilities by business segments

As at 31 December 2015	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment assets	650 831	211 827	112 111	85 120	**1 059 889**
Deferred tax assets	22 822	2 748	6 835	6 595	**39 000**
Total assets	**673 653**	**214 575**	**118 946**	**91 715**	**1 098 889**
Segment liabilities	501 986	110 130	67 826	103 160	**783 102**
Total liabilities	**501 986**	**110 130**	**67 826**	**103 160**	**783 102**

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2014:

For the period from 1 January to 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Sale to external clients	1 397 537	45 448	160 185	88 885	**1 692 055**
Total income	**1 397 537**	**45 448**	**160 185**	**88 885**	**1 692 055**
Cost of products, goods and materials sold to external clients	1 332 625	40 693	144 226	75 269	**1 592 813**
Total cost of products, goods and materials sold	**1 332 625**	**40 693**	**144 226**	**75 269**	**1 592 813**
Total gross sales	**64 912**	**4 755**	**15 959**	**13 616**	**99 242**
Sales costs	170	1 783	1 690	1 307	**4 950**
General and administrative costs	38 532	1 622	7 917	8 495	**56 566**
Result on other operating activity	-899	170	-625	-126	**-1 480**
Share of net profit (loss) of subsidiaries valued by equity method	0	6 882*	0	0	6 882
Segment result	**25 311**	**8 402**	**5 727**	**3 688**	**43 128**
Result on financing activity	-6 001	-476	-183	-414	**-7 074**
Income tax	5 386	77	1 506	1 193	**8 162**
Net profit	**13 924**	**7 849**	**4 038**	**2 081**	**27 892**

Other items by business segments

For the period from 1 January to 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment depreciation and amortisation	2 882	979	3 167	1 847	**8 875**
Interest income	1 546	734	250	130	**2 660**
Interest costs	6 155	1 409	328	578	**8 470**
Impairment of assets	1 828	396	472	172	**2 868**
Reversal of impairment losses on assets	250	0	45	85	**380**
Capital expenditure for:	**4 544**	**134**	**1 516**	**9 883**	**16 077**
- Tangible fixed assets	1 582	69	401	3 256	**5 308**

- Intangible fixed assets	141	4	26	134	**305**
- Increase due to acquisition	272	0	0	3 134	**3 406**
Other non-cash outlays	2 549	61	1 089	3 359	**7 058**

Assets and liabilities by business segments

As at 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment assets	659 728	180 570	97 146	69 350	**1 006 794**
Deferred tax assets	27 612	4 674	5 487	6 878	**44 651**
Total assets	**687 340**	**185 244**	**102 633**	**76 228**	**1 051 445**
Total liabilities	**566 023**	**80 915**	**57 627**	**59 349**	**763 914**

Geographical segments

The following tables presents data on income, expenditure and some assets related to the Group's geographical segments as at 31 December 2015:

Incomes and expenditures by geographical segments

Year ended 31 December 2015	Domestic market	Abroad	Total
Sale to external clients	1 605 064	158 218	**1 763 282**
Total income	**1 605 064**	**158 218**	**1 763 281**
Cost of products, goods and materials sold to external clients	1 494 198	147 383	**1 641 581**
Total cost of products, goods and materials sold	**1 494 198**	**147 383**	**1 641 581**
Total gross sales	**110 866**	**10 835**	**121 701**
Sales costs	6 493	0	**6 493**
General and administrative costs	64 000	7 558	**71 558**
Result on other operating activity	-6 245	6 693	**448**
Profit on sales of shares in the jointly controlled entity	7 430	0	**7 430**
Segment result	**41 558**	**9 970**	**51 528**
Result on financing activity	-5 430	-1 269	**-6 699**
Income tax	10 599	2 541	**13 140**
Net profit	**25 529**	**6 160**	**31 689**

Year ended 31 December 2015	Domestic market	Abroad	Total
Segment depreciation and amortisation	9 997	571	**10 568**
Interest income	3 012	301	**3 313**
Interest costs	6 283	1 597	**7 880**
Impairment of assets	10 140	0	**10 140**
Reversal of impairment losses on assets	523	117	**640**
Capital expenditure for:	**18 173**	**902**	**19 075**
- Tangible fixed assets	9 698	902	**10 600**
- Intangible fixed assets	323	0	**323**
- Increase due to the acquisition	1 221	0	**1 221**
Other non-cash outlays	6 931	0	**6 931**

Assets and liabilities by geographical segments

Year ended 31 December 2015	Domestic market	Abroad	Total
Segment assets	948 530	111 359	**1 059 889**
Deferred tax assets	38 793	207	**39 000**
Total assets	**987 323**	**111 566**	**1 098 889**
Segment liabilities	711 534	71 568	**783 102**
Total liabilities	**711 534**	**71 568**	**783 102**

The following tables presents data on income, expenditure and some assets related to the Group's geographical segments as at 31 December 2014:

Incomes and expenditures by geographical segments

Year ended 31 December 2014	**Domestic market**	**Abroad**	**Total**
Sale to external clients	1 496 682	195 373	**1 692 055**
Total income	**1 496 682**	**195 373**	**1 692 055**
Cost of products, goods and materials sold to external clients	1 407 569	185 244	**1 592 813**
Total cost of products, goods and materials sold	**1 407 569**	**185 244**	**1 592 813**
Total gross sales	**89 113**	**10 129**	**99 242**
Sales costs	4 950	0	**4 950**
General and administrative costs	48 046	8 520	**56 566**
Result on other operating activity	-3 875	2 395	**-1 480**
Share of net profit (loss) of subsidiaries valued by equity method	6 882*	0	**6 882**
Segment result	**39 124**	**4 004**	**43 128**
Result on financing activity	-7 392	318	**-7 074**
Income tax	7 258	904	**8 162**
Net profit	**24 474**	**3 418**	**27 892**

Year ended 31 December 2014	**Domestic market**	**Abroad**	**Total**
Segment depreciation and amortisation	8 494	381	**8 875**
Interest income	2 398	262	**2 660**
Interest costs	8 260	210	**8 470**
Impairment of assets	2 806	62	**2 868**
Reversal of impairment losses on assets	130	250	**380**
Capital expenditure for:	**15 594**	**483**	**16 077**
- Tangible fixed assets	4 970	338	**5 308**
- Intangible fixed assets	305	0	**305**
- Increase due to the acquisition	3 406	0	**3 406**
Other non-cash outlays	6 913	145	**7 058**

Assets and liabilities by geographical segments

Year ended 31 December 2014	**Domestic market**	**Abroad**	**Total**
Segment assets	928 843	77 951	**1 006 794**
Deferred tax assets	43 922	729	**44 651**
Total assets	**972 765**	**78 680**	**1 051 445**
Segment liabilities	718 22	45 892	**763 914**
Total liabilities	**718 022**	**45 892**	**763 914**

6 Property, plant and equipment

2015	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2015	**5 499**	**18 107**	**22 378**	**26 525**	**5 086**	**942**	**1 213**	**79 750**
Increases:	**356**	**934**	**4 997**	**8 494**	**2 140**	**1 389**	**-1 153**	**17 157**
- Purchase	0	932	4 407	1 652	2 123	1 466	20	**10 600**
- Lease	0	0	389	6 542	0	0	0	**6 931**
- Foreign exchange differences	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	0	0	0	-77	-1 173	-1 250
- Acquisitions through business combination	356	2	201	300	15	0	0	874
- Acquisition of fixed assets under construction	0	0	0	0	2	0	0	2
Decreases:	**0**	**3 968**	**920**	**1 321**	**528**	**181**	**40**	**6 958**
- Sale and liquidation	0	2	920	1 012	489	67	0	**2 490**
- Intra-group transfers	0	3 966	0	29	0	0	0	**3 995**
- Reclassification adjustments	0	0	0	280	39	114	40	**473**
Gross book value as at 31 December 2015	**5 855**	**15 073**	**26 455**	**33 698**	**6 698**	**2 150**	**20**	**89 949**
Accumulated depreciation as at 1 January 2015	**46**	**6 433**	**11 977**	**15 628**	**3 236**	**0**	**0**	**37 320**
Accumulated depreciation for the period:								
Amortization	29	843	3 413	4 353	908	0	0	**9 546**
Decreases:	**0**	**849**	**805**	**801**	**425**	**0**	**0**	**2 880**
- Sale and liquidation	0	2	757	805	454	0	0	**2 018**
- Reclassification adjustments	0	847	48	0	-25	0	0	**870**
- Foreign exchange differences from translation of foreign entities	0	0	0	-4	-4	0	0	**-8**
Accumulated depreciation as at 31 December 2015	**75**	**6 427**	**14 585**	**19 180**	**3 719**	**0**	**0**	**43 986**
Impairment as at 1 January 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2015	**5 453**	**11 674**	**10 401**	**10 897**	**1 850**	**942**	**1 213**	**42 430**
Net book value as at 31 December 2015	**5 780**	**8 646**	**11 870**	**14 518**	**2 979**	**2 150**	**20**	**45 963**

2014	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2014	**4 797**	**17 571**	**20 515**	**19 864**	**5 179**	**123**	**0**	**68 049**
Increases:	**767**	**1 637**	**2 788**	**7 569**	**1 024**	**819**	**1 213**	**15 817**
- Purchase	0	0	1 464	708	913	1 010	1 213	**5 308**
- Lease	0	0	638	6 420	0	0	0	**7 058**
- Foreign exchange differences	1	30	12	30	42	0	0	**115**
- Reclassification adjustments	0	31	87	0	-53	-135	0	-70
- Acquisitions through business combinations	766	1 457	583	411	122	67	0	3 406
- Acquisition of fixed assets under construction	0	119	4	0	0	-123	0	0
Decreases:	**65**	**1 101**	**925**	**908**	**1 117**	**0**	**0**	**4 116**
- Sale and liquidation	65	1 101	668	852	816	0	0	**3 502**
- Reclassification adjustments	0	0	257	56	301	0	0	**614**
Gross book value as at 31 December 2014	**5 499**	**18 107**	**22 378**	**26 525**	**5 086**	**942**	**1 213**	**79 750**
Accumulated depreciation as at 1 January 2014	**31**	**6 561**	**9 787**	**12 780**	**3 555**	**0**	**0**	**32 714**
Accumulated depreciation for the period:								
Amortization	15	850	3 064	3 417	779	0	0	**8 125**
Decreases:	**0**	**978**	**874**	**569**	**1 098**	**0**	**0**	**3 519**
- Sale and liquidation	0	1 005	644	539	810	0	0	**2 998**
- Reclassification adjustments	0	0	241	56	316	0	0	**613**
- Foreign exchange differences from translation of foreign entities	0	-27	-11	-26	-28	0	0	**-92**
Accumulated depreciation as at 31 December 2014	**46**	**6 433**	**11 977**	**15 628**	**3 236**	**0**	**0**	**37 320**
Impairment as at 1 January 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2014	**4 766**	**11 010**	**10 728**	**7 084**	**1 624**	**123**	**0**	**35 335**
Net book value as at 31 December 2014	**5 453**	**11 674**	**10 401**	**10 897**	**1 850**	**942**	**1 213**	**42 430**

6.1 Depreciation and amortisation of property, plant and equipment

Depreciation of property, plant and equipment for the period ended 31 December 2015 and 31 December 2014 was recognised in the following items:

	Year ended 31 December 2015	Year ended 31 December 2014
General and administrative expenses	4 642	4 308
Cost of manufacturing sold products and services	4 904	3 817
Total	**9 546**	**8 125**

6.2 Property, plant and equipment used under financial leasing contracts

The Group as a lessee uses the following tangible fixed assets under finance leases:

	31 December 2015		31 December 2104	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	12 605	5 620	12 062	6 847
Means of transport	27 228	12 280	21 265	9 281
Other fixed assets			0	0
Total	**39 833**	**17 900**	**33 327**	**16 128**

6.3 Property, plant and equipment upon construction

In the period ended 31 December 2015, there were no borrowing costs capitalized.

In the period ended 31 December 20143, there were no borrowing costs capitalized.

6.4 Property, plant and equipment held as collaterals

As at 31 December 2015, there were established securities on assets of entities belonging to the Group totalled of PLN 120,000 thousand.

As at 31 December 2014, there were established securities on assets of entities belonging to the Group totalled of PLN 142,500 thousand.

6.5 Contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2015, there were no contractual commitments due to the acquisition of property, plant and equipment.

As at 31 December 2014, the amount of contractual commitments due to the acquisition of property, plant and equipment amounted to PLN 1,200 thousand.

6.6 Compensation received from third parties due to loss of value or loss of property, plant and equipment

In the period ended 31 December 2015 and in the period ended 31 December 2014, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7 Assets classified as held for sale

As of 31 December 2015, the Group has a non-current assets held for sale with a carrying value of PLN 3 135 thousand. This was a cooperative ownership right to premises at Puławska St., in 2014 recognised in tangible fixed assets.

As of 31 December 2014, the Group did not classify any assets as held for sale.

8 Investment property

8.1 Restrictions on the benefits from investment property

As at 31 December 2015 and 31 December 2014, there were no encumbrances on real estate properties held by the units of the Group which would limit the benefits of investment property or a transfer of income and profit arising from this title.

8.2 Recognition in profit or loss

The companies of the Group have recognized in the profit and loss account the following amounts of revenues and expenses with respect to investment property:

	Year ended 31 December 2015	Year ended 31 December 2014
Rental income	624	367
Direct operating costs (including repairs and maintenance) of an investment property that brought income from rentals during the reported period	426	246
Direct operating costs (including repairs and maintenance) of an investment property that did not bring income from rentals during the reported period	48	23

Changes in investment property in 2015 and 2014 were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Gross book value at the beginning of period	**11 766**	**6 025**
Increases:	**46 437**	**6 876**
- Purchase	2 395	73
- Acquisition of control as a result of takeover	44 041	-
- Transfer from tangible fixed assets	-	-
- Acquisition as a result of merger	-	-
- Transfer from tangible fixed assets	-	5 303
- Transfers	-	1 500
Decreases:	**4 584**	**1 135**
- Sale	127	184
- Transfer to tangible fixed assets available for sale	-	-
- Transfers	4 457	951
Gross book value at the end of period	**53 619**	**11 766**
Accumulated depreciation at the beginning of period	**689**	**533**
- Amortization for the period	278	164
- Transfers	552	-
Other decreases	-	7
Accumulated depreciation at the end of period	**415**	**689**
Allowances for impairment at the beginning of period	**1 700**	**-**
- Increases	-	1 700
- Decreases	-	-
Allowances for impairment at the end of period	**1 700**	**1 700**
Net book value at the beginning of period	**9 377**	**5 492**
Net book value at the end of period	**51 503**	**9 377**
Fair value at the beginning of period	**-**	**-**

9 Intangible fixed assets

2015	Other
Gross book value as at 1 January 2015	**4 720**
Increases:	**743**
- Purchase	323
- Acquisition by business combination	347
- Foreign exchange differences	0
- Other	73
Decreases:	**7**
- Sale	0
- Liquidation	7
Decreases:	0
- Sale	**5 456**
- Liquidation	**2 457**
- Depreciation for the period	743
Decreases:	**7**
- Liquidation	7
- Foreign exchange differences	0
Impairment as at 1 January 2015	**3 193**
Net book value as at 1 January 2015	**2 263**
Net book value as at 31 December 2015	**2 263**

2014	Other
Gross book value as at 1 January 2015	**3 751**
Increases:	**973**
- Purchase	305
- Acquisition of fixed assets under construction	600
- Reclassification adjustments	2
- Other	66
Decreases:	**4**
- Sale	4
- Liquidation	0
- Foreign exchange differences	0
Gross book value as at 31 December 2014	**4 720**
Accumulated depreciation as at 1 January 2014	**1 876**
- Amortization for the period	586
Decreases:	**5**
- Liquidation	4
- Foreign exchange differences	1
Accumulated depreciation as at 31 December 2014	**2 457**
Net book value as at 1 January 2014	**1 875**
Net book value as at 31 December 2014	**2 263**

9.1 Recognition in profit or loss

Depreciation and amortization of intangible assets has been recognized in the following items of the profit or loss:

	Year ended 31 December 2015	Year ended 31 December 2014
Production costs of goods and services sold	697	569
General and administrative expenses	46	17
Total	**743**	**586**

9.2 Legal restrictions

As at 31 December 2015 and 31 December 2014, there were no charges on intangible assets held by the Group's entities which would limit the legal title or secured the liabilities.

10 Consolidated goodwill

	31 December 2015	31 December 2104
Gross book value at the beginning of the period	**22 066**	**20 102**
Increases	902	1 964
Decreases	0	0
Gross book value at the end of the period	**22 968**	**22 066**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**22 968**	**22 066**

The goodwill recognized in the balance sheet as at 31 December 2015 refers to:

- Erbud International Sp. z o.o. in the amount of PLN 1 420 thousand;
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA. in the amount of PLN 18,274 thousand;
- Erbud Energetyka Sp. z o.o. . in the amount of PLN 408 thousand (in 2014, there was a business combination between ERBUD Energetyka and ERBUD Industry Sp. z o.o. as a acquiring company);
- Erbud Industry Pomorze Sp.z o.o. in the amount of PLN 1 964 thousand;
- Erbud Industry Południe Sp.z o.o. in the amount of PLN 902 thousand.

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

The recoverable value of cash-generating unit is determined on the basis of utility value calculations. These calculations use cash flow projections over three years. Cash flows beyond the three-year period were estimated at a constant level. The growth rate does not exceed the long-term average growth rate for the construction industry, where operates the cash generating unit. The calculations assume a gross margin of 10.01%, while the discount rate used was 8.9% (in round numbers and after gross-up). The Management Board has set a budget gross margin based on historical results and its expectations of market development. Medium weighted average growth rates are consistent with the projections in branch reports. The applied discount rate is the rate before tax, reflecting the specific risks relating to individual segments.

Based on the impairment test for goodwill, which was performed on 31 December 2015, the Management Board concluded that there is no need for write-down for impairment.

As of 31 December 2015, the Management Board did not performed tests for the permanent impairment of goodwill that was generated after the acquisition of other entities listed in these financial statements.

11 Shares or stocks in subsidiaries

Shares in directly and indirectly related entities as at 31 December 2015 are summarized in point 1.1 of these explanatory notes.
Below are detailed shares or stocks in directly related entities as at 31 December 2015.

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation	Value adjustments (total)	Carrying amount of shares/stocks	Equity stake held	Voting power at the AGM
1.	Erbud Construction Sp. z o.o.	Toruń	Civil Construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
2.	Toruńska Sportowa S.A. w likwidacji	Toruń	Civil Construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
3.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil Construction	subsidiary	full method	0	79	79.00%	79.00%
4.	Erbud International Sp. z o.o.	Toruń	Civil Construction	subsidiary	full method	0	50	100.00%	100.,00%
5.	GWI GmbH	Dusseldorf, Germany	Civil Construction	subsidiary	full method	0	347	85.00%	85.00%
6.	Budlex S.A.	Toruń	Real estate development	subsidiary	full method	0	73 575	89.96%	89.96%
7.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	Road Construction	subsidiary	full method	0	49 554	94,.7%	94.27%
8.	Erbud Industry Sp. z o.o.	Toruń	Engineering	subsidiary	full method	2 850	13 126	100.00%	100.00%
			Stocks/shares of direct controlled subsidiaries as at 31.12.2015			2 928	136 731		

Below are detailed shares or stocks in directly related entities as at 31 December 2014

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation	Value adjustments (total)	Carrying amount of shares/stocks	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	Civil Construction	subsidiary	full method	0	3 550	100.00%	100.00%
2.	Erbud Construction Sp. z o.o.	Toruń	Civil Construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
3.	Toruńska Sportowa S.A. w likwidacji	Toruń	Civil Construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil Construction	subsidiary	full method	0	79	79.00%	79.00%
5.	Erbud International Sp. z o.o.	Toruń	Civil Construction	subsidiary	full method	0	50	100.00%	100.00%
6.	GWI GmbH	Dusseldorf, Germany	Civil Construction	subsidiary	full method	0	347	85.00%	85.00%
7.	Budlex S.A.	Toruń	Real estate development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road-engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.)	Toruń	Steel structures	subsidiary	full method	2 850	9 576	100.00%	100.00%
			Stocks/shares of direct controlled subsidiaries as at 31.12.2014			2 928	136 731		

12 Financial instruments

12.1 Carrying amount

The following tables details the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2015.

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Loans granted	0	0	15 289	0	0	0	**15 289**
Financial assets available for sale	677	0	0	0	0	0	**677**
Other financial assets	0	2 281	0	0	0	0	**2 281**
Total financial assets, incl. those presented in the balance sheet as							
- long-term	*677*	*2 281*	*9 850*	*0*	*0*	*0*	*12 808*
- short-term	*0*	*0*	*5 439*	*0*	*0*	*0*	*5 439*
Building contracts bonds	0	0	39 390	0	-98 100	0	**-58 710**
Trade and other receivables	0	0	327 612	0	0	0	**327 612**
Receivables from customers under building contracts	0	0	157 481	0	0	0	**157 481**
Derivative financial instruments	0	0	0	-31	0	-74	**-105**
Cash and cash equivalents	0	254 138	0	0	0	0	**254 138**
Amounts due to customers under building contracts	0	0	0	0	-120 152	0	**-120 152**
Liabilities due to trade and other receivables	0	0	0	0	-264 085	0	**-264 085**
Non-current liabilities due to loans and borrowings	0	0	0	0	-25 947	**0**	**-25 947**
Other non-current financial liabilities	0	0	0	0	-7 159	0	**-7 159**
Other current financial liabilities	0	0	0	0	-6 192	0	**-6 192**
Liabilities arising from the issue of bonds	0	0	0	0	-65 000	0	**-65 000**
Current liabilities due to loans and borrowings	0	0	0	0	-81 419	0	**-81 419**
Total	**677**	**256 419**	**539 772**	**-31**	**-668 054**	**-74**	**128 709**

12.2 Income, expenses, gains and losses recognized in profit or loss by financial instruments

for the period from 1 January 2014 to 31 December 2015

	Financial instruments							
Class of financial instruments	**Assets held to maturity**	**Financial assets available for-sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Interest income (expense)	0	0	786	2 335	0	-7 848	0	**-4 727**
Gains (losses) from exchange rate differences	0	0	-118	60	0	1 304	0	**1 246**
Impairment charges (impairment release)	0	0	0	-3 698	0	0	0	**-3 698**
Gains (losses) on valuation	0	0	17	0	192	0	2 543	**2 752**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	0	**0**
Total	**0**	**0**	**685**	**-1 303**	**192**	**-6 544**	**2 543**	**-4 427**

* *Measurement of hedging instruments recognised in revaluation reserve (hedging policy)*

Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2014

	Financial instruments						
Class of financial instruments	**Financial assets available for-sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Loans granted	0	0	31 308	0	0	0	**31 308**
Financial assets available for sale	9 165	0	0	0	0	0	**9 165**
Other financial assets	0	1 060	0	0	0	0	**1 060**
Total financial assets, incl. those presented in the balance sheet as							
- long-term	*9 165*	*1 060*	*31 073*	*0*	*0*	*0*	*41 298*
- short-term	*0*	*0*	*235*	*0*	*0*	*0*	*235*
Building contracts bonds	0	0	55 333	0	-92 832	0	**-37 499**
Trade and other receivables	0	0	317 643	0	0	0	**317 643**
Receivables from customers under building contracts	0	0	182 088	0	0	0	**182 088**
Derivative financial instruments	0	0	0	-16	0	-1 294	**-1 310**
Cash and cash equivalents	0	209 263	0	0	0	0	**209 263**
Amounts due to customers under building contracts	0	0	0	0	-42 538	0	**-42 538**
Liabilities due to trade and other receivables	0	0	0	0	-394 721	0	**-394 721**
Non-current liabilities due to loans and borrowings	0	0	0	0	-22 801		**-22 801**
Other non-current financial liabilities	0	0	0	0	-6 624	0	**-6 624**
Other current financial liabilities	0	0	0	0	-5 533	0	**-6 827**
Liabilities arising from the issue of bonds	0	0	0	0	-65 000	0	**-65 000**
Current liabilities due to loans and borrowings	0	0	0	0	-30 065	0	**-30 065**
Total	**9 165**	**210 323**	**586 372**	**-16**	**-661 408**	-1 294	**143 142**

Income, expenses, gains and losses recognized in profit or loss by financial instruments

for the period from 1 January 2014 to 31 December 2014

Class of financial instruments	Financial instruments							
	Assets held to maturity	**Financial assets available for-sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Interest income (expense)	9	0	-288	1 293	0	-3 524	23	**-2 487**
Gains (losses) from exchange rate differences	0	0	222	744	0	281	0	**1 247**
Impairment charges (impairment release)	0	0	0	-112	0	0	0	**-112**
Gains (losses) on valuation	0	0	-3 272	0	-81	0	-1 294	**-4 647**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	0	**0**
Total	**9**	**0**	**-3 338**	**1 925**	**-81**	**-3 243**	**-1 271**	**-5 999**

Financial assets and liabilities measured at fair value and available for sale

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2015			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	677	0	**677**
Financial assets measured at fair value through profit or loss account, of which:	0	0	0	**0**
Cash and cash equivalents	254 138	0	0	**254 138**
Derivative financial instruments	0	1 315	0	**1 315**
Other financial assets	0	2 281	0	**2 281**
Total	**254 138**	**4 273**	**0**	**258 411**

	31 December 2015			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	105	0	**105**
Total	**0**	**105**	**0**	**105**

Investment property measured at fair value

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2015			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Investment property	0	51 503	0	**51 503**
Total	**0**	**51 503**	**0**	**51 503**

	31 December 2015			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	9 165	0	**9 165**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	209 263	0	0	**209 263**
Other financial assets	0	1 060	0	**1 060**
Total	**209 263**	10 225	0	**219 488**

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value through profit or loss account, of which:				
Derivative financial instruments	0	16	0	**16**
Total	**0**	**16**	**0**	**16**

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Investment property	0	9 377	0	**9 377**
Total	**0**	**9 377**	**0**	**9 377**

12.3 Derivative financial instruments

In the financial year ended 31 December 2010 the Group entered into one contract denominated in Euro. The subject of the contract is to provide the company Deptak Projekt P2 Sp. z o.o. with a loan of Euro 3 500 thousand. The NBP average exchange rate EURO/PLN amounted to PLN 3.9443 as at the transaction date. Repayment of loan is fixed by 30 July 2015. Because the Group was not able to hedge the exchange rate risk for such a long time, it has been decided to arrange a phase security and conclude a forward exchange contract, initially for three years.

As at 31 December 2015, the valuation under this instrument amounted to PLN 31,000.

As at 31 December 2014, the valuation under this instrument amounted to PLN 16,000.

The impact of measurement of the above financial instrument, as a hedging instrument, in the amount of PLN 15 thousand (before income tax) was recognized in full in the revaluation reserve.

Moreover, in the financial year ended 31 December 2014, the Group signed a contract for construction works with Hala Koszyki Grayson Investments sp. z o.o. sp.k. Accordingly, the Group expects specified payments in Euro. In order to hedge cash flows arising from the contract the Group entered with ING Bank Slaski SA. into a par forward contract (one rate of 4.2815 PLN/EUR for all cash flows) for amounts and dates corresponding to the expected flows arising from completion of the construction contract.

As at 31 December 2015, the valuation under this instrument amounted to PLN 74,000.

As at 31 December 2014, the valuation under this instrument amounted to PLN 1,317,000.

The impact of measurement of the above financial instrument, as a hedging instrument, amounting PLN 1 243 thousand (before income tax) was recognized in full in the revaluation reserve.

Under the construction contract signed on 08.12.2015 with Ghelamco Poland sp. z o.o. sp.k. for the construction of class "A +" office building and modernization of two existing buildings forming the project named "Office and Conference Centre Nowa Formiernia", Erbud SA expects specified payments in Euro.

In order to hedge cash flows arising from the contract the Group entered on 10.12.2014 with mBank S.A. into a par forward contract (one rate of 4.2815 PLN/EUR for all cash flows) - for amounts and dates corresponding to the expected flows arising from completion of the construction contract.

As at 31 December 2015, the valuation under this instrument amounted to PLN 1,315,000.

The impact of measurement of the above financial instrument, as a hedging instrument, amounting PLN 1 315 thousand (before income tax) was recognized in full in the revaluation reserve.

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

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

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

13 Inventories

	31 December 2015	31 December 2104
Materials	3 511	3 528
Semi-products and unfinished products	31 116	21 884
Finished products	48 485	45 894
Goods	45 655	34 821
Advances for deliveries	420	7 877
Gross book value of inventories at the end of the period	**129 187**	**114 004**
Impairment of inventories at the beginning of the period	**1 668**	**2 735**
Created in other operating costs	0	482
Created in manufacturing cost of products sold	0	0
Reversed into other operating costs	75	0
Used	379	49
Reclassification to long-term investments	14	1 500
Impairment of inventories at the end of the period	**1 200**	**1 668**
Net book value of inventories at the end of the period	**127 987**	**112 336**

The total amount of interest capitalized in inventories as at 31 December 2015 was PLN 1 645 thousand, while as at 31 December 2014 was PLN 1 867 thousand..

Inventories with a value of PLN 126,468 thousand relate to capital expenditure incurred in connection with ongoing projects to build residential buildings for their subsequent sale. In connection with the general situation in the housing market, the Group is exposed to the risk of changes in sale prices of flats and commercial premises. In relation to flats which have been sold on the basis of preliminary sale contracts, the risk of changes in selling prices has been limited. In case of investment projects for which construction has not yet begun, the Group has not signed binding contracts for the construction works.
In order to verify the market value of assets held, the Management Board commissioned a valuation of the part of inventory to the real estate appraiser. As of 31 December 2015, the market value of inventories determined on the basis of valuations made by the appraiser and based on valuations prepared internally exceeds the carrying value of inventories valued. The Management concluded from these valuations that the adjustments due to impairment of inventories, other than presented in the financial statements, are not necessary. However, given the instability of the real estate market, it cannot be excluded that future sale prices may differ from prices adopted by the Group.

13.1 Inventories pledged as security

As at 31 December 2015, there was established a pledge over inventories of the Group's companies amounted to PLN 178,835,000.

14 Trade and other receivables

	31 December 2015	31 December 2104
Current receivables before tax		
a) Due to deliveries and services	350 710	348 890
- from associates	32	46
- from other entities	350 678	348 844
b) From the public sector	23 354	26 473
c) Other	10 351	10 711
Impairment of receivables	**13 500**	**7 215**
Total net current receivables, presented in the balance sheet as	**370 915**	**378 859**
Trade and other receivables	327 612	317 643
Receivables from income tax	3 913	5 883
Retention money	39 390	55 333

The fair value of trade and other receivables approximately corresponds to their carrying value.

The age structure of overdue receivables as at the balance sheet date is presented in the table below:

	31 December 2015	31 December 2104
Receivables overdue		
a) Less than 1 month	25 842	22 350
b) 1 to 3 months	12 463	19 843
c) over 3 to 6 months	16 778	4 048
d) over 6 months to 1 year	9 566	12 673
e) over 1 year	27 736	41 036
Total receivables overdue	**92 385**	**99 950**
Impairment of receivables	13 500	7 215
Total net receivables overdue	**78 885**	**92 735**

Impairment losses on receivables are created separately for each amount due charge based on the degree of probability of its recovery.

The amount of overdue not covered by the impairment loss as of 31.12.2015 (due to the expected recovery of these receivables) includes but is not limited to: mortgage-backed receivables of PLN 8 188 thousand from Kępska SA, receivables of PLN 3 700 thousand from Międzyzdrojski Rynek Sp. z o.o. (a municipal company), and receivables from DSH of PLN 2 805 thousand and receivables from the Academy of Music in the amount of PLN 1 895 thousand.

The following table details the value of impairments losses on trade and other receivables:

	31 December 2015	31 December 2104
Impairments at the beginning of the period	**7 215**	**7 582**
Created in other operating costs	10 140	2 271
Reversed into other operating costs	640	465
Used	1 802	2 745
Currency translation differences	-2	6
Other	-1 508	116
Impairment losses taken from Erbud Industry Południe	97	450
Impairments at the end of the period, of which:	**13 500**	**7 215**
Impairment losses from trade receivables	12 108	6 912
Impairment losses from other receivables	1 392	303

As the Group has a large number of domestic and foreign clients there is no concentration of a credit risk for trade receivables.

15 Prepayments and accruals

Current prepayments	31 December 2015	31 December 2104
Insurances	3 137	4 460
Discounting of bonds	1 595	2 001
Prepayments	0	0
Insurances	0	0
Other	477	42
Total	**5 209**	**6 503**

Other accruals and deferred income	**31 December 2015**	**31 December 2104**
Costs of works and services before invoice	9	8
Advances for purchase of apartments, premises and parking places	39 715	26 803
Other	0	0
Total	**39 724**	**26 811**

16 Cash and cash equivalents

	31 December 2015	**31 December 2104**
Cash in hand	116	85
Cash at bank	202 572	168 628
- current accounts	94 257	92 121
- overnight deposits	75 617	59 977
- other deposits	28 000	0
- term investments	4 698	16 530
Other cash	51 450	40 550
Total cash, of which:	**254 138**	**209 263**
Restricted cash and cash equivalents	51 742	45 966
Cash and cash equivalents for cash flows	**254 138**	**209 263**

The Group's restricted cash and cash equivalents are:

	31 December 2015	**31 December 2104**
Cash deposits as collateral for bank guarantees	9 753	18 349
Works Staff Welfare Fund	50	64
Other	243	0
Funds on trust accounts	32 001	22 891
Funds on separate proceeds account	9 695	4 662
Total	**51 742**	**45 966**

Reconciliation of changes in balance sheet items to changes shown in the statement of cash flows for the year 2015 is presented below:

	31 December 2015
Change in receivables in the balance sheet	**5 974**
Balance as at the date of acquisition of subsidiaries	1 725
Receivables due to Deptak 2 Budlex Project	1 100
Change in receivables in the cash flows account	**8 799**

	31 December 2015
Change in provisions in the balance sheet	**-15 651**
Balance as at the date of acquisition of subsidiaries	38
Reclassification for long-term investments	3 979
Capitalised financing costs	982
Change in provisions in the cash flows account	**-10 652**

	31 December 2015
Change in payables in the balance sheet	**-125 928**
Balance as at the date of acquisition of subsidiaries	-9 369
Change in current financial liabilities	-561
Change in payables in the cash flows account	**-135 858**

	31 December 2015
Change in payables in the cash flows account	**116 424**
Balance as at the date of acquisition of subsidiaries	1 225
Change in prepayments and accruals in the cash flows account	**117 649**

	31 December 2015
Change in provisions in the balance sheet	**8 313**
Balance as at the date of acquisition of subsidiaries	-226
Change in provisions in the balance sheet	**8 087**

Non-cash transactions:

- Increase in fixed assets used under finance lease amounted to PLN 6 931 thousand.

17 Equity

17.1 Share capital

The share capital of the Parent as of 31 December 2015 consisted of 12,811,859 shares with a total value of PLN 1,281,185.90. The structure of the share capital of the Parent as at 31 December 2015 was as follows:

Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	4 152 865	32.41%	None
DGI Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16,.7%	None
Nationale Nederlanden PTE (formerly ING PTE S.A.)	Ordinary	None	None	1 266 900	9.89%	None
AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None

Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	712 087	5.56%	None
Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	2 327 201	18.17%	None
TOTAL				**12 811 859**	**100%**	
Par value of shares of all series in PLN	0.10	Share capital value in PLN		1 281 185.90		

The share capital of the Parent as of 31 December 2014 consisted of 12,761,925 shares with a total value of PLN 1,276,192.50. The structure of the share capital of the Parent as at 31 December 2014 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.21%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.62%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.71%	None
	Total				**4 152 865**	**32.54%**	
B	Juladal Investment Ltd	Ordinary	None	None	30 173	0.24%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.06%	None
B	DGI Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16.74%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.27%	None
A	Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
B	Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	681 914	5.34%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 266 900	9.93%	None
D,E,C, F,G,H,I	Free Float	Ordinary	None	None	2 277 267	17.85%	None
	TOTAL				**12 761 925**	**100%**	
	Par value of shares of all series in PLN	0.10		Share capital value in PLN	1 276 192.50		

The above tables show shareholders having more than 5% of the equity.

Movements in the share capital of the Parent Company in 2014

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a

number not more than 50,000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

On 20 April 2015, in connection with the planned by the Management Board increase in the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series "J" for the purpose of the adopted Management Option Plan, at the request of the Management Board of the Company dated 20 April 2015 the Supervisory Board of Erbud SA passed Resolution No. 6/2014 on depraving the existing shareholders of pre-emptive rights to acquire Series "J" shares and determining the issue price of shares of Series "J" in the amount of PLN 11.00.

On 3 June 2015, the Management Board adopted Resolution No. 4/2015 on increasing the share capital by no more than PLN 5,000 through the issue of no more than 50,000 shares of series "J", depraving the existing shareholders of pre-emptive rights to acquire Series "J" shares and determining the issue price of shares of Series "J" in the amount of PLN 11.00.

Except for rights arising from the directly held shares of Erbud SA, the major shareholders have no other voting rights at a General Meeting.
Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The number of shares constituting the authorized capital is equal to the number of shares issued. Nominal value per share is PLN 0.10. No shares have been reserved for issuance under the sale option.

As at the date of the preparing the Consolidated Financial Statements Erbud as well as at the date of publication of these Statements, Erbud SA and Erbud Group does not apply any incentive plan based on shares, stock options, warrants or other derivatives.

Significant movements in the share capital of the Parent Company from 1 January 2015 to the date of preparation of financial statements.

In 2015, there were no significant changes in the shareholding of the parent company.

17.2 Capital reserves

	31 December 2015	31 December 2104
- From sale of shares over their nominal value	**154 412**	**154 412**
- Other (by type)	**75 207**	**68 682**
- From profit	77 107	71 243
- Shareholder's contribution	14	14
- Due to increase of equity in Rembert Plus	-750	-750
- Acquiring the remaining shares in PRD SA	-9	-9
- Income tax adjustment for the cost of issuance	767	767
- Acquiring the remaining shares in Budlex	-4 636	-4 636
- Presentation change of supplementary capital	-718	-718
- Share-based payment	3 398	3 307
- From a reserve capital created to purchase of own shares	2 000	2 000
- Sale of treasury shares	484	484
- Acquiring shares in Erbud Energetyka	272	272
- Share-based payment - allocation of shares	-6 292	-6 292
- Increase in the capital of Budlex - agio	188	188
- Increase in share capital within the authorized capital	2 257	1 712
- Increase in the capital of PRD	150	150
- Merger of the subsidiaries: Ersteel and ER Services	102	102
- Purchase of shares in Erbud Industry Centrum (formerly Engorem)	849	849
- Acquiring the remaining shares in Erbud Industry Centrum (formerly Engorem)	16	-9

- Other	8	8
Total	**229 619**	**223 094**

17.3 Capital management policies and procedures

The supplementary capital is created in accordance with the provisions of the Commercial Companies Code and the decisions of the shareholders. Pursuant to the Commercial Companies Code, to cover losses, it should be established a supplementary capital, which will be supported by at least 8% of the profit for the financial year, as long as the capital will reach at least one-third of the nominal capital. Capital created in such manner is not subject to distribution. Decision of using the supplementary and reserve capital makes the Shareholders' General Meeting; however, a part of the capital may be used only to cover the losses shown in the financial statements and is not subject to the allocation for other purposes.

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

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

18 Bank loans and borrowings

	31 December 2015	**31 December 2104**
Long-term	**25 947**	**22 801**
Bank loans	25 947	22 801
Short-term	**81 419**	**30 065**
Overdrafts	35 714	24 154
Bank loans and borrowings	45 705	5 911
Total bank loans and borrowings	**107 366**	**52 866**

The maturity of loans and borrowings was as follows:

	31 December 2015	**31 December 2104**
a) Less than 1 year	81 419	30 065
b) over 1 to 3 years	23 589	17 827
c) over 3 to 5 years	2 358	4 974
d) over 5 years	0	0
Total	**107 366**	**52 866**

The carrying amount of long-term loans approximates their fair value because contract conditions of interest rates of credit are based on the variable rate of interest.

Long-term liabilities due to loans and borrowings as at 31 December 2015

Budlex

Bank loans:	**Loan/borrowing amount under agreement**		**Loan/ borrowing currency**	**Loan/borrowing outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex S.A.	12 000	PLN	PLN	4 279	PLN	Wibor 1M+2.00%	31.12.2016	ING Bank Śląski SA

Collaterals/guarantees for loan repayment granted to Budlex

Final collaterals:

Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA

Security deposit established by ERBUD SA

Temporary collateral:

Statement on submission to execution up to PLN 60,000,000, expired on 20.03.2022

Budlex

Bank loans:	**Loan/borrowing amount under agreement**		**Loan/ borrowing currency**	**Loan/borrowing outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex S.A.	15 534	PLN	PLN	10 928	PLN	Wibor 3M+2.40%	30.04.2017	Bank PKO BP SA

Collaterals/guarantees for loan repayment granted to Budlex

Final collaterals:

Mortgage up to PLN 23,301,725

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Transfer of cash receivables under the contract construction insurance and then after completion - from the building insurance in the amount not less than the amount of exposure under this loan

The contractual right to set-off Bank's receivables in favour of the Bank from the loan transaction with the debt of the Borrower which held the account holder

Transfer of cash receivables to the Bank under development agreements / agreements with purchasers regarding the construction and sale of residential / parking places constructed as credited project (already signed and to be entered in the future)

Registered and financial pledge on receivables from bank accounts held in connection with the Borrower's project, excepting the trust account

Pledge under the general terms on receivables from bank accounts held in connection to the Borrower's project, excepting the escrow account

Assignment of rights from the construction contract with General Contractor and of receivables from a performance bond

Statement of the Borrower and the Guarantor on submission to enforcement up to PLN 31,068,966 due to the loan and promissory note

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Magnolia Sp.zo.o. Sp.K.	13 498	PLN	PLN	12 716	PLN	Wibor 3M+2.40%	30.09.2016	Bank PKO BP S.A.

Collaterals/guarantees for loan repayment granted to Budlex Magnolia Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 20,246,643.00

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Transfer of cash receivables under the contract construction insurance and then after completion - from the building insurance in the amount not less than the amount of exposure under this loan

The contractual right to set-off Bank's receivables in favour of the Bank from the loan transaction with the debt of the Borrower which held the account holder

Transfer of cash receivables to the Bank under development agreements / agreements with purchasers regarding the construction and sale of residential / parking places constructed as credited project (already signed and to be entered in the future)

Registered and financial pledge on receivables from bank accounts held in connection with the Borrower's project

Registered and financial pledge on 100% of the Borrower's shares

Assignment of rights from the construction contract with General Contractor and of receivables from a performance bond

Statement of the Borrower and the Guarantor on submission to execution up to PLN 26,995,524.00 due to the loan and promissory note

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Glinki A3/3 Sp. zo.o.	5 630	PLN	PLN	4 340	PLN	Wibor 3M+3.00%	15.11.2017	mBANK HIPOTECZNY SA

Collaterals/guarantees for loan repayment granted to Budlex Winnica L6-7 Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 8,445,600

Registered pledge on all shares of the Borrower

Blank promissory note with declaration issued by the Borrower and guaranteed by Budlex until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion -against fire and other perils

Registered pledge to the Bank on future receivables of the Developer due to the payment of funds from the Trust Account

Registered pledge to the Bank on claims to the Development Account and any other accounts

Closed Housing Trust Account Agreement

Escrow Account Agreement

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks, excluding the Trust Account

Transfer to the Bank of receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and collaterals thereof

Project Support Agreement

Statement of the Borrower to submit to enforcement up to the debt amount of PLN 8,445,600, incl. authorisation for the Bank to apply for granting a writ of execution to the bank enforcement title by 15.11.2019

Agreement on splitting the mortgage

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica L7 Sp. zo.o. S.K.	22 552	PLN	PLN	0	PLN	Wibor 3M+2.80%	20.09.2019	mBANK HIPOTECZNY SA

Collaterals/guarantees for loan repayment granted to Budlex Winnica L6-7 Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 33,828,000

Assignment to the Bank of rights to the contract concluded with the General Contractor and rights to the Project insurance against all construction risks in the amount not less than the net value of the contract concluded r of receivables contracts provided by the insurer agreed by the Parties

Registered pledge for the benefit of the Bank on future receivables of the Borrower from the payment of Trust Account funds

Registered pledge on claims to the Development Account

Registered pledge on claims to the VAT Account

Registered pledge on all shares in the General Partner’s company established by their owners for the benefit of the Bank

Project Support Agreement

Power of attorney to dispose of all Borrower's bank accounts, excluding the Trust Account

Statement by the Borrower to submit to the enforcement pursuant to Art. 777 of the Civil Procedure Code

Blank promissory note issued by the Borrower and guaranteed by the Sponsor, incl. bill declaration

After the delivery of the building, assignment to the Bank of rights under an insurance policy against fire and other random events provided by the insurer agreed by the Parties for an amount not less than the product of the premises area owned by the Borrower and one sq. m minimum average price

Agreement on splitting the mortgage

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica L6-7 Sp. zo.o. S.K.	9 110	PLN	PLN	6 893	PLN	Wibor 3M+3.00%	15.12.2018	mBANK HIPOTECZNY SA

Collaterals/guarantees for loan repayment granted to Budlex Winnica L6-7 Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 13,664,944.50

Registered pledge on all shares in the General Partner's Company

Blank promissory note with declaration issued by the Borrower and guaranteed by the Shareholders until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - against fire and other perils

Registered pledge to the Bank on future receivables of the Developer due to the payment of funds from the Trust Account

Registered pledge to the Bank on claims to the Development Account and any other accounts

Closed Housing Trust Account Agreement

Escrow Account Agreement

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks, excluding the Trust Account

Transfer to the Bank of receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and collaterals thereof

Project Support Agreement

Statement of the Borrower to submit to enforcement up to the debt amount of PLN 13,664,944.50, incl. authorisation for the Bank to apply for granting a writ of execution to the bank enforcement title by 15.11.2020

Agreement on splitting the mortgage

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica 9 Sp. zo.o. S.K.	17 460	PLN	PLN	0	PLN	Wibor 3M+3.00%	20.09.2019	mBANK HIPOTECZNY SA

Collaterals/guarantees for loan repayment granted to Budlex Winnica L6-7 Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 26,190,000

Assignment to the Bank of rights to the contract concluded with the General Contractor and rights to the Project insurance against all construction risks in the amount not less than PLN 14.001.604 provided by the insurer agreed by the Parties

Registered pledge for the benefit of the Bank on future receivables of the Borrower from the payment of Trust Account funds

Registered pledge on claims to the Development Account

Registered pledge on claims to the VAT Account

Registered pledge on all shares in the General Partner’s company established by their owners for the benefit of the Bank

Project Support Agreement

Power of attorney to dispose of all Borrower's bank accounts, excluding the Trust Account

Statement by the Borrower to submit to the enforcement pursuant to Art. 777 of the Civil Procedure Code

Blank promissory note issued by the Borrower and guaranteed by the Sponsor, incl. bill declaration

After the delivery of the building, assignment to the Bank of rights under an insurance policy against fire and other random events provided by the insurer agreed by the Parties for an amount not less than the product of the premises area owned by the Borrower and one sq. m minimum average price

Agreement on splitting the mortgage

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Sadowa Sp. z o.o. S.K.	11 896	PLN	PLN	2 113	PLN	Wibor 3M+2.40%	31.12.2017	Bank PKO BP S.A.

Collaterals/guarantees for loan repayment granted to Budlex Brzoskwiniowa sp. z o.o.

Final collaterals:

Mortgage up to PLN 17,900,000

Blank promissory note incl. Bill declaration and guaranteed by Budlex Sp. z o.o.

Transfer of monetary claims from the construction insurance contract and after the completion form the building insurance contract for a sum not less than the exposure amount with respect to this loan

Contractual right of set-off receivables of the Bank arising from credit transactions with the debt of the Borrower, who is the account holder

Transfer of cash receivables to the Bank under development / purchase agreements / agreements regarding the construction and sale of dwellings / parking places completed within the project

Registered and financial pledge on receivables from bank accounts held in connection with the project completed by the Borrower, excluding the Trust Account

Authorisation to operate bank accounts, excluding the Trust Account

Assignment of rights from the construction contract with General Contractor and of receivables from a performance bond

Statement of the Borrower and the Guarantor to submit to enforcement up to PLN 23,791,078 due to the loan and bill of exchange

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winnica 11 Sp. z o.o. S.K.	10 006	PLN	PLN	0	PLN	Wibor 3M+2.50%	29.09.2017	SGB-Bank S.A.

Collaterals/guarantees for loan repayment granted to Budlex Brzoskwiniowa sp. z o.o.

Final collaterals:

Mortgage up to PLN 6,008,312 for SGB- Bank SA in Poznan; mortgage up to PLN 4,500,000 for BS in Koronowo; mortgage up to PLN 4,500,000 for Piastowski BS in Janikowo.

Three blank promissory notes with bill declarations issued by the Borrower separately for each of the Banks of the consortium members.

Transfer of claims under the site insurance contract and after completion of the construction of the building under the building insurance contract for each of the Banks of the consortium members in proportion to their involvement in the loan

Statement by the Borrower and Guarantors to submit to the enforcement pursuant to Art. 777 of the Civil Procedure Code, made in the form of a notarial deed separately for each of the Banks of the consortium members

Bill guarantee by Budlex Construction sp. z o. o. separately for each of the Banks of the consortium members

Bill guarantee by Budlex S.A. separately for each of the Banks of the consortium members

Power of attorney to dispose of the current account and the auxiliary account

Assignment of debts from a current account held by the SGB-Bank SA for BS in Koronowo and Piastowski BS in Janikowo

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Wumbud sp. z o.o.	43	PLN	PLN	52	PLN	5%	01.09.2016	Wolf Muller Holding GmbH

Collaterals/guarantees for loan repayment granted to Wumbud sp. z o.o.

None

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	7 057	1 656	EUR	1 517	356	2%	02.03.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
None								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 523	2 000	EUR	8 523	2 000	4.39%	31.05.2016	Comerzbank
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
EUR 2m from mBank								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 523	2 000	EUR	8 588	2 015	EONIA+2.5%	kredyt w rachunku bieżącym	KBC Bank
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
EUR 3m from Erbud S. A.								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	1 065	250	EUR	1 065	250	1.95%	31.01.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	1 159	272	EUR	1 159	272	1.875%	15.03.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	5 540	1 300	EUR	5 540	1 300	1.967%	30.11.2015	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	7 594	1 782	EUR	1 841	432	1.891%	02.03.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	5 753	1 350	EUR	5 753	1 350	1.967%	30.11.2015	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	1 065	250	EUR	1 065	250	1.875%	15.03.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	1 065	250	EUR	1 065	250	1.954%	13.01.2016	Stadtsparkasse Düsseldorf
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Plot								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Centrum Sp. z o.o.	9 383	PLN	PLN	7 975	PLN	wibor3M+1.7%	28.02.2020	CREDIT AGRICOLE
Collaterals/guarantees for loan repayment granted to Erbud Industry Centrum Sp. z o.o.								
Final collaterals:								
Guarantee ZUP/S/41/2014								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Umowa wielocelowej linii kredytowej nr WAR/4100/14/221/CB	35 000	PLN	PLN	11 672	PLN	Wibor 1M+1.40%	17.09.2024	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 35,000,000 granted by ERBUD SA in Warsaw, incl. the Guarantor's statement on submission to enforcement towards the Bank pursuant to Art. 97 of the Banking Law of 29 August 1997 up to PLN 35,000,000

Assignment of future receivables of not less than PLN 5,000,000 from the contract / contracts concluded by ERBUD INDUSTRY Sp. o.o.

Assignment of current and future receivables from the contract / contracts concluded by the Borrower funded under the revolving credit with the exception of the contract for catalytic flue gas denitrification installation for ENEA Wytwarzanie SA and the contract for civil engineering works (phase 1) under the Project NOWA ELEKTROWNIA W GRUPIE AZOTY w ZAKŁADACH AZOTOWYCH KĘDZIERZYN SA

Assignment of receivables for ERBUD SA under the contract to complete design, build and commissioning of a system of selective catalytic reduction of NOx for ENEA SA in Świerże Górne related to works performed under the contract with Mitsubishi Hitachi Power System

Assignment of receivables for ERBUD SA from contract No. UZ/ZK1/0365/14/JB of 06.06.2014 signed with RAFAKO for civil engineering works (Phase 1) under the Project NOWA ELEKTROWNIA W GRUPIE AZOTY w ZAKŁADACH AZOTOWYCH KĘDZIERZYN SA

Statement on submission to the enforcement towards the Bank pursuant to Art. 97 of the Banking Law of 29 August 1997

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Sp. z o.o.	5 300	PLN	PLN	4 073	PLN	Wibor 1M+1.90%	17.09.2019	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 5,300,000 granted by ERBUD SA, seated in Warsaw at 300A Puławska St., incl. the Guarantor's statement on submission to enforcement towards the Bank pursuant to Art. 97 of the Banking Law 2of 29 August 1997 (Journal of Laws of 2002. No. 72, pos. 665, as amended).

Statement of the Borrower to submit to enforcement towards the Bank pursuant to Art. 97 of the Banking Law of 29 August 1997 (Journal of Laws of 2002. No. 72, pos. 665, as amended).

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Sp. z o.o.	5 000	PLN	PLN	2 126	PLN	WIBOR O/N + 1.3%	31.12.2015	mBank

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

Promissory note issued by the Client, guaranteed by ERBUD SA seated in Warsaw at 1 Klimczaka St. incl. Customer's and Guarantor's bill declaration dated 23.02.2015

Assignment of existing and future receivables from the contract, incl. conditional balance consolidation for the Bank, which jointly meet the following conditions: a) the minimum total value of contracts with a duration of more than three months of not less than 9m, of which 50% of the amount will come from contracts executed solely by the customer (contractor) and the other 50% can come from contracts in which the client is a subcontractor of ERBUD SA; b) the minimum level of revenues from contracts covered by the assignment of PLN 4.5m per quarter; the Bank allows a short-term (not exceeding 3 months) breach of that condition that is justified by seasonality.

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Sp. z o.o.	4 000	PLN	PLN	3 490	PLN	WIBOR 1M + 1.9%	30.04.2020	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 4 million granted by ERBUD SA, seated in Warsaw at 1Klimczaka St., incl. the Guarantor's statement on submission to enforcement towards the Bank pursuant to Art. 97 of the Banking Law 2of 29 August 1997

Statement of the Borrower to submit to enforcement towards the Bank pursuant to Art. 97 of the Banking Law of 29 August 1997

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Południe Sp. z o.o.	1 500	PLN	PLN	592	PLN	O/N WIBOR +0.9%	28.07.2016	Credit Agricole
Collaterals/guarantees for loan repayment granted to Erbud Industry Południe Sp. z o.o.								
Final collaterals:								
Erbud SA undertakes to submit to 31 March 2016 to the Bank a statement on voluntary submission to enforcement up to PLN 33,000,000 pursuant to Art. 777 § 1 of the Code of Civil Procedure of 17 November 1964 regarding the obligations arising from the contract, with the content acceptable by the Bank and entitling the Bank to apply to the court for a writ of execution until 28 July 2024								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	20 000	PLN	PLN	0	PLN	WIBOR 3M + 2.6%	30.06.2017	PKO BP
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Deposits - 10% of the limit								
Mortgage -none								
Enforcement statement								
Assignment of receivables from construction contracts representing 120% of the lending and warranty limit								
Turnover - 30% of the revenue from the sale goes through an account held at PKO BP								
Sureties granted by Erbud International Ltd. and PBDI SA								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	34 000	PLN	PLN	0	PLN	WIBOR 1M + 1.60%	31.12.2016	ING S.A.
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Deposit of 10% of guarantee value for guarantees granted for 2-4 years and of 15% of those provided for less than 4 years								
Mortgage of up to PLN 50m for the developed property located in Toruń at Polna Street owned by PBDI SA								
Enforcement statement								
Assignment of receivables from construction contracts representing 150% of the lending and warranty limit								
Revenue from the sale goes through an account held at ING SA, proportional to the share of the bank in the lending of the Group								
Surety - none								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	10 000	PLN	PLN	0	PLN	WIBOR 1M + 1.8%	30.12.2016	mBank S.A.
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Deposit of 10% of guarantee value for guarantees granted for 24-36 months, 20% for those granted for 36-48 months, and 30% for those provided for 48-60 months.								
Mortgage on cooperative ownership rights to premises No. 2,8,9 located in Warsaw at 300A Puławska St.								
Power of attorney to a bank account in BRE SA.								
Enforcement statement								
Assignment of receivables from construction contracts representing PLN 160m, provided that the turnover of assigned contracts may not be less than PLN 13m per month.								
Revenue from the sale goes through an account held at BRE SA, proportional to the share of the bank in the lending of Erbud SA (min. average monthly turnover per quarter of not less than PLN 30m).								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	3 000	PLN	PLN	0	PLN	WIBOR 3M + 1.50%	02.11.2016	BNP Paribas Bank S.A.
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Deposit of 0% of guarantee value for guarantees granted for less than 12 months, 10% for those granted for 12-36 months, and 15% for those provided for more than 36 months								
Mortgage -none								
Enforcement statement								
Assignment of receivables from construction contracts representing 150% of the loan and insurance limit								
Revenue from the sale goes through an account held at PNB Pariba S.A., proportional to the share of the bank in the lending of Erbud SA								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	10 000	PLN	PLN	0	PLN	WIBOR 3M + 1.6%	04.09.2016	Alior bank
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Deposit of 10% of the guarantee value for guarantees granted for more than 36 months								
Mortgage: none								
Power of attorney to dispose of account in Alior Bank								
Enforcement statement								
Assignment of receivables from construction contracts representing 120% of the loan and insurance limit								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	5 000	PLN	PLN	0	PLN	Wibor 1M + 1.5%	20.11.2016	BZ WBK S.A. (KB)
Collaterals/guarantees for loan repayment granted to Erbud S.A.								
Final collaterals:								
Transfer of claims form ongoing and future contracts up to PLN 65m								
Enforcement statement								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
PBDI	5 000	PLN	PLN	0	PLN	WIBOR 1M+1.5%	26.10.2016	BGŻ BNP Paribas Bank Polska
Collaterals/guarantees for loan repayment granted to PBDI								
Final collaterals:								
Assignment of future debts								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
PBDI	5 000	PLN	PLN	0	PLN	WIBOR 1M+1.6%	31.12.2016	ING Bank Śląski
Collaterals/guarantees for loan repayment granted to PBDI								
Final collaterals:								
Deposit mortgage up to PLN 120m established on the right to perpetual usufruct of land and ownership right to the building located in Toruń, 113 Polnej St.; assignment of receivables from contracts								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
PBDI	5 000	PLN	PLN	0	PLN	WIBOR 3M+1.6%	10.05.2016	Alior Bank SA
Collaterals/guarantees for loan repayment granted to PBDI								
Final collaterals:								
Assignment of future debts								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
PBDI	10 000	PLN	PLN	0	PLN	WIBOR 1M+1.3%	31.05.2016	Reiffeisen Bank Polska
Collaterals/guarantees for loan repayment granted to PBDI								
Final collaterals:								
Assignment of future debts								

Terms and conditions of loan agreements

Under the loan agreements, the Companies of Erbud Group are obliged to meet certain financial ratios (so-called loan covenants). As required by IAS 1, a breach of loan covenants which could potentially result in a reduction of unconditional access to credit during the next year makes it necessary to qualify such liabilities as current ones.

In the twelve months of 2015, Industry Centrum Sp. z o.o. breached the one of the terms of the loan agreement with mBank. The violation is described below.

Bank Credit Agricole Polska S.A.
Ratio: Net debt / EBITDA
Level required: not less than 2.5
Level required: 6.8
Comment: Rate not met

As at the date of these Financial Statements, the Management Board do not provide any significant problems with maintaining the current bank financing, despite the failure to meet the covenants..

19. Liabilities arising from issuance of debt and equity securities

On 26 March 2014, the Company issued a total of 5,200 bearer bonds, dematerialized, unsecured, with an aggregate nominal value of PLN 52 million. The par value of one bond was PLN 10,000. The issue price amounted toPLN 9,587. The redemption date is 26 March 2018. The interest rate on bonds is variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. Interest will be paid every 6 months. The Company will apply for placing bonds on the trading platform for debt financial instruments carried by the Stock Exchange in Warsaw SA in the form of alternative trading system.
The Company has earmarked funds for the purchase of 40,000 bonds of series A issued by the Issuer and financing the increased demand on working capital associated with record orders backlog of the Capital Group. The remaining 10,000 Series A bonds was redeemed according the originally fixed term, i.e. on 14 July 2014.

On 18 June 2014, Budlex issued a total of 13,000 bearer bonds of series A with a total nominal value of PLN 13,000,000.00. The nominal value of one bond amounted to PLN 1,000. The issue price was PLN 1,000. The redemption date has been set for 18 June 2017. The interest rate on bonds is a variable and based on 6M WIBOR pus a margin of 5.35%. Interest is payable every 6 months.

Total commitments as of 31 December 2015 due to the issue of bonds are long-term liabilities.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50,000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

On 20 April 2015, in connection with the planned by the Management Board increase in the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series “J” for the purpose of the adopted Management Option Plan, at the request of the Management Board of the Company dated 20 April 2015 the Supervisory Board of Erbud SA passed Resolution No. 6/2014 on depraving the existing shareholders of pre-emptive rights to acquire Series “J” shares and determining the issue price of shares of Series “J” in the amount of PLN 11.00.

On 3 June 2015, the Management Board adopted Resolution No. 4/2015 on increasing the share capital by no more than PLN 5,000 through the issue of no more than 50,000 shares of series “J”, depraving the existing shareholders of pre-emptive rights to acquire Series “J” shares and determining the issue price of shares of Series “J” in the amount of PLN 11.00.

As at the date of the preparing the Consolidated Financial Statements Erbud as well as at the date of publication of these Statements, Erbud SA and Erbud Group does not apply any incentive plan based on shares, stock options, warrants or other derivatives.

20.1 Other non-current financial liabilities

	31 December 2015	31 December 2104
Non-current liabilities under financial lease	7 128	6 608

20.2 Other non-current liabilities

	31 December 2015	31 December 2104
Foreign exchange risk hedging in Budlex Sp. z o.o	31	16
Total	**31**	**16**

20.3 Other current liabilities

	31 December 2015	31 December 2104
Interest	0	28
Interest on bonds	734	734
Liabilities due to bonds	0	0
Leases	5 458	4 771
Forward financial instruments	74	1 294
Total	**6 266**	**6 827**

21 Provision for liabilities and other debts

	Provision for remedial works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2015	**17 432**	**961**	**8 579**	**593**	**27 565**
Increase	2 393	3 897	5 267	2 939	**14 496**
Created in this year	0	0	0	0	**0**
Released	1 462	0	867	290	**2 619**
Used	642	199	2 721	39	**3 601**
Transfers	0	0	0	37	**37**
As at 31 December 2015	**17 721**	**4 659**	**10 258**	**3 240**	**35 878**

Provisions as at 31 December 2015:	
Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	1 727
- Other provisions	3 780
Current liabilities:	
- Provisions for pensions and similar benefits	8 531
- Other provisions	21 840
Total provisions as at 31 December 2015	**35 878**

	Provision for remedial works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2014	**17 500**	**686**	**7 339**	**1 820**	**27 345**
Increase	2 494	369	4 125	326	**7 314**
Created in this year	0	0	0	0	**0**
Released	1 925	94	850	1 715	**4 584**
Used	656	0	2 482	82	**3 220**
Transfers	19	0	447	244	**710**
As at 31 December 2014	**17 432**	**961**	**8 579**	**593**	**27 565**

Provisions as at 31 December 2014	
Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	1 455
- Other provisions	3 538
Current liabilities:	
- Provisions for pensions and similar benefits	7 124
- Other provisions	15 448
Total provisions as at 31 December 2014	**27 565**

Age structure of provisions as at 31 December 2015 and 31 December 2013 is presented in the table below:

	31 December 2015	31 December 2104
Non-current	5 507	4 993
Current	30 371	22 572
Total	**35 878**	**27 565**

21.1 Provision for remedial works

The Group recognized in the balance sheet provision for remedial works in the amount of PLN 17,721 thousand as at 31 December 2015 and PLN 17,432 thousand as at 31 December 2014. The Group creates a provision for anticipated repair costs based on the level of remedial works accounted for in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2012-2015.

21.2 Provision for litigation and claims

Increase in provisions for lawsuits by PLN 3 897 thousand was due to a provision created by Erbud SA for claims of Lubaczowskiego Przedsiębiorstwa Robót Drogowych in the amount of PLN 1 397 thousand and of PKP PLK in the amount of PLN 2 500 thousand.

Provisions as at 31 December 2014 consist, among others, of provision for proceeding brought by Przedsiębiorstwo Budowlane ARGO Sp. z o.o.

Trade and other liabilities, income tax liabilities, retention money under construction contracts

Current liabilities	**31 December 2015**	**31 December 2104**
a) Deliveries and services	**327 918**	**445 229**
- From associates	881	0
- From other entities	327 037	445 229
b) To public sector	**19 546**	**15 376**
- Corporate income tax	4 740	2 751
- Value Added Tax	5 037	4 508
- Income tax on natural persons	1 965	1 540
- Other	7 804	6 577
c) Other	**19 461**	**29 699**
- Labour costs	6 330	5 453
- Advance payments received	11 964	22 749
- Liabilities due to shares	0	0
- Other	1 167	1 497
Total liabilities presented in the balance sheet as:	**366 925**	**490 304**
Trade and other liabilities	264 085	394 721
Current tax liabilities	4 740	2 751
Retention money	98 100	92 832

22 Obligations under finance leases

Current value of net minimum lease payments was as follows:

	31 December 2015 Current value of fees	**31 December 2104 Current value of fees**
The nominal value of minimum lease fees		
up to 1 year	5 869	5 085
between 1 and 5 years	7 412	7 047
Total liabilities under financing lease– total minimum lease fees	**13 281**	**12 132**
Financial expense due to financing lease	695	753
Current value of minimum lease fees		
up to 1 year	5 458	4 771
between 1 and 5 years	7 128	6 608
Total current value of minimum lease fees	**12 586**	**11 379**

23 Long-term construction contracts

Long-term construction contracts were valued using method of progress of completion resulting from the measurement of works. Revenues, expenses and profit were recognized in proportion to the stage of completion of works.

	Year ended 31 December 2015	**Year ended 31 December 2014**
Income from building contracts	1 648 413	1 623 903
Expenses due to building contracts, incl.:	1 524 628	1 511 586
- Recognized loss	0	269
Profit before tax	**123 785**	**112 317**

The value of recognized assets and liabilities arising from long-term contracts for the delivery of construction woks in the Group is presented in the following table:

	31 December 2015	31 December 2104
Assets:		
Amounts due from customers, incl.	**157 481**	**182 088**
- Contracts measurement	157 481	182 088
Liabilities:		
Amounts due to customers, incl.:	**120 152**	**42 538**
- Contracts measurement	120 152	42 538

24 Retentions under construction contracts

Retention money under construction contracts as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2104
Retentions held by customers		
Retentions returnable beyond 12 months	10 701	12 450
Retentions returnable within 12 months	28 689	42 883
Total	**39 390**	**55 333**

Retentions retained to suppliers		
Retentions returnable beyond 12 months	10 797	10 014
Retentions returnable within 12 months	87 303	82 818
Total	**98 100**	**92 832**

Retentions due to construction contracts with a payment period of over one year shall be discounted and are recognized in the balance sheet at current value.

The discount amounts recognized in the balance sheet (reducing the nominal value of debts and liabilities due to retentions):

	31 December 2015	31 December 2104
Discount of retentions held by customers	-537	-771
Discount of retentions retained to suppliers	-644	-686

Discounts recognized in profit or loss:

	Derecognition of discounted liabilities as at 01.01.2015	Derecognition of discounted receivables as at 01.01.2015	Recognition of discounted liabilities as at 31.12.2015	Recognition of discounted receivables as at 31.12.2015	Total impact of discounting in the period ended 31.12.2015
Impact on gross profit/loss	-686	771	644	-537	192
Impact on net profit/loss	-556	625	522	-435	156
	Derecognition of discounted liabilities as at 01.01.2014	**Derecognition of discounted receivables as at 01.01.2014**	**Recognition of discounted liabilities as at 31.12.2014**	**Recognition of discounted receivables as at 31.12.2014**	**Total impact of discounting in the period ended 31.12.2014**
Impact on gross profit/loss	-1 375	1 400	686	-771	-60
Impact on net profit/loss	-1 114	1 134	556	-625	-49

25 Revenue from sales

	Year ended 31 December 2015	Year ended 31 December 2014
Revenues from sales of finished products	45 176	43 812
Revenues from sales of services	1 711 954	1 645 044
Revenues from sales of goods and materials	6 152	3 199
Total	**1 763 282**	**1 692 055**

27 Costs by type

	Year ended 31 December 2015	Year ended 31 December 2014
Depreciation and amortization	10 568	8 875
Consumption of materials and power	286 855	243 203
External services	1 202 910	1 253 687
Taxes and charges	10 439	8 295
Payroll	161 814	129 083
Social security and other benefits	36 101	29 270
Other costs	22 935	16 165
Value of sold goods and materials	5 737	3 061
Total expenses by nature	**1 737 359**	**1 691 639**
Change in inventories, products and deferred expenditures due to construction contracts	-17 727	-37 310
Cost of production for in-house use (negative value)	0	0
Cost of sales (negative value)	-6 493	-4 950
General and administrative costs (negative value)	-71 558	-56 566
Production cost of goods sold	**1 641 581**	**1 592 813**

28 Other operating income and expenses

Other operating income	Year ended 31 December 2015	Year ended 31 December 2014
Gain on disposal of non-financial fixed assets	1 351	2 087
Reversal of impairment, incl.:	**566**	**380**
- Receivables	566	380
- Other	0	0
Release of provisions, incl.:	**221**	**1 342**
- Remedial works	207	632
- Litigation and claims	0	94
- Other	14	616
Other, incl.:	**10 183**	**3 067**
- Indemnities	1 353	1 664
- Penalties, fines and indemnities received	405	115
- Release of impairment losses on receivables	139	49
- Redeemed liabilities	48	105
- Donations	0	0
- Valuation of investment property to fair value - GWI	5 685	0
- Presentation adjustments	908	0
- Other	1 645	1 134
Total	**12 321**	**6 876**

Other operating costs	Year ended 31 December 2015	Year ended 31 December 2014
Loss on disposal of non-financial fixed assets	20	24
Creation of impairments, incl.:	**4 264**	**2 868**
- Receivables	4 264	2 186
- Tangible fixed assets	0	200
- Inventories	0	482
Creation of provisions, incl.:	**4 203**	**214**
- Remedial works	505	5
- Litigation and claims	1 397	199
- Other	2 301	10
Other, incl.:	**3 386**	**5 250**
- Penalties, fines and indemnities	1 281	2 704
- Legal action costs	1 196	822
- Written-off receivables	1 791	1 196
- Donations	57	43
- Presentation adjustments	-1 592	0
- Other	653	485
Total	**11 873**	**8 356**

29 Financial income and expenses

Financial income	Year ended 31 December 2015	Year ended 31 December 2014
Revaluation of investments	0	0
Measurement of financial instruments	17	0
Gain on disposal of financial assets	0	0
Dividends and profit sharing	0	13
Interest on loans granted	1 649	738
Interest on shares/units	0	0
Interest on bonds	0	0
Other interest	1 307	806
Interest on term deposits	164	487
Discount of retentions	192	631
Positive exchange differences, incl.:	**1 467**	**1 248**
- - Gained	1 590	243
- - Unrealized	-123	1 005
Gain on bargain purchase of Energoserv	0	41
Valuation of financial instruments	0	0
Other	16	16
Total	**4 812**	**3 980**

Financial expenses	Year ended 31 December 2015	Year ended 31 December 2014
Measurement of financial instruments	0	21
Interest on bonds	3 543	3 272
Interest on loans and borrowings received	3 563	2 451
Financial expenses under finance lease	582	554
Other interests	159	1 509
Negative exchange differences, incl.:	**221**	**1**
- Gained	6	1
- Unrealized	215	0
Bank guarantee fees	321	239
Discount of retentions and other liabilities	0	691
Front-end fee paid to the bank	2 586	2 298
Financial costs of bonds	169	0
Other	237	0
Total	130	18
Measurement of financial instruments	**11 511**	**11 054**

30 Current and deferred income tax

The main tax items for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Income tax in profit or loss	**13 140**	**8 162**
Current tax	18 087	6 344
Deferred tax on origination and reversal of temporary differences	-4 947	1 818
Income tax recognized in equity	**486**	**-250**
Valuation of hedging instruments	**486**	**-250**

Reconciliation between income tax on profit before tax and tax calculated at an effective tax rate of the Group for the year ended 31 December 2015 and as of 31 December 2014 is summarized in the following table:

	Year ended 31 December 2015	Year ended 31 December 2014
Profit before tax on continuing operations	44 829	36 054
Pre-tax result of discontinued operations	0	0
Profit before tax	**44 829**	**36 054**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 2015 and 2014	**8 518**	**6 190**
Additional charge arising from the rate exceeding 19% in Germany	770	0
Adjustments of current income tax for previous years	441	-326
Unrecognised tax losses	677	-275
Excess costs which are not tax deductibles over income not recognized as taxable income	2 734	2 573
Tax recognized in the consolidated profit and loss statement	**13 140**	**8 162**

In the year ended 31 December 2015 there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2015, there were no items of temporary differences in respect of which neither the deferred tax assets were recognized in the balance sheet nor was any provision for deferred tax established.

Provision on deferred tax	**31 December 2015**	**31 December 2104**
Valuation of long-term contracts	24 615	20 609
Revaluation of assets	7 253	5 920
Financial expenses capitalized	312	355
Balance valuation - discounted liabilities	594	202
Accrued interest	0	921
Accrued revenue	0	13 980
Other	1 858	3 392
Total	**34 632**	**45 379**

Deferred tax assets	**31 December 2015**	**31 December 2104**
Valuation of construction contracts	23 630	14 901
Provisions	6 364	5 096
Tax loss	1 340	2 862
Profit margin on intra-Group sales	938	487
Other fees charged statistically	702	673
Revaluation of claims	1 484	1 803
Valuation of bonds interest	0	0
Other financial liabilities	1 582	1 699
Consolidation adjustments	0	0
Accrued costs	1 724	13 749
Discount of retentions	0	0
Other	1 236	3 381
Total	**39 000**	**44 651**

Assets and liabilities for deferred taxes are offset when there is a legal title to compensate tax receivables and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

31 Loans granted

As at 31 December 2015, the Group granted loans as follows:

	Outstanding loan/borrowing amount		Interest	Maturity date
Borrower	**[PLN]**			
Arkady Sobieskiego Sp. zo.o. S.K.A	6 950		Wibor 3M + 4 %	2017-06-30
Collateral:				
Blank promissory note				

	Outstanding loan/borrowing amount		Interest	Maturity date
Borrower	**[PLN]**	**[EUR]**		
Projekt P2 SPV Sp.z o.o.	2 900	0	Wibor 3M+2.8%	2017-12-31
Collateral:				
Unsecured loan				

	Outstanding loan/borrowing amount		Interest	Maturity date
Borrower	**[PLN]**	**[EUR]**		
Wento Operations Cyprus Limited	5 196	0	1R Wibor+2.05%	2016-06-24
Collateral:				
Guarantee by Wento Holdings S.a r.l Luxemburg L-1653, at 2, Avenue Charles de Gaulle up to PLN 6m				

	Outstanding loan/borrowing amount		Interest	Maturity date
Borrower	**[PLN]**	**[EUR]**		
Natural person	243	57	4%	2016-12-31
Collateral:				
Unsecured loan				

Total collaterals	**15 289**

32 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders (after deducting interests on the depreciable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the impact of dilutive options and dilutive depreciable preference shares convertible into ordinary shares).

Below are detailed data on earnings and shares used to calculate current and diluted earnings per share:

	Year ended 31 December 2015	Year ended 31 December 2014
Net profit (loss) attributable to the shareholders of the Parent	27 846	26 431
Weighted average number of shares (in units)	12 780 257	**12 738 236**
Net profit (loss) per share (in PLN)	**2,18**	**2,07**
Diluted weighted average number of shares	12 811 859	**12 768 272**
Diluted earnings (loss) per share (in PLN)	**2,17**	**2,07**

33 Dividends paid and declared, dividend per share

Pursuant to Resolution No. 5/2015 of 29 May 2015 adopted by the Annual General Meeting of Shareholders of Erbud SA it has been decided to pay dividend of PLN 6 381 thousand to Shareholders. Profit intended for the payment of dividend is PLN 0.50 per each share entitling. The dividend payment date was set at 30 July 2015. Until the date of this report, the dividend was paid.

34 Changes in the composition of the Capital Group

On **2 February 2015,** there was a merger between ERBUD Industry Sp. z o.o. and DELTA Sp. z o.o. in line with Art. 492 item 1 point 1 of the CCC. The business combination took place in the way of taking over DELTA Sp. z o.o. by Erbud Industry Sp. z o.o. through transferring all assets of DELTA Sp. z o.o. to Erbud Industry Sp. with o.o against shares to be delivered by ERBUD Industry Sp. z o.o. to the shareholders of DELTA Sp. z o.o.
Companies covered by the combination belong to the group of companies, which have the identity of the shareholders. In both companies ERBUD SA is a sole shareholder.

On **1 June 2015**, there was an acquisition of shares in the company Ciepło-Service Sp. z o.o. – now Erbud Industry Południe Sp. z o.o. The shares were acquired by Erbud Industry Sp. z o.o. The transaction amount was fixed at PLN 5.9m. The purchase was financed with own funds of the ERBUD Capital Group. Following the transaction the Erbud Group became the owner of 99.3% of shares in Ciepło-Service Sp. z o.o.
According to the opinion of the Management Board of Erbud SA, the new entity provides a sound basis for further expansion of the Group's competence in the energy segment.

For the purposes of accounting the merger in the Consolidated Financial Statements, assets and liabilities of Ciepło-Service Sp. z o.o. were revalued to their fair value in accordance with IFRS 3. The following table compares the carrying and fair values of main assets and liabilities of Ciepło-Service Sp. z o.o. as of the date of the business combination.

Balance sheet items	**Carrying value**	**Fair value**
Tangible Fixed Assets	276	874
Intangible assets	0	347
Stocks and shares	302	470
Cash and cash equivalents	2 146	2 146
Inventories	38	38

Receivables	1 675	1 675
Prepayments	1 224	1 224
Deferred tax assets	368	368
Total assets	**6 029**	**7 142**
Liabilities and accruals	1 496	1 496
Provisions	426	637
Total liabilities	**1 922**	**2 133**
Fair value of net assets		5 009
of which net assets attributable to shareholders of Erbud SA		4 974
Purchase price (cash paid)		5 876
Goodwill		902

35 Share-based payment

Since 2010 there is a Share Award Scheme in the Erbud Group, which is classified as a share-based payment. Under this program, a right to three tranches of shares in a maximum of 50,000 units each was granted to the Board members and senior management of the Group. The first tranche (31,686 shares) was allocated to employees in 2010, the second one (41,458 shares) in 2011, and the third one (33,787 shares) in 2012. The fair value of shares at the grant date amounted to PLN 47.69.

Shares were granted on the base of the Group's results achieved in 2008-2010 (consolidated result of more than PLN 10 million) and in accordance with the following conditions:

- position at the company,
- responsibilities,
- assessment of the achievements,
- value of sales revenue and gross profit for subsidiaries or volume of work and marginal return for construction sites and branches.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

The first tranche (36,590 shares) has been granted to employees in 2013, the second one (47,379 shares) in 2014, and the third one (up to 50,000 shares) in 2015. The fair value as at the grant date amounted to PLN 14.91 per share.

In the 12 months period ended 31 December 2014, the fair value of services received, recognized in accordance with IFRS 2 has been included in the cost of salaries in the amount of PLN 118,000.

As at the date of the preparing the Consolidated Financial Statements Erbud as well as at the date of publication of these Statements, Erbud SA and Erbud Group does not apply any incentive plan based on shares, stock options, warrants or other derivatives.

36 Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with associates that are not subject to consolidation for the year ended 31 December 2015 and as at the date as well as for the year ended 31 December 2014 and as at the date:

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2015		Year ended 31.12.2015	
- deliveries and services	31	881	2	881
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories				
- loans	2 900	0	0	0

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2014		Year ended 31.12.2014	
- deliveries and services	46	0	176	0
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories				
- loans	26 020	0	1 190	0

37 Transactions with key management personnel

As at 31 December 2015 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Per cent of equity	Number of votes	Per cent of voting rights at the GM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	712 087	5.56%	712 087	5.56%
Dariusz Grzeszczak	Ordinary	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	Ordinary	259 500	2.03%	259 500	2.03%
Albert Duerr- Supervisory Board member	Ordinary	14 500	0.11%	14 500	0.11%
Walenty Twardy	Ordinary	2 100	0.02%	2 100	0.02%
Erbud SA procuration holder					
Piotr Augustyniak	Ordinary	2 644	0.02%	2 644	0.02%
Erbud SA procuration holder					
Agnieszka Głowacka	Ordinary	8 300	0.06%	8 300	0.06%
Erbud SA procuration holder					
Bogdan Duerr	Ordinary	7 708	0.06%	7 708	0.06%
Erbud SA procuration holder					
Włodzimierz Czystowski	Ordinary	6 621	0.05%	6 621	0.05%
Erbud SA procuration holder					
Mirosław Młynarski	Ordinary	17 786	0.14%	17 786	0.14%
Procuration holder					
Radosław Kałamaga	Ordinary	12 567	0.10%	12 567	0.10%
Procuration holder					
Maciej Wyrzykowski	Ordinary	1 900	0.01%	1 900	0.01%
Erbud SA procuration holder.					

Kryspin Jarosz Erbud SA procuration holder	Ordinary	6 780	0.05%	6 780	0.05%
Piotr Dobosz - procuration holder	Ordinary	7 714	0.06%	7 714	0.06%
Mariola Zielińska Chief Accountant of Erbud SA	Ordinary	6 668	0.05%	6 668	0.05%

As at 31 December 2014 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares

Shareholder	**Class of shares**	**Number of shares**	**Per cent of equity**	**Number of votes**	**Per cent of voting rights at the GM**
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.74%	2 136 260	16.74%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	681 914	5.34%	681 914	5.34%
Juladal Investments Ltd. (a company controlled by Board members of Erbud SA)	Ordinary	30 173	0.24%	30 173	0.24%
Dariusz Grzeszczak	Ordinary	773 900	6.06%	773 900	6.06%
Józef Adam Zubelewicz	Ordinary	259 500	2.03%	259 500	2.03%
Albert Duerr- Supervisory Board member	Ordinary	14 500	0.11%	14 500	0.11%
Walenty Twardy Erbud SA procuration holder	Ordinary	9 852	0.08%	9 852	0.08%
Piotr Augustyniak Erbud SA procuration holder	Ordinary	890	0.01%	890	0.01%
Agnieszka Głowacka Erbud SA procuration holder	Ordinary	5 500	0.04%	5 500	0.04%
Bogdan Duerr Erbud SA procuration holder	Ordinary	7 297	0.06%	7 297	0.06%
Włodzimierz Czystowski Erbud SA procuration holder	Ordinary	5 921	0.05%	5 921	0.05%
Mirosław Młynarski Procuration holder	Ordinary	14 952	0.12%	14 952	0.12%
Radosław Kałamaga Procuration holder	Ordinary	9 516	0.07%	9 516	0.07%
Maciej Wyrzykowski Erbud SA procuration holder.	Ordinary	2 200	0.02%	2 200	0.02%
Kryspin Jarosz Erbud SA procuration holder	Ordinary	3 244	0.03%	3 244	0.03%
Piotr Dobosz - procuration holder	Ordinary	9 256	0.07%	9 256	0.07%
Mariola Zielińska Chief Accountant of Erbud SA	Ordinary	5 618	0.04%	5 618	0.04%

As of the date of issuing these Financial Statements, the Board members and procurists do not have any Erbud's stock options

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 31 December 2015 and as at 31 December 2014 did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 31 December 2015 and as at 31 December 2014 were not a party to the contract obliging to render services to the companies of the Erbud Group.

Under the Employee Incentive Scheme Program, the following number of shares of series “J” has been granted to the managing staff:

Shareholder	**Class of shares**	**Number of shares**
Walenty Twardy – ERBUD SA procuration holder	Ordinary	2 100
Maciej Wyrzykowski – ERBUD SA procuration holder	Ordinary	1 754

Agnieszka Głowacka – ERBUD SA procuration holder	Ordinary	700
Bogdan Duerr – ERBUD SA procuration holder	Ordinary	2 800
Tomasz Krzywicki – ERBUD SA procuration holder	Ordinary	411
Włodzimierz Czystowski – ERBUD SA procuration holder	Ordinary	1 522
Radosław Kałamaga – ERBUD SA procuration holder	Ordinary	700
Mirosław Młynarski – ERBUD SA procuration holder	Ordinary	3 051
Piotr Dobosz – ERBUD SA procuration holder	Ordinary	2 834
Kryspin Jarosz – ERBUD SA procuration holder	Ordinary	2 374
Walenty Twardy – ERBUD SA procuration holder	Ordinary	3 536

38 Remuneration of key management personnel

Remuneration of the Supervisory Board members of ERBUD SA in the year ended 31 December 2015 and as at 31 December 2014 paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2015	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2014
Udo Berner	President of the Supervisory Board	90	90
Józef Olszyński	Vice-President of the Supervisory Board	72	72
Albert Durr	Member of the Supervisory Board	60	60
Gabriel Główka	Member of the Supervisory Board	60	60
Zofia Dzik	Member of the Supervisory Board	60	60
Michał Otto	Member of the Supervisory Board	60	60
Janusz Lewandowski	Member of the Supervisory Board	60	31

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2015	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2014
Dariusz Grzeszczak	Member of the Management Board	1 513	1 175
Józef Adam Zubelewicz	Member of the Management Board	1 514	1 178
Paweł Smoleń	Member of the Management Board	290	0

39 Contingent liabilities and receivables

The off-balance sheet items due the Group's debts, liabilities and other balance sheet items were as follows:

	31 December 2015	31 December 2104
Contingent receivables		
From related parties	**71 308**	**103 112**
Guarantees and sureties received	71 308	103 112
Litigation	0	0
Bills of exchange received as collateral	0	0
From other entities	**13 001**	**2 925**
Guarantees and sureties received	13 001	2 925
Litigation	0	0
Bills of exchange received as collateral	0	0
Total contingent receivables	**84 309**	**106 037**
From other entities		
Guarantees and sureties received	**126 784**	**111 247**

Litigation and claims	126 784	111 247
Bills of exchange received as collateral	0	0
Total contingent receivables	0	0
From other entities	**420 454**	**425 053**
Guarantees and sureties received	418 843	425 053
Litigation and claims	0	0
Bills of exchange received as collateral	1 611	0
Total contingent receivables	**547 238**	**536 300**
Total off-balance sheet items	**462 929**	**430 263**

40 Court proceedings

As of 31 December 2015, not any significant legal proceedings brought by ERBUD SA were pending, except those disclosed in Note 45.

Significant cases in which Erbud SA is the defendant are described in section 21.2 and 45.

41 Investment expenses

Iinvestment expenses scheduled for 2015 amounted to PLN 4 386 thousand, of which

- Erbud S.A. – PLN 1 000 thousand
- Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.) – PLN 1 480 thousand
- PBDI S.A. – PLN 500 thousand
- GWI – PLN 426 thousand
- Erbud Industry Sp.z o.o (formerly Ersteel Sp. z o.o.) – PLN 180 thousand.

42 Employment structure

The average employment in the Group was as follows:

	31 December 2015	**31 December 2104**
Blue-collar workers	1 218	1 117
White-collar workers	826	713
Total	**2 044**	**1 830**

43 Financial risk management objectives and policy

In the course of the business conducted, the ERBUD Group is exposed to various types of financial risks: currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and sets the principles of management of each of these risks.

Foreign exchange risk

As a part of the core operations, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (mainly in the Euro). Policy of currency risk management adopted by the Management Board consists in matching the contract currency to the currency of expenditure related to this contract. Contracts carried out in Poland by the Group are concluded in the Polish currency (Polish Zlotys) and contracts executed by the companies and entities operating abroad are signed in Euros.

Hedge accounting

In the financial year ended 31 December 2014, the Group signed a contract for construction works with Hala Koszyki Grayson Investments sp. z o.o. sp.k. Therefore, the Group expects specified payments in Euro. In order to hedge cash flows arising from the contract the Group entered with ING Bank Slaski SA. into a par forward

contract (one rate of 4.2815 PLN/EUR for all cash flows) for amounts and dates corresponding to the expected flows arising from completion of the construction contract.

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

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

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

Carrying value of financial instruments denominated in foreign currencies (in PLN) as of 31.12.2015:

	PLN
Cash and cash equivalents	12 443
Currency forwards	1 315
Receivables due to retentions	48 719
Loans granted	139
Total	243
Loans and borrowings liabilities	**62 859**
Trade and other liabilities	36 117
Liabilities due to retentions	25 780
Receivables due to retentions	1 794
Currency forwards	105
Total	**63 796**
Exposure to currency risk	

Risk of interest rates

The risk of interest rates is mainly due to the use by companies of the bank credits, loans and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows. Furthermore, the Group invests surplus cash in investments with variable interest rates (deposits), which reduces the return on investment when interest rates are dropping. The Group also uses fixed-rate instruments for which market changes in interest rates do not affect the interest costs incurred and the interest income received. Trade and other receivables and payables are not interest bearing and their maturity dates are no longer than one year.

The exposure to interest rate risk and interest rate forecasts are monitored by the Group.

The following table presents the carrying value of financial instruments as at 31 December 2015, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Less than 1 year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Loans granted	243	0	0	0	**243**
Cash assets - term deposits	4 228	0	0	0	**4 228**
Total	**4 471**	**0**	**0**	**0**	**4 471**

Variable interest rates

	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
Cash at bank accounts	249 440	0	0	0	**249 440**
Cash assets - term deposits	470	0	0	0	**470**
Borrowings granted	5 196	9 850	0	0	**15 046**
Overdrafts	35 714	0	0	0	**35 714**
Liabilities due to finance lease (current and non-current)	5 458	7 059	69	0	**12 586**
Secured bank loans	45 705	21 712	4 235	0	**71 652**
Bonds	0	65 000	0	0	**65 000**
Total assets - liabilities	**168 229**	**-83 921**	**-4 304**	**0**	**-80 004**

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase of material prices and labour costs, costs of the services rendered for the Group by the subcontracting companies may rise as well. Prices in the agreements signed with the investors are usually fixed for the duration of a contract performance - usually between 6 and 36 months, while contracts with subcontractors are concluded at a later date, with the progress of individual works.

In order to reduce price risks, the Erbud Group monitors the prices frequently purchased building materials and the contracts are signed with the observance of parameters in respect to, inter alia, market situation, and duration and value of contracts.

Credit risk

Financial assets of the Group, which are exposed to increased credit risk, are trade receivables. The Erbud Group applies the policy of evaluation and verification of credit risk connected with all contracts, whether on the before-offer stage as well as during the execution of contracts.

Before signing the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the agreement conclusion depends on the establishment of appropriate financial or property guarantees. In addition, the conditions of agreements with building investors provide for the right to suspend the execution of works, in case of any delay in payment for services rendered.

If possible, agreements include provisions which conditioning payments to the subcontractors from the inflow of funds from the building investor.

The debt age structure is presented in Note 14.

Liquidity risk

In order to reduce the liquidity risk, the Group's companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which are an additional security measure of liquidity. To finance investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

The Group's companies collaborate both in monetary and capital transactions with financial institutions of high reliability, without causing a significant concentration of credit risk. The Group applies also a policy of limiting credit exposure to the individual financial institutions and issuers of debt securities that are purchased under the periodic placement of surplus cash.

The liquidity management is supported by the current system of reporting liquidity forecasts by the companies of the Group.

The tables below summarize the Group's financial liabilities as at 31 December 2015 and as at 31 December 2015 by the maturity on the basis of contractual undiscounted payments:

31 December 2015	Less than 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Loans and borrowings at interest	469	80 950	25 947	0	**107 366**
Liabilities due to lease	1 108	4 348	7 130	0	**12 586**
Trade and other liabilities	233 231	62 698	8 352	367	**304 648**
Retention money	0	10 797	87 303	0	**98 100**
Issued bonds	0	0	65 000	0	**65 000**
Total	**234 808**	**158 793**	**193 732**	**367**	**587 700**

31 December 2014	Less than 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Loans and borrowings at interest	3 632	26 433	22 801	0	**52 866**
Long-term lease liabilities	991	3 780	6 608	0	**11 379**
Trade and other liabilities	392 516	7 028	0	0	**399 544**
Loans and borrowings at interest	0	82 818	10 014	0	**92 832**
Long-term lease liabilities	0	0	65 000	0	**65 000**
Trade and other liabilities	**397 139**	**120 059**	**104 423**	**0**	**621 621**

Sensitivity analysis for currency and interest rate risk

The influence of potential changes on market risk was estimated by the Group as follows:
100 bsp - change in the PLN interest rate (increase or decrease in interest rate)
100 bsp - change in the EUR interest rate (increase or decrease in interest rate)
10% - change in the exchange rate PLN/EUR (revaluation or devaluation of PLN).

The sensitivity analysis by the Group does not include the effects of taxation.

The influence of potential changes on profit before tax and the Company's capital is summarized below:

Sensitivity analysis for currency risk and interest rate risk

Balance sheet item	Value in EUR '000	Currency risk	
		Influence on profit/loss in PLN '000	
		10% PLN revaluation against EUR	10% PLN devaluation against EUR
Cash and cash equivalents	2 920	- 1244	1 244
Trade and other receivables	11 432	-4 872	4 872
Receivables due to retentions	33	-14	14
Loans granted	57	-24	24
Influence on financial assets	**14 442**	**-6 154**	**6 154**
Credits and loans liabilities	8 480	3 614	-3 614
Trade and other liabilities	6 045	2 576	-2 576
Liabilities due to retentions	421	179	-179
Influence on financial liabilities	**14 946**	**6 369**	**-6 369**

Balance sheet item	Value in PLN '000	Interest rate risk	
		Influence on profit/loss in PLN '000	
		+100 pbs in PLN +100 pbs in EUR	-100 pbs in PLN -100 pbs in EUR
Cash and cash equivalents	254 138	2 541	-2 541
Loans granted	15 289	153	-153
Influence on financial assets	**269 427**	**2 694**	**-2 694**
Loans and borrowings liabilities	107 366	-1 074	1 074
Liabilities due to bonds	65 000	-650	650
Financial lease liabilities	12 586	-126	126
Influence on financial liabilities	**184 952**	**-1 850**	**1 850**

44 Asset-backed securities

Mortgages on fixed assets of the Group's companies

Apart from mortgages on the assets listed in point 18 the Group has a mortgage established on real estate held for sale referred to in point 7 of these statements. The book value of these assets amounts to PLN 3 135 thousand.

Details of the specified mortgage:

Joint conventional mortgage up to PLN 120m on the cooperative ownership right to the property for which the District Court in Warsaw keep Land and Mortgage Register Nos. WA5M/00451397/7, WA5M/00451398/4, WA5M/00451399/1.

45 Pending litigations

Claim against the Bank Millennium SA

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.
In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures. During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options. The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.
As at the report publishing date of the Financial Statements the litigation is in progress; hearings of witnesses are continued.

The Issuer's standpoint regarding the situation connected with the execution of the project: extension of the Airport Modlin

Facts - Basic information about the contract and its completion

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

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

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

The commission included the supply of aggregate for concrete used to complete the runway thresholds. The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

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

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

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

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

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

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

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

On 6 March 2013, the General Contractor took over the site from the Contractor and began to carry out the work. On 22 April 2013, the Contractor approved a new formula of concrete. On 17 June 2013 the Mazovian Building Control Officer issued Decision No. 846/2013 which repealed Decision No. 1980/2012 concerning the prohibition of use of part of the runway.

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

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

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

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

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

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

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

In view of complicated factual situation of the case and extensive evidence filed during the proceedings, including the likelihood of taking a number of evidence from the expert assessments, the first-instance sentence will probably be issued not earlier than after approx. 3 years after submitting the lawsuit by MPL.

Standpoint of the Management Board on financial claims

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

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

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

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

Claim against Kępska S.A. seated in Warszawa

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

The amount in dispute: PLN 8,187,631.31

Case state: ERBUD SA claims the payment for executed works from Kępska SA.

By lawsuit of 22 April 2014, the plaintiff applied for awarding the amount of PLN 8,187,631.31 from Kępska SA.

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

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

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

From September 2015 to February 2016, there were hearings of witnesses of Parties. We are waiting for the court decision on the appointment of an expert. The next hearing will be held after the issue of the expert's report.

Claim against Międzyzdrojski Rynek Sp. z o.o.

The amount in dispute: PLN 3,699,578

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

Erbud SA claimed the payment of debts arising from invoices (accepted by the defendant). The building constructed by Erbud SA was finally inspected and accepted in written form. The Parties tried to reach an agreement, the defendant expressed willingness to pay, but extending payments for ERBUD over time, made it necessary to apply to a court.
Currently, the defendant seeks a reduction in remuneration due to numerous significant defects in workmanship. On 25.01.2016 the sentence was announced under which € 3,212,456.39 add interest was awarded to Erbud. The judgment is not legally binding.

Claim against Akademia Muzyczna in Łódź

Date of filing a lawsuit: 20 December 2013

The amount in dispute: PLN 2,050,515

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

The defendant Academy of Music responded to the suit dated 23 January 2014 requesting the dismissal of the action in its entirety and raised the procedural objection to deduction of penalties.

The plaintiff filed pleadings dated 31.03.2014 and 22.05.2014, and the defendant pleadings of 04.04.2014 and 30.06.2014. Two hearings were held so far: on 29.08.2014 (one ERBUD's witness has been examined) and on 07.11.2014, where there case has been postponed due to the planned bringing by the defendant a counterclaim for payment of the remainder of contractual penalties. A hearing was held on 04.06.2015 and adjourned.

By decision dated 05.11.2015, the Court combined this case with the case No. I C 1944/14 and then set the date of the hearing for 11.03.2016.

46 Events subsequent to the reporting period

By the date of publication of these Financial Statements, there were no relevant events that should be disclosed.

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Paweł Smoleń
/ Management Board Member /

Warsaw, March 17, 2016