**ERBUD CAPITAL GROUP**

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY TO 30 JUNE 2016

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the 6-month period ended 30 June 2016 (in thousands of PLN)

| | Note | 6- month period ended 30.06.2016 *Unaudited figures* | 3- month period ended 30.06.2016 *Unaudited figures* | 6- month period ended 30.06.2015 *Unaudited figures after restatement ** | 6- month period ended 30.06.2015 *Unaudited figures after restatement ** |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| Revenues from sales of products and services and of goods and materials | 6 | 788 168 | 446 318 | 805 820 | 492 823 |
| Cost of sold products and services and of goods and materials | | 732 078 | 417 906 | 750 171 | 456 963 |
| **Profit (loss) from sales before tax** | | **56 090** | **28 412** | **55 649** | **35 860** |
| Cost of sales | | 2 867 | 1 594 | 2 619 | 1 641 |
| General and administrative costs | | 39 113 | 19 478 | 32 497 | 18 462 |
| Other operating income | | 25 521 | 18 204 | 3 493 | 2 747 |
| Other operating expenses | | 4 174 | 2 170 | 6 984 | 6 407 |
| Share of net profit (loss) of subsidiaries valued by equity method | | 0 | 0 | 0 | 0 |
| **Profit (loss) from operating activities** | | **35 457** | **23 374** | **17 042** | **12 097** |
| Financial income | | 5 469 | 4 725 | 1 450 | 930 |
| Financial expenses | | 5 667 | 3 538 | 4 093 | 1 139 |
| **Profit (loss) from continuing operations before tax** | | **35 259** | **24 561** | **14 399** | **11 888** |
| Income tax | | 7 719 | 4 837 | 4 692 | 4 393 |
| **Net profit (loss) from continuing operations** | | **27 540** | **19 724** | **9 707** | **7 495** |
| Net profit (loss) from discontinued operations | 5.3 | -35 733 | -36 152 | 6 610 | 3 284 |
| **Net profit (loss) for the financial year** | | **-8 193** | **-16 428** | **16 317** | **10 779** |
| | | | | | |
| **Net profit (loss) from continuing operations attributable to:** | | | | | |
| - Shareholders of the Parent Company | | 21 191 | 14 336 | 9 291 | 7 124 |
| - Minority shareholders | | 6 349 | 5 388 | 416 | 371 |
| | | | | | |
| **Net profit (loss) from operations attributable to:** | | | | | |
| - Shareholders of the Parent Company | | -10 949 | -18 183 | 15 307 | 10 109 |
| - Minority shareholders | | 2 756 | 1 755 | 1 010 | 670 |
| | | | | | |
| **Basic earnings (loss) per share (in PLN)** | | | | | |
| - from continuing operations | | 1.65 | 1.12 | 0.73 | 0.56 |
| - from discontinued operations | | -2.51 | -2.54 | 0.47 | 0.23 |
| | | | | | |
| **Diluted earnings (loss) per share (in PLN)** | | | | | |
| - from continuing operations | | 1.65 | 1.12 | 0.73 | 0.56 |
| - from discontinued operations | | -2.51 | -2.54 | 0.47 | 0.23 |

* Information on data restatement in Note 5.1

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
for the 6-month period ended 30 June 2016 (in thousands of PLN

| | | 6- month period ended 30.06.2016 *Unaudited figures* | 3- month period ended 30.06.2016 *Unaudited figures* | 6- month period ended 30.06.2015 *Unaudited figures after restatement ** | 6- month period ended 30.06.2015 *Unaudited figures after restatement ** |
|---|---|---|---|---|---|
| **Consolidated net profit (loss)** | | **-8 193** | **-16 428** | **16 317** | **10 779** |
| **Other comprehensive income, which under specified conditions will be initially reclassified to profit or loss** | | | | | |
| Foreign exchange differences from translation of foreign branches and entities* | | 675 | 632 | -10 | 642 |
| Valuation of hedging instruments | | -2 321 | -2 807 | 1 805 | -2 703 |
| **Other total net incomes** | | **-1 646** | **-2 175** | **1 795** | **-2 061** |
| | | | | | |
| **Total revenue for the period** | | **-9 839** | **-18 603** | **18 112** | **8 718** |
| attributable to: | | | | | |
| Shareholders of the Parent Company | | -12 714 | -20 436 | 17 100 | 7 933 |
| Minority shareholders | | 2 875 | 1 833 | 1 012 | 785 |
| | | | | | |
| **Total income attributable to Shareholders of the Parent Company:** | | **-12 714** | **-20 436** | **17 100** | **7 933** |
| - from continuing operations | | 19 426 | 12 083 | 11 083 | 4 947 |
| - from discontinued operations | | -32 140 | -32 519 | 6 017 | 2 986 |
| | | | | | |

* Information on data restatement in Note 5.1

**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, August 29, 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016 (in thousands of PLN)

| | Note | 30.06.2016 *Unaudited figures* | 31.12.2015 *Figures after restatement ** |
|---|---|---|---|
| **ASSETS** | | **1 094 069** | **1 078 767** |
| **Fixed assets** | | **107 224** | **174 585** |
| Tangible fixed assets | **7** | 40 484 | 45 963 |
| Investment property | | 0 | 51 503 |
| Goodwill | | 22 968 | 22 968 |
| Intangibles | | 2 054 | 2 263 |
| Non-current financial assets | 11 | 3 220 | 12 808 |
| Deferred tax assets | 15 | 38 443 | 39 000 |
| Prepayments | | 55 | 80 |
| **Current assets** | | **986 845** | **904 182** |
| Inventory | 8 | 10 686 | 127 987 |
| Trade and other receivables | 9 | 535 541 | 327 612 |
| Income tax receivables | 9 | 1 572 | 3 913 |
| Other financial assets | | 5 594 | 37 440 |
| Fixed assets held for sale | | 0 | 3 135 |
| Cash and cash equivalents | 10 | 115 262 | 222 137 |
| Construction contracts | | 125 008 | 137 359 |
| Short-term prepayments and accruals | | 5 012 | 5 209 |
| Building contracts retention | 9 | 40 247 | 39 390 |
| The Group's assets classified as held for sale | 5.3 | 147 923 | 0 |
| **LIABILITIES** | | **1 094 069** | **1 078 767** |
| **Equity attributable to shareholders of the Parent Company** | | **248 538** | **278 753** |
| Share capital | | 1 281 | 1 281 |
| Exchange rate differences on translation of foreign entities | | 1 317 | 761 |
| Valuation of hedging instruments | | -1 315 | 1 006 |
| Capital reserves | | 223 516 | 229 619 |
| Undistributed profits | | 23 739 | 46 086 |
| **Minority interests** | | **21 914** | **16 912** |
| **Total shareholders' equity** | | **270 452** | **295 665** |
| **Long-term liabilities** | | **104 843** | **138 245** |
| Bank loans and borrowings | 12 | 9 886 | 25 947 |
| Other financial liabilities | | 5 832 | 7 159 |
| Provision for retirement and similar benefits | 13 | 2 125 | 1 727 |
| Other provisions | 13 | 2 494 | 3 780 |
| Liabilities due to bonds issue | 12, 19 | 52 000 | 65 000 |
| Deferred tax provision | 15 | 32 506 | 34 632 |
| **Short-term liabilities** | | **718 774** | **644 857** |
| Loans and borrowings | 12 | 79 571 | 81 419 |
| Other financial liabilities | | 7 355 | 6 266 |
| Trade and other liabilities | 14 | 306 221 | 264 085 |
| Current tax liabilities | 14 | 1 883 | 4 740 |
| Liabilities due to bonds issue | | 0 | 0 |
| Provision for retirement and similar benefits | 13 | 8 328 | 8 531 |
| Other provisions | 13 | 13 022 | 21 840 |
| Building contracts retention | 14 | 92 679 | 98 100 |
| Construction contracts | | 122 940 | 120 152 |
| The Group's liabilities classified as held for sale | **5.3** | 86 775 | 0 |
| Other accruals | | 0 | 39 724 |

* Information on data restatement in Note 5.1

**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, August 29, 2016

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6-month period ended 30 June 2016 (in thousands of PLN)

| | Note | 6- month period ended 30.06.2016 *Unaudited figures* | 6- month period ended 30.06.2015 *Figures after restatement ** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit (loss) before tax** | | **34 462** | **22 692** |
| **Total adjustments:** | | **-105 629** | **-85 699** |
| Depreciation and amortization | | 6 042 | 4 974 |
| Profit / loss from exchange rate differences | | 383 | -131 |
| Interest and share in profit (dividends) | | 4 203 | 1 868 |
| Profit / loss on investment activities | | -3 765 | -6 098 |
| Change in provisions | | -5 110 | 1 224 |
| Change in inventory | | 7 193 | -11 761 |
| Change in receivables | | -149 730 | -92 809 |
| Change in short-term liabilities, excluding loans and borrowings | | 40 215 | -62 941 |
| Change in prepayments and accruals | | 3 581 | 87 621 |
| Income tax paid | | -8 654 | -8 579 |
| Other adjustments | | 13 | 933 |
| **Net cash used in operating activities** | | **-71 167** | **-63 007** |
| **Cash flows from investment activities** | | | |
| **Inflows** | | **7 647** | **4 110** |
| Disposal of tangible and intangible fixed assets | | 6 876 | 484 |
| Disposal of investment property | | 655 | 973 |
| Disposal of financial assets | | 0 | 228 |
| Repayment of loans granted | | 0 | 48 |
| Dividends and interest received | | 116 | 127 |
| Other | | 0 | 2 250 |
| **Outflows** | | **33 184** | **25 512** |
| Acquisition of tangible and intangible fixed assets | | 2 533 | 3 819 |
| Investments in real estate and intangible assets | | 28 991 | 2 395 |
| Acquisition of financial assets | | 111 | 8 674 |
| Loans granted | | 44 | 10 589 |
| Other | | 1 505 | 35 |
| **Net cash flows from investment activities** | | **-25 537** | **-21 402** |
| **Cash flows from financial activities** | | | |
| **Inflows** | | **50 860** | **43 124** |
| Loans and borrowings | | 50 860 | 43 124 |
| Issuance of debt securities | | 0 | 0 |
| **Outflows** | | **61 031** | **28 420** |
| Repayment of loans and borrowings | | 36 680 | 22 009 |
| Dividends and other distributions to shareholders | | 15 374 | 0 |
| Payment of liabilities arising from financial lease | | 3 010 | 2 969 |
| Interest paid | | 5 391 | 3 442 |
| Other | | 576 | 0 |
| **Net cash flows from financial activities** | | **-10 171** | **14 704** |
| **Total net cash flow** | | **-106 875** | **-69 705** |
| **Balance sheet change in cash, including:** | | **-106 875** | **-69 705** |
| - change in cash due to exchange differences | | **0** | **0** |
| **Cash opening balance** | | **222 137** | **186 372** |
| **Closing balance of cash, including:** | | **115 262** | **116 667** |
| - restricted cash | | 12 816 | 17 834 |

* Information on data restatement in Note 5.1

**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, August 29, 2016

## CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 30 June 2016 (in thousands of PLN)

| | Capital attributable to shareholders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Other 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 | Equity |
| **As at 1 January 2016 *(Figures after restatement *)*** | **1 281** | **0** | **229 619** | **761** | **1 006** | **46 086** | **0** | **278 753** | **16 912** | **295 665** |
| Profit/loss for the period | 0 | 0 | 0 | 0 | 0 | 0 | -10 949 | **-10 949** | 2 756 | **-8 193** |
| Other total incomes | 0 | 0 | 0 | 556 | -2 321 | 0 | 0 | **-1 765** | 119 | **-1 646** |
| **Total revenue** | **0** | **0** | **0** | **556** | **-2 321** | **0** | **-10 949** | **-12 714** | **2 875** | **-9 839** |
| Acquisition of issued shares by minority shareholders of PBDI (subsidiary) | 0 | 0 | -2 126 | 0 | 0 | 0 | 0 | **-2 126** | 2 126 | **0** |
| Increasing share capital within the authorized capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Shares-based payment ( Management Stock Option Scheme) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Transfer of net profit from the previous year to retained earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| First time consolidated subsidiary (PDI Germany) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| **Dividend to shareholders** | **0** | **0** | **-3 977** | **0** | **0** | **-11 398** | **0** | **-15 375** | **0** | **-15 375** |
| **As at 30 June 2016** | **1 281** | **0** | **223 516** | **1 317** | **-1 315** | **34 688** | **-10 949** | **248 538** | **21 914** | **270 452** |

* Information on data restatement in Note 5.1

**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 MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 30 June 2015 (in thousands of PLN)

| | Capital attributable to shareholders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Undistributed profit (loss) | | | | |
| | Share capital | Treasury shares | Other 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 | Equity |
| **As at 1 January 2015 *(Figures after restatement *)*** | **1 276** | **0** | **223 094** | **671** | **-1 067** | **30 243** | **0** | **254 217** | **13 192** | **267 409** |
| Profit/loss for the period | 0 | 0 | 0 | 0 | 0 | 0 | 15 307 | **15 307** | 1 010 | **16 317** |
| Other total incomes | 0 | 0 | 0 | -6 | 1 805 | -6 | 0 | **1 793** | 2 | **1 795** |
| **Total revenue** | **0** | **0** | **0** | **-6** | **1 805** | **-6** | **15 307** | **17 100** | **1 012** | **18 112** |
| Buyout minority interests in subsidiaries | 0 | 0 | 25 | 0 | 0 | 0 | 0 | **25** | -47 | **-22** |
| Shares-based payment ( Management Stock Option Scheme) | 0 | 0 | 146 | 0 | 0 | 0 | 0 | **146** | 0 | **146** |
| Dividend to minority shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | -214 | **-214** |
| Transfer of net profit from the previous year to capital reserve | 0 | 0 | 5 864 | 0 | 0 | -5 864 | 0 | **0** | 0 | **0** |
| Dividend to shareholders of the Parent Company | 0 | 0 | 0 | 0 | 0 | -6 381 | 0 | **-6 381** | 0 | **-6 381** |
| **As at 30 June 2015** | **1 276** | **0** | **229 129** | **665** | **738** | **17 992** | **15 307** | **265 107** | **13 943** | **279 050** |

* Information on data restatement in Note 5.1

## KEY FIGURES CONVERTED TO THE EURO

| | 30.06.2016 *Unaudited figures* | | 31.12.2015 *Figures after restatement* | |
|---|---|---|---|---|
| | **PLN** | **EUR** | **PLN** | **EUR** |
| Fixed assets | 107 224 | 24 229 | 174 585 | 40 968 |
| Current assets | 986 845 | 222 991 | 904 182 | 212 175 |
| Shareholders' equity | 270 452 | 61 112 | 295 665 | 69 380 |
| Liabilities and provisions for liabilities | 823 617 | 186 108 | 783 102 | 183 762 |

Items of the balance sheet data as at 30 June 2016 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.4255 PLN/EUR.

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

| | 6- month period ended 30.06.2016 *Unaudited figures* | | 6- month period ended 30.06.2015 *Figures after restatement* | |
|---|---|---|---|---|
| | **PLN** | **EUR** | **PLN** | **EUR** |
| Revenues from sales of products, services, goods and materials | 788 168 | 179 926 | 805 820 | 194 920 |
| Cost of products, services, goods and materials sold | 732 078 | 167 122 | 750 171 | 181 459 |
| Profit on sales before tax | 56 090 | 12 804 | 55 649 | 13 461 |
| Profit on operating activities | 35 457 | 8 094 | 17 042 | 4 122 |
| Profit (loss) before tax | 35 259 | 8 049 | 14 399 | 3 483 |
| Net profit (loss) | 27 540 | 6 287 | 9 707 | 2 348 |

Items of the cash flow for the period from 1.01.2016 to 30.06.2016 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.3805 PLN/EUR.

Items of the cash flow for the period from 1.01.2015 to 30.06.2015 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.1341 PLN/EUR.

| | 6- month period ended 30.06.2016 *Unaudited figures* | | 6- month period ended 30.06.2015 *Figures after restatement* | |
|---|---|---|---|---|
| | **PLN** | **EUR** | **PLN** | **EUR** |
| Cash flows from operating activities | -71 167 | -16 246 | -63 007 | -15 241 |
| Cash flows from investment activities | -25 537 | -5 830 | -21 402 | -5 177 |
| Cash flows from financial activities | -10 171 | -2 322 | 14 704 | 3 557 |
| Net cash flows | -106 875 | -24 398 | -69 705 | -16 861 |
| Cash opening balance | 222 137 | 52 126 | 186 372 | 43 726 |
| Cash closing balance | 115 262 | 26 045 | 116 667 | 27 815 |

Items of the cash flow for the period from 1.01.2016 to 30.06.2016 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.3805 PLN/EUR.

Items of the cash flow for the period from 1.01.2015 to 30.06.2015 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.1341 PLN/EUR.

For translating cash as at 30 June 2016, the exchange rate set by the NBP as of that day was applied, i.e. 4.4255 PLN/EUR.

For translating cash as at 30 June 2015, the exchange rate set by the NBP as of that day was applied, i.e. 4.1944 PLN/EUR.

## EXPLANATORY NOTES

### 1 General information

ERBUD SA [ERBUD Joint Stock Company] is the Parent Company (the "Parent", the “Company”) of the Erbud SA Capital 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, 1 Franciszka Klimczaka St. and established in way of conversion of the Erbud Sp. z o.o. [Erbud Limited Liability Company].

ERBUD Sp. z o.o [Erbud Limited Liability Company] 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.

The Condensed Consolidated Interim Financial Statements have been approved for publication by the Management Board on 29 August 2016.

The Condensed Consolidated Interim Financial Statements have been prepared as of 30 June 2016 and for the six month period ended 30 June 2016, and the comparative figures as of 31 December 2015 and for the six month period ended 30 June 2015.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard applicable to interim financial reporting (IAS 34), which was approved by the European Union. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2015.

All items of Consolidated Financial Statements are presented in Polish currency ("PLN") and all figures are given in thousands of PLN.

### 1.1 Composition of the Group

As of 30 June 2016, 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 SA Construction Sp. o.o. that is not consolidated due the immateriality for Consolidated Financial Statements.

| Entity’s Name | Registered office | Activity range | Direct percentage of the Parent in the Group | Indirect percentage of the Parent in the Group |
|---|---|---|---|---|
| Erbud International Sp. z o.o. | Toruń | Civil engineering construction | 100% | |
| Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. | Toruń | Road construction | 90% | |
| Erbud Rzeszów Sp. z o.o. | Rzeszów | Civil engineering construction | 79% | |
| Erbud Construction Sp. z o.o. | Toruń | Civil engineering construction | 100% | |
| **Grupa Erbud Industry** | | | | |
| Erbud Industry Sp. z o.o. | Toruń | Engineering | 100% | |
| 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 Engineering Construction | 85% | |
| PDI Düsseldorf Malmedyerstrasse Ost GmbH | Düsseldorf, Germany | Civil Engineering Construction | | 51.00% |
| PDI Düsseldorf Malmedyerstrasse West GmbH | Düsseldorf, Germany | Civil Engineering Construction | | 51.00% |
| **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**

None.

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

| Entity's Name | Registered office | Activity range | Indirect percentage of the Parent |
|---|---|---|---|
| Toruńska Sportowa w likwidacji Sp. z o.o. | Toruń | Sports, entertainment and recreation | 39 % |

* amount of less than 0.5% of total assets

**The Parent**

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

### 1.2 Jointly controlled entities

As at 30 June 2016, the Group includes no controlled entity.

### 1.3 Membership of the Management Board of the Parent

During the period from 1 January 2016 till the date of preparing the Financial Statements, the composition of the Management Board of the Company was constant.

As at 30 June 2016 the Management Board of the Parent consisted of:

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

### 1.4 Shareholders of the Parent

The share capital of the Parent Company as at 30 June 2016 consisted of 12,811,859 shares with a total value of PLN 1,281,185.90. The shareholding of the Parent as at 30 June 2016 was as follows:

| Shareholder | Class of shares | Preferences on shares | Restrictions on shares | Number of shares | Percentage in equity | 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 | 16.67% | None |
| Nationale0Nederlanden 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%** | |
| Nominal value of shares of all series | | PLN 0.10 | Share capital value in PLN | 1 281 185,90 | | |

Detailed information on the shareholding as at 31 December 2015 is included in the Annual Financial Statements for the year ended 31 December 2015.

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

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

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

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

The Company's Statute does not give any personal rights in relation to Erbud S.A., Company's to the shareholders referred to above, in particular, does not give the right to appoint members of the Management Board or members of the Supervisory Board of the Company.

### 1.5 Going-concern assumption

The Consolidated Financial Statements of the Capital Group as at 30 June 2016 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.

## 2 Basis of preparing the statements and accounting policy (principles)

Detailed accounting principles adopted by the Group are described in the Consolidated Financial Statements for the year ended 31 December 2015, that were published on 21 March 2016.

In this report, the same accounting principles (policy) and calculation methods were used as in the last annual financial statements.

### Impact of changes in IFRS standards and interpretations on the financial statements

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union ("EU"), issued and valid on the date of the Financial Statements for both the current and comparative period

The Group applied the amendments to the standards coming into force from 1 January 2016; they have no material impact on the previously applied accounting standards.

The Group did not opted for an early adoption of standards that have been published and approved by the European Union and which entered into force over the reporting year. Currently, the Group is in the process of analysing is currently in the process of analysing the impact of these standards on the financial statements.

## 3 Seasonality

The sale of civil and engineering services in Poland is characterized by some seasonality related primarily to weather conditions. Typically, the highest revenues are achieved in the first and second quarter (about 55% of total revenues), while the lowest - in the first quarter. However, construction works cannot be regarded as typical seasonal activities.

## 4 Rules applied to convert selected financial data to the Euro

The selected financial figures were converted into the Euro according to the following principles:

Items of assets and liabilities - at the average exchange rate prevailing as at 30 June 2016, i.e. 4.42554 PLN/Euro.

Items of the profit or loss statement and the cash flows statement for 1H 2016 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2016, i.e. 4.3805 PLN/Euro.

Items of assets and liabilities of comparable financial figures for 1H 2015 - at the average exchange rate prevailing on 31 December 2015, i.e. 4.2615 PLN/Euro.

Items of the profit or loss and the cash flows statement for 1H 2015 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2015, i.e. 4.1341 PLN/Euro.

## 5 Changes in accounting policy applied

### 5.1 Restatement of the Consolidated Financial Statements as of 30 June 2016 in connection with the error adjustment

During the period of 6 months ended 30 June 2016, Erbud SA adjusted the erroneous recognition of costs relating to repair of the runway at the Warszawa-Modlin Airport. As these costs do not meet the definition of assets according to IAS and concern repairs made in 2013, there were recognized in the financial result for the previous years. The adjustment resulted in a decrease in prepaid expenses and equity by PLN 20,122 thousand as at 31 December 2015 and 1 January 2015.

This change did not affect the profit and loss statement or statement of comprehensive income for the current reporting period and the comparative one. In respect of the above adjustments, basic and diluted earnings per share remained unchanged in the reporting and comparative periods.

The Erbud Group also revised the presentation of the cash deposited in trust accounts. Previously, they were recognised in the "cash and cash equivalents" and after the change are presented as “other current financial assets”. The change arises from the fact that these assets do not meet the definition of cash and cash equivalents. As they will be used over the operating cycle of the Budlex Group conducting activity as property developer, therefore, they are presented as current assets. This adjustment resulted in a decrease in cash and cash equivalents by EUR 32,001 thousand as of 31.12.2015 and by EUR 22,891 thousand as of 01.01.2015.

This change did not affect the profit and loss statement or statement of comprehensive income for the current reporting period and the comparative one. In respect of the above adjustments, basic and diluted earnings per share remained unchanged in the reporting and comparative periods.

### 5.2 Changes in estimates

During the reporting period ended 30 June 2016 there were no changes in the methodology for making estimates.

### 5.3 Discontinued operations

In the reporting period ended 30 June 2016 incurred a discontinued operation as defined by IFRS 5. A description of the circumstances of transferring Budlex Group to discontinued operations please find in Note 20.

The tables below present data on restatement of comparative data in connection with the separation of discontinued operations.

| | 6- month period ended 30.06.2015 - after change | Approved on 30.06.2015 | Change |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenues from sales of products and services and of goods and materials | 805 820 | 839 081 | -33 261 |
| Cost of sold products and services and of goods and materials | 750 171 | 777 491 | -27 320 |
| **Profit (loss) from sales before tax** | **55 649** | **61 590** | **-5 941** |
| Cost of sales | 2 619 | 3 575 | -956 |
| General and administrative costs | 32 497 | 32 721 | -224 |
| Other operating income | 3 493 | 3 592 | -99 |
| Other operating expenses | 6 984 | 8 223 | -1 239 |
| Share of net profit (loss) of subsidiaries valued by equity method | 0 | 4 984 | - 4 984 |
| **Profit (loss) on operating activities** | **17 042** | **25 647** | **-8 605** |
| Financial income | 1 450 | 2 078 | -628 |
| Financial expenses | 4 093 | 5 033 | -940 |
| **Profit (loss) from continuing operations before tax** | **14 399** | **22 692** | **-8 293** |
| Income tax | 4 692 | 6 375 | -1 683 |
| **Net profit (loss) from continuing operations** | **9 707** | **16 317** | **-6 610** |
| Net profit (loss) from discontinued operations | 6 610 | 0 | 6 610 |
| **Net profit (loss) for the financial year** | **16 317** | **16 317** | **0** |

| | 6- month period ended 30.06.2016 | 3- month period ended 30.06.2016 | 6- month period ended 30.06.2015 | 3- month period ended 30.06.2015 |
|---|---|---|---|---|
| **DISCONTINUED OPERATIONS** | | | | |
| Revenues from sales of products and services and of goods and materials | 40 065 | 13 939 | 33 261 | 10 022 |
| Cost of sold products and services and of goods and materials | 74 071 | 48 910 | 27 320 | 6 650 |
| **Profit (loss) from sales before tax** | **-34 006** | **-34 971** | **5 941** | **3 372** |
| Cost of sales | 1 218 | 578 | 956 | 591 |
| General and administrative costs | 69 | -22 | 224 | 92 |
| Other operating income | 335 | 247 | 98 | 70 |
| Other operating expenses | 123 | 115 | 1 238 | 1 233 |
| Share of net profit (loss) of subsidiaries valued by equity method | 0 | 0 | 4 984 | 3 484 |
| **Profit (loss) on operating activities** | **-35 081** | **-35 395** | **8 605** | **5 010** |
| Financial income | 479 | 269 | 628 | 28 |
| Financial expenses | 1 001 | 759 | 940 | 303 |
| **Profit (loss) from discontinued operations before tax** | **-35 603** | **-35 885** | **8 293** | **4 735** |
| Income tax | 130 | 267 | 1 683 | 1 451 |
| **Net profit (loss) from discontinued operations** | **-35 733** | **-36 152** | **6 610** | **3 284** |

The result from discontinued operations includes an impairment of net assets in the amount of PLN 35,004 thousand, which was accounted for in the cost of products and services sold.

The Group's assets classified as held for sale are the assets of Budlex Group.

| | 30.12.2016 |
|---|---|
| **Fixed assets** | **20 961** |
| Tangible fixed assets and intangible assets | 3 591 |

| | |
|---|---|
| Property | 5 176 |
| Deferred tax assets | 2 157 |
| Financial assets | 10 037 |
| **Current assets** | **126 962** |
| Inventory | 78 118 |
| Trade and other receivables | 6 408 |
| Other financial assets | 26 479 |
| Cash and cash equivalents | 15 957 |
| **TOTAL ASSETS** | **147 923** |
| | |
| **Liabilities** | |
| Deferred income tax liabilities | 3 190 |
| Trade and other liabilities | 33 658 |
| Loans and borrowings | 32 092 |
| Provisions | 4 800 |
| Liabilities due to bonds issue | 13 035 |
| **TOTAL LIABILITIES** | **86 775** |

| | **30.12.2016** | **30.12.2015** |
|---|---|---|
| **NET CASH FLOWS FROM DISCONTINUED OPERATIONS** | | |
| Net cash flows from discontinued operating activities | 4 997 | 3 608 |
| Net cash flows from discontinued operating activities | 11 | -9 630 |
| Net cash flows from discontinued financing activities | -11 784 | -5 966 |
| **TOTAL NET CASH FLOWS FROM DISCONTINUED OPERATIONS** | **-13 993** | **612** |

## 6 Information on operating segments

During the reporting period ended 30 June 2016, the Group conducted business under the following business segments:

- civil engineering - large volume construction
- real estate development (discontinued operations)
- road-engineering
- construction for the power industry.

During the reporting period ended 30 June 2016, the Group conducted business in the following geographical segments:

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

The segmentation was made on the basis of statutory activities of the individual entities. The Group applies a uniform accounting policy for all segments.

## Business segments

The table below presents figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2016

### Incomes and outgoings by business segments

| For the period from 1 January to 30 June 2016 | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| **Total income** | 618 483 | 66 877 | 147 308 | **832 668** | **40 065** |
| Intersegment sales | 0 | 0 | (44 500) | **(44 500)** | 0 |
| **Sale to external clients** | **618 483** | **66 877** | **102 808** | **788 168** | **40 065** |
| Cost of products, goods and materials sold to external clients | 577 562 | 59 401 | 95 115 | **732 078** | **74 071** |
| **Total cost of products, goods and materials sold** | **577 562** | **59 401** | **95 115** | **732 078** | **74 071** |
| **Profit (loss) from sales before tax** | **40 921** | **7 476** | **7 693** | **56 090** | **-34 006** |
| Sales costs | 206 | 1 204 | 1 457 | **2 867** | **1 218** |
| General and administrative costs | 26 609 | 4 010 | 8 494 | **39 113** | **69** |
| Result on other operating activity | 18 903 | 2 355 | 89 | **21 347** | **212** |
| **Segment result** | **33 009** | **4 617** | **-2 169** | **35 457** | **-35 081** |
| Result on financing activity | 280 | 152 | -630 | **-198** | **-522** |
| Income tax | 7 164 | 732 | -177 | **7 719** | **130** |
| **Net profit (loss)** | **26 125** | **4 037** | **-2 622** | **27 540** | **-35 733** |

### Other items by operating segments

| For the period from 1 January to 30 June 2016 | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| Segment depreciation and amortization | 2 284 | 1 338 | 1 864 | **5 486** | 555 |
| Interest income | 931 | 451 | 8 | **1 390** | 257 |
| Interest expense | 3 881 | 80 | 537 | **4 498** | 1 134 |
| Impairment losses on assets | 0 | 0 | 150 | **150** | 0 |
| Reversal of allowance for impairment of assets | 1 028 | 0 | 4 | **1 032** | 0 |

### Assets and liabilities by operating segments

| As at 30.06.2016 | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| Segment assets | 708 665 | 108 789 | 90 250 | 907 704 | 145 766 |
| Deferred tax assets | 18 942 | 9 015 | 10 486 | 38 443 | 2 157 |
| **Total assets** | **727 607** | **117 804** | **100 736** | **946 147** | **147 923** |
| **Total liabilities** | **564 080** | **65 398** | **107 366** | **736 844** | **86 775** |

## Business segments

The following tables present figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2015

### Incomes and outgoings by business segments

| For the period from 1 January to 30 June 2015* | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| Sale to external clients | 550 858 | 154 060 | 100 902 | 805 820 | **33 261** |
| **Total income** | **550 858** | **154 060** | **100 902** | **805 820** | **33 261** |
| Cost of products, goods and materials sold to external clients | 514 487 | 143 448 | 92 236 | 750 171 | **27 320** |
| **Total cost of products, goods and materials sold** | **514 487** | **143 448** | **92 236** | **750 171** | **27 320** |
| **Profit (loss) from sales before tax** | **36 371** | **10 612** | **8 666** | **55 649** | **5 941** |
| Cost of sales | 206 | 1 570 | 843 | 2 619 | **956** |
| General and administrative costs | 22 050 | 3 346 | 7 101 | 32 497 | **224** |
| Profit (loss) on other operating activities | -3 185 | -144 | -162 | - 3 491 | **-1 140** |
| Share of net profit (loss) of subsidiaries valued by equity method | 0 | 0 | 0 | 0 | **4 984** |
| **Segment profit (loss)** | **10 930** | **5 552** | **560** | **17 042** | **8 605** |
| Profit (loss) on other financing activities | -2 120 | 80 | -603 | -2 643 | **- 312** |
| Income tax | 3 078 | 1 160 | 454 | 4 692 | **1 683** |
| **Net profit (loss)** | **5 732** | **4 472** | **-497** | **9 707** | **6 610** |

* Figures restated due to discontinued operations

### Other items by operating segments

| For the period from 1 January to 30 June 2015* | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| Segment depreciation and amortization | 1 484 | 1 443 | 1 509 | **4 436** | 538 |
| Interest income | 845 | 327 | 2 | **1 174** | 285 |
| Interest expense | 2 070 | 125 | 445 | **2 640** | 664 |
| Impairment losses on assets | 4 138 | 9 | 5 | **4 152** | 5 615 |
| Reversal of allowance for impairment of assets | 237 | 10 | 128 | **375** | 0 |

* Figures restated due to discontinued operations

### Assets and liabilities by operating segments

| As at 31.12.2015* | Large volume construction | Road engineering | Construction for power industry | Total | Discontinued operations |
|---|---|---|---|---|---|
| Segment assets | 630 709 | 112 111 | 85 120 | 827 940 | 211 827 |
| Deferred tax assets | 22 822 | 6 835 | 6 595 | 36 252 | 2 748 |
| **Total assets** | **653 531** | **118 946** | **91 715** | **864 192** | **214 575** |
| **Total liabilities** | **501 986** | **67 826** | **103 160** | **672 972** | **110 130** |

* Figures restated due to discontinued operations

### Geographical segments

The table below presents figures on income and profit of particular geographical segments of the Group as of 30 June 2016:

### Incomes and outgoings by geographical segments

| Period ended 30.06.2016 | Domestic market | Abroad | Total | Discontinued operations on domestic market |
|---|---|---|---|---|
| Sale to external clients | 658 077 | 130 091 | **788 168** | 40 065 |
| **Total income** | **658 077** | **130 091** | **788 168** | **40 065** |
| Cost of products, goods and materials sold to external clients | 610 140 | 121 938 | **732 078** | 74 071 |
| **Total cost of products, goods and materials sold** | **610 140** | **121 938** | **732 078** | **74 071** |
| **Profit (loss) from sales before tax** | **47 937** | **8 153** | **56 090** | **-34 006** |
| Sales costs | 2 867 | 0 | **2 867** | 1 218 |
| General and administrative costs | 32 603 | 6 510 | **39 113** | 69 |
| Result on other operating activity | 5 427 | 15 920 | **21 347** | 212 |
| **Segment result** | **17 894** | **17 563** | **35 457** | **-35 081** |
| Result on financing activity | -528 | 330 | **-198** | -522 |
| Income tax | 3 013 | 4 706 | **7 719** | 130 |
| **Net profit (loss)** | **14 353** | **13 187** | **27 540** | **-35 733** |

### Other items by geographical segments

| For the period from 1 January to 30 June 2016 | Domestic market | Abroad | Total | Discontinued operations on domestic market |
|---|---|---|---|---|
| Segment depreciation and amortization | 5 115 | 371 | **5 486** | 555 |
| Interest income | 1 386 | 4 | **1 390** | 257 |
| Interest expense | 3 854 | 644 | **4 498** | 1 134 |
| Impairment losses on assets | 150 | 0 | **150** | 0 |
| Reversal of allowance for impairment of assets | 1 032 | 0 | **1 032** | 0 |

### Assets and liabilities by geographical segments

| As at 31.12.2016 | Domestic market | Abroad | Total | Discontinued operations on domestic market |
|---|---|---|---|---|
| Segment assets | 688 489 | 219 215 | 907 704 | 145 766 |
| Deferred tax assets | 37 127 | 1 316 | 38 443 | 2 157 |
| **Total assets** | **725 616** | **220 531** | **946 147** | **147 923** |
| **Total liabilities** | **573 917** | **162 927** | **736 844** | **86 775** |

The table below presents figures on income and profit of particular geographical segments of the Group as of 30 June 2015:

### Incomes and outgoings by geographical segments

| Period ended 30.06.2015* | Domestic market | Abroad | Total | Discontinued operations on domestic market |
|---|---|---|---|---|
| Sale to external clients | 724 750 | 81 070 | **805 820** | 33 261 |
| **Total income** | **724 750** | **81 070** | **805 820** | **33 261** |
| Cost of products, goods and materials sold to external clients | 676 016 | 74 155 | **750 171** | 27 320 |
| **Total cost of products, goods and materials sold** | **676 016** | **74 155** | **750 171** | **27 320** |
| **Profit (loss) from sales before tax** | **48 734** | **6 915** | **55 649** | **5 941** |
| Cost of sales | 2 619 | 0 | **2 619** | 956 |

| | | | | |
|---|---|---|---|---|
| General and administrative costs | 28 370 | 4 127 | **32 497** | 224 |
| | | | | |
| Profit (loss) on other operating activities | -3 911 | 420 | **-3 491** | -1 140 |
| Share of net profit (loss) of subsidiaries valued by equity method | 0 | 0 | **0** | 4 984 |
| **Segment profit (loss)** | **13 834** | **3 208** | **17 042** | **8 605** |
| Profit (loss) on other financing activities | -2 345 | -298 | **-2 643** | -312 |
| Income tax | 4 021 | 671 | **4 692** | 1 683 |
| **Net profit (loss)** | **7 468** | **2 239** | **9 707** | **6 610** |

* Figures restated due to discontinued operations

### Other items by geographical segments

| **For the period from 1 January to 30 June 2015*** | **Domestic market** | **Abroad** | **Total** | **Discontinued operations on domestic market** |
|---|---|---|---|---|
| Segment depreciation and amortization | 4 239 | 197 | **4 436** | 538 |
| Interest income | 946 | 228 | **1 174** | 285 |
| Interest expense | 2 452 | 188 | **2 640** | 664 |
| Impairment losses on assets | 4 152 | 0 | **4 152** | 5 615 |
| Reversal of allowance for impairment of assets | 259 | 116 | **375** | 0 |

* Figures restated due to discontinued operations

### Assets and liabilities by geographical segments

| **As at 31.12.2015*** | **Domestic market** | **Abroad** | **Total** | **Discontinued operations on domestic market** |
|---|---|---|---|---|
| Segment assets | 716 581 | 111 359 | 827 940 | 211 827 |
| Deferred tax assets | 36 045 | 207 | 36 252 | 2 748 |
| **Total assets** | **752 626** | **111 566** | **864 192** | **214 575** |
| | | | | |
| **Total liabilities** | **601 404** | **71 568** | **672 972** | **110 130** |

* Figures restated due to discontinued operations

## 7 Property, plant and equipment

**The tables below show the property, plant and equipment as at 30 June 2016 and 31 December 2015**

| 2016 | 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 2016** | **5 855** | **15 073** | **26 455** | **33 698** | **6 698** | **2 150** | **20** | **89 949** |
| **Increases:** | **0** | **2 163** | **1 010** | **2 131** | **449** | **-393** | **0** | **5 360** |
| - Purchase | 0 | 321 | 616 | 942 | 457 | 155 | 0 | **2 491** |
| - Lease | 0 | 0 | 316 | 1 119 | 0 | 0 | 0 | **1 435** |
| - Foreign exchange differences | 0 | 0 | 8 | 70 | 62 | 0 | 0 | **140** |
| - Acquisition of fixed assets under construction | 0 | 1 842 | 0 | 0 | 0 | -548 | 0 | 1 294 |
| - Transfers | **0** | **0** | **70** | **0** | **-70** | **0** | **0** | **0** |
| **Decreases:** | **957** | **6 249** | **468** | **1 370** | **691** | **1 293** | **0** | **11 028** |
| - Sale and liquidation | 0 | 0 | 126 | 451 | 163 | 0 | 0 | **740** |
| - Intra-group transfers | 0 | 0 | 0 | 52 | 3 | 1 293 | 0 | **1 348** |
| - Reclassification to assets classified as held for sale | 957 | 6 249 | 342 | 867 | 525 | 0 | 0 | **8 940** |
| **Gross book value as at 30 June 2016** | **4 898** | **10 987** | **26 997** | **34 459** | **6 456** | **464** | **20** | **84 281** |
| **Accumulated depreciation as at 1 January 2015** | **75** | **6 427** | **14 585** | **19 180** | **3 719** | **0** | **0** | **43 986** |
| **Accumulated depreciation for the period:** | | | | | | | | |
| Amortization | 14 | 168 | 1 535 | 2 285 | 1 229 | 0 | 0 | **5 231** |
| **Decreases:** | **0** | **4 166** | **282** | **513** | **459** | **0** | **0** | **5 420** |
| - Sale and liquidation | 0 | 24 | 92 | 200 | 161 | 0 | 0 | **477** |
| - Presentation adjustments | 0 | 0 | -5 | 0 | 7 | 0 | 0 | **2** |
| - Foreign exchange differences from translation of foreign entities | 0 | -6 | -6 | -42 | -39 | 0 | 0 | **-93** |
| - Reclassification to assets classified as held for sale | **0** | **4 148** | **201** | **355** | **330** | **0** | **0** | **5 034** |
| **Accumulated depreciation as at 30 June 2016** | **89** | **2 429** | **15 838** | **20 952** | **4 489** | **0** | **0** | **43 797** |
| **Impairment as at 1 January 2015** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Impairment as at 30 June 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net book value as at 1 January 2015** | **5 780** | **8 646** | **11 870** | **14 518** | **2 979** | **2 150** | **20** | **45 963** |
| **Net book value as at 30 June 2016** | **4 809** | **8 558** | **11 159** | **13 507** | **1 967** | **464** | **20** | **40 484** |

| 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** |

## 8 Inventories

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| Materials | 3 273 | 3 511 |
| Semi-products and unfinished products | 2 611 | 31 116 |
| Finished products | 89 | 48 485 |
| Goods | 1 | 45 655 |
| Advances for deliveries | 4 965 | 420 |
| **Gross book value of inventories at the end of the period** | **10 939** | **129 187** |
| **Impairment losses on inventories at the beginning of the period** | **1 200** | **1 668** |
| Created in other operating costs | 0 | 0 |
| Created in production cost of products sold | 0 | 0 |
| Reversed into other operating costs | 33 | 75 |
| Used | 0 | 379 |
| Reclassified to long-term investment | 0 | 14 |
| Reclassified to assets held for sale | 914 | **0** |
| **Impairment losses on inventories at the end of the period** | **253** | **1 200** |
| **Net book value of inventories at end of the period** | **10 686** | **127 987** |

## 9 Trade receivables and other receivables, income tax receivables and retention

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| **Current receivables before tax** | | |
| a) a) Due to deliveries and services | 551 542 | 350 710 |
| - - from related parties | 33 | 32 |
| - - from other entities | 551 509 | 350 678 |
| b) b) From the public sector | 15 291 | 23 354 |
| c) c) Other | 18 508 | 10 351 |
| **Impairment of receivables** | **7 981** | **13 500** |
| **Current net receivables** | **577 360** | **370 915** |
| Presented in the balance sheet: | | |
| Trade receivables and other receivables | 535 541 | 327 612 |
| Income tax receivables | 1 572 | 3 913 |
| Retention | 40 247 | 39 390 |

The fair value of trade receivables and other receivables is nearly equal to their carrying amount.

The Group creates impairment on receivables, when there is objective evidence that the Group will not receive all amounts due under the original terms of receivables.

The following table presents the value of write-offs from trade receivables and other receivables:

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| **Impairment losses at the beginning of the period** | **13 500** | **7 215** |
| Created in other operating costs | 150 | 10 140 |
| Reversed into other operating costs | 1 032 | 640 |
| Used | 18 | 1 802 |
| Currency translation differences | 0 | -2 |
| Other | 7 | -1 508 |
| Reclassified to assets held for sale | 4 612 | |
| Impairment allowances taken from Erbud Industry Południe | 0 | 97 |
| **Impairment losses at the end of the period** | **7 981** | **13 500** |

Because the Group has a large number of customers both on domestic and foreign market, there is no concentration of credit risk for trade receivables.

## 10 Cash and cash equivalents

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| Cash in hand | 99 | 116 |
| Cash at bank | 103 403 | 202 572 |
| - current accounts | 46 891 | 94 257 |
| - overnight deposits | 31 151 | 75 617 |
| - other deposits | 0 | 28 000 |
| - term investments | 25 361 | 4 698 |
| Other cash | 11 760 | 19 449 |
| **Cash total** | **115 262** | **222 137** |
| Restricted cash and cash equivalents | 12 984 | 19 741 |
| **Cash for cash flows** | **115 262** | **222 137** |

As restricted cash and cash equivalents the Group classified:

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| Cash deposits to secure bank guarantees | 12 306 | 9 753 |
| Works Staff Welfare Fund | 317 | 50 |
| Other | 361 | 243 |
| Funds accumulated on trust accounts | 0 | 0 |
| Separate proceeds accounts | 0 | 9 695 |
| **Total** | **12 984** | **19 741** |

## 11 Impairment of other financial assets (long term)

In the reporting period, there were no impairment losses on other non-current financial assets.

## 12 Bank loans and borrowings

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| **Non-current** | **9 886** | **25 947** |
| Bank loans | 9 886 | 25 947 |
| Borrowings | 0 | 0 |
| **Current** | **79 571** | **81 419** |
| Overdrafts | 53 914 | 35 714 |
| Bank loans and borrowings | 25 657 | 45 703 |
| **Total bank loans and borrowings** | **89 457** | **107 366** |

The maturity structure of long-term borrowings and loans was as follows:

| | 30.06. 2016 | 31.12.2015 |
|---|---|---|
| a) Less than 1 year | 79 571 | 81 419 |
| b) over 1 to 3 years | 7 536 | 23 589 |
| c) over 3 to 5 years | 2 350 | 2 358 |
| d) over 5 years | 0 | 0 |
| **Total** | **89 457** | **107 366** |

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.

Moreover, Erbud SA has a debt in the amount of PLN 52,000 thousand due to issued bonds maturing 26 March 2018.

Under the loan agreements, the companies of Erbud Group are obliged to meet certain financial ratios (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 classify such liabilities as current ones.

In case of agreements on guarantees provided by mBank and ING SA, as at the balance sheet date and the date of approval of the financial statements, the Company did not comply with provisions requiring meeting certain covenants.

Breaking covenants was caused by two non-recurring events:
- transaction related to Budlex;
- write-down of costs of replacing the concrete pavement of the runway in Modlin.

These are one-off events and non-operating activities.
The Management Board does not see any threat in cooperation with financial institutions.

Here is a list of violated ratios:

**Bank ING S.A.**

| *Ratio* | *Level required* | *Level achieved* | *Comment* |
|---|---|---|---|
| Equity | no less than 0.3 | 0.25 | not achieved |

**Bank mBank**

| *Ratio* | *Level required* | *Level achieved* | *Comment* |
|---|---|---|---|
| debts | no more than 65% | 65.99% | not achieved |

## 13 Provisions for liabilities and other debts

| | Provision for remedial works | Provision for legations and indemnity | Provision for work-related benefits and pension benefits | Other | Total |
|---|---|---|---|---|---|
| **As at 1 January 2016** | **17 721** | **4 659** | **10 258** | **3 240** | **35 878** |
| Increase | 1 136 | 272 | 4 587 | 512 | **6 507** |
| Released | 902 | 4 075 | 1 291 | 1 222 | **7 490** |
| Used | 155 | 0 | 3 093 | 878 | **4 126** |
| Reclassified to liabilities held for sale | 4 591 | 0 | 8 | 200 | 4 799 |
| **As at 31 June 2016** | **13 209** | **856** | **10 453** | **1 452** | **25 969** |

The Group recognized the balance sheet provision for guarantee repairs in the amount of PLN 13,209 thousand as at 30 June 2016 and PLN 17,721 thousand as at 31 December 2015. The Group creates a provision for anticipated costs of remedial works based on the level of works value recorded in previous years.

The assumptions used to calculate the provision for warranty repairs were grounded on the records of remedial works carried out in the years 2011-2015.

## 14 Current trade and other liabilities, income tax liabilities, retention money under construction contracts

| **Current liabilities** | **30.06. 2016** | **31.12.2015** |
|---|---|---|
| a) Deliveries and services | 358 462 | 327 918 |
| From related parties | 243 | 881 |
| From other entities | 358 219 | 327 037 |
| b) To public sector | 16 323 | 19 546 |
| Corporate income tax | 1 883 | 4 740 |
| Value Added Tax | 3 051 | 5 037 |
| Income tax on natural persons | 2 139 | 1 965 |
| Other | 9 250 | 7 804 |
| c) Financial liabilities, incl. | 7 355 | 6 266 |
| - interest | 0 | 0 |
| - Interest on bonds | 734 | 734 |
| - Liabilities arising from bonds | 0 | 0 |
| - Leases | 4 997 | 5 458 |
| - Forward financial instruments | 1 624 | 74 |
| d) Other | 25 999 | 19 461 |
| - Labour costs | 8 237 | 6 330 |
| - Advance payments received | 16 531 | 11 964 |
| - Liabilities due to dividend | 0 | 0 |
| - Other | 1 231 | 1 167 |
| **Total liabilities presented in the balance sheet as:** | **408 139** | **373 191** |
| Trade and other liabilities | 306 221 | 264 085 |
| Current tax liabilities | 1 883 | 4 740 |

| | | |
|---|---|---|
| Financial liabilities | 7 355 | 6 266 |
| Retention | 92 679 | 98 100 |

## 15 Current and deferred income tax

The main tax items as at 30 June 2016 and 30 June 2015 were as follows:

| | 6- month period ended 30.06.2016 | 6- month period ended 30.06.2015 |
|---|---|---|
| **Tax in profit or loss** | **7 032** | **14 545** |
| Deferred tax related to the origination and reversal of temporary differences | 687 | -9 853 |
| Current tax | 7 719 | 4 692 |

Reconciliation of income tax on earnings before tax to tax calculated at the Group's effective tax rate as at 30 June 2016 and 30 June 2015 is presented in the table below:

| | 6- month period ended 30.06.2016 | 6- month period ended 30.06.2015 |
|---|---|---|
| **Profit before tax** | **35 259** | **14 399** |
| **Tax at the statutory tax rate applicable in Poland (19%)** | **2 356** | **2 736** |
| Additional tax arising from the rate exceeding 19% in Germany | 896 | 382 |
| Tax on unrecognised tax losses | 0 | 58 |
| Adjustments to current income tax from previous years | 0 | 431 |
| Effect of consolidation adjustments | 0 | 0 |
| Excess costs which are not tax deductibles over income not recognized as taxable income | 2 361 | 0 |
| **Current income tax** | 2 106 | 1 085 |
| **Profit before tax** | **7 719** | **4 692** |

As at 30 June 2016 and in the year ended 31 December 2015, the applicable tax rate has not been changed as compared to the previous financial period.

As at 30 June 2016 and in the year ended 31 December 2015 there were no temporary differences for which neither deferred tax assets was recognized in the balance sheet nor provision for deferred tax was established.

| **Deferred tax provision** | **6- month period ended 30.06.2016** | **31.12.1016** |
|---|---|---|
| Valuation of long-term contracts | 22 498 | 24 615 |
| Revaluation of assets | 5 977 | 7 253 |
| Balance valuation of accounts | 435 | 0 |
| Financial expenses capitalized | 0 | 312 |
| Discount of retention money | 95 | 594 |
| Financial instrument | 0 | 0 |
| Sale of real estate | 2 468 | 0 |
| Other | 1 033 | 1 858 |
| **Total** | **32 506** | **34 632** |

| Deferred tax assets | 6- month period ended 30.06.2016 | 31.12.1016 |
|---|---|---|
| Valuation of construction contracts | 23 509 | 23 630 |
| Provisions | 4 528 | 6 364 |
| Tax loss to be deducted in next years | 1 648 | 1 340 |
| Profit margin on intra-Group sales | 0 | 938 |
| Other fees charged statistically | 928 | 702 |
| Impairment losses on receivables | 1 231 | 1 484 |
| Investment revaluation | 0 | 0 |
| Other financial liabilities | 577 | 1 582 |
| Accrued expenses | 2 327 | 1 724 |
| Consolidation adjustment | 0 | 0 |
| Subsidiaries | 2 361 | 0 |
| Other | 1 334 | 1 236 |
| **Total** | **38 443** | **39 000** |

Assets and liabilities for deferred taxes are offset when there is a legal title for admission to offset the tax and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods. Margin gained on intra-Group sales results from the higher tax charge on assets sold to the companies forming the Group in relation to their carrying amount due to the exclusion of gains recognized in the assets in consolidation.

## 16 Transactions with related parties

The following tables summarize the total amount of transactions entered into by the Parent and subsidiaries with associates that are not subject to consolidation over the period of six months ended 30 June 2016 and 30 June 2015.

| | Receivables/assets | Liabilities | Incomes | Outgoings |
|---|---|---|---|---|
| | as at 30.06.2016 | | 6- month period ended 30.06.2016 | |
| Deliveries and services | 33 | 243 | 1 | 0 |
| Disposal of fixed assets | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Inventory | 0 | 0 | 0 | 0 |
| Loans | 44 | 0 | 0 | 0 |

| | Receivables/assets | Liabilities | Incomes | Outgoings |
|---|---|---|---|---|
| | as at 30.06.2016 | | 6- month period ended 30.06.2016 | |
| Deliveries and services | 685 | 840 | 2 586 | 2 058 |
| Disposal of fixed assets | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Inventory | 0 | 0 | 0 | 0 |
| Loans | 19 689 | 0 | 398 | 0 |

Transactions with related parties are concluded at arm's length.

## 17 Transactions with key members of the management

As at 30 June 2016 the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

| Shareholder | Class of shares | Number of shares | Percentage of equity | Number of votes | Percentage of voting rights at the GM |
|---|---|---|---|---|---|
| DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak | Common | 2 136 260 | 16.67% | 2 136 260 | 16.67% |
| Adler Properties Sp z o.o. controlled by Józef Zubelewicz | Common | 712 087 | 5.56% | 712 087 | 5.56% |
| Dariusz Grzeszczak | Common | 773 900 | 6.04% | 773 900 | 6.04% |
| Józef Adam Zubelewicz | Common | 259 500 | 2.03% | 259 500 | 2.03% |
| Albert Duerr- Supervisory Board Member | Common | 28 000 | 0.22% | 28 000 | 0.22% |
| Walenty Twardy | Common | 2 100 | 0.02% | 2 100 | 0.02% |
| ERBUD SA procuration holder<br>Piotr Augustyniak | Common | 2 644 | 0.02% | 2 644 | 0.02% |
| ERBUD SA procuration holder<br>Agnieszka Głowacka prokurent Erbud S.A. | Common | 8 300 | 0.06% | 8 300 | 0.06% |
| Bogdan Duerr | Common | 7 708 | 0.06% | 7 708 | 0.06% |
| ERBUD SA procuration holder<br>Tomasz Krzywicki | Common | 700 | 0.01% | 700 | 0.01% |
| ERBUD SA procuration holder<br>Włodzimierz Czystowski | Common | 6 621 | 0.05% | 6 621 | 0.05% |
| ERBUD SA procuration holder<br>Mirosław Młynarski | Common | 17 786 | 0.14% | 17 786 | 0.14% |
| Procuration holder<br>Radosław Kałamaga | Common | 12 567 | 0.10% | 12 567 | 0.10% |
| Procuration holder<br>Maciej Wyrzykowski | Common | 1 200 | 0.01% | 1 200 | 0.01% |
| ERBUD SA procuration holder<br>Kryspin Jarosz | Common | 6 780 | 0.05% | 6 780 | 0.05% |
| ERBUD SA procuration holder<br>Piotr Dobosz | Common | 7 714 | 0.06% | 7 714 | 0.06% |
| Procuration holder<br>Mariola Zielińska<br>Chief Account of ERBUD SA | Common | 6 668 | 0.05% | 6 668 | 0.05% |

Both as at 30 June 2016 and 31 December 2015, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 30 June 2016 and 31 December 2015, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel were not a party to any contract obliging to provide services to the companies of the Erbud Group.

## 18 Dividend paid and declared, dividend per share

On 28 April 2016, the Annual General Meeting of the ERBUD SA headquartered in Warsaw adopted by Resolution No. 5 the profit distribution for the financial year 2015.
According to the above Resolution of the AGM, the dividend paid to the shareholders amounts to PLN 15,374,230.80.

The payment of the dividend was covered by:
a) the whole profit generated in 2015 in the amount of PLN 11,397,120.34 (say: eleven million, three hundred and ninety-seven thousand, one hundred and twenty, point three four Zlotys); and
b) the amount of PLN 3,977,110.46 (say: three million, nine hundred and seventy-seven thousand, one hundred and ten, point four six Zlotys) from the supplementary capital of ERBUD SA.

There were 12,811,859 shares entitled to the dividend.

Earnings payable as dividend amounted to PLN 1.20 per each share entitling to participate in the dividend.

As at the date of preparation of the Condensed Consolidated Interim Financial Statements, the dividend has been paid.

## 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.

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 of 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 Changes in the composition of the Capital Group

**On** 15 June 2016, the Management Board of Erbud SA completed negotiations with Holdinvest 1 Sp. z o.o. with its registered office in Warsaw ("Holdinvest") on disposal of assets held in the form of shares of Budlex SA. Holdinvest and the Issuer agreed contents of the agreement specifying the conditions for the sale of shares in Budlex by the Issuer (the "Agreement" or the "Transaction"). The conclusion of the Agreement will be reported by the Issuer in the current report.

The Transaction will take place in several steps:

1. The purchase by the Issuer of 10.04 per cent of shares in Budlex from a minority shareholder for a price of PLN 4,500,000;
2. The sale by the Issuer of 100 per cent of shares in Budlex to Holdinvest for the price of PLN 45,000,000.00.

The condition of closing the Transaction is:

1. The consent of the Issuer's Supervisory Board to carry out the Transaction in accordance with the terms and conditions stipulated in the Agreement.
2. The consent of the Office of Competition and Consumer Protection (UOKiK) to conduct the Transaction.

Furthermore, the Agreement provides that prior to the disposal of 100% of Budlex shares and after the acquisition of 10.04% of the shares from the minority shareholder, Budlex will pay to the Issuer – under so-called allowed outflows - a dividend in the amount of PLN 17,000,000. Also during this period, the Issuer will purchase from subsidiaries of Budlex SA a developed property located in Torun at 10 Wapienna St. 10 for PLN 10,000,000 net. Now there are offices of the Shared Services Centre operating within the structure of the Issuer, Torun Erbud SA Branch Office and offices of the subsidiaries of the Issuer: Erbud International Sp. z o.o.; PBDI S.A.; Erbud Industry Sp. z o.o.; Erbud Contruction Sp. z o.o.

The transaction will bring a positive cash flow amounting to PLN 47.5 million.
The funds obtained will be used primarily to strengthen the presence in segments that are of strategic importance for ERBUD, i.e. in large volume construction, energy sector, and services and engineering for the industry. According to the Company, future acquisitions are possible.
The transaction will not affect the dividend policy of ERBUD SA.

## 21 Contingent liabilities and receivables

The off-balance sheet items of the Group due to contingent debts and liabilities, and other off-balance sheet items were as follows:

| | 6- month period ended 30.06.2016 | Year ended 31.12.2015 |
|---|---|---|
| **Contingent receivables** | | |
| **From related parties** | **81 427** | **71 308** |
| Guarantees and sureties received | 81 427 | 71 308 |
| **From other entities** | **16 896** | **13 001** |
| Guarantees and sureties received | 16 896 | 13 001 |
| **Total contingent receivables** | **98 323** | **84 309** |
| | | |
| **Contingent liabilities** | | |
| **To related parties** | **221 083** | **126 784** |
| Guarantees and sureties granted | 221 083 | 126 784 |
| **To other entities** | **373 649** | **420 454** |
| Guarantees and sureties granted | 373 649 | 418 843 |
| Promissory notes | 0 | 1 611 |
| **Total contingent liabilities** | **594 732** | **547 238** |
| | | |
| **Total off-balance sheet items** | **496 409** | **462 929** |

## 22 Objectives and principles of the financial risk management

In the course of conducting its business, 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 lays down the management principles of each of these risks.

### Currency risk

As a part of the key operating area, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (primarily in the Euro). The currency risk management policy adopted by the Management Board is to match the contract currency to the currency of expenses incurred in connection with this contract. Contracts which are performed in Poland are concluded in Polish currency (PLN) and those executed by foreign companies and units are signed in Euros.

**Hedge accounting**

In 2014, the Group signed a contract for construction services 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 under the construction contract.

According to the terms of the construction contract signed on 08.12.2015 with Ghelamco of Poland sp. o.o. sp.k. for the building of class A+ office building and modernization of two existing buildings comprising, as a whole, the project under the name “Office and Conference Centre NOWA FORMIERNIA”, some payments will be effected in EUR.
In order to secure the cash flows arising from this agreement, the Group entered on 10.12.2015 with SA mBank a into a par forward contract with SA mBank for amounts and dates corresponding to the expected flows under 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.

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

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.

**Interest rates risk**

The risk of interest rates is mainly due to the use by companies of the bank credits, borrowings and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows.

The interest rates risk associated with existing debts was considered to be irrelevant from the point of view of impacting the results of the Group, therefore the currently management by interest rate risk is limited to monitoring the present market situation. In case of growth of debts due to bank loans, means will be taken in order to prevent a change in interest rates.

**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. Opening of the European labour markets results in the outflow abroad of skilled construction workforce and its reduced supply causes a rise in wage costs. Following the increase in material prices and labour costs, prices of services provided for the Group by the subcontracting companies can rise as well. Prices in the agreements concluded with the builders are usually fixed for the contract performance duration - usually between 6 and 36 months, while contracts with subcontractors are signed at a later date, according to work progress.

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

**Credit risk**

Trade receivables are the financial assets of the Group that are exposed to the increased credit risk. 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 a contract, each contracting partner is appraised for the possibility of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the establishment of appropriate financial or property guarantees decided whether the agreement is entered into. Moreover, the conditions of agreements with builders provide for the right to suspend the performance of works, in case of any delay in payment for services rendered.

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

**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.

## 23 Asset-backed securities

None.

## 24 Pending litigations

List of court cases in which the Erbud Capital Group is a party to proceedings, both as plaintiff and defendant did not change significantly In relation to 31 December 2015. Therefore, during the reporting period, there were no significant changes in the amount of a provision for liabilities arising under lawsuits.

***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***

**State of affairs - General information about the contract and its completion**

The contract for the construction of the Warsaw-Modlin Airport was signed on 14 September 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA was obliged, inter alia, to upgrade the runway. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.
The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1 421 meters. The net value of the concrete thresholds constructed is about PLN 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 contracted a number of works with:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]: The contract included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;

- CEMEX and LAFARGE – two worldwide known suppliers of aggregate: The contract included the supply of aggregate for concrete used to complete the runway thresholds.
The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

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

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

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

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

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

The Customer concluded a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal

basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.

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

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

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

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

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

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

On 2 March 2015, Erbud received a pleading in which MPL upheld its request and appealed to dismiss the counterclaim of ERBUD.
In response, on 15 May 2015, Weil 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.

**Position of the Management Board on financial claims**

Pursuant to a contract dated 14 September 2010 that was executed for the Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o., ERBUD SA acted as the general contractor construction the Warsaw-Modlin airport runway. On 28 December 2012, due to the surface defects found Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) issued a decision prohibiting the use of a part of the runway at Modlin Airport. Hovever, having regard to the public interest, the Company (as substitute contractor) replaced the

runway concrete pavement), without waiting for the explanation of the causes of damage and without confirmation that it is obliged to make repair works under the warranty. These works were completed in June 2013 and the airport was re-admitted to passenger traffic on 3 July 2013.

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

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

On **18 March 2015,** the Issuer filed in the District Court Warsaw Mokotów a suit for damages due to improper performance of the contract, against Cemex Polska sp. z o.o based in Warsaw, and Lafarge Kruszywa i Beton sp. z o.o. based in Warsaw (the "Defendant") in the amount of PLN 18,685,956.97, of which a claim of PLN 8,098,200.89 against Cemex Polska sp. z o.o., and of PLN 10,587,756.08 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 PLN 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. The hearing was adjourned until 08.08.2016.

## 25 Events subsequent to the balance sheet date

After the balance sheet date an agreement to purchase the Company's shares from a minority shareholder was concluded on 19 August 2016.
The Issuer acquired 10.04% registered shares at a price of PLN 4,5m. Thus, the Issuer has become the sole owner of the Company and one of the agreement conditions regarding the sale of Budlex SA shares for HOLDINVEST 1 Sp. z o. o. has been meet.

## 26 Information on changes in economic and business conducting conditions, which have a significant impact on the fair value of financial assets and financial liabilities of the company

As compared to the financial year ended 31 December 2015 there were no significant changes.

## 27 Information on changing in measurement of value of financial instruments valued at their fair value

In the period ended 30 June 2016, the Group did not change the method of measurement of value of financial instruments valued at fair value.

## 28 Information on changes in the classification of financial assets as a result of changes in goal or use of the assets

In the period ended 30 June 2016, the Group did not change the classification of financial assets as a result of changes in goal or use of these assets.

**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, August 29, 2016