ERBUD S.A.

Separate Financial Statements for the year ended 31 December 2016

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INTRODUCTION TO FINANCIAL STATEMENTS

1. Business name, address of the registered office, business profile and registration number in the Court Register

Erbud S.A. is a joint-stock company incorporated under the transformation of Erbud spółka z ograniczoną odpowiedzialnością (limited liability company), registered on 29 November 2006 in the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register under the number 0000268667 and with its registered office in Warsaw, 1 Franciszka Klimczaka Street.
Erbud spółka z ograniczoną odpowiedzialnością was founded on 28 August 1990 and registered in the National Court Register under the number 0000034299 on 8 August 2001.
The main business activities of the Company are services in the field of general building construction (PKD 4521A).
The Company is a parent company.
The Company prepares consolidated financial statements of the Erbud Group.

2. Duration of the Company

The duration of Erbud S. A. is indefinite.

3. Financial Statements of the Company

The Separate Financial Statements cover the period from 1 January 2016 to 31 December 2016 and comparable data for the period 1 January 2015 to 31 December 2015. The Financial Statements have been prepared in accordance with the following rules:

- Accounting Act of 29 September 1994; Journal of Laws 2016, item 1047 (the "Act");
- Regulation of the Minister of Finance dated 18 October 2005, Journal of Laws 2016, item 857 on the scope of information disclosed in the separate and consolidated financial statements required in a prospectus for the issuers with their registered office in the territory of the Republic of Poland, for which applicable are Polish accounting principles ("Regulation on the scope of information in the financial statements");
- Regulation of the Minister of Finance dated 12 December 2001; Journal of Laws 149, item 1674 (as amended) on the detailed principles of recognition, measurement, disclosure and presentation of financial instruments (the "Regulation on financial instruments").

Financial data are presented in thousands of Zlotys (PLN).
The financial statements have been prepared under the historical cost convention, which was modified for:

- financial instruments.

In the period covered by these financial statements and in the previous period, no events occurred that would require comparability of financial data, except for the correction of the error described in Note 66.

4. Composition of the Management Board and the Supervisory Board

Management Board

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

Supervisory Board

Udo Berner	- Chairman of the Supervisory Board
Gabriel Główka	- Deputy Chairman of the Supervisory Board
Albert Durr	- Board Member
Zofia Dzik	- Board Member
Michał Otto	- Board Member
Janusz Lewandowski	- Board Member
Janusz Reiter	- Board Member

5. Internal organizational business units

In the current reporting period, the Company did not have any separated internal organisational units.

6. Exercising control or significant influence over other entities

The following table presents the entities controlled by the Company or over which it has significant influence as at 31 December 2016:

Company's Name	Registered office	Profile	Direct Parent's share in the Group	Indirect Parent's share in the Group
Erbud International Sp. z o.o.	Toruń	Civil construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road construction	90.00%	
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil construction	79.00%	
Erbud Construction Sp. z o.o.	Toruń	Civil construction	100.00%	
Erbud Industry Group				
Erbud Industry Sp. z o.o.	Toruń	Engineering services	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Maintenance services for energy sector		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services for energy sector		100%
Erbud Industry Południe Sp. z o.o.	Będzin	Maintenance services for energy sector		99.29%
GWI Group				
GWI GmbH	Düsseldorf, Germany	Civil construction	85.00%	
PDI Düsseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Civil construction		43.35%
PDI Düsseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Civil construction		43.35%

Associated entity not included in the consolidated financial statements due to immateriality* (Art. 58 of the Accounting Act of 29 September 1994, Journal of Laws 2016, item 1047 ("the Act").

Company's Name	Registered office	Profile	Indirect Parent's share in the Group
Toruńska Sportowa w likwidacji Sp. z o.o.	Toruń	Sports, entertainment and recreation services	39 %

* amount of less than 0.5% of total assets

The following table presents the entities controlled by the Company or over which it has significant influence as at 31 December 2015:

Company's Name	Registered office	Profile	Direct Parent's share in the Group	Indirect Parent's share in the Group
Erbud International Sp. z o.o.	Toruń	Civil construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road construction	94.27%	
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil construction	79.00%	
Erbud Construction Sp. z o.o.	Toruń	Civil construction	100.00%	
Erbud Industry Group				

Erbud Industry Sp. z o.o.	Toruń	Engineering services	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Maintenance services for energy sector		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services for energy sector		100%
Erbud Industry Południe Sp. z o.o.	Będzin	Maintenance services for energy sector		99.29%
GWI Group				
GWI GmbH	Düsseldorf, Germany	Civil construction	85.00%	
PDI Düsseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Civil construction		43.35%
PDI Düsseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Civil construction		43.35%
Grupa Budlex				
Budlex S.A.	Warszawa	Holding - financing subsidiaries, project management, warranty replacement, accounting services	89.96%	
Budlex Construction sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Partner sp. z o.o.	Toruń	Real estate development, rental		89.96%
Budlex Azalia sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Brzoskwiniowa sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Properties sp. z o.o.	Warszawa	Real estate development, rental		89.96%
Domator Łódź sp. z o. o.	Warszawa	Real estate development		89.96%
Budlex Glinki A3 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Glinki A3/3 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Wrzos sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica L7 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Zbożowa 1 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Zbożowa 1 sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Winnica L6-7 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica L6-7 sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Rubinowy Dom sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Sadowa L6 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Irys sp. z o.o.s.k.	Toruń	Real estate development		89.96%
Budlex Magnolia sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Irys sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Sadowa sp. z o.o.s.k.	Toruń	Real estate development		89.96%
Calypso Office sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Magnolia sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Wrzos sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Winnica L7 sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Pestalozziego 3 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica 9 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica 10 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Winnica 11 sp. z o.o.	Toruń	Real estate development		89.96%
Budlex Pestalozziego 3 sp. z o.o. s.k.	Toruń	Real estate development		89.96%
Budlex Winnica 9 sp. z o.o. s.k.	Toruń	Real estate development		89.96%

Budlex Winnica 10 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Budlex Winnica 11 sp. z o.o. s.k.	Toruń	Real estate development	89.96%
Wumbud sp. z o.o.	Toruń	Real estate development	89.96%
Residential Lease sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Rental sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Properties Holding sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Metropolitan Project sp. z o.o.	Warszawa	Real estate development	89.96%
Residential Capitol Project sp. z o.o.	Warszawa	Real estate development	89.96%

Parent Company

The parent company Erbud S.A is not a subsidiary to another entity.

Jointly controlled entities recognized by equity method - joint ventures

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

Associated entity not included in the consolidated financial statements due to immateriality* (Art. 58 of the Accounting Act of 29 September 1994, Journal of Laws 2016, item 1047 ("the Act").

Company's Name	Registered office	Profile	Indirect Parent's share in the Group
Toruńska Sportowa w likwidacji Sp. z o.o.	Toruń	Sports, entertainment and recreation services	39 %

* amount of less than 0.5% of total assets

7. Going-concern assumption and comparability of financial statements

The financial statements presented in this report have been prepared under the assumption that Erbud S. A. will continue its business activity in the foreseeable future. As at the date of signing of the financial statements, the Company's Management Board does not ascertain any facts or circumstances that would indicate any threats to the Company's ability to continue operations following a going concern principle in the period of at least 12 months after the balance sheet date as a result of an intended or forced discontinuation or material reduction of its current activities.
As at the date of preparing the separate financial statements, no events occurred that were not and should have been disclosed in the accounting books for the reporting period, except for the adjustment of the error described in Note 67 and the change in presentation described in Note 45.

8. Description of accounting principles (policy) applied, including methods of valuation of assets and liabilities, revenues and costs

8.1. Intangible fixed assets

Intangible assets are recognised if it is probable that in future they will cause inflows of economic benefits to the entity that can be directly related to such assets.
Intangible assets are initially recognised at the purchase price or production cost. After initial recognition, intangible assets are measured at acquisition cost or production cost less any depreciation and impairment losses. Intangible assets are depreciated on a straight-line basis over their estimated useful lives and are as follows:

- Patents and licences 5-15 years

- Software 1-5 years.

Depreciation begins no earlier than on the first day of the month following the date on which the intangible asset is accepted for use. Estimates of the useful lifetime and the depreciation method are reviewed at the end of each financial year to verify whether the methods used and the depreciation period are consistent with the expected time schedule of economic benefits brought by the given intangible assets.

As at the balance sheet date, the Company assesses each time whether the carrying value of assets disclosed does not exceed the value of expected future economic benefits. If there are such indications, the carrying amount of assets is reduced to the net selling price. Impairment losses are recognized in other operating expenses.

8.2. Property, plant and equipment

Fixed assets are complete and usable assets owned by the Company with an expected life-time of more than one year.
Fixed assets are measured and presented in the financial statements at the purchase price or production cost, decreased by depreciation and write-offs due to permanent loss of value.
Costs related to a fixed asset, incurred after the asset has been taken for use are recognized in the profit and loss statement, except for situations where it is possible to prove that such costs resulted in an increase in the expected future economic benefits from owning a given fixed asset. Then, the costs incurred increase the initial value of the fixed asset.
Fixed assets are depreciated on a straight-line basis over their estimated useful lives. The depreciation rates correspond to the individual periods as presented below:

- Buildings and civil engineering structures: 2% - 4.5%;
- Technical equipment and machines: 6% - 30%;
- Means of transport: 12.5% - 20%.

Fixed assets with the purchase price up to PLN 3 500 are depreciated once in their full amount at the purchase date. In the case of fixed assets that have permanently lost their economic usefulness, unplanned write-offs are charged to other operating costs.
Estimates regarding the useful lifetime and the depreciation method are reviewed at the end of each financial year to ensure that the methods used and the depreciation period are in line with the projected pattern of economic benefits provided by the asset.
The inventory of fixed assets is conducted once every four years.

8.3. Fixed assets under construction

Fixed assets under construction are measured at the amount of total costs directly related to their acquisition or production, including the non-deductible value added tax and excise duty, as well as the cost of servicing the liabilities incurred to finance them and related exchange differences, less revenues from it. The balance of fixed assets under construction is decreased by impairment losses
Fixed assets under construction are not depreciated until they are completed and handed over.

8.4. Lease

Finance lease agreements, which transfer substantially all risks and benefits resulting from ownership of the leased asset to the Company, are capitalised at the lease commencement date at the lower of the following two values: fair value of the leased asset or current value of the minimum lease payments. Lease payments are divided between the finance charges and the repayment of capital instalments, taking into account the fixed interest rate in relation to the liability.
Financial costs are recognized directly in the profit and loss account. Fixed assets used under financial leases are depreciated in according to the rules applied to the own assets.
If there is no reliable certainty, that after the end of the lease agreement the Company will obtain the ownership, the assets are depreciated over a shorter of two following periods: the lease period or the useful lifetime.

Lease agreements under which the lessor bears substantially all the risks and retains all the benefits resulting from the ownership of the leased assets are classified in accordance with Art. 3(4) of the Act on Accounting as operating leases.

8.5. Investment properties

As investment property is classified real estate that is treated as a source of income from rents or held for capital appreciation or both and is not used in the production, supply of goods, provision of services or administrative activities, or for sale in the ordinary course of business.
Investment property is initially valued at the purchase price or production cost. The initial valuation includes transaction costs. After initial recognition, investment property is accounted at fair value. Gains or losses arising from changes in the fair value of investment property are recognized in the profit and loss statement in the period in which they arise.
Investment property is derecognized from the balance sheet if it is sold or permanently withdrawn from use, and no future benefits are expected from its sale. Any gains or losses resulting from the eliminating of the investment property from the balance sheet are recognized in the profit and loss account in the period in which such elimination was made.
Assets are transferred to investment property only when the manner of their use is changed, as confirmed by the end of use of the asset by the owner, conclusion of an operating lease agreement or completion of construction / production of investment property.
In the case of transfer of investment property to assets used by the owner or to inventories, the assumed cost of such an asset that will be accepted for the purpose of its recognition in another category is equal to the fair value of the property as at the date of change in its use. If the asset used by the owner, i.e. the Company, becomes an investment property, Erbud S.A. applies the principles described in the Property, Plant and Equipment until the date of changing the manner of using the property.
If assets are transferred from inventories to investment property, the difference between the fair value of the property as at the transfer date and its previous carrying amount is recognized in profit or loss. When the Group finishes the construction or production of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit or loss account.

8.6. Long-term investments

Investments in subsidiaries, i. e. controlled entities, and in associates are measured at historical cost less any impairment losses resulting from impairment tests.
Shares in jointly controlled entities are measured using the equity method.
Impairment losses on shares in subsidiaries are estimated as at each balance-sheet date.
The carrying amount of such assets is reviewed each time to determine whether it exceeds or not the amount of future economic benefits. If the balance sheet value exceeds the value of expected economic benefits, it is reduced to the net selling price.
A decline in an investment previously revalued to the amount by which the revaluated reserve capital (fund) is increased - if the revaluation difference has not been included by the measurement date - reduces that reserve (fund). In other cases, the effects of a decrease in the value of the investment are included in financial costs. The increase in the value of a given investment directly associated with a prior reduction in its value, included in financial costs, is recognized to the amount of these costs as financial revenues.

8.7. Financial assets

At the moment of posting into accounting books, financial assets are measured at cost (purchase price), which is the fair value of the payment made. Transaction costs are recognised at the initial cost of these financial instruments. Financial assets are entered into books as at the date of accounting for the transaction.
After initial recognition, financial assets are classified into one of four categories and measured, except for financial fixed assets measured at acquisition cost and not revalued to their market value, in the following way:

- Financial assets and liabilities available for sale – Fair value measurement, without reducing transaction costs; gains/losses on revaluation are recognized in the profit or loss account.
- Loans granted and receivables – Measurement at the adjusted purchase price (amortized cost) determined using the effective interest rate. Receivables with short maturities, for which interest rate was not determined, are measured at amount due.

- Financial assets held to maturity – Measurement at the adjusted purchase price (amortized cost) determined using the effective interest rate.
- Financial assets available for sale – Measurement at fair value; gains/losses on revaluation are recognized in the revaluation capital reserve until the investment is sold or its value ids reduced. At this time, the cumulative gain or loss from revaluation is recognized in the profit or loss account.

8.8. Impairment of financial assets

At each balance sheet date, the Company assesses whether there is any indication that a financial asset or a group of financial assets is impaired. If such indications exist, the Company determines the estimated recoverable value of an asset and makes a write-off equal to the difference between the recoverable value and the carrying value.

8.9. Inventories

Inventories of tangible current assets include materials, goods, work in progress and finished products.
The Group applies the following rules of inventory classification to the specific categories:

- ***materials*** - elements stored in the storage places for use in production processes, particularly for construction purposes;
- ***work in progress*** – includes costs of low-processed inventory components of general purpose stored on construction sites, which can be easily used for other contracts without incurring significant costs or sold (if they are unnecessary for the performance of the contract in question);
- ***goods*** – inventory components purchased for resale, including land used in development projects;
- ***finished goods*** – products of own production, the processing of which has been fully completed, as well as flats, commercial units and buildings/structures ready for sale.

Inventories do not include items that are stored on construction sites for a purpose specific to a given site or processed by the Company or a subcontractor, such as for which it is not certain that they can be easily used for other contracts or sold. Such items are posted directly in the contract cost and thus included in the contract valuation according to the stage of completion. Inventories are valued at the lower of the two values: purchase price or production cost and net selling price.
The net selling price is the sale price available as at the balance sheet date, excluding value added tax and excise duty, less rebates, discounts etc., as well as costs related to the adaptation of the asset held for sale and selling it.
Materials and goods are measured at purchase cost determined using the FIFO method, whereas work in progress and finished goods are measured at the direct cost of materials and labour, and at the justified portion of indirect production costs fixed at normal capacity utilisation rates.

8.10. Long-term construction contracts

Initial pre-contractual expenses relating to salaries, business trips (personnel costs), etc. are included in operating expenses for the period in which they occur. They are not a technical cost of production of a given order at the time of concluding a contract with a customer.

In the case of contracts for which the entity is sure that they will be signed and that the customer will cover the costs before signing the contract, such costs are capitalised. This may only apply to the costs of services and materials purchased outside the Group (services of subcontractors, materials, etc.).

8.10.1. Accounting for and presentation of financial consequences of long-term contracts

Building construction contracts

When an entity can reliably determine the progress of completion of an unfinished construction, the percentage of completion method is applied. Revenues from contracts are recognized proportionally to the costs incurred at the specific moment of their performance.

When determining the progress of completion of the contract, the entity applies a method that hat allow reliably determine the staging. Depending on the nature of the contract, the methods may include:

- determining the proportion of contract costs incurred for work performed to date in relation to the estimated total contract costs,
- measurements of works carried out.

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

If the stage of completion of a long-term construction contract cannot be estimated reliably, revenues are recognised only to the extent of costs incurred, which are likely to be recovered...
The results of valuation are recognized in assets and liabilities respectively in the item B.IV "Short-term prepayments" and B.IV.2 "Other accruals" of the financial statements.

8.11. Current and non-current trade receivables

Trade claims are recognized in the balance sheet at the amount due, with due caution.
Receivables are revalued taking into account the probability of their payment through a write-down. Write-offs on receivables are created for debts overdue by more than 180 days in their full value. In individual justified cases, individual rules of calculating write-downs may be applied.

Write-downs on receivables are recognised as other operating expenses or financial expenses, depending on the type of receivables to which the write-down relates. Redeemed, overdue or uncollectible receivables decrease the revaluation write-offs made previously.
Receivables written off, overdue or uncollectible, from which no revaluation write-offs were made or incomplete write-offs were made, are classified as other operating costs or financial costs, respectively.

8.12. Cash and cash equivalents

Cash in hand and in bank accounts are measured at their par value.
Cash and cash equivalents include cash on hand and bank and short-term deposits with an original maturity not exceeding three months.

8.13. Prepayments

The Company recognises prepayments if they relate to future reporting periods, taking into account the materiality and prudence principles.

8.14. Capitals

The share capital comprises ordinary shares and is disclosed at the nominal value in accordance with the Articles of Association and the entry in the National Court Register.
Capital reserve is created from the distribution of profit, transfer from revaluation reserve and premium shares.

8.15. Provisions for liabilities

Provisions are recognized when the Company has an obligation (legal or customary) resulting from past events and when it is certain or highly probable that that an outflow of resources embodying economic benefits will be required to settle the obligation, and when the amount of the obligation can be measured reliably.

Provisions for liabilities include, but are not limited to:
- provision for remedial works;
- provision for deferred income tax;
- provision for unused employee holidays;
- provision for retirement gratuities.

Provision for remedial works

In the case of construction contracts, Erbud is obliged to provide warranties for its services.

As a general rule, provisions for warranty repairs are created in the amount based on the remedial works costs ratio calculated as the quotient of warranty repair costs to contract revenues. This value is subject to individual review and may be increased or decreased in justified cases.

The provision for remedial works is recognized as at the balance sheet date in the amount determined on the basis of past experience with respect to warranty repairs made.

Tax settlements

Poland has numerous regulations regarding VAT, excise duty, corporate income tax and social security contributions. Regulations related to these taxes are subject to frequent changes, which results in ambiguities and inconsistencies.

There are often differences of opinion as to the legal interpretation of tax laws, both within state authorities and between state bodies and taxpayers, causing uncertainties and conflicts.
Tax settlements and other areas of regulated activity may be subject to control for a period of five years. The relevant control authorities are entitled to impose high fines and sanctions along with penal interest. There is a risk that the relevant authorities will take a different stance than the company with respect to the interpretation of regulations, which could have a significant impact on the Company's tax liabilities.

8.16. Employee benefits

The company is obliged to pay retirement and disability severances in accordance with the relevant regulations.
Therefore, it creates provisions for the current value of liabilities in this respect. Payments under the above obligations are written off in the profit or loss account in such a manner that allows the distribution of these benefits for the entire period of employment of employees in companies of the Group.

The Company does not create a separate fund to collect payments for future benefits.
The basis for calculating the provision for unused holidays is the specification of on-utilized leave days as at a certain balance sheet date broken down by individual employees and their daily gross remuneration increased by social contribution surcharges paid by the Employer.

8.17. Bank loans and borrowings

At the time of initial recognition, bank loans and borrowings are recognized at cost equal to the value of cash received, including costs of obtaining a loan or borrowing. As at the balance sheet date, bank loans and borrowings, with the exception of liabilities held for trading, are measured at adjusted purchase price (amortized cost) using the effective interest rate.

Liabilities held for trading are measured at fair value. Profit or loss due to revaluation to fair value is recognised in the profit and loss account statement for the current period.

8.18. Deferred income tax

Deferred tax assets and provisions for deferred tax are determined taking into account temporary differences between the amount of assets and liabilities disclosed in the accounting books and their tax value as well as tax loss that may be deducted in the future from the tax base.
The provision for deferred tax is created in relation to positive temporary differences in the amount of income tax requiring future payment.

Deferred income tax assets are determined in the amount anticipated to be deducted from income tax in the future, due to negative temporary differences and tax loss which can be deducted following the prudential principle.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced appropriately insofar as it is no longer probable that sufficient taxable income will be achieved to partially or fully realization of the deferred tax asset.

Deferred tax assets and provisions for deferred tax are measured at the tax rates that are expected to apply in the period when the asset is realized or the provision is released, in accordance with tax regulations in effect as at the balance sheet date.

8.19. Liabilities

Liabilities are obligations resulting from future events to provide services of a reliably determined value, which will result in the use of the entity's already held or future assets.

Due to the characteristics of the liabilities, they can be divided into
- provisions;
- contingent liabilities;
- financial liabilities;
- current liabilities;
- non-current liabilities.

Contingent liabilities are obligations to provide services that arise depending on the occurrence of specific events. These liabilities are disclosed in explanatory notes.

Financial liabilities are obligations to deliver a financial asset or to exchange a financial instrument with another entity under unfavourable conditions.
Short-term liabilities are all liabilities due to deliveries and services, as well as all or part of other liabilities that became due within 12 months from the balance sheet date.
Long-term liabilities are the part of liabilities other than deliveries and services with the maturity of over 12 months from the balance sheet date.

Liabilities are valuated as at the balance sheet date at the amount due.

8.20. Foreign currency receivables and payables

Receivables and liabilities denominated in foreign currencies are valued as at the balance sheet date at the average exchange rate for a certain currency set by the National Bank of Poland (NBP) as at the balance sheet date.
Receivables in foreign currencies arising during the financial year are converted into Polish Zlotys at the exchange rate as of the date the claim has arisen (the invoice date).

Liabilities in foreign currencies arising during the financial year are translated into Polish Zlotys at the exchange rate applied in customs documents. In case of imported services or intra-EU supplies, the NBP exchange rate as of the date of business transaction (the invoice date) is applied.

If the receivables are paid in a foreign currency, the selling rate applied is the rate at which the bank booked the funds in the entity's bank account. The resulting differences between the exchange rate at which the payment was accounted and the exchange rate resulting from the arising of receivables are recognised in financial costs or revenues.

If the foreign exchange payment obligation is settled, the exchange rate is used, after which the funds were purchased in the bank. When the payment is made from the entity's own foreign exchange account, the rate is applied at which the cooperating bank would have been charged if the entity had wanted to purchase the currency from the bank. The resulting differences between the exchange rate at which the payment was accounted and the exchange rate resulting from the arising of receivables are recognised in financial costs or revenues.

8.21. Accruals

Accrued expenses are recognised in the amount of probable liabilities for the current reporting period.

8.22. Revenues and operating costs

Revenues are recorded on an accrual basis, i.e. in the periods to which they relate, regardless of the date on which the payment was received or effected.
Sales revenues include the fair value of revenues from sales of goods and services, less value added tax, discounts and rebates.
Revenues from the sale of products and goods are recognised when the Company has delivered the products to the customer, the customer has accepted them and claims are reasonably certain to collect.
Revenues from the performance of construction contracts are recognised in accordance with the Company's accounting policies, as presented in point “Long-term construction contracts”.
Dividend income is recognized when the shareholders' right to receive payment is established.

According to the accrual-based accounting principle, the Company recognizes in the profit and loss account all costs attributable to a given reporting period, regardless of the period of their actual settlement. Expenses incurred but not related to such a period are recognized in the assets as prepayments whereas costs not incurred and falling for a given period constitute accruals.

8.23. Other revenues, costs, gains and losses, financial incomes and expenses

Other operating income and expenses are revenues and expenses not directly related to operating activities.
Financial income and expenses include, inter alia, interest on loans and borrowings granted and used, interest earned and paid for late payments, exchange rate differences, commissions paid and received, profits and losses on the sale of securities, dissolved and created provisions charged to financial costs.
Interest income is recognized on an accrual basis using the effective interest rate method.

When a receivable is impaired, the Company reduces its carrying amount to its recoverable amount equal to the estimated future cash flows discounted at the original effective interest rate of the instrument, and then gradually settles the amount of the discount in correspondence with interest income. Extraordinary gains and losses represent the financial consequences of events occurring uniquely outside the main business.

8.24. Income tax, including deferred tax liabilities

The current tax burden is calculated on the basis of the tax result (tax base) for a given financial year. Tax profit (loss) differs from net book profit (loss) due to derecognision of taxable revenues and costs constituting tax deductibles in the following years and items of costs and revenues which will never be subject to taxation. The tax burden is calculated on the basis of tax rates in force in a given financial year.

Income tax on domestic income is calculated in accordance with Polish tax regulations, while income of units operating abroad is subject to taxation in accordance with local regulations, having regard to the agreements on the avoidance of double taxation.

Deferred income tax

Deferred tax assets and provisions for deferred tax are determined taking into account temporary differences between the value of assets and liabilities disclosed in the accounting books and their tax value and tax loss deductible in the future from the tax base.

The provision for deferred tax is created in relation to positive temporary differences in the amount of income tax, to be paid in the future.

Deferred income tax assets are determined in the amount anticipated to be deducted from income tax in the future, in connection with negative temporary differences and tax loss deductible under the prudence principle.

The carrying amount of the deferred tax asset is reviewed as at each balance sheet date and reduced appropriately insofar as it is no longer probable that sufficient taxable income will be achieved to partially or fully realization of the deferred tax asset.

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

FINANCIAL STATEMENTS
for the twelve months ended 31 December 2016 (in PLN '000)

PROFIT AND LOSS STATEMENT

ASSETS

		Note	31.12.2016	31.12.2015 *Figures after restatement* *
A.	**Fixed assets**		**117 777**	**181 065**
I.	**Intangible assets**	**1**	**41**	**72**
1.	Finished R&D expenses		0	0
2.	Goodwill		0	0
3.	Other intangible assets		41	72
4.	Prepaid intangible assets		0	0
II.	**Tangible assets**	**2**	**8 263**	**7 215**
1.	Tangible fixed assets		7 130	5 921
a)	Land, incl. perpetual usufruct		0	0
b)	Buildings, premises and rights to premises, civil and water engineering structures		1 285	0
c)	Plant and equipment		193	125
d)	Means of transport		5 164	4 554
e)	Other tangible fixed assets		488	1 242
2.	Fixed assets under construction		1 133	1 293
3.	Prepaid tangible fixed assets under construction		0	0
III.	**Long-term receivables**		**0**	**0**
1.	From related parties		0	0
2.	From other entities		0	0
IV.	**Long-term investments**		**85 914**	**152 709**
1.	Real property	3	0	232
2.	Intangibles		0	0
3.	Non-current financial assets	4,6	85 914	152 478
a)	In related parties, incl.:		85 180	150 433
–	Shares or stocks	5	75 156	136 731
–	Other securities		0	0
–	Loans granted		10 024	13 702
–	Other non-current financial assets		0	0
b)	In other entities, incl.:		734	2 044
–	Shares or stocks		0	5
–	Other securities		0	0
–	Loans granted		0	0
–	Other non-current financial assets		734	2 039
4.	Other non-current investments		0	0
V.	**Long-term prepayments**		**23 558**	**21 068**
1.	Deferred tax assets	7	23 558	21 068
2.	Other prepayments		0	0

* Information on data restatement in Note 67

		Note	31.12.2016	31.12.2015 *Figures after restatement* *
B.	**Current assets**		**583 245**	**511 873**
I.	**Inventories**	**8**	**0**	**147**
1.	Materials		0	0
2.	Semi-finished products and products in progress		0	136
3.	Finished products		0	0
4.	Goods		0	11
5.	Prepaid deliveries		0	0
II.	**Short-term receivables**	**9**	**337 983**	**303 221**
1.	From related parties		7 844	11 811
a)	Trade receivables with a maturity of		5 744	7 173
–	less than 12 months		5 744	7 173
–	over 12 months		0	0
b)	Other		2 100	4 638
2.	Receivables from other entities		330 140	291 410
a)	Trade receivables with a maturity of		312 438	270 652
–	less than 12 months		302 935	261 540
–	over 12 months		9 503	9 112
b)	Receivables from tax, subsidy, customs, social security and other benefits		7 986	12 371
c)	Other		9 716	8 387
III.	**Short-term investments**		**161 044**	**102 409**
1.	Current financial assets	10	161 044	102 409
a)	In related parties		3 168	1 184
–	Shares or stocks		0	0
–	Other securities		0	0
–	Loans granted		3 168	1 184
–	Other current financial assets		0	0
b)	In other entities		7 064	0
–	Shares or stocks		0	0
–	Other securities		0	0
–	Loans granted		7 064	0
–	Other current financial assets		0	0
c)	Cash and other cash assets		150 812	101 225
–	Cash in hand and at bank		131 953	92 021
–	Other cash		18 859	9 204
–	Other cash assets		0	0
2.	Other current investments		0	0
IV.	**Current prepayments**	**11**	**84 219**	**102 961**
-	Assets under unfinished construction contracts		79 256	98 943
-	Other		4 963	4 018
V.	**Fixed assets held for sale**		**0**	**3 135**
	TOTAL ASSETS		**701 023**	**692 938**

* Information on data restatement in Note 67

LIABILITIES

		Note	31.12.2016	31.12.2015 Figures after restatement*
A.	**Equity / own fund**		**213 867**	**234 774**
I.	**Share capital**	13	1 281	1 281
II.	**Called-up share capital (negative value)**		0	0
III.	**Treasury shares (negative value)**		0	0
IV.	**Reserve capital (fund), incl.**	15	222 245	241 212
	- Share premium		124 592	124 592
V.	**Revaluated capital (fund), incl.**	14	-641	1 006
	- revaluation of fair value		-641	1 006
VI.	**Other reserve capital (funds)**		0	0
	- created under the Articles of Association		0	0
	- for own shares (stocks)		0	0
VII.	**Retained earnings / loss brought forward**		-20 122	-20 122
VIII	**Net profit (loss)**		11 103	11 397
IX.	**Write-down of net profit for the financial year (negative value)**		0	0
B.	**Liabilities and provisions for liabilities**		**487 156**	**458 164**
I.	**Provisions for liabilities**		**34 169**	**38 575**
1.	Deferred income tax provision	16	15 292	19 217
2.	Provision for retirement and related benefits		5 558	4 986
–	Non-current	17	897	843
–	Current	18	4 661	4 143
3.	Other provisions		13 319	14 372
–	Non-current	19	0	0
–	Current	20	13 319	14 372
II.	**Long-term liabilities**	**21**	**55 069**	**54 278**
1.	To related parties		0	0
2.	To other entities		55 069	54 278
a)	Loans and borrowings		0	0
b)	Issue of debt securities		52 000	52 000
c)	Other financial liabilities	23	2 319	2 278
d)	Other		750	0
III.	**Short-term liabilities**	**22**	**336 503**	**295 452**
1.	To related parties		38 492	37 732
a)	Deliveries and services with a maturity of		38 492	37 232
–	less than 12 months		38 337	37 019
–	over 12 months		155	213
b)	Other		0	500
2.	To other entities		298 011	257 720
a)	Loans and borrowings	24	0	0
b)	Issue of debt securities		0	0
c)	Other financial liabilities	23	3 586	2 293
d)	Deliveries and services with a maturity of		252 512	233 520
–	less than 12 months		249 322	230 263
–	over 12 months		3 190	3 257
e)	Prepaid deliveries		16 457	11 964
f)	Bills		0	0
g)	Taxes, customs, social insurance and other benefits		6 848	7 787
h)	Salaries		1 640	1 809
i)	Liabilities towards shareholders due to dividend payment		14 990	0
i)	less than 12 months		1 978	347
3.	Special funds		0	0
IV.	**Accruals**		**61 414**	**69 859**
1.	Other accruals	11.1	61 414	69 859
	TOTAL LIABILITIES		**701 023**	**692 938**

* Information on data restatement in Note 67

Calculation of book value per share

	Note	31.12.2016	31.12.2015
Book value (in 000' PLN)		213 867	234 774
Number of shares		12 811 859	12 811 859
Book value per share (in PLN)	25	16.69	18.32

Off-balance sheet items

Contingent receivables and liabilities disclosed in the Financial Statements as off-balance sheet items are the amounts of bank and insurance guarantees delivered to ERBUD S.A. as performance bonds and to secure claims under guarantees and sureties.

These hedges do not affect the ability to dispose of assets shown in the balance sheet.

	Note	31.12.2016	31.12.2015
1. Conditional receivables		128 412	100 149
1.1. From related parties		50 000	50 000
- guarantees and sureties received		50 000	50 000
1.2 From other entities		78 412	50 149
- guarantees and sureties received		78 412	50 149
2. Conditional liabilities		492 161	456 734
2.1. To related parties	52	77 781	125 710
- guarantees and sureties granted		77 781	125 710
2.2. To other entities	52	414 380	331 024
- guarantees and sureties granted		414 380	331 024
3. Other		0	0
Total off-balance sheet items		**620 573**	**556 883**

The credited off-balance sheet items include:

- a surety granted by subsidiary companies PBDI S.A. and Erbud International sp. z o.o. to PKO BP S.A. to secure the multi-purpose line provided by this bank to ERBUD S.A. in the amount of PLN 50 000.00;

- guarantees received by ERBUD S.A. form subcontractors carrying out construction works as performance bonds and to secure any claims of ERBUD S.A. under the subcontractors' warranties.

All amounts are presented in fair values.

The debited off-balance sheet items include:

- civil guarantees granted to subsidiaries for the repayment of their obligations to financial institutions, details of which are listed in Notes 50-52 to this Financial Statements.

- bank and insurance guarantees granted to customers of ERBUD S.A. as performance bonds and to secure any claims of the customers due to the obligations arising from the warranties given by ERBUD S.A.

All amounts are presented in fair values.

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 20, 2017

PROFIT AND LOSS STATEMENT

	Note	Twelve month ended 31.12.2016	Twelve month ended 31.12.2015 *Figures after restatement**
Revenues from sales of products, goods and materials, incl.:		**1 074 944**	**1 073 555**
- From related parties		5 070	8 714
Net revenues from sales of products	28,29	1 074 884	1 073 555
Net revenues from sales of goods and materials	30	60	0
Cost of products, goods and materials sold, incl.:	**31**	**1 000 823**	**1 006 937**
- To related parties		44 950	54 796
Cost of products sold		1 000 823	1 006 937
Value of goods and materials sold		0	0
Gross profit (loss) on sales		**74 121**	**66 618**
Sales costs	31	0	0
General and administrative costs	31	48 582	42 591
Profit (loss) on sales		**25 539**	**24 027**
Other operating revenues	**32**	**8 476**	**3 315**
Profit on disposal of non-financial fixed assets		3 995	1 156
Subsidies		0	0
Other operating revenues		4 482	2 159
Other operating expenses	**33**	**6 359**	**9 484**
Loss on disposal of non-financial assets		0	0
Revaluation of non-financial fixed assets		0	0
Other operating expenses		6 359	9 484
Profit (loss) on operating activities		**27 656**	**17 857**
Financial revenues		**24 475**	**5 332**
Dividends and profit sharing	33.3	17 499	711
- From related parties		17 499	711
- incl. those whose shares are held by the company		499	711
- From other entities,		0	0
- incl. those whose shares are held by the company		0	0
Interest, incl.:	33.1	1 579	2 350
- From related parties		191	1 505
Profit on financial assets outflows, incl.:		0	0
- In related parties		0	0
Revaluation of investments		0	0
Other	33.2	5 397	2 271
Financial costs		**41 266**	**6 885**
Interest, incl.:	34.1	5 241	3 484
- To related parties		0	0
Loss on financial assets outflows, incl.:		33 675	0
- In related parties		33 675	0
Revaluation of investments	34.2	0	0
Other	34.3	2 350	3 401
Gross profit (loss)		**10 865**	**16 304**
Income tax	35	-238	4 907
Other statutory reductions in profit (increases in loss)		0	0
Net profit (loss)	**36**	**11 103**	**11 397**
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares (in units)		**12 811 859**	**12 780 257/ 12 811 859**
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)		**0.8666 / 0.8666**	**0.8918 / 0.,8896**

* Information on data restatement in Note 45

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 20, 2017

CASH FLOWS STATEMENT

	Note	Twelve month ended 31.12.2016	Twelve month ended 31.12.2015
Net profit (loss)		**11 103**	**11 397**
Total adjustments		**12 387**	**-34 164**
Amortisation and depreciation		2 971	2 323
Foreign currency translation gain (loss)		-412	-58
Interest and profit sharing (dividends)		-13 474	1 149
Profit (loss) on investment activities		-3 995	-1 099
Change in provisions		-4 406	-5 020
Change in inventory		147	700
Change in receivables	38	-34 762	-817
Change in short-term liabilities, excluding credits and loans	38	24 768	-119 704
Change in prepayments and accruals		7 957	88 362
Impairment of investments		33 675	0
Other adjustments		-82	0
Net cash flows from operating activities		**23 490**	**-22 767**
Cash flows from investing activities			
Inflows		**79 904**	**30 870**
Disposal of intangible and tangible fixed assets		7 091	323
Disposal of investments in real property and intangible assets		655	972
From financial assets, incl.:		72 159	29 575
a) In related parties		72 022	29 575
- Disposal of financial assets		45 000	0
- Dividends and profit sharing		17 499	711
- Repayment of granted long-term loans		9 456	22 812
- Interest		67	0
- Other inflows from financial assets		0	6 052
b) In other entities		137	0
- Disposal of financial assets		0	0
- Dividends and profit sharing		0	0
- Repayment of granted long-term loans		0	0
- Interest		137	0
- Other inflows from financial assets		0	0
Other inflows from investment activities		0	0
Outflows		**32 035**	**19 288**
Purchase of intangible assets and tangible fixed assets		747	2 404
Investments in real property and intangible assets		0	0
Due to financial assets, incl.:		31 288	16 884
a) In related parties		31 288	16 884
- Acquisition of financial assets		15 000	0
- Granting of long-term loans		16 288	16 884
b) in other entities		0	0
- Acquisition of financial assets		0	0
- Long-term loans granted		0	0
Other outflows due to investment activities		0	0
Net cash flows from investing activities		**47 870**	**11 582**

	Note	Twelve month ended 31.12.2016	Twelve month ended 31.12.2015
Cash flows from financial activities			
Inflows		**0**	**549**
Net inflows from issue of shares and other capital instruments and from capital contributions		0	549
Loans and borrowings		0	0
Issue of debt instruments		0	0
Other financial inflows		0	0
Outflows		**21 773**	**10 880**
Redemption of own shares		0	0
Dividends and other payments to the shareholders		15 374	6 381
Expenses due to profit distribution other than payments to shareholders		0	0
Repayment of loans and borrowings		0	0
Redemption of debt securities		0	0
Due to other financial liabilities		0	0
Payment of liabilities arising from financial leases		1 771	1 134
Interest paid		4 628	3 365
Other		0	0
Net cash flows from financial activities		**-21 773**	**-10 331**
Total net cash flows		**49 587**	**-21 516**
Balance sheet change in cash, incl.:	**38**	**49 587**	**-21 516**
- change in cash due to foreign exchange differences			
Cash opening balance	**38**	**101 225**	**122 741**
Closing balance of cash, incl.:	**38**	**150 812**	**101 225**
- restricted cash		18 859	9 204

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

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Paweł Smoleń
/ Management Board Member /

Warsaw, March 20, 2017

STATEMENT OF CHANGES IN EQUITY

	Twelve month ended 31.12.2016	Twelve month ended 31.12.2015
I. Equity opening balance	**254 896**	**247 259**
– changes in accounting rules (policy) applied	0	0
– correction of material errors	-20 122	-20 122
I.a. Equity opening balance at the beginning of the period after adjustment to comparative data	**234 774**	**227 137**
1. Share capital at the beginning of the period	**1 281**	**1 276**
1.1. Changes to share capital	**0**	**5**
a) Increase from	0	5
– issue of "I" series shares	0	0
– issue of "J" series shares	0	5
b) Decrease from	0	0
– redemption of shares	0	0
1.2. Share capital at the end of the period	**1 281**	**1 281**
2. Capital reserves at the beginning of the period	**241 212**	**234 804**
2.1. Changes in capital reserves	-18 967	6 408
a) Increase from	11 397	6 408
– capital reserves transfer	0	0
– profit distribution	11 397	5 864
– redemption of shares	0	0
– issue of "I" series shares above their value	0	0
– issue of "J" series shares above their value	0	544
– manager options	0	0
b) Decrease	30 364	0
– dividend payment	30 364	0
– redemption of shares	0	0
2.2. Capital reserves at the end of the period	**222 245**	**241 212**
3. Revaluation reserve at the beginning of the period	**1 006**	**-1 066**
3.1. Changes in revaluation reserve	-1 646	2 072
a) Increase	0	2 072
– financial assets valuation	0	2 072
b) Decrease	1 646	0
– financial instruments valuation	1 646	0
3.2. Revaluation reserve at the end of the period	**-641**	**1 006**
4. Other capital reserves at the beginning of the period	**0**	**0**
4.1. Changes in other capital reserves	0	0
a) Increase	0	0
- provision for Employee Incentive Scheme	0	0
b) Decrease – transfer to reserves	0	0
4.2. Other capital reserves at the end of the period	**0**	**0**
5. Capital from settlement of merger transactions at the beginning of the period	**0**	**0**
5.1 Changes in capital from accounting for of merger transactions under the uniting of interest method		
Increase	**0**	**0**
Decrease	**0**	**0**
5.2 Capital from settlement of merger transactions at the end of the period	**0**	**0**

	Twelve month ended 31.12.2016	Twelve month ended 31.12.2015
6. Retained earnings / carried forward loss at the beginning of the period	**11 397**	**12 245**
6.1. Retained earnings at the beginning of the period	11 397	12 245
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	0
– recognition of the last year result as a result of previous years		
6.2 Retained earnings at the beginning of the period after reconciliation with comparable data	11 397	12 245
a) Increase	0	0
b) Decrease	11 397	12 245
– profit distribution for capital reserves	0	5 864
– profit distribution for dividends	11 397	6 381
– profit distribution to cover losses from previous years	0	0
6.3. Retained earnings at the end of the period	**0**	**0**
6.4. Carried forward loss at the beginning of the period	**0**	**0**
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	0
– recognition of the last year result as a result of previous years		
6.5. Carried forward loss at the beginning of the period after reconciliation with comparable data	0	0
a) Increases	0	0
b) Decreases (profit distribution to cover losses)	0	0
6.6. Carried forward loss at the end of the period	**0**	**0**
6.7 Retained earnings (loss) at the end of the period	**-20 122**	**-20 122**
7. Net result	**11 103**	**11 397**
a) Net profit	11 103	11 397
b) Net loss	0	0
c) Write-downs from profit	0	0
II. Equity closing balance	**213 867**	**234 774**
III. Equity, after including proposed profit distribution (coverage of loss)	**213 867**	**234 774**

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 20, 2017

KEY ITEMS CONVERTED IN EURO

	31.12.2016		31.12.2015 *(Figures after restatement*)*	
	PLN	**EUR**	**PLN**	**EUR**
Fixed assets	117 777	26 622	181 065	37 979
Current assets	583 245	131 837	511 873	120 116
Shareholders' equity	213 867	48 342	234 774	55 092
Liabilities and provisions for liabilities	487 156	110 117	458 164	103 003

* Information on data restatement in Note 67

Items of the balance sheet as at 31 December 2016 were converted at the Euro rate which was set by the National Bank of Poland ("NBP") on that date i.e. 4.4240 PLN/EUR.

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

	Twelve month ended 31.12.2016		Twelve month ended 31.12.2015	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	1 074 944	245 662	1 073 555	256 537
Cost of products, services, goods and materials sold	1 000 823	228 723	1 006 937	240 618
Profit on sales before tax	74 121	16 939	66 618	15 919
Profit on operating activities	27 656	6 320	17 857	4 267
Gross profit (loss)	10 865	2 483	16 304	3 896
Net profit (loss)	11 103	2 537	11 397	2 723

Items of the profit and loss statement for the period from 01.01.2016 to 31.12.2016 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.3757 PLN/EUR.

Items of the profit and loss statement for the period from 01.01.2015 to 31.12.2015 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1848 PLN/EUR.

	Twelve month ended 31.12.2016		Twelve month ended 31.12.2015	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	23 490	5 368	-22 767	-5 440
Cash flows from investment activities	47 870	10 940	11 582	2 768
Cash flows from financial activities	-21 773	-4 976	-10 331	-2 469
Net cash flows	49 587	11 332	-21 516	-5 141
Cash opening balance	101 225	23 753	122 741	28 797
Cash closing balance	150 812	34 089	101 225	23 753

Cash flow items for the period from 01.01.2016 to 31.12.2016 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.3757 PLN/EUR.

Cash flow for the period from 01.01.2015 to 31.12.2015 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1848 PLN/EUR.

For translating cash as at 1 January 2016 it was applied the exchange rate set by the NBP as of that day, i.e. 4.2615 PLN/EUR.

For translating cash as at 1 January 2015 it was applied the exchange rate set by the NBP as of that day, i.e.4,2623 PLN/EURO.

For translating cash as at 31 December 2016 it was applied the exchange rate set by the NBP as of that day, i.e. 4.424 PLN/EUR.

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

EXPLANATORY NOTES

Note 1. Intangible assetse

	31.12.2016	31.12.2015
Intangible assets		
a) R&D completed	0	0
b) Goodwill	0	0
c) Acquired concessions, patents, licenses and similar assets, incl.:	0	0
- computer software	0	0
d) Other intangible assets	41	72
e) Prepaid intangible assets	0	0
Total intangible assets	**41**	**72**

Note 1.1. Changes in other intangible assets (by type)

Item	Other
a) Gross value of intangible assets as at 1 Jan 2016	1 380
b) Increases	151
- acquisition	151
- transfer from advances to intangible assets	0
c) Decreases	67
- liquidation	67
d) Gross value of intangible assets as at 31 Dec 2016	1 464
e) Cumulative depreciation as at 1 Jan 2016	1 308
f) Depreciation for the period	182
g) Decrease	67
h) Cumulative depreciation as at 31 Dec 2016	1 423
i) Net value of intangible assets as at 31 Dec 2016	41

Item	Other
a) Gross value of intangible assets as at 1 Jan 2015	1 226
b) Increases	154
- acquisition	154
- transfer from advances to intangible assets	0
c) Decreases	0
d) Gross value of intangible assets as at 31 Dec 2015	1 380
e) Cumulative depreciation as at 1 Jan 2015	973
f) Depreciation for the period	334
g) Cumulative depreciation as at 31 Dec 2015	1 308
h) Net value of intangible assets as at 31 Dec 2016	72

Note 1.2. Intangible assets (ownership structure)

	31.12.2016	31.12.2015
Other intangible assets		
a) own	41	72
Other intangible assets in total	**41**	**72**

Note 2. Tangible assets

	31.12.2016	31.12.2015
Tangible assets		
Fixed assets, incl.:	7 130	5 921
- Land (incl. perpetual usufruct)	0	0
- Buildings, premises and rights to premises, civil and water engineering structures	1 285	0
- Plant and equipment	193	125
- Means of transport	5 164	4 554
- Other fixed assets	488	1 242
Fixed assets under construction	1 133	1 294
Total tangible assets	**8 263**	**7 215**

Note 2.1. Balance sheet assets (ownership structure)

	31.12.2016	31.12.2015
Balance sheet assets		
a) own	3 118	2 863
b) used under rental, tenancy or other contract, incl. lease contract	5 145	4 352
- lease	5 145	4 352
Total balance sheet assets	**8 263**	**7 215**

Note 2.2 Changes in tangible assets (by type)

Item	Land (incl. perpetual usufruct)	Buildings, premises and rights to premises, civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2016	**0**	**0**	**446**	**15 268**	**3 457**	**1 293**	**0**	**20 464**
b) Increases (from)	0	1 302	94	2 282	489	1 133	0	**5 299**
- acquisition	0	8	94	4	489	1 133	0	**595**
- lease	0			2 277				**2 277**
- transfer	0							
c) Decreases (from)	0	1 293						**2 426**
- sale	0	0	17	272	918	1 293	0	**2 501**
- revaluation	0			272	532			**804**
- liquidation	0							
- held for sale	0		17	0	384	0	0	**401**
- transfers	0							
d) Gross value of fixed assets as at 31 Dec 2016	0				3	1 293		**1 296**
e) Cumulative depreciation at the beginning of the period	**0**	**1 302**	**522**	**17 278**	**3 028**	**1 133**	**0**	**23 262**
f) Amortisation for the period	**0**	**0**	**320**	**10 714**	**2 215**	**0**	**0**	**13 249**
g) Decreases, incl.:	0	41	25	1 524	1 198	0	0	**2 788**
- liquidation	0	25	17	124	873	0	0	**1 039**
- sale	0		17	0	382	0	0	**399**
- adjustments	0	25	0	124	489	0	0	**638**
- held for sale	0				3			**3**
h) Cumulative depreciation as at 31 Dec 2016	0							
i) Net value of fixed assets as at 1 Jan 2016	**0**	**16**	**329**	**12 114**	**2 540**	**0**	**0**	**14 999**
j) Net value of fixed assets as at 31 Dec 2016	**0**	**0**	**125**	**4 554**	**1 242**	**1 293**	**0**	**7 215**
a) Gross value of fixed assets as at 1 Jan 2016	**0**	**1 285**	**193**	**5 164**	**488**	**1 133**	**0**	**8 263**

In the period of 12 months ended 31 December 2016, the Company did not create any revaluation write-downs on fixed assets held.

Item	Land (incl. perpetual usufruct)	Buildings, premises and rights to premises, civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2015	**0**	**3 966**	**360**	**12 186**	**2 411**	**592**	**0**	**19 516**
b) Increases (from)	0	0	86	3 185	1 393	701	0	**5 365**
- acquisition			86	161	1 391	701		**2 338**
- lease				3 024				**3 024**
- transfer								**0**
- transfer of fixed assets under construction					3			**3**
c) Decreases (from)	0	3 966	0	68	337	0	0	**4 371**
- sale				63	216			**279**
- revaluation								**0**
- liquidation				5	83			**88**
- held for sale		3 966						**3 966**
d) Gross value of fixed assets as at 31 Dec 2015					39			**39**
e) Cumulative amortisation and depreciation at the beginning of the period	**0**	**0**	**446**	**15 303**	**3 467**	**1 293**	**0**	**20 509**
f) Depreciation and amortisation for the period	**0**	**732**	**296**	**9 297**	**2 206**	**0**	**0**	**12 529**
g) Decreases, incl.:	0	99	25	1 509	356	0	0	**1 989**
- liquidation	0	831	0	56	337	0	0	**1 223**
- sale				5	83			**88**
- adjustments				51	215			**266**
- held for sale					39			**39**
h) Cumulative depreciation and amortisation as at 31 Dec 2015		831						**831**
i) Net value of fixed assets as at 1 Jan 2015	**0**	**0**	**320**	**10 749**	**2 225**	**0**	**0**	**13 295**
j) Net value of fixed assets as at 31 Dec 2015	**0**	**3 234**	**64**	**2 890**	**206**	**592**	**0**	**6 986**
a) Gross value of fixed assets as at 1 Jan 2015	**0**	**0**	**125**	**4 554**	**1 242**	**1 293**	**0**	**7 215**

In the period of 12 months ended 31 December 2015, the Company did not create any revaluation write-downs on fixed assets held.

Note 2.3. Production cost of fixed assets under construction, including interest and capitalized exchange rate differences on liabilities incurred to finance these assets

As at 31 December 2016 and 31 December 2015, there was no such an item.

Note 2.4. Value of assets non-depreciated or non-amortized by the business unit, used under rental, tenancy and other agreements, including leases

As at 31 December 2016 and 31 December 2015, there was no such an item.

Note 3. Change in investment properties

	31.12.2016	31.12.2015
Changes in real property		
a) As at the beginning of the period	232	359
b) Increases	0	0
c) Decreases	232	127
- Sale	232	127
d) As at the end of the period	0	232

Note 4. Non-current financial assets

	31.12.2016	31.12.2015
Non-current financial assets		
a) In related parties	85 180	150 433
- Shares or stocks	75 156	136 731
- Loans granted	10 024	13 702
b) In other entities	734	2 044
- Shares or stocks	0	5
- Other non-current financial assets	734	2 039
Total non-current financial assets	**85 914**	**152 478**

The change as at 31.12.2016 results mainly from the sale of shares in the subsidiary Budlex and the purchase of shares in Budlex Properties Sp. z o. o. Transaction described in Note 27.7.

Note 4.1. Changes in non-current financial assets (by type)

Changes in non-current financial assets	**31.12.2016**	**31.12.2015**
a) As at the beginning of the period - 1 Jan 2016	152 478	165 526
- Shares	136 736	136 736
- Loans granted	13 702	28 032
- Other non-current financial assets	2 039	758
b) Increases	16 510	0
- Shares	16 500	0
- Loans granted	0	0
- Other non-current financial assets	10	0
c) Decreases	83 074	14 364
- Shares	78 080	0
- Loans granted	3 678	14 330
- Other non-current financial assets	1 316	34
d) As at the end of the period - 31 Dec 2106	85 914	152 478
- Shares	75 156	136 736
- Loans granted	10 024	13 702
- Other non-current financial assets	734	2 039

The balance of long-term loans to related parties included:

- Loan forGWI in the amount of PLN 10 024 thousand with interest rate based on 1M WIBOR plus margin;
- Loan for Budlex S.A. in the amount of PLN 13 702 thousand with interest rate based on 1M WIBOR plus margin.

Note 5. Shares or stocks in subsidiaries

As at 31.12.2016

	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the AGM
1.	Erbud Construction Sp. z o.o.	Toruń	Civil construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
2.	Toruńska Sportowa S.A. w likwidacji	Toruń	Civil construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
3.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil construction	subsidiary	full method	0	79	79.00%	79.00%
4.	Erbud International Sp. z o.o.	Toruń	Civil construction	subsidiary	full method	0	50	100.00%	100.00%
5.	GWI GmbH	Dusseldorf, Germany	Civil construction	subsidiary	full method	0	347	85.00%	85.00%
6.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	Road construction	subsidiary	full method	0	49 554	90.00%	90.00%
7.	Erbud Industry Sp. z o.o.	Toruń	Engineering services	subsidiary	full method	2 850	13 126	100.00%	100.00%
8.	Erbud CUW Sp z o.o.	Warszawa	Support services	subsidiary	full method	0	12 000	100.00%	100.00%
			Stocks or shares in direct controlled subsidiaries as at 31.12.2016			**2 928**	**75 156**		

As at 31.12.2015

	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the AGM
1.	Erbud Construction Sp. z o.o.	Toruń	Civil construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
2.	Toruńska Sportowa S.A. w likwidacji	Toruń	Civil construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
3.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil construction	subsidiary	full method	0	79	79.00%	79.00%
4.	Erbud International Sp. z o.o.	Toruń	Civil construction	subsidiary	full method	0	50	100.00%	100.00%
5.	GWI GmbH	Dusseldorf, Germany	Civil construction	subsidiary	full method	0	347	85.00%	85.00%
6.	Budlex S.A.	Toruń	Housing development	subsidiary	full method	0	73 575	89.96%	89.96%
7.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	Road construction	subsidiary	full method	0	49 554	94.27%	94.27%
8.	Erbud Industry Sp. z o.o.	Toruń	Engineering services	subsidiary	full method	2 850	13 126	100.00%	100.00%
			Stocks or shares in direct controlled subsidiaries as at 31.12.2015			**2 928**	**136 731**		

Note 5.1. Net profit (loss) attributable to fully consolidated companies

	31.12.2016	31.12.2015
Erbud International Sp. z o.o.	1 359	484
GWI GmbH	1 377	204
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	4 142	11 417
Erbud Industry Sp. z o.o.	2 355	122
Grupa Budlex S.A.	2 180	6 998
Erbud Industry Centrum (formerly Engorem Sp. z o.o.)	-305	-485
Erbud Rzeszów Sp. z o.o.	749	785
Erbud Industry Pomorze Sp. z o.o.	1 554	1 998
Erbud Industry Południe Sp. z o.o.	-2 038	-449

The above results refer to the performance of individual companies adopted for the consolidation purposes of the Erbud Group, i. e. taking into account the restatement of the results in accordance with the International Financial Reporting Standards.

Note 6. Securities, shares and other long-term financial assets (by saleability)

	31.12.2016	31.12.2015
Securities, shares and other non-current financial assets		
A. With unlimited transferability; listed on stock exchange market (carrying value)	0	0
B. With unlimited transferability; listed on OTC market (carrying value)	0	0
C. With unlimited transferability; not listed on a regulated market (carrying value)	0	0
D. With restricted transferability (carrying value)	184 974	184 974
a) Shares and stocks (carrying value)	75 156	136 737
- Value adjustments (cumulative)	-2 928	-2 928
- Value at the beginning of the period	0	0
- Value at acquisition prices	78 084	139 665
b) Bonds (carrying value)	0	0
c) Loans granted (carrying value)	10 024	13 702
d) Other - by type (carrying value)	734	724
- Value at acquisition price	810	810
- Value adjustments (cumulative)	-76	-86
e) Other forward contracts	0	1 315
Total carrying value	**85 914**	**152 478**

Note 6.1. Securities, shares and other long-term financial assets (by currency)

	31.12.2016	31.12.2015
Securities, shares and other long-term financial assets		
a) in Polish currency	85 567	152 131
b) in foreign currencies (by currency, converted to PLN)		
- in EUR	100	100
- In PLN (historical rate)	347	347
Total of securities, shares and other long-term financial assets	**85 914**	**152 478**

Note 7. Changes in deferred income tax assets

	31.12.2016	31.12.2015
1. Deferred income tax assets at the beginning of the period, incl.:	**21 068**	**25 813**
a) Recognized in financial result	**21 148**	**25 563**
- Holiday provision	787	672
- Retirement severance provision	160	103
- Remedial works provision	1 809	1 798
- Provision for contract losses	69	51
- Write-down of receivables	1 361	712
- Accruals for costs	1 724	13 211
- Valuation of building contracts	13 273	6 404
- Tax loss	0	1 088
- Provision on costs	900	187
- Write-down of inventories and investments	53	53
- Balance sheet valuation of interest on bonds	0	140
- Long-term investment impairment	556	556
- Lease liabilities	715	356
- Fixed assets under lease	-827	-526
- Discount of security deposit for receivables	474	758
b) Recognized in equity	**14**	**250**
2. Increases	**23 558**	**21 068**
a) Recognized in financial result	**23 408**	**21 054**
- Holiday provision	886	787
- Retirement severance provision	170	160
- Remedial works provision	2 287	1 809
- Provision for contract losses	71	69
- Write-down of receivables	1 134	1 361
- Accruals for costs	571	1 771
- Valuation of building contracts	11 669	13 273
- Tax loss	0	0
- Write-down of inventories and investments	53	53
- Long-term investment impairment	556	556
- Provision on cost	173	947
- Lease liabilities	811	715
- Fixed assets under lease	-978	-827
- Receivables discount	133	0
- Balance sheet valuation of interest on bonds	34	0
- Production in progress	5 790	0
- Other	48	474
b) Recognized in equity	**150**	**14**
3. Decreases	**21 068**	**25 813**
a) Recognized in financial result	**21 148**	**21 148**
- Holiday provision	787	672
- Retirement severance provision	160	103
- Remedial works provision	1 809	1 798
- Provision for contract losses	69	51
- Valuation of building contracts	13 273	6 404
- Write-down of receivables	1 361	712
- Tax loss	0	1 088
- Write-down of inventories and investments	53	53
- Long-term investment impairment	556	556
- Provision on cost	1 724	187
- Accruals	900	13 211
- Balance sheet valuation of bond interest	0	140
- Lease liabilities	715	356
- Fixed assets under lease	-827	-526
- Other	474	758

b) Recognized in equity	**14**	**250**
4. Deferred income tax assets at the end of the period, incl.:	**23 558**	**21 068**
a) Recognized in financial result	**23 408**	**21 148**
- Holiday provision	886	787
- Retirement severance provision	170	160
- Remedial works provision	2 287	1 809
- Write-down of receivables	1 134	1 361
- Accruals	571	1 724
- Valuation of building contracts	11 669	13 273
- Write-downs of inventories and provisions	53	53
- Long-term investment impairment	556	556
- Provision for contract losses	71	69
- Tax loss	0	0
- Provision on cost	173	900
- Lease liabilities	811	715
- Fixed assets under lease	-978	-827
- Discount of security deposit for receivables	133	0
- Balance sheet valuation of bond interest	34	0
- Production in progress	5 790	0
- Other	48	474
b) Recognized in equity	**150**	**14**

Note 7.1. Deferred income tax assets

	31.12.2016	31.12.2015
Deferred income tax assets		
- Valuation of long-term contracts	11 669	13 273
- Accruals	571	1 771
- Tax loss	0	0
- Provision for contract losses	71	69
- Employee provisions	1 056	947
- Remedial works provision	2 287	1 809
- Other provisions	173	853
- Production in progress	5 790	0
- Other	1 941	2 346
Total deferred income tax assets	**23 558**	**21 068**

Deferred income tax assets are created on the rate basis of 19% for positive and negative taxable temporary differences relating to assets and liabilities.

Note 8. Inventories

	31.12.2016	31.12.2015
Inventories		
a) Materials	0	0
b) Products and semi-products in progress	0	136
c) Goods	0	11
Total inventories	**0**	**147**

Note 8.1. Impairment of inventories; inventory revaluation write-offs

	31.12.2016	31.12.2015
As at the beginning of the period	262	262
Increases / Decreases	0	0
As at the end of the period	**262**	**262**

Note 9. Short-term receivables

	31.12.2016	31.12.2015
Current receivables		
a) From related parties	**7 844**	**11 811**
- due to deliveries and services with a maturity:	5 744	7 173
- less than 12 months	5 744	7 173
- over 12 months	0	0
- other	2 100	4 638
- claimed at court	0	0
b) From other entities	**330 140**	**291 410**
- due to deliveries and services with a maturity:	312 438	244 736
- less than 12 months	302 935	235 624
- over 12 months	9 503	9 112
- due to taxes, subsidies, duties, social and health insurance and other benefits	7 986	12 371
- other	9 716	8 387
- claimed at court	0	25 916
Total net current receivables	**337 983**	**303 221**
c) Write-down of receivables	7 343	8 199
Total gross current receivables	**345 326**	**311 420**

Note 9.1. Short-term receivables from related parties

	31.12.2016	31.12.2015
Current receivables from related parties		
a) Due to deliveries and services, incl.:	**7 844**	**7 173**
- from subsidiaries	5 744	7 173
b) Other	2 100	4 638
- from subsidiaries	2 100	4 638
c) Claimed at court	**0**	**0**
Total net current receivables from related parties	**7 844**	**11 811**
Total gross current receivables from related parties	**7 844**	**11 811**

Note 9.2. Changes in write-downs of short term receivables

	31.12.2016	31.12.2015
At the beginning of the period	**8 199**	**4 154**
a) Increases	172	4 166
- Creations	172	4 166
b) Decreases	1 028	121
- Impairment loss release	1 028	121
Short-term write-downs of receivables at end of the period	**7 343**	**8 199**

Note 9.3. Current receivables before tax (by currency)

	31.12.2016	31.12.2015
Current receivables before tax		
a) In Polish currency	320 269	278 967
b) equivalent in the Polish currency at the average exchange rate of the National Bank of Poland as at the balance sheet date (Euro is the original settlement currency)	25 057	32 453
Total current receivables	**345 326**	**311 420**

Note 9.4. Gross trade receivables with residual maturity from the balance sheet date

	31.12.2016	31.12.2015
Receivables from deliveries and services		
a) Less than 1 month	157 442	168 295
b) 1 - 3 months	0	0
c) 3 - 6 months	0	0
d) 6 - 12 months	0	0
e) Over 12 months	0	0
f) Retentions of less than 12 months	25 569	24 756
g) Retentions over 12 months	9 503	9 112
h) Overdue debts	131 801	82 651
Total receivables from deliveries and services (gross)	324 315	284 814
i) Write-downs of trade receivables	6 133	6 989
Total receivables from deliveries and services (net)	**318 182**	**277 825**

Note 9.5. Overdue trade receivables (before tax)

	31.12.2016	31.12.2015
Overdue receivables from deliveries and services		
a) Less than 1 month	52 623	25 842
b) 1 - 3 months	28 162	9 477
c) 3 - 6 months	8 338	15 627
d) 6 - 12 months	6 712	5 079
e) Over 12 months	35 966	26 626
Total overdue receivables from deliveries and services (gross)	131 801	82 651
f) Write-offs of overdue trade receivables	6 133	6 989
Total overdue receivables from deliveries and services (net)	**125 668**	**75 662**

The amount of overdue debts as at 31 December 2016 includes, but is not limited to disputable receivables of PLN 8 188 thousand from Kępska S.A. secured by mortgage and PLN 3 700 thousand from the Międzyzdrojski Rynek Sp. z o.o. owned by the municipal government. Due to the expected recovery of these receivables, the above items were not written off.

Note 10. Current financial assets

	31.12.2016	31.12.2015
Current financial assets		
a) In subsidiaries	3 168	1 184
- Loans granted	3 168	1 184
b) in joint controlled entities	0	0
c) In associates	0	0
d) In major investor	0	0
e) In the Parent	0	0
f) In other entities	7 064	0
- Loans granted	7 064	0
g) Cash and cash equivalents	150 812	101 225
- Cash at bank and in hand	131 953	92 021
- Other cash	18 859	9 204
Total current financial assets	**161 044**	**102 409**

	31.12.2016	31.12.2015
Cash in hand	49	31
Cash at bank accounts	150 763	101 194
- current accounts	95 067	59 552
- overnight deposits	837	453

- other deposits	36 000	28 000
- fixed-term deposits	0	3 985
Other cash	18 859	9 204
Total cash and cash equivalents, incl.:	**150 812**	**101 225**
- restricted cash and cash equivalents	18 859	9 204
Cash for the purposes of the cash flow account	**150 812**	**101 225**

Note 10.1. Cash and cash equivalents (by currency)

	31.12.2016	**31.12.2015**
Cash and cash equivalents		
a) In Polish currency	111 879	87 539
b) In foreign currencies (by currency and translated in PLN)		
- unit/currency PLN / 1 EUR (4.2615 and 4.2623)	8 800	3 212
- PLN	38 933	13 686
Total cash and cash equivalents	**150 812**	**101 225**

Note 10.2. Short-term loans granted (by currency)

	31.12.2016	**31.12.2015**
a) In Polish currency	10 232	1 184
b) In foreign currencies (by currency and translated in PLN)	0	0
- unit/currency PLN / 1 EUR (4.2623 and 4.1472)	0	0
- PLN	0	0
Total short-term loans granted	**10 232**	**1 184**

Note 11. Short-term prepayments

	31.12.2016	**31.12.2015**
a) Current prepayments, incl.:	84 219	102 961
- other costs	4 963	4 018
- long term contracts	79 256	98 943
Total current prepayments	**84 219**	**102 961**

Note 11.1. Prepayments under construction contracts

	31.12.2016	**31.12.2015**
Expected revenues from ongoing projects	2 999 614	2 247 834
Expected costs of ongoing projects	2 765 613	2 049 025
Expected margin on ongoing projects	234 001	198 809
Cumulative revenues recognized in the profit or loss	1 446 740	1 486 098
Cumulative costs recognized in the profit or loss	1 342 216	1 373 196
Cumulative margin recognized in the profit or loss	104 524	112 902
Margin to be recognized in subsequent periods	129 477	85 907
Percentage of margin to be recognized in subsequent periods	55,33%	43,21%
Revenue surplus over partial invoices by stage of completion	39 410	60 366
Costs surplus over expenses arising from accounting costs by stage of completion	41 907	40 502
Surplus on partial invoices over incomes by stage of completion	19 507	29 357
Surplus on costs resulting from accounting costs over expenses by stage of completion	39 845	38 576
Total amounts presented in prepayments	79 256	98 943
Total amounts presented in accrued liabilities	61 414	69 859

Long-term construction services have been valued using the contract performance stage method based on the measurement of works. Revenues, costs and profit were shown proportionally to the stage of completion of the works.

Note 12. Significant write-downs recognized and reversed due to impairment losses

Impairment losses on long-term financial assets	**31.12.2016**	**31.12.2015**
Opening balance	**2 928**	**2 928**
Increases / Decreases	0	0
Closing balance	**2 928**	**2 928**

Impairment losses on short-term financial assets	**31.12.2016**	**31.12.2015**
Opening balance	**0**	**0**
Increases / Decreases	0	0
Closing balance	**0**	**0**

Impairment losses on inventories	**31.12.2016**	**31.12.2015**
Opening balance	**262**	**262**
Increases / Decreases	0	0
Closing balance	**262**	**262**

Note 13. Share capital of ERBUD S.A. (structure)

Note 13.1 Shareholding structure as at 31.12.2016

The share capital of the Parent as of 31 December 2016 consisted of 12,811,859 shares with a total value of PLN 1,281,185.90. The structure of the share capital of the Parent as at 31 December 2016 was as follows:

Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	4 152 865	32.41%	None
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16.67%	None
NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (formerly ING PTE)	Ordinary	None	None	1 200 000	9.37%	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	512 087	4.00%	None

Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	2 594 101	20.25%	None
TOTAL				**12 811 859**	**100%**	
Par value of shares of all series in PLN		0.10	Share capital value in PLN	1 281 185.90		

The above table shows shareholders owning more than 5% of the share capital and has been prepared based on the book of shares.

Movements in the share capital of the Parent Company in 2016

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

Shares of Erbud SA owned by the above mentioned persons are not preference ones.

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

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

Significant movements in the share capital of the Company during the period from 1 January 2016 till the preparation of financial statements.

In 2016, there were no significant changes in the shareholding of the parent company.

Note 13.2. Shareholding structure as at 31.12.2015

Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	4 152 865	32.41%	None
DGI Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16.67%	None
NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (formerly ING PTE)	Ordinary	None	None	1 266 900	9.89%	None
AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None
Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	712 087	5.56%	None

Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	2 327 201	18.17%	None
TOTAL				**12 811 859**	**100%**	
Par value of shares of all series in PLN		0.10	Share capital value in PLN	1 281 185.90		

Shares of all series are entitled to dividends from the date of their registration in the National Court.

Note 14. Revaluation capital

	31.12.2016	31.12.2015
Total revaluation capital as at the beginning of the period	**1 006**	**-1 066**
a) due to profit /loss on valuation of financial instruments recognized under hedge accounting	-1 646	2 072
b) due to other adjustment s	0	0
Total revaluation capital as at the end of the period	**-641**	**1 006**

Note 15. Reserve capital (structure)

	31.12.2016	31.12.2015
a) Sale of shares in excess of the nominal value	13 840	13 840
b) Distribution to shareholders	-550	-550
c) Other (by type)	208 955	227 922
- issue of Series C shares (agio)	796	796
- issue of Series D share (agio)	119 896	119 896
- from profit	100 288	103 469
- from redemption of shares	-4 647	-4 647
- adjustment of CIT tax due to issue costs	767	767
- repurchase of own shares	484	484
- transfer from reserve capital	2 000	2 000
- issue of Series E shares	345	345
- issue of Series F shares	452	452
- issue of Series G shares	369	369
- issue of Series H shares	399	399
- issue of Series I shares	516	516
- issue of Series J shares	544	544
- manager options	2 532	2 532
- extraordinary dividend	-14 990	0
Total reserves	**222 245**	**241 212**

Note 16. Changes in provision for deferred income tax

	31.12.2016	31.12.2015
1. Provision for deferred income tax at the beginning of period, incl.:	**19 217**	**28 747**
a) Recognised in financial result	**18 967**	**28 747**
Valuation of loans as at the balance-sheet date	16	922
Valuation of construction contracts	18 799	13 575
Discounted liabilities	122	130
Accrued revenues	0	13 980
Other	30	140
b) Recognised in equity	**250**	**0**
2. Increases	**15 292**	**19 217**
a) Recognised in financial result	**15 292**	**18 967**

Valuation of loans as at the balance-sheet date	59	16
Valuation of construction contracts	15 064	18 799
Discounted liabilities	169	122
Accrued revenues	0	0
Other	0	30
b) Recognised in equity	**0**	**250**
3. Decreases	**19 217**	**28 747**
a) Recognised in financial result	**18 967**	**28 747**
Valuation of loans as at the balance-sheet date	16	922
Valuation of construction contracts	18 799	13 575
Discounted liabilities	122	130
Accrued revenues	0	13 980
Other	30	140
b) Recognised in equity	**250**	**0**
4. Provision for deferred income tax at the end of period, incl.:	**15 292**	**19 217**
a) Recognised in financial result	**15 292**	**18 967**
Valuation of loans as at the balance-sheet date	59	16
Valuation of construction contracts	15 064	18 799
Discounted liabilities	169	122
Accrued revenues	0	0
Other	0	30
b) Recognised in equity	**0**	**250**

Note 16.1. Provision for deferred income tax

Provision due to	31.12.2016	31.12.2015
- Valuation of construction contracts	15 064	18 799
- Other	228	418
Total provision for deferred income tax	**15 292**	**19 217**

Deferred income tax provision is created at the rate of 19% for positive and negative temporary differences related to domestic assets and liabilities.

Note 17. Changes in non-current provision for retirement and similar benefits

	31.12.2016	31.12.2015
a) As at the beginning of the period	843	542
b) Increases	54	301
- Retirement severance payments	54	301
c) Used	0	0
d) Dissolved	0	0
Jubilee	0	0
e) As at the end of the period	897	843

Note 18. Changes in current provision for retirement and similar benefits

	31.12.2016	31.12.2015
a) As at the beginning of the period	4 143	3 535
b) Increases	518	608
- Unused leave	518	608
c) Used	0	0
d) Dissolved	0	0
e) As at the end of the period	4 661	4 143

Note 19. Changes in other non-current provisions (by titles)

There were no such items.

Note 20. Changes in other current provisions (by titles)

	31.12.2016	31.12.2015
a) As at the beginning of the period	14 372	10 521
b) Increases	4 497	4 319
- Litigations and claims	1 610	3 896
- Remedial works	2 514	60
- Contract losses	373	363
c) Used	0	199
d) Dissolved	5 550	269
- Litigations and claims	5 187	0
- Remedial works	0	0
- Contract losses	363	269
a) As at the beginning of the period	**13 319**	**14 372**
- Litigations and claims	912	4 489
- Remedial works	12 034	9 520
- Contract losses	373	363

Note 21. Non-current liabilities

Note 21.1. Non-current liabilities

	31.12.2016	31.12.2015
a) To subsidiaries	0	0
b) To other entities	55 069	54 278
- Other financial liabilities, of which	2 319	2 278
- due to finance lease	2 319	2 278
c) From issue of debt securities	52 000	52 000
d) Other	750	0
Total long-term liabilities	**55 069**	**54 278**

Note 21.2. Non-current iabilities with residual maturity from the balance sheet date

	31.12.2016	31.12.2015
a) beyond 1 to 3 years	55 069	54 278
Total long-term liabilities	**55 069**	**54 278**

Note 21.3. Non-current liabilities (by currency)

	31.12.2016	31.12.2015
a) In Polish currency (PLN)	55 069	54 278
b) In foreign currencies (converted o PLN)	0	0
Total long-term liabilities	**55 069**	**54 278**

Note 22. Current liabilities

	31.12.2016	31.12.2015
a) To related parties	**38 492**	**37 732**
- Loans and borrowings	0	0
- Issue of debt securities	0	0
- Dividends	0	0
- Other financial liabilities	0	0
- Deliveries and services, with a maturity:	38 492	37 232
- of less than 12 months	38 337	37 019
- beyond 12 months	155	213
- Advances received for deliveries	0	0
- Liabilities due to bills of exchange	0	0
- Other	0	500
b) To other entities	**298 011**	**257 720**
- Loans and borrowings	0	0
- Issue of debt securities	0	0
- Dividends	0	0
- Other financial liabilities, incl.:	3 586	2 293
- Lease	1 949	1 485
- Interest on bonds	846	734
- Financial instruments	791	74
- Deliveries and services, with a maturity:	252 512	233 520
- of less than 12 months	249 322	230 263
- beyond 12 months	3 190	3 257
- Advances received for deliveries	16 457	11 964
- Liabilities from bills of exchange	0	0
- Taxes, customs, social insurance and other benefits	6 848	7 787
- Remuneration	1 640	1 809
- Other	1 978	347
- Liabilities towards shareholders due to extraordinary dividend payment	14 990	0
Total short-term liabilities	**336 503**	**295 452**

Note 22.1. Current liabilities (by currency)

	31.12.2016	31.12.2015
a) in Polish currency (PLN)	334 277	292 749
b) equivalent in the Polish currency at the average exchange rate of the National Bank of Poland as at the balance sheet date (Euro is the original settlement currency)	2 226	2 703
Total short-term liabilities	**336 503**	**295 452**

Note 23. Finance lease liabilities

Balance sheet value

	31.12.2016	31.12.2015
Up to 1 year	1 949	1 485
1 to 5 years	2 319	2 278
Beyond 5 years	0	0
Total	**4 268**	**3 763**

The Company uses financial leasing of means of transport. The average lease duration is 3 years. Liabilities due to lease contracts are secured by assets used under a finance leases.
Liabilities from financial leasing, both long-and short-term ones, the Company presents in the balance sheet under the item "Other financial liabilities."

Note 24. Loans and borrowings

As at 31.12.2016, lines of credit in 6 banks were available to the Company. As at 31.12.2016, the Company did not use the overdraft facility in any of the banks.

Terms and conditions of loan agreements

Under the loan agreements, the Group companies are obliged to meet certain financial ratios (covenants). Violation of terms of loan agreements, 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 of 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 risk in cooperation with financial institutions.

Here is a list of violated ratios:

Bank mBank

Ratio	*Level required*	*Level achieved*	*Comment*
Debts	no more than 65%	69%	not achieved

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

As at 31 December 2016, Erbud S.A. did not have any liabilities under bank loans.

Below are presented detailed data concerning bank loans and borrrowings as at 31. 12. 2016:

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	20 000	PLN	PLN	0	PLN	Wibor 3M+2.6%	30.06.2017	PKO BP
Collaterals/guarantees to repay the loan granted to Erbud S.A.								
Final collaterals:								
Security deposit - 10% of the limit								
Enforcement statement.								
Assignment of receivables from construction contracts of 120% of the loan and guarantee limit.								
Turnover – 30% of sales revenue through an account maintained with w PKO BP.								
Sureties provided by Erbud International Sp.z o.o. and PBDI S.A.								

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	34 000	PLN	PLN	0	PLN	Wibor 1M+1.6%	31.12.2017	ING S.A.
Collaterals/guarantees to repay the loan granted to Erbud S.A.								
Final collaterals:								
Security deposit - 10% of the guarantee granted for a period between 2 and 4 years; 15% of the guarantee granted for a period of over 4 years.								
Mortgage on developed property located in Toruń on Polna St. belonging to PBDI SA up to PLN 50 million.								
Enforcement statement.								
Assignment of receivables from construction contracts of 150% of the loan and guarantee limit.								
Turnover - through an account maintained with ING S. A. in the amount proportional to the Bank's involvement in the Group's financing.								

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 1M+1.8%	31.01.2018	mBank S.A.

Collaterals/guarantees to repay the loan granted to Erbud S.A.

Final collaterals:

Blank promissory note issued by the customer, accompanied by a promissory note declaration of 02/06/2009.
Confirmed assignment of contractual receivables to the bank with the total minimum value of contracts of PLN 60,000,000 in the period until their completion of at least 9 months, with the total average monthly turnover not lower than PLN 10,000,000 from the counterparties covered by the assignment.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	3 000	PLN	PLN	0	PLN	Wibor 3M+1.5%	02.01.2018	BNP Paribas Bank S.A.

Collaterals/guarantees to repay the loan granted to Erbud S.A.

Final collaterals:

Transfer of amounts from the account as collateral: 0% for a 12 month guarantee, 10% of the guarantee provided for 2 - 36 month, 15% of the guarantee in case of guarantees for over 36 months.

Enforcement statement.

Assignment of receivables from construction contracts of 100% of the loan and guarantee limit.

Turnover - through an account maintained with PNB Paribas S.A. in the amount proportional to the Bank's involvement in the financing of ERBUD S.A.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 3M+1.6%	04.09.2017	Alior Bank
Collaterals/guarantees to repay the loan granted to Erbud S.A.								
Final collaterals:								
Power of attorney to the current account and other accounts held with the Bank.								
Assignment of receivables from construction contracts of 150% of the loan and guarantee limit.								
Security deposit of 10% of the guarantee granted under the guarantee limit, in case of guarantees with a period of over 36 months.								

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	5 000	PLN	PLN	0	PLN	Wibor 1M+1.5%	31.10.2017	BZ WBK S.A.
Collaterals/guarantees to repay the loan granted to Erbud S.A.								
Final collaterals:								
Assignment of receivables from on-going and further construction contracts.								
Enforcement statement.								

Note 25. Calculation of book value per share

Book value per share is calculated by dividing the equity by the number of shares as at the balance sheet date.

2016: book value - PLN 213 867 thousand (equity); 12,811,859 shares = PLN 16.69 per share

2015: book value - PLN 234 774 thousand (equity); 12,811,859 shares = PLN 18,32 per share.

Note 26. Issuance / Redemption / Repayment of debt and equity securities

Note 26.1. Issuance / Redemption / Repayment of debt and equity securities

On 26 March 2014, the Company issued a total of 5 200 dematerialized, unsecured bearer bonds of B series, with an aggregate nominal value of PLN 52,000.000. The nominal value of one bond was PLN 10,000 and the issue price amounted to PLN 9 587. The redemption date was set at 26 March 2018. The interest rate on the Bonds is a floating rate based on the WIBOR 6M increased by a margin of 3%. Interest payable every 6 months.

On 25 April 2014, bearer bonds of B series issued by the Company were introduced to the BondSpot alternative trading system operating within Catalyst. The Company allocated financial funds for the redemption of 40,000 series A bonds issued by the Issuer and for the financing of increased demand for working capital related to record-breaking orders of the Erbud Group. The remaining 10,000 bonds od A series were redeemed at the originally agreed date, i.e. on 14 July 2014.

In 2016, the Company incurred financial costs due to interest on issued bonds amounting PLN 2 605 thousand.

Note 26.2. Issuance / Redemption / Repayment of equity securities

As at the date of preparing the Separate Financial Statements of Erbud S. A. and the Consolidated Financial Statements of the Erbud Group, as well as at the date of publication of these Financial Statements, the Company and the Group have no share-based incentive scheme, stock option scheme, warrant scheme or other derivatives.

Note 27. Acquisitions / Sale of subsidiaries / Sale of long-term investments

On **15 June 2016**, the Management Board of Erbud SA announced that it completed negotiations with Holdinvest 1 Sp. z o.o., seated in Warsaw, 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 conclusion of the Agreement is to be confirmed by the Issuer in a current report.

The Transaction was planned to be made 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:

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.

The Agreement provided 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 shall pay to the Issuer – under so-called allowed outflows - a dividend in the amount of PLN 17m. Also during this period, the Issuer shall pay PLN 10 million net to the subsidiaries of Budlex S.A. for a developed property located in Torun at 10 Wapienna St. occupied by Shared Services Centre operating within the structure of the Issuer, Torun Erbud S.A. Branch Office and the following subsidiaries of the Issuer: Erbud International Sp. z o.o.; PBDI S.A.; Erbud Industry Sp. z o.o.; and Erbud Contruction Sp. z o.o.

Further positive cash flows from transactions were valued at PLN 45 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.

Following the fulfilment of all conditions precedent, of which depended on the disposal of shares of the Company, an agreement to sell 100 percent of its shares through the brokerage house Q Securities based in Warsaw (the "Agreement") has been signed on 13 October 2016. Under the Agreement, the Issuer sold 100 per cent of the Company's shares to HOLDINVEST 1 sp. z o.o. headquartered in Warsaw for a price of PLN 45 million. Terms and conditions of the transaction described in the Current Report No. 48/2016 of 24 June 2016 have not changed, except that the Parties have agreed that instead of purchase by the Issuer of a developed property located in Toruń at 10 Wapienna St. 10, the Issuer has acquired a 100 percent stake in Budlex Properties sp. o.o. headquartered in Warsaw, which is the owner of the property. Budlex Properties Sp. z o. o. with its registered office in Warsaw does not conduct any other operating activity than the management of the property..

The first tranche of the price in the amount of PLN 10 million was paid on 30.09.2016. The second tranche of PLN 10,000,000 and PLN 25,000,000 was paid on 13.10.2016 and 27.10.2016 respectively.

On **10 October 2016,** an agreement was concluded between Budlex S.A. and Erbud S.A. for the sale of 248,120 shares constituting 100% of shares in Budlex Properties Sp z o. o. for the total price of PLN 12 million, i.e. PLN 48.36 per share. The payment was effected on 10.10.2016.

There were no changes in the structure of subsidiaries or long-term investments other than the aforementioned.

Note 28. Net trade income (by type – kind of activities)

	2016	2015
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	1 074 944	1 073 555
- of which to related parties	5 070	8 714
Total trade net income	**1 074 944**	**1 073 555**
- of which from related parties	**5 070**	**8 714**

Note 29. Net trade income (by region)

	2016	2015
a) Domestic	1 041 557	1 014 454
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	1 041 557	1 014 454
- of which to related parties	5 070	8 714
b) Export	33 387	59 101
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	33 387	59 101
- of which to related parties	0	0
Total trade net income	**1 074 944**	**1 073 555**
- of which from related parties	**5 070**	**8 714**

Note 30. Net income on sales of goods and materials (by region)

Both in 2016 and 2015, the Company did not achieve any revenues from the sale of goods and materials.

Note 31. Operating costs

Note 31.1. Expenses by type

	2016	2015
a) Depreciation and amortisation	2 971	2 323
b) Consumption of materials and power	134 081	117 256
c) External services	830 275	830 918
d) Taxes and charges	4 967	4 933
e) Remuneration	58 759	68 833
f) Social security and other benefits	13 563	13 979
g) Other costs	4 580	6 169
h) Goods and materials sold	0	0
Total expenses by type	**1 049 196**	**1 044 411**
Change in products and accrued expenses under construction contracts	209	5 117
Product cost of products for in-house use (negative value)	0	0
Sales cost (negative value)	0	0
General and administrative costs (negative value)	-48 582	-42 591
Value of goods and materials sold	0	0
Product cost of products sold	**1 000 823**	**1 006 937**

Note 31.2. Sale costs

The Company does not identify costs of sales due to their insignificant.

Note 32. Other operating income

	2016	2015
a) Profit on disposal of non-financial fixed assets, incl.:	3 995	1 156
- Fixed assets and fixed assets in progress	3 572	310
- Real estate	423	846
b) Subsidies	0	0
c) Other, incl.:	4 481	2 159
- Indemnities	455	694
- Provisions released	3 738	0
- Other	133	924
- Cancelled liabilities	155	10
- Write-downs on receivables	0	121
- Other (tax relief in Belgium)	0	410
Total other operating income	**8 476**	**3 315**

Note 33. Other operating expenses

	2016	2015
a) Loss on disposal of non-financial fixed assets	0	0
b) Revaluation of non-financial assets	0	0
- Impairment of receivables	0	0
- Impairment of inventories	0	0
c) Other, incl.:	6 359	9 484
- Impairment of receivables	172	4 166
- Write-downs on claims	15	1 790
- Penalties, fines and indemnities	3 012	306
- Cost of litigations	305	1 168
- Provisions created	2 514	1 397
- Donations	76	33
- Other	265	624
Total other operating expenses	**6 359**	**9 484**

Note 33.1. Income from interest

	2016	2015
a) Due to borrowings granted	573	1 505
- from related parties, of which:	191	1 505
- from subsidiaries	191	1 505
- form other entities	382	0
b) Other interest	1 006	845
- from related parties	0	0
- from other entities, of which:	1 006	845
- from capital investments	137	122
- other	869	723
Total income from interest	**1 579**	**2 350**

Note 33.2. Other financial income

	2016	2015
a) Exchange rate gains	4 494	1 326
- realized	4 087	1 268
- unrealized	407	58
b) Provisions released	0	0
c) Other	903	945
Total other financial income	**5 397**	**2 271**

Note 33.3. Financial income from dividends and share in profits

In the reporting period ended 31 December 2016, the Company recorded financial income due to dividend from its subsidiary GWI GmbH in the amount of PLN 499 thousand and from Budlex SA in the amount of PLN 17,000 thousand.

In the reporting period ended 31 December 2015, the Company recorded financial income due to dividend from its subsidiary Erbud Rzeszów in the amount of PLN 711 thousand.

Note 34. Financial costs

Note 34.1. Financial liabilities due to interest

	2016	2015
a) Loans and borrowings to	613	639
- related parties	0	0
- other entities	613	639
b) Other interest to	4 628	2 845
- related parties	0	0
- other entities, incl.;	4 628	2 845
financial liabilities due to lease	177	127
interest on outstanding tax	1	4
interest on bonds	2 605	2 600
other interest	1 845	114
other current liabilities	0	0
Total financial cost due to interest	**5 241**	**3 484**

Note 34.2. Financial costs - revaluation of investments

In the reporting period ended 31 December 2016, this item related to a loss on the sale of shares in Budlex S. A. in the amount of PLN 33,675 thousand.

In the reporting period ended 31 December 2015 there was no such an item.

Note 34.3 Other financial liabilities

	2016	2015
a) Foreign exchange losses	0	0
b) Provisions created	0	0
c) Other, incl.:	2 350	3 401
- charges on bank guarantee	20	235
- origination fees and commissions	1 815	2 237
- other	515	929
Total other financial costs	**2 350**	**3 401**

Note 35. Income tax

	2016	2015
1. Gross profit (loss), of which:	**10 865**	**16 304**
- gross profit (loss)	**10 865**	**16 304**
Tax non-deductible costs	**77 832**	**13 742**
Revaluation of receivables	1 200	4 166
Revaluation of long-term financial assets	0	33
Representation and advertising	538	3 814
Costs of damages	332	151
Budget interest	1	4
Other	280	668
Penalties and sanctions	0	0
Contribution to National Disabled Persons Rehabilitation Fund (PFRON)	256	604
Creation of provision for leaves	518	1 643
Creation of provision for remedial works	2 514	992
Creation of provision for retirement severance payments	54	415
Creation of provision for balance sheet audit	160	247
Creation of provision for loss on long- term contracts	373	363
Provision for costs	0	2 500
Non-deductible VAT	391	368
Accrued expenses of the period	-6 067	-60 459
Provisions for litigation	337	1 397
Written-off claims	15	1 779
Unpaid social insurance (ZUS) contributions	171	157
Unpaid remuneration	0	1 463
Donations	73	33
Balance sheet valuation of loans, receivables, payables and cash and cash equivalents	32	4 359
Balance sheet valuation of interest on loans	0	0
Contributions to the organizations	287	305
Depreciation of fixed assets leased	1 484	1 440
Financial costs on lease	177	127
Discounted receivables and payables	322	103
Interest expense on bonds (accrued)	112	734
Discounted bonds	178	237
Balance sheet impact of contract valuation	11 212	8 658
Overdue payments	0	-541
Litigation expenses	523	1 239

Construction costs taxed in Belgium	31 883	36 744
Production in progress	30 475	0
Book income not classified as tax income	**54 439**	**40 860**
Revaluation of investments	10	0
Surplus of balance sheet revenue over tax income from the valuation of contracts	0	0
Reversal of impairment losses on receivables	1 028	0
Balance sheet valuation of loans, receivables, payables and cash and cash equivalents	465	65
Dividend	15 793	711
Interest on loans	457	313
Release of provision for losses on long-term contracts	363	269
Release of provisions for remedial works	0	932
Release of provisions for holidays	0	1 035
Release of provisions for litigations	4 075	199
Discounted security deposit for receivables	0	295
Release of provisions for retirement	0	114
Taxation of construction revenue in Belgium	32 250	36 927
Tax costs not classified as book costs	**3 992**	**3 469**
Release of provision for balance sheet audit	247	196
Lease payments	2 124	1 261
Unpaid social insurance (ZUS) contributions	157	188
Unpaid remuneration	1 463	1 824
Tax costs not classified as book costs	**0**	**73 580**
Revenue from contracts (accrued)	0	73 580
2. Income tax base	**30 475**	**59 297**
3. Deductions from the tax base	**0**	**-5 725**
- Losses from previous years	0	-5 725
4. Tax base after deductions	**30 475**	**53 572**
5. Income tax at the rate of 19%	5 790	10 179
6. Current income tax declared in the tax return for the period		
7. Change in deferred tax asset (19%)	-2 490	4 745
8. Change in provision for deferred tax (19%)	-3 924	-9 531
9. Change in assets credited to capital from previous yeas	0	-250
10. Change in provision credited to revaluation capital	150	-236
11. Change in deferred tax provision and asset	**-6 414**	**-5 272**
12. Tax on dividends from a foreign company	**0**	**0**
13. Tax liability recognised in profit or loss	**-238**	**4 907**

Note 36. Net earnings per share

	31.12.2016	**31.12.2015**
Net earnings (loss)	11 103	11 397
Weighted average number of shares / Diluted weighted average number of shares (in units)	**12 811 859**	**12 780 257/ 12 811 859**
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)	**0.8666 / 0.8666**	**0.8918 / 0.8896**

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company, and weighted average number of ordinary shares in use during the year.

Note 37. Net profit (loss) – distribution

The Company's Management Board will propose to allocate the net profit for 2016 to reserves.

Note 38. Cash and cash equivalents at the beginning and end of the period

	31.12.2016	31.12.2015
a) Total cash (opening balance)	101 225	122 741
- Cash in hand and at bank	92 021	109 778
- Other cash	9 204	12 963
b) Total cash (closing balance)	150 812	101 225
- Cash in hand and at bank	131 953	92 021
- Other cash	18 859	9 204
Change in cash	**49 587**	**-21 516**
Change in cash due to exchange rate differences	0	0
Cash generated from operating activities	23 490	-22 767
Cash from investing activities	47 870	11 582
Cash from financing activities	-21 773	-10 331

Reconciliation of changes in balance sheet items to changes reported in the statement of cash flows for 2016 is presented below:

	31.12.2016
Change in liabilities in the balance sheet	**39 758**
Change in liabilities to shareholders due to the extraordinary dividend payment	-14 990
Change in liabilities in the cash flow account	**24 768**

	31.12.2016
Change in prepayments and accruals in the balance sheet	**7 807**
Changes in assets due to deferred tax recognized in the revaluation reserve	150
Change in prepayments and accruals in the cash flow account	**7 957**

	31.12.2016
Change in provisions in the balance sheet	**-4 656**
Change in provision due to deferred tax recognized in the revaluation reserve	250
Change in provisions in the cash flow account	**-4 406**

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

	31.12.2015
Change in prepayments and accruals in the balance sheet	**88 598**
Changes in assets due to deferred tax recognized in the revaluation reserve	-236
Change in prepayments and accruals in the cash flow account	**88 362**

	31.12.2015
Change in liabilities in the balance sheet	**-122 381**
Change in liabilities other financial liabilities	-670
Offsetting trade liabilities against receivables due to granted loans	3 347
Change in liabilities in the cash flow account	**-119 704**

	31.12.2015
Change in provisions in the balance sheet	**-4 770**
Change in provision due to deferred tax recognized in the revaluation reserve	-250
Change in provisions in the cash flow account	**-5 020**

Note 39. Financial instruments information

39.1. Carrying amount

The carrying value of all the Company's financial instruments, broken down in classes and categories of assets and liabilities as at 31 December 2016, is summarized in the table below:

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**
Loans granted	0	0	20 256	0	0	**0**	**20 256**
Financial assets	75 156	0	0	0	0	**0**	**75 156**
Building contracts retention money	0	0	35 072	0	-79 732	**0**	**-44 659**
Trade receivables, excluding building contracts retention	0	0	283 109	0	0	**0**	**283 109**
Receivables from customers under building contracts presented in prepayments	0	0	79 256	0	0	**0**	**79 255**
Derivative financial instruments	0	0	0	0	0	-791*	**-791**
Other financial assets	0	734	0	0	0	**0**	**734**
Cash and cash equivalents	0	150 812	0	0	0	**0**	**150 811**
Loans, borrowings and other external financing	0	0	0	0	-57 115	**0**	**-57 115**
Liabilities to customers under building contracts	0	0	0	0	-61 414	**0**	**-61 414**
Trade liabilities, excluding building contracts retention	0	0	0	0	- 211 273	**0**	**-211 273**
Other receivables and liabilities	0	0	11 816	0	-35 815	**0**	**-23 999**
Total	**75 156**	**151 546**	**429 509**	**0**	**-445 348**	**-791**	**210 071**

** The amount consists of the value of financial assets amounting to PLN 1 315 thousand and of financial liabilities amounting to PLN 2 160 thousand.*

The carrying value of all the Company's financial instruments, broken down in classes and categories of assets and liabilities as at 31 December 2015, is summarized in the table below:

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**
Loans granted	0	0	14 886	0	0	**0**	**14 886**
Financial assets	136 736	0	0	0	0	**0**	**136 736**
Building contracts retention money	0	0	33 868	0	-81 725	**0**	**-47 857**
Trade receivables, excluding building contracts retention	0	0	243 957	0	0	**0**	**243 957**
Receivables from customers under building contracts presented in prepayments	0	0	119 064	0	0	**0**	**119 064**
Derivative financial instruments	0	0	0	0	0	1 241*	**1 241**
Other financial assets	0	724	0	0	0	**0**	**724**
Cash and cash equivalents	0	101 225	0	0	0	**0**	**101 225**
Loans, borrowings and other external financing	0	0	0	0	-56 498	**0**	**-56 498**
Liabilities to customers under building contracts	0	0	0	0	-69 859	**0**	**-69 859**
Trade liabilities, excluding building contracts retention	0	0	0	0	-189 027	**0**	**-189 027**
Other receivables and liabilities	0	0	13 025	0	-14 621	**0**	**-1 596**
Total	**136 736**	**101 949**	**424 800**	**0**	**-411 730**	**1 241**	**252 996**

** The amount consists of the value of financial assets amounting to PLN 1 315 thousand and of financial liabilities amounting to PLN 74 thousand.*

39.2. Incomes, expenses, gains and losses recognized in profit or loss account by categories of financial instruments

For the period from 1 January 2016 to 31 December 2016

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**
Interest income (expense)	0	0	1 388	0	-4 740	0	**-3 352**
Gains (losses) from exchange rate differences	0	0	3 131	0	1 362	0	**4 493**
Release (creation) of revaluation write-offs	0	0	-172	0	0	0	**-172**
Gains (losses) on valuation	0	0	0	-322	0	0	**-322**
Gains (losses) on sale /realisation of financial instruments	0	0	0	-33 675	0	0	**-33 675**
Total	**0**	**0**	**4 348**	**-33 997**	**-3 378**	**0**	**-33 028**

Incomes, expenses, gains and losses recognized in profit or loss account by categories of financial instruments

For the period from 1 January 2015 to 31 December 2015

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**
Interest income (expense)	0	122	2 036	0	-3 451	0	**-1 293**
Gains (losses) from exchange rate differences	0	0	58	0	1 268	0	**1 326**
Release (creation) of revaluation write-offs	0	0	-4 045	0	0	0	**-4 045**
Gains (losses) on valuation	0	0	0	192	0	0	**192**
Gains (losses) on sale /realisation of financial instruments	0	0	0	0	0	0	**0**
Total	**0**	**122**	**-1 951**	**192**	**-2 183**	**0**	**-3 820**

The Company holds 5 872 participation units in Allianz Stabilnego Wzrostu FIO. The value of participation units as at 31.12.2016 amounted to PLN 734 thousand and the valuation income as of 31 December 2016 was PLN 10 thousand. The revaluation was recognised in the result of the reporting period.

Note 40. Revenues, costs and results of operations discontinued in the reporting period or intended to be discontinued in the subsquent period

There were no discontinued operations over the reporting period. Any type of activity is intended to be discontinued.

Note 41. Ttransactions with consolidated and non-consolidated related parteis (mutual receivables and liabilities as well as costs and revenues from mutual transactions)

	Receivables/assets	Liabilities	Income	Expenses
	as at 31.12.2016		as at 31.12.2016	
Item				
Total related parties	**21 036**	**38 492**	**6 646**	**45 450**
- Deliveries and services	5 744	38 492	5 070	44 950
- Loans and interest liabilities	13 192	0	191	0
- Other	2 100	0	1 385	500
Consolidated related parties	**21 002**	**38 492**	**6 644**	**45 450**
- Deliveries and services	5 710	38 492	5 068	44 950
- Loans and interest liabilities	13 192	0	191	0
- Other	2 100	0	1 385	500
Non- consolidated related parties	**34**	**0**	**2**	**0**
- Deliveries and services	34	0	2	0
- Other	0	0	0	0
- Loans and interest liabilities	0	0	0	0

	Receivables/assets	Liabilities	Income	Expenses
	as at 31.12.2015		as at 31.12.2015	
Item				
Total related parties	**26 697**	**37 732**	**11 171**	**149 740**
- Deliveries and services	7 173	37 232	8 714	149 240
- Loans and interest liabilities	14 886	0	1 505	0
- Other	4 638	500	952	500
Consolidated related parties	**26 666**	**37 232**	**11 168**	**149 740**
- Deliveries and services	7 142	37 232	8 711	149 240
- Loans and interest liabilities	14 886	0	1 505	0
- Other	4 638	500	952	500
Non- consolidated related parties	**31**	**0**	**3**	**0**
- Deliveries and services	31	0	3	0
- Other	0	0	0	0
- Loans and interest liabilities	0	0	0	0

Note 42. Shares held by key management personnel

As at 31 December 2016, the managing persons (members of the Management Board and the Supervisory Board, and commercial proxies) 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 AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	512 087	4.00%	512 087	4.00%
Dariusz Grzeszczak	Ordinary	773.900	6.04%	773.900	6.04%
Józef Adam Zubelewicz	Ordinary	259.500	2.03%	259.500	2.03%
Albert Duerr Supervisory Board member	Ordinary	28.000	0.22%	28.000	0.22%

As at 31 December 2015, the managing persons (members of the Management Board and the Supervisory Board, and commercial proxies) 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 AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	712 087	5.56%	712 087	5.56%
Dariusz Grzeszczak	Ordinary	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	Ordinary	259 500	2.03%	259 500	2.03%
Albert Duerr Supervisory Board member	Ordinary	14 500	0.11%	14 500	0.11%

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

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

Note 42.1. Remuneration of key management personnel

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

Name and surname	Position/Function	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2016	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2015
Dariusz Grzeszczak	Member	2 190	1 513
Józef Adam Zubelewicz	Member	2 190	1 514
Paweł Smoleń	Member	131	290

Remuneration of the ERBUD SA Supervisory Board members in the year ended 31 December 2016 and as at 31 December 2015 paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2016	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2016
Udo Berner	Chairman	90	90
Józef Olszyński	Deputy Chairman	24	72
Albert Dürr	Member	60	60
Gabriel Główka	Member	68	60
Zofia Dzik	Member	60	60
Michał Otto	Member	60	60
Janusz Lewandowski	Member	60	60
Janusz Reiter	Member	40	0

Note 43. Information about non-consolidated joint ventures

The Company does not participate in any significant non-consolidated joint ventures.

Note 44. Significant events that occurred during the tvelve months of 2016 and after the balance sheet date

On **5 January 2016**, the Issuer signed a construction contract on the following specified terms and conditions:
1. Investor: Capital Park Gdańsk Sp. z o. o., 1 Klimczaka St., 02-797 Warszawa.
2. Net contract value in PLN: 38,200,000 of which Phase I - 1,299,800 and Phase II - 36,900,200.
3. Contract subject: Rebuilding the former Neptun cinema and extending it upwards to form a townhouse with one-level basement car park on Długa and Piwna St. in Gdansk.
4. Site location: Gdańsk, Długa and Piwna St.
5. Duration of the works: Commencement on 07.01.2016 (issue of Notice to Proceed with Phase I); completion no later than 22 months after starting the Phase II.

On **28 January 2016**, the Issuer signed a construction contract on the following specified terms and conditions:
1. Investor: Zdrojowa Invest Sp. z o.o. Projekt 7 S.K.A, seated 00-545 Warszawa, ul. Marszałkowska 72/17,
2. Contract value: PLN 25,980,000 net.
3. Contract subject: Construction works - Builder’s finish of the hotel portion of Baltic Park Molo, including Aqua Park and a 5-Star Radisson Blu Resort, located in Świnoujscie.
4. Site location: Baltic Park Molo, Świnoujście.
5. Completion period: 29.01.2016–28.02.2017.

On **3 March 2016**, Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. from Toruń ("PBDI") - a subsidiary 90 percent owned by the Issuer, acting in a consortium ("Contractor") consisting of Przedsiębiorstwo Robót Mostowych "MOSTY-Łódź" S.A., seated in Łódź at 52 Bratysławska St.52, as the Consortium Leader, and Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A., seated in Toruń, as the Consortium Partner, concluded with the Municipality of Legnica seated in Legnica, Słowiański Sq. (“Employer”) a contract on preparation of design plans and specifications, route optimisation - if any, and financing, building and opening the South Collector Road, section from Jaworzyńska St. to Rzeczypospolitej Allee, within the framework of the project “Construction of the South Collector Road in Legnica, Phase II from Wojska Polskiego St. to Rzeczypospolitej Allee, incl. construction of a bridge over the Kaczawa River”.

The total net contract value is PLN 48,655,412.09 (say: forty-eight million, six hundred and fifty-five thousand, four hundred and twelve point zero nine Zlotys), of which to PBDI falls PLN 25,161,813.94 (say: twenty-five million, one hundred and sixty-one thousand, eight hundred and thirteen point nine four Zlotys).
The deadline for completion of Works and providing a final operating certificate shall be determined as of 30 October 2017.

On **3 March 2016,** Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. from Toruń, (the "Contractor"), a subsidiary 90 percent owned by the Issuer concluded with Orlik Sp. o.o., seated in Warszawa at 4/9 Włodarzewska St. (the "Investor") a contract to build the Iława III Wind Farm with a capacity of 12-13.2 MW.
The total net contract value amounts to PLN 14,950,000 (say: fourteen million, nine hundred and fifty thousand Zlotys).
The task is due to be completed by 30 July 2016.

On **14 March 2016,** Erbud concluded a contract to build a housing complex, including a multifamily residential building with basement garage and site development, located in Warsaw at the corner of streets Dywizjonu 303 / Łokuciewskiego on a part of plots with a cadastral number 14/1, 14/2 and 15, cadastral district 6-11-02, cadastral unit 146502_Bemowo.
The total net contract value is PLN 13,316,000 (say: thirteen million, three hundred and sixteen thousand Zlotys).
The task is scheduled to be completed by 17 July 2017.

On **16 March 2016,** Erbud entered into a contract with VD spółka z ograniczoną odpowiedzialnością MIESZKANIA XII sp. k., seated in Wrocław, to build a residential complex in Wroclaw.
Project name: "Nowy Gaj" - Construction of residential buildings A and located in Wrocław on Żegistowska St.
The total net contract value amounts to PLN 52,792,668.27 (say: fifty-two million, seven hundred and ninety-two thousand, six hundred and sixty-eight point two seven Zlotys).
The contract has been concluded as two agreements - one for building B with a value of PLN 23,861,305.41 net and the other for building A with a value of PLN 28,931,362.86 net.
Completion period: 79 weeks form the receiving of Notice to Proceed. A Notice to Proceed with building B shall be issued by 31.03.2016. A Notice to Proceed with building A shall be issued by 31.12.2016**.**

On **21 March 2016** Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. headquartered in Torun ("PBDI"), a subsidiary 90% owned by the Issuer, acting in a consortium ("Contractor") of: Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. from Toruń ("Consortium Leader"), WANT sp. o.o. seated in Tczew, 12 Korczaka St. ("Consortium Partner") concluded with the West Pomeranian Voivodship seated in Szczecin, 34 Korsarzy St. ("Employer") a contract for reconstruction of provincial road No. 203 on the section Dąbki-Darłowo.
The total net contract value amounts to PLN 25,522,682.69 (say: twenty-five million, five hundred and twenty-two thousand, six hundred and eighty-two, point six nine Zlotys). The value of range is competed by PBDI is PLN 20,623,526.49 (say: twenty million, six hundred and twenty-three thousand, five hundred and twenty-six, point four nine Zlotys) net.
The contract is due to be completed by 15.06.2017.

On **22 March 2016,** the Issuer signed a contract for construction works on the below specified conditions:
1. General Contractor Contract concluded on 22.03.2016.
2. The Investor: PORTO OFFICE B Sp. z o.o., 31-115 Kraków, 3/7 Garncarska St.; NIP (Tax Identification Number): 676-249-10-28.
3. Net contract value: PLN 25,577,000.
4. Contract subject: Execution as general contractor of construction works – Class B office building with underground parking, in-building services: water and sewerage system, mechanical ventilation and air conditioning, electrical wiring, lightning protection system, transformer station, heating system with heat distribution unit, located on plots 606 and 607, cadastral district Podgórze 10 in Kraków on Zielinskiego St., including on-site services and utilities: construction of entry road, reconstruction of pavement, bikepath, external drainage, traffic lights, water supply and sewage services, central heating service.
5. Site location: Kraków.

On **11 April 2016,** the Issuer concluded in consortium with P.W. EBUD-Przemysłówka Sp. o.o. Bydgoszcz, seated in Bydgoszcz at 11 Biskupińska St., a construction contract on the following terms and conditions:
1. Contract concluded on 11-04-2016.
2. Investor: Wojskowy Zarząd Infrastruktury ul. Kościuszki 92/98, 61-732 Poznań.
3. Contract value: PLN 93,480,000 net, of which the Issuer: PLN 51,414,000 net.

4. Contract subject: Construction of a large-area storage facility “SKŁAD PIŁA” for different kind of materials; task 55105.
5. Site location: Piła, Powstańców Wielkopolskich Avenue.
6. Completion period: 12.04.2016 – 30.04.2017.

On **25 April 2016,** the contract was signed for sale of an investment property by the Issuer’s subsidiary GWI GmbH, based in Düsseldorf

1. Contract subject: sale of the West Park residential building with 141 apartments, kindergarten and 144 parking spaces.
2. Contract concluded on 2016/04/25.
3. Parties to the contract
   a) Buyer: Düsseldorfer Wohnungsgenossenschaft eG, Wagnerstr 29, 40212 Düsseldorf
   b) Seller: PDI Düsseldorf Malmedyerstraße Ost GmbH and PDI Düsseldorf Malmedyerstraße West GmbH, where the GWI Bauunternehmung GmbH, Schiessstrasse 55, 40549 Düsseldorf owns 51 percent of the equity share capital in each company.
4. Contract value: Temporary price is EUR 29,620,656.00 (what after conversion at the exchange rate available on the date on which the contract was concluded gives PLN 129,916.20), the final price depends on final measurement and will be determined on the date of final acceptance inspection; payable within 10 calendar days after the commissioning.
5. Completion period: the building will be completed not later than by 2017/01/31.

The Issuer has a 85 percent interest in GWI GmbH.

On **27 April 2016,** Erbud signed a contract with Green Link spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw (the”Builder”) for the builder’s finish construction of a multifamily residential building with retail area, multi-bay underground garage and on-grade car park, including site development, underground and overground facilities, access road, sidewalks, vehicle entrance, lighting, mains and services (water supply and sewage).
The total net contract value: PLN 38,500,000 (say: thirty-eight million, five hundred thousand Zlotys).
Completion period: from 28-04-2016 to 31-12-2017.

On **4 May 2016,** the Issuer signed a construction contract on the following specified terms and conditions:

1. Contract concluded on 04-05-2016.
2. The Investor: BACOLI PROPERTIES Sp. z o.o., ul. Książęca 19 lok. 3, 00-498 Warszawa.
3. Contract net value: PLN 60,820,000.
4. Contract subject: construction of Hampton by Hilton brand hotel and office building on a plot located in Łódź at 155 Piotrkowska St.
5. Site location: Łódź, 155 Piotrkowska St.
6. Completion period: Commencement on 9 May 2016, completion on 31 January 2018.

On 23 May 2016, the Issuer signed a contract for construction works on the terms and conditions as below:

1. Investor: Promenady VII spółka z ograniczoną odpowiedzialnością spółka komandytowa based in Wroclaw, 44 Dąbrowskiego St.
2. Contract value: PLN 25,535,326.83.
3. Contract subject: PROMENADY VII residential building with retail area and basement car park, incl. on-site infrastructure and development works, interior fit-out and finishes on turn-key basis.
4. Completion period: sixty-eight weeks from the issue of Notice to Proceed.

On 25 May 2016, ERBUD S.A. signed a conditional contract for construction works on the following terms and conditions:

1. Contract concluded on 25.05.2016
2. Investor: BEREA sp. z o.o., seated in Warsaw at 19 Książęca St.3.
3. Contract value: PLN 534,610,239.00 (Fixed Contract Price).
4. Contract subject: Construction of GALERIA MŁOCINY Retail and Entertainment Centre.
5. Site location: plots 4/4 and 4/7, cadastral district 7-11-04 with a total area of 51.37 m2, located in Warsaw, on Zgrupowania AK "Kampinos" St.
6. Scheduled completion: 17.10.2018.

The Contract **comes** into force on condition that by the 15 July 2016 the Investor submits to the Issuer a Notice to Proceed.

On 14 July 2016, the Parties signed an Annex to the above-mentioned Contract specifying that the entry into force of the Contract is subject to the joint fulfilment of two following conditions which is expected no later than on 31

August 2016.

a) Delivery to the General Contractor a statement made by Financial Institution on the amount of granted funds, which must be not less than the net Fixed Amount. Any extension of the above term shall require that Parties must make an Annex in writing in order to be valid;

and

b) The Investor shall give the Contractor a notice to take over possession of the construction site and commence the Work within 5 business days from the date of receipt of the Notice.

On 15 September 2016, the Issuer received a Notice to Proceed by 1 October 2106 with the works related to the project GALERIA MŁOCINY Retail and Entertainment Centre. The Investor also provided documents concerning the financing of the project. Therefore the condition precedent to the entry into force of the contract has been met. The contract price amounts to PLN 534,610,239.00 (say: five hundred and thirty-four million, six hundred and ten thousand, two hundred and thirty-nine Zlotys). The works are to be completed within 27 months.

On 14 July 2016, a subsidiary of the Issuer - GWI GmbH, signed as a consortium member a contract for works on the below specified terms and conditions:

1. Contract subject: alteration of a shopping and office complex located in Düsseldorf, Rolandstraße 44.
2. Contract concluded on 2016/06/14.
3. Parties to the Contract:
   a. Customer: Forty Four Development GmbH, Johannstraße 37, 40476 Düsseldorf;
   b. Contractor: „Arge Forty Four" formed by:
   - GWI Bauunternehmung GmbH, Schiessstrasse 55, 40549 Düsseldorf – share of 54%;
   - ENGIE Deutschland GmbH, Aachener Straße 1044, 50858 Köln – share of 46%.
4. Contract value: € 16,150,535.75 net (=PLN 71,175,411.05), of which GWI GmbH has € 8,721,289.31 net (= PLN 38,434,721.98).
5. Completion period: 15.08.2016 - 31.07.2017.

On 15 July 2016, a contract for construction work was concluded by the Issuer on the following terms and conditions:

1. Inwestor: Promenady V VD spółka z ograniczoną odpowiedzialnością spółka komandytowa seated in Wrocław at 44 Dąbrowskiego St.
2. Contract net value: PLN 31,509,000.
3. Contract subject: construction of a residential buildings complex with underground car park, incl. in-building and on-site service infrastructure, development works, structural landscaping, greenery, accompanying buildings, and traffic circulation system with roads required for the non-road project developed by the Employer (Promenady Wrocławskie Estate, Phase 5), located on Zakładowa St./Słonimskiego St.
4. Site location: Wrocław, Zakładowa St./Słonimskiego St.
5. Completion period: Final Acceptance - within 70 (seventy) weeks from the delivery of Notice to Proceed; the fulfilment of the conditions for issuing Taking-Over Certificate - within 72 (seventy-two) weeks from the delivery of Notice to Proceed.

On 20 July 2016, a contract for construction work was concluded by the Issuer on the following terms and conditions:

1. Investor: BACOLI PROPERTIES Sp. z o.o. ul. Książęca 19-3, 00-498 Warszawa
2. Contract net value: PLN 103,832,103.17 (Fixed Contract Price).
3. Contract subject: construction of an office building with retail area located in Łódź at 155 Piotrkowska St.
4. Site location: Łódź, 155 Piotrkowska St.
5. Completion period: Commencement of Works within 5 working days from the date of receipt of Notice to Proceed (but no later than on 31 August 2016); Works are scheduled to be completed on 31 July 2018.

On 20 July 2016, the Issuer signed a contract for construction works on the terms and conditions as below:

1. Contract subject: Construction of the 5-star DOBOSZ HOTEL BLUE in Świnoujście.
2. Investor: DOBOSZ Hotel Blue Spółka Komandytowa seated in Police, 1 Wróblewskiego St.
3. Completion period: 20.07.2016 - 30.06.2018.
4. Contract value: PLN 83,0m.

On 2 August 2016, the Issuer signed a contract for construction works on the terms and conditions as below:

1. Investor: Montreal Spółka z ograniczoną odpowiedzialnością seated in 78-100 Kołobrzeg, 19 Henryka Sienkiewicza St.

2. Contract value: PLN 28,105,192.11.
3. Contract subject: core and shell of the “Seaside Park” Hotel and Health Complex with underground car park, incl. required infrastructure and rehabilitation and sports equipment.
4. Site location: Kołobrzeg, Przesmyk Street; plots with a cadastral Nos.29/1 and 29/2, cadastral district 6.
5. Completion period: Commencement of Works no later than within 7 days following the Construction Site handover by the Investor, which will take place no later than by the end of 30 August 2016. The Final Acceptance Certificate will be signed no later than by 30 June 2017.

On 2 August 2016, the Issuer signed a contract for construction works on the terms and conditions as below:
1. Investor: Mokotów Business & Airport Hotel Spółka z ograniczoną odpowiedzialnością seated in Warsaw, 18 Piękna St.
2. Contract value: PLN 36,111,145.90.
3. Contract subject: construction of the hotel building with a car park, incl. on-site development works.
4. Site location: Warsaw, Suwak St.; plot with a cadastral number 14, cadastral district 0801.
5. Completion period: Commencement of Works no later than within 7 days following the Construction Site handover by the Investor, which will take place no later than by the end of 30 August 2016. Obtaining by the Contractor the Final Occupancy Permit will take place no later than within 21 months from the date of delivery to the Contractor of the complete bottom plate detail design.

On 4 August 2016, the Issuer signed a contract for construction works on the terms and conditions as below:
1. Investor: Dom Development S.A., headquartered in 00-078 Warsaw, 3 Piłsudski Sq.
2. Contract value: PLN 32,175,000.
3. Contract subject: “Residential Complex” – construction of a multifamily residential building named “Apartamenty Włodarzewska 30” with underground car park and retail area on the ground floor, incl. required infrastructure with transformer station.
4. Site location: Warsaw, Sadurak St.
5. Completion period: 2016.08.06 – 2018.05.15.

On 25 August 2016, a construction contract has been concluded under the following terms and conditions:

1. Investor: ECHO Investment S.A., Al. Solidarności 36, 25-323 Kielce, NIP: 657-023-09-12.
2. Net contract value: PLN 29,150,000.
3. Contract subject: Execution of construction works as Prime Contractor to build the Residential Complex located in Kraków on Spiska St. (Phase 2), incl. surrounds of the building, on-site infrastructure, roads and parking area, services and development works.
4. Site location: Kraków.
5. Completion period: 25.08.2016 - 14.05.2018.

On 30 August 2016, the Issuer signed a conditional contract to build OUTLET CENTER located in Bydgoszcz on Pilicka St., incl. building facilities, external roads, park spaces, ingress/egress and required services under the following terms and conditions**:**
1. Investor: OUTLET CENTER Bydgoszcz Retail Management Akcyjna Sp. komandytowa, ul. Królowej Marysieńki 38, 02-954 Warszawa.
2. Contract value: PLN 37m net.
3. Completion period: 8 months from the date of entry into force of the Contract.

On 5 September 2016, a construction contract has been signed on the following terms and conditions:
1. Investor: "Galeria Katowice - Projekt Echo - 120 spółka z ograniczoną odpowiedzialnością" spółka komandytowo - akcyjna, Al. Solidarności 36; 25-323 Kielce NIP: 786-166-92-34.
2. Contract value: PLN 75m.
3. Contract subject: shall and core of LIBERO Shopping Centre located in Katowice on Kościuszki St. and Kolejowa St.
4. Site location: Katowice.
5. Completion period: 05.09.2016 – 14 09.2017.

On 5 October 2016, in Bełchatów, a contract was concluded by and between the consortium consisting of ERBUD SA (the “Leader”) and YARA ENVIRONMENTAL GMBH (the “Partner”) (collectively referred to as the "Contractor") and PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna ("the Employer") under the following terms and conditions:
1. Investor: PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna, ul. Węglowa 5, 97-400 Bełchatów.

2. Contract value: PLN 63.9 m net (of which ERBUD SA PLN 39.5m net and YARA ENVIRONMENTAL GMBH PLN 24,4m net).
3. Contract subject: installation of selective catalytic reduction (SCR) for two Benson OP-206 boilers, incl. modernization of water heaters, flue gas fans and rotary air heaters.
4. Site location: PGE GiEK S.A. Oddział Zespół Elektrowni Dolna Odra, Elektrownia Pomorzany [Pomorzany Power Station] located in Szczecin, 25/26 Szczawiowa St.
5. Completion period: 05.10.2016 - 07.11.2018.

On 18 October 2016, the Issuer as a consortium member concluded a significant contract for construction works under the following terms and conditions:
1. Investor: Miasto Stołeczne Warszawa seated 00-950 Warszawa, Pl. Bankowy 3/5, NIP:525-22-48-481, represented by Stołeczny Zarząd Rozbudowy Miasta, seated 00-099 Warszawa, ul. Senatorska 29/31.
2. Contract value: PLN 168,024,634.15 net; of which the ERBUD S.A. share amounted to PLN 84,012,317.07 net.
3. Contract subject: Construction of Southern Hospital. The subject of the agreement includes, in particular: redesign of project and bid documents; demolition, construction, finishing and MEP works; site development; architect's on-site services.
4. Site location: Warszawa, Pileckiego St., corner of I. Gandhi St.
5. Completion period: 18.10.2016 - 15.09.2018.

The contractor is a consortium formed by:
ERBUD Spółka Akcyjna - Consortium Leader, ul. Klimczaka 1, 02-797 Warszawa;
STRABAG Sp. z o.o. - Consortium Partner, ul. Parzniewska 10, 05-800 Pruszków;
STRABAG AG - Consortium Partner, Ortenburgerstrasse Nr 27, 9800 Spittal an der Drau;
Ed. Zueblin AG - Consortium Partner, Stuttgart D-70567, Albstadtweg 3.3.

On 20 October 2016, it has been signed a construction contract on the following terms and conditions:
1. Investor: VD spółka z ograniczoną odpowiedzialnością Mieszkania XV spółka komandytowa z seated in Wrocław.
2. Net contract value: PLN 12,550,000.
3. Contract subject: Four and five storey apartment building with an underground garage and retail area, incl. development works, on-site and in-building infrastructure, sidewalks, entrance to the underground car park, and mains and services (water supply and waste, storm drainage, central heating and low voltage system). Apartments in “builder’s finish” condition, with the possibility of finishing by the standards required by the Investor.
4. Site location: Warszawa, Saska Kępa Estate, Praga Południe District, Stanów Zjednoczonych Av./ Międzynarodowa St.
5. Completion period: 20.10.2016 - 21.12.2017.

On 25 October 2016, a significant construction contract has been signed by Erbud Industry Sp. z o.o. from the Erbud Group, owned 110 percent by Erbud S.A., on terms and conditions as specified below:
1. Investor: PGE Górnictwo i Energetyka Konwencjonalna S.A.; 97-400 Bełchatów, 5 Węglowa St.; NIP: 769-050-24-95.
2. Contract value: PLN 37,446,700 net, of which: task No. 1: PLN 19,231,900 net and task No. 2: 18,214,800 net.
3. Contract subject: Replacing mills DF90 No. 1 and DF-90 No. 2, incl. retrofitting the sorbent milling lines in Limestone Grinding Facility located in Bogatynia, of which: task No. 1: „Replacing the mill DF90 No. 1” and task No. 2: „Replacing the mill DF90 No. 2”.
4. Site location: Turów Power Plant, 59-916 Bogatynia, 12 Młodych Energetyków St.
5. Completion period: task No. 1: 25.10.2016 - 25.03.2018; task No. 2: 25.10.2016 - 25.11.2018.

On 27 October 2016, a significant construction contract has been signed on the following terms and conditions:
1. Investor: Fortum Silesia Spółka Akcyjna, 41-800 Zabrze, ul.Wolności 416; NIP: 648-000-12-89.
2. Contract value: PLN 24.3 net.
3. Contract subject: Buildings and secondary structures for the project "Construction of a new power plant on the premises of Fortum EC Zabrze".
4. Site location: 41-800 Zabrze, 416 Wolności St.
5. Completion period: 27.10.2016 - 22.06.2018.

The contract is performed by the consortium of ERBUD SA as the Leader and ERBUD INDUSTRY Sp. z o.o. as the Partner.

On **21 December 2016,** the Issuer entered into a construction contract for works associated with the erection of buildings B and C of the Centrum Praskie Koneser, incl. the accompanying infrastructure, located in Warsaw on Ząbkowska Str. on the following terms and conditions:

1. Investor: Centrum Praskie Koneser Spółka z ograniczoną odpowiedzialnością Spółka komandytowa.
2. Completion period: 09.01.2017 - 20.02.2018.
3. Contract subject: shell & core construction and MEP works of building B (building alteration and extension, addition of storeys on the warehouse and production building with personnel facilities, and conversion of use to the commercial area and hotel) and building C (addition of storeys above the filtration building and change of use to the office and commercial building) incl. the accompanying infrastructure and development works.
4. Contract value: EUR 11,675,291.48 (= PLN 51,520,726.24).

On **2 January 2017,** Erbud entered into a construction contract with a subsidiary of Vantage Development SA - VD spółka z ograniczoną odpowiedzialnością Mieszkania XIV sp.k. headquartered in Wrocław
The Contract includes carrying out of the Login City Housing Development Project – construction of a residential building located in Wroclaw on Grabiszyńska Street as a part of the City Login Development, including the necessary on-site infrastructure, services and landscaping.
The net Contract value is PLN 33.8 million. The Contract was concluded for the period of the performance by Erbud SA of all obligations arising therefrom, within 74 weeks from the date of Notice to Proceed, which may be issued by the Customer no later than on 31 March 2017.

On **27 January 2017**, the Issuer concluded a significant construction contract on the following terms and conditions.

1. Contract subject: Building of a four-star hotel complex consisting of three buildings, including site development, on plots 5/12, 5/2, 5/3 and 179/8 in Świnoujście, Żeromskiego St., and obtaining occupancy permit for these buildings.
2. Investor: Platinum Resort Sp. z o.o. ul. Bolesława Chrobrego 2/5, 72-600 Świnoujście.
3. Completion period: 6.01.2017 - 31.07.2018.
4. Volume: 61,425.00 m³.
5. Gross area: 15,119.00 m².
6. Range of works: Civil engineering works to build a three hotel building complex, incl. required in-building and on site facilities along with development works.
7. Contract value**:** PLN 53,468,654.49.

Apart from significant construction contracts, Erbud S.A. signed several contracts not exceeding the criterion of a "Significant Contract".

Note 45. Changes in accounting policy applied and the method of preparing financial statements, introduced in relation to the previous financial year (years), their causes and the impact on the asset and financial position, liquidity, performance and profitability

Due to its market position, the Company participates in contracts where it provides support to its related party Erbud Industry Sp. z o. o. However, these contracts are entirely carried out by the related company, while Erbud S.A. receives remuneration for the support in the form of a specified margin. In the opinion of the Management Board, the risks and benefits associated with the contracts are transferred to the related company. Therefore, starting from 1 January 2016, in order to better reflect the economic sense of the transactions, new rules for recognising revenues from these contracts were introduced by presenting only in the Company's profit and loss account only the margin realized on contracts, and not revenues and costs separately. However, these changes did not have a significant impact on the Company's assets or financial position presented in the financial statements and did not affect the Company's financial performance or equity. To ensure comparability of data, similar changes were made in the presentation of comparative data as at 31 December 2015, which also did not change the value of the financial performance or equity disclosed in the approved Financial Statements for the FY ended 31 December 2015.

The table below presents the restatement of the data from the financial statements for the previous year in connection with the introduction of presentation adjustments:

	Figures before the restatement	Presentation adjustments	Figures after the restatement
Profit and Loss Account			
Net revenues from sales of products, goods and materials, incl.:	1 167 999	-94 444	1 073 555
Net revenues from sales of products	1 167 999	-94 444	1 073 555
Costs of sold products, goods and materials, incl.:	1 101 381	94 444	1 006 937
-from related parties	149 240	94 444	54 796
Production cost of products sold	1 101 381	94 444	1 006 937

Note 46. Business combinations

In the periods ended 31 December 2016 and 31 December 2015, the Company did not merge with any other entity.

Note 47. Dividend policy - description of the dividends payment policy and any limitations connected. The dividend value per share for each financial year of the period covered by the historical financial information, adjusted for comparison purposes in case of changing the number of shares

On 28 April 2016, the Annual General Meeting of ERBUD SA In Warsaw adopted by Resolution No. 5 to distribute the net profit for the financial year 2015 as declared by the Management Board and approved by the Supervisory Board.

According to Resolution No. 5 of the AGM, the dividend amounting PLN 15,374,230.80 shall be paid to shareholders.

The dividend is 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 Erbud's reserves.

To the dividend are entitled 12,811,859 shares. Earnings payable as dividend amounted to PLN 1.20 per each share entitling to participate in the dividend.

The list of shareholders entitled to the dividend for 2015 shall be set for 17 May 2016 and the dividend payment date for 02 June 2016.

As at the date of preparation of the Consolidated Financial Statements, the dividend was paid.

in accordance with Resolution No. 3 of the Extraordinary General Meeting of ERBUD SA dated 22 December 2016 the extraordinary dividend has been paid to the Shareholders on 23 January 2017.

For the dividend for shareholders was allocated an amount of PLN 14,989,875.03, coming from the existing Company's supplementary capital, created from profits generated in previous years.

The payment of the Extraordinary Dividend pursued by the reduction (partial release) of the Company's supplementary capital in part resulting from the Company's profits achieved in previous years by the amount of PLN 14,989,875.03.

Profit allocated for the payment by way of the dividend amounted to PLN 1.17 per each share entitling to participate in the dividend. To the dividend were entitled 12,811,859 shares.

Pursuant to Resolution No. 3 of the Extraordinary General Meeting of Shareholders of Erbud SA dated 22 December 2016, the list of shareholders entitled to the extraordinary dividend was set at 9 January 2017.

Note 48. Average employment by occupational groups

Average employment	31.12.2016	31.12.2015
White-collar workers	421	336
Blue-collar workers	201	370
Total	**622**	**706**

Note 49. Liabilities to the state budget or local self-government units due to the ownership right to buildings and structures

As at 31.12.2016 and 31.12.2015, the Company had no obligations towards the state budget or local self-government units due to the ownership right to buildings and structures.

Note 50. Contingent liabilities to related parties

	31.12.2016	31.12.2015
Contingent liabilities to related parties from		
a) guarantees and sureties provided. of which	77 781	125 710
- to subsidiaries	77 781	125 710
- to associates	0	0
b) other, of which	0	0
- to subsidiaries	0	0
- to associates	0	0
Total contingent liabilities to related parties	**77 781**	**125 710**

Item	31.12.2016	31.12.2015
GWI GmbH – loan repayment guarantee	26 544	12 583
GWI GmbH – loan repayment guarantee	8 848	8 389
GWI GmbH, Erbud International – civil surety for Euler Hermes	0	46 138
Erbud Industry Sp. z o.o. – loan repayment guarantee	35 680	49 300
Erbud Industry Centrum Sp. z o.o. – loan repayment guarantee	6 709	9 300
Total contingent liabilities	**77 781**	**125 710**

Note 51. Derivative financial instruments

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

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

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

In connection with entering by ERBUD SA (the “Issuer”) into a contract for construction works to erect buildings B and C of the Centrum Praskie Koneser in Warsaw on Ząbkowska Str., incl. the accompanying infrastructure, of which the Issuer informed in the Current Report No. 90/2016 on 21 December 2016, the Issuer signed on 21 December 2016 a series of Par Forwards to secure cash flow from the aforementioned contract.

The hedging transaction was concluded with ING Bank Śląski seated in Katowice. The Issuer has secured cash flow for a total amount of EUR 11,675,291.46.

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

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

As at the balance sheet date, the cash flow hedge was highly effective. 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.

The table below shows the opening and closing balance sheet, incl. the change in fair value of hedging instruments recognized in revaluation reserve for 2016.

Item	**31.12.2016**	**31.12.2015**
Contract valuation as of the opening balance sheet date	1 241	-1 317
Change in valuation of forward contracts (hedges) recognized in revaluation reserve	2 032	2 558
Contract valuation as of the closing balance sheet date	**-791**	**1 241**

Note 52. Off-balance items

As at 31 December 2016, the Company had the following contingent liabilities:

- Liabilities under guarantees granted

Item	**31.12.2016**	**31.12.2015**
Guarantee to pay obligations	22 720	20 371
Performance bonds	232 598	162 704
Remedial works bonds	159 062	147 949
Total contingent liabilities	**414 380**	**331 024**

- Sureties granted to subsidiaries

.**Item**	**31.12.2016**	**31.12.2015**
GWI GmbH – loan repayment surety	26 544	12 583
GWI GmbH – loan repayment guarantee	8 848	8 389
GWI GmbH, Erbud International – civil surety for Euler Hermes	0	46 138
Erbud Industry Sp. z o.o. – loan repayment surety	35 680	49 300
Erbud Industry Centrum Sp. z o.o. – loan repayment surety	6 709	9 300
Total contingent liabilities	**77 781**	**125 710**

Note 53. Segment information

During the period ended 31 December 2016, the Company conducted operations under the following business segments:

- civil engineering - building construction;
- road-engineering;
- industrial construction.

During the reporting period ended 31 December 2016, the Company conducted operations in the following geographical segments:

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

The segmentation was done by qualifying individual construction contracts. The Company applies a uniform accounting policy for all segments.

Business segments

The tables below present the Company's proceeds and gains as well as certain assets and liabilities by business segments as at 31 December 2016.

Incomes and expenditures by business segments

For the period from 1 Jan to 31 Dec 2016	Building construction	Road-engineering	Power engineering	Other activity	Total
Sale to external clients	1 072 019	82	2 843		**1 074 944**
Total income	**1 072 019**	**82**	**2 843**	**0**	**1 074 944**
Cost of products, goods and materials sold to external clients	998 404	529	1 890		1 000 823
Total cost of products, goods and materials sold	**998 404**	**529**	**1 890**	**0**	**1 000 823**
Total gross sales	**73 615**	**-447**	**953**	**0**	**74 121**
Cost of sales	0	0	0	0	**0**
General and administrative costs	47 870	239	474	0	**48 583**
Profit (loss) on other operating activity	-383	2 500	0	0	**2 117**
Segment profit (loss)	**25 362**	**1 815**	**479**	**0**	**27 656**
Profit (loss) on other financing activity	-16 790	0	0		**-16 790**
Income tax	-238	0	0	0	**-238**
Net profit	**8 809**	**1 815**	**479**	**0**	**11 103**

Other items by business segments

For the period from 1 Jan to 31 Dec 2016	Building construction	Road-engineering	Power engineering	Total
Segment depreciation and amortization	2 971	0	0	**2 971**
Interest income	1 579	0	0	**1 579**
Interest expense	5 241	0	0	**5 241**
Impairment losses on assets	172	0	0	**172**
Reversal of allowance for impairment of assets	1 028	0	0	**1 028**
Investment outlays on:	3 024	0	0	**3 024**
- Property, plant and equipment	595	0	0	**595**
- Intangible assets	151	0	0	**151**
- Increase due to take over	0	0	0	**0**
Other non-monetary outlays	2 277	0	0	**2 277**

Incomes and expenditures by business segments

As at 31 Dec 2016	Building construction	Road-engineering	Power engineering	Total
Segment assets	677 465	0	0	**677 465**
Investment in an associated company	0	0	0	**0**
Deferred tax assets	23 558	0	0	**23 558**
Total assets	**701 023**	**0**	**0**	**701 023**
Segment liabilities	487 156	0	0	**487 156**
Total liabilities	**487 156**	**0**	**0**	**487 156**

The tables below present the Company's proceeds and gains as well as certain assets and liabilities by business segments as at 31 December 2015.

Incomes and expenditures by business segments

For the period from 1 Jan to 31 Dec 2015	Building construction	Road-engineering	Power engineering	Other activity	Total
Sale to external clients	1 032 779	3 973	36 803		**1 073 555**
Total income	**1 032 779**	**3 973**	**36 803**	**0**	**1 073 555**
Cost of products, goods and materials sold to external clients	961 807	7 572	37 558		1 006 937
Total cost of products, goods and materials sold	**961 807**	**7 572**	**37 558**	**0**	**1 006 937**
Total gross sales	**70 972**	**-3 599**	**-756**	**0**	**66 618**
Cost of sales	0	0	0	0	**0**
General and administrative costs	41 535	254	28	774	**42 591**
Profit (loss) on other operating activity	-6 169	0	0	0	**-6 169**
Segment profit (loss)	**23 268**	**-3 853**	**-784**	**-774**	**17 857**
Profit (loss) on other financing activity	-1 553	0	0		**-1 553**
Income tax	4 907	0	0	0	**4 907**
Net profit	**16 808**	**-3 853**	**-784**	**-774**	**11 397**

Other items by business segments

For the period from 1 Jan to 31 Dec 2015	Building construction	Road-engineering	Power engineering	Total
Segment depreciation and amortization	2 323	0	0	**2 323**
Interest income	2 350	0	0	**2 350**
Interest expense	3 484	0	0	**3 484**
Impairment losses on assets	4 166	0	0	**4 166**
Reversal of allowance for impairment of assets	121	0	0	**121**
Investment outlays on:	5 517	0	0	**5 517**
- Property, plant and equipment	2 338	0	0	**2 338**
- Intangible assets	154	0	0	**154**
- Increase due to take over	0	0	0	**0**
Other non-monetary outlays	3 024	0	0	**3 024**

Assets and liabilities by business segments

As at 31.12.2015	Building construction	Road-engineering	Power engineering	Total
Segment assets	671 870	0	0	**671 870**
Investment in an associated company	0	0	0	**0**
Deferred tax assets	21 068	0	0	**21 068**
Total assets	**692 938**	**0**	**0**	**692 938**
Segment liabilities	458 164	0	0	**458 164**
Total liabilities	**458 164**	**0**	**0**	**458 164**

Geographical segments

The tables below present the Company's proceeds and gains as well as certain assets and liabilities by regions as at 31 December 2016.

Incomes and expenditures by regions

For the period from 1 Jan to 31 Dec 2016	Domestic	Abroad	Total
Sale to external clients	1 041 557	33 387	**1 074 944**
Total income	**1 041 557**	**33 387**	**1 074 944**
Cost of products, goods and materials sold to external clients	969 019	31 804	**1 000 823**
Total cost of products, goods and materials sold	**969 019**	**31 804**	**1 000 823**
Total gross sales	**72 539**	**1 582**	**74 121**
Cost of sales	0	0	**0**

General and administrative costs	48 408	174	**48 582**
Profit (loss) on other operating activity	2 125	-8	**2 117**
Segment profit (loss)	**26 256**	**1 400**	**27 656**
Profit (loss) on other financing activity	-17 974	1 184	**-16 790**
Income tax	-238	0	**-238**
Net profit	**8 520**	**2 583**	**11 103**

Year ended 31 Dec 2016	**Domestic**	**Abroad**	**Total**
Segment depreciation and amortization	2 971	0	**2 971**
Interest income	1 417	162	**1 579**
Interest expense	5 241	0	**5 241**
Impairment losses on assets	172	0	**172**
Reversal of allowance for impairment of assets	1 028	0	**1 028**
Investment outlays on:	**3 024**	**0**	**3 024**
- Property, plant and equipment	595	0	**595**
- Intangible assets	151	0	**151**
Increase due to take over	2 277	0	**2 277**

Assets and liabilities by regions

Year ended 31 Dec 2016	**Domestic**	**Abroad**	**Total**
Segment assets	640 369	37 096	**677 465**
Deferred tax assets	23 433	125	**23 558**
Total assets	**663 802**	**37 221**	**701 023**
Segment liabilities	483 531	3 625	**487 156**
Total liabilities	**483 531**	**3 625**	**487 156**

The tables below present the Company's proceeds and gains as well as certain assets and liabilities by regions as at 31 December 2015.

Incomes and expenditures by regions

Year ended 31 Dec 2015	**Domestic**	**Abroad**	**Total**
Sale to external clients	1 014 454	59 101	**1 073 555**
Total income	**1 014 454**	**59 101**	**1 073 555**
Cost of products, goods and materials sold to external clients	950 434	56 503	1 006 937
Total cost of products, goods and materials sold	**950 434**	**56 503**	**1 006 937**
Total gross sales	**64 020**	**2 598**	**66 618**
Cost of sales	0	0	**0**
General and administrative costs	41 542	1 050	**42 591**
Profit (loss) on other operating activity	-6 582	412	**-6 169**
Segment profit (loss)	**15 897**	**1 960**	**17 857**
Profit (loss) on other financing activity	-2 170	618	**-1 553**
Income tax	4 131	776	**4 907**
Net profit	**9 595**	**1 802**	**11 397**

Year ended 31 Dec 2015	**Domestic**	**Abroad**	**Total**
Segment depreciation and amortization	2 323	0	**2 323**
Interest income	2 350	0	**2 350**
Interest expense	3 484	0	**3 484**
Impairment losses on assets	4 166	0	**4 166**
Reversal of allowance for impairment of assets	121	0	**121**
Investment outlays on:	**5 517**	**0**	**5 517**
- Property, plant and equipment	2 338	0	**2 338**
- Intangible assets	154	0	**154**
Increase due to take over	3 024	0	**3 024**

Assets and liabilities by regions

Year ended 31 Dec 2015	Domestic	Abroad	Total
Segment assets	647 973	23 897	**671 870**
Deferred tax assets	20 890	178	**21 068**
Total assets	**668 863**	**24 076**	**692 938**
Segment liabilities	454 030	4 134	**458 164**
Total liabilities	**454 030**	**4 134**	**458 164**

Note 54. Differences between financial statements prepared under Polish Accounting Standards (PAS) and financial statements prepared under International Financial Reporting Standards (IFRS)

In the period ended 31 December 2016, the Company's financial statements prepared under PAS and IFRS did not show any significant differences.

Note 55. Remuneration of an auditor or entity authorized to audit financial statements paid or payable for the financial year

2018 Audit - Under the agreement on audit and review of the financial statements of 30 June 2016, in the current reporting period the Company incurred a total of PLN 313 thousand of costs related to the review of the separate and consolidated financial statements prepared as at 30 June 2016 and the audit of the separate and consolidated financial statements prepared as at 31 December 2016.

2015 Audit - Under the agreement on audit and review of the financial statements of 30 June 2015, in the current reporting period the Company incurred a total of PLN 450 thousand of costs related to the review of the separate and consolidated financial statements prepared as at 30 June 2015 and the audit of the separate and consolidated financial statements prepared as at 31 December 2015.

Note 56. Significant transactions concluded by the Company with related parties on conditions other than market ones

There were no such transactions.

Note 57. Information on the nature and economic purpose of agreements concluded by the Company which are not included in the balance sheet to the extend necessary to assess their impact on the assets, financial position and financial performance of the Company

There were no such contracts.

Note 58. Significant events from previous years included in the financial statements for the current period

For details see Note 61.

Note 59. Significant events subsequent to the balance sheet date not included in the financial statement

After the balance sheet date, no significant events other than those mentioned in Notes 44 and 61 occurred. .

Note 60. Asset-backed securities

None.

Note 61. Pending ligations

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. The amount 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.

On 4 November 2016, the Issuer lodged an appeal against the judgement of the District Court in Warsaw of 16 September 2016, dismissing the action in case XVI GC 964/10. The verdict was challenged in its entirety.
The allegations focus in particular on incorrect findings and conclusions by the Court of First Resort on faulty determination by the Court of the content of disputed transactions and misinterpretation of documents, including those confirming the transaction. Furthermore, the appeal cited the numerous verdicts of the District Court and Court of Appeal in Warsaw issued in similar cases, in which the courts delivered judgments beneficial for the customers of Millennium Bank being in a situation very close to the Issuer.

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 related to the execution of the project: extension of the Airport Modlin

Case state - 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 10 million.

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 Law Office 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 further exchange of pleadings.

Having regard to the complicated factual state of the case and the length of evidence submitted in the proceedings, including the probability of conducting several expert opinions, the judgment of the court of first instance will probably not be issued earlier than after approx. 3 years from the date of filing the statement of claim by the 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 (say: eighteen million, six hundred and eighty-five thousand, nine hundred and fifty-six, point nine seven), of which a claim of PLN 8,098,200.89 (say: eight million, ninety-eight thousand, two hundred, point eight nine) against Cemex Polska sp. z o.o., and of 10,587,756.08 (say: ten million, five hundred and eighty-seven thousand, seven hundred and fifty-six, point zero eight) against Lafarge Kruszywa i Beton sp. z o.o.

In the following months, the parties exchanged further pleadings in which they upheld their positions, provided additional arguments, and responded to procedural and evidentiary issues.

On 9 May 2017, the Court issued a decision on the preservation of evidences by the Institute of Structural Engineering at Poznan University of Technology in the form of samples of gravel from deposits extracted by Cemex and Lafarge.

Taking into account that the case relates to complicated technical problems, which results in the risk of taking evidence from experts’ opinions, the judgment of the Court of First Instance is unlikely to be issued earlier than approx. 3 years after the filing of the claim by Erbud.

According to our estimates, the chance of awarding a claim to Erbud is greater than the risk of dismissal.

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 9,877,132 (8,187,631.31 + 1,689,500)

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

At the hearing on 11 January 2017, the Court issued an evidence decision in which evidences from the documents presented by Kępska at the end of 2016 and evidence from the additionally expert opinion were accepted. ERBUD S.A. lodged objections to the minutes and required the reissue of the evidence decision both with regard to the admission of the documents attached to the aforementioned pleadings as well as the evidence argument for the expert on the proof of "delay" of ERBUD S.A. in performance of the contract for construction works. It is expected that the closure of the proceedings before the First Instance Court will be in 2017.

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.. The defendant appealed, the plaintiff responded to the appeal. The date of the appeal hearing has been set for 09. 03. 2017..

Claim against Akademia Muzyczna in Łódź

Date of filing a lawsuit: 20 December 2013.

The amount in dispute: PLN 2,050,515

Case state: 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 as 11.03.2016.

At the request of the Academy of Music, mediation proceedings are underway to settle the case.

Note 62. Expenditures on non-financial assets incurred in the last year and planned for the next one, including those for environmental protection

As at 31 December 2016 and in the previous financial year the Company did not incur any environmental protection expenditure.

Expenditures on non-financial assets incurred during the reporting period amounted to PLN 595 thousand.

Planned capital outlays for non-financial assets in 2017 are PLN 1 500 thousand.

Note 63. Extraordinary earnings and losses (random and others)

Such events did not occur.

Note 64. Income tax due to extraordinary operations

There were no extraordinary operations.

Note 65. Seasonality

The sale of construction and erection services in Poland is characterised by a certain seasonality related primarily to weather conditions. The highest revenues are usually achieved in the third quarter, while the lowest - in the first one. However, it cannot be considered a typically seasonal activity.

Note 66. Objectives and principles of financial risk management

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

Foreign exchange risk

As a part of the core business, the Company concludes construction contracts that are denominated in foreign currencies (mainly in the Euro). The currency risk management policy adopted by the Management Board consists in adjusting the contract underlying currency to the currency of expenses related under this contract. Contracts carried out in Poland are concluded in the Polish currency (Polish Zlotys, PLN) while those executed abroad are signed in Euros.

The Company applies hedge accounting (contract for construction works signed with Spółką Hala Koszyki Grayson Investments sp. z o.o. sp.k. - certain payments are in Euros).

Interest rates risk

The interest rates risk occurs mainly when the Company takes advantage of bank loans and borrowings, issued bonds and financial lease. These financial instruments are based on variable interest rates and expose the Company to the risk of changes in cash flows. In addition, the Company invests cash surpluses in deposits with a variable interest rate (deposits), which reduces the return on investments in the event of a decrease in interest rates.

The Company also uses fixed rate instruments in which market interest rate movements do not affect interest costs or interest income. Trade receivables and payables and other receivables and liabilities are not interest bearing and have maturity of up to one year.

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

Price risk

The Company is exposed to price risk associated with going up of prices of most commonly purchased building materials such as steel and concrete.

The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase in material prices and labour costs, costs of services rendered for the Company by the subcontractors may rise as well. Prices in contracts concluded with investors are generally fixed ones throughout the contract period - usually from 6 to 36 months, while contracts with subcontractors are concluded at later dates, as individual works progress.

In order to reduce the price risk, the Company monitors on an ongoing basis prices of the most frequently purchased building materials, and the parameters in the contracts signed, including the duration of the contract and the its value, are appropriately adjusted to the market situation.

Credit risk

Financial assets of the Company, which are exposed to increased credit risk, are trade receivables. The Company applies a policy of evaluation and verification of credit risk related to all contracts, both at the pre-offer stage and during the execution phase.

Before signing the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the conclusion of a contract depends on providing adequate financial or property securities. In addition, the conditions of contracts with customers provide for the right to suspend the execution of works, in case of any delay in payment for services rendered. As far as possible, contractual provisions are also applied that make payments to subcontractors conditional on the receipt of funds from the customer.

The age structure of receivables is presented in Note 9.

Liquidity risk

In order to mitigate the risk of losing liquidity, the Company maintains an appropriate amount of cash and transferable securities as well as concludes credit facility agreements, which serve as an additional liquidity security. To finance investment purchases, the Company uses its own funds or long-term financial lease agreements, ensuring adequate durability of the financing structure for this type of 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 limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired under the periodic depositing of surplus cash.

The liquidity management is supported by the current reporting system for liquidity forecasts by the Company..

Interest rate sensitivity analysis

The Company estimated the potential changes in market risk as follows:

100 bps change in the PLN interest rate (increase or decrease in interest rate)

The impact of taxation is not taken into account in the sensitivity analysis

The impact of possible changes on the Company's financial performance and equity is presented in the table below:

Interest rate sensitivity analysis

Financial statement item	Value in PLN '000	Interest rate risk in %	
		Impact on result	
		(PLN,EUR) +100 pbs	(PLN,EUR) -100 pbs
Loans granted	20 256	203	-203
Cash and cash equivalents	150 812	1 508	-1 508

Impact on financial assets	150 812	1 508	-1 508
Bonds issued	52 000	-520	520
Leasing	4 269	-43	43
Impact on financial liabilities	5 905	-558	558

Analysis of sensitivity to the risk of changes in exchange rates (PLN/EUR)

Financial statement item	Value in EUR '000	Currency risk	
		Impact on profit in PLN '000	
		10% PLN/EUR revaluation	10% PLN/EUR devaluation
Cash and cash equivalents	38 933	-880	880
Trade and other receivables	25 057	-566	566
Financial assets – loans granted	10 024	-227	227
Impact on financial assets	74 014	-1 673	1 673
Trade and other liabilities	2 226	50	-50
Impact on financial liabilities	76 240	1 723	-1 723

Note 67. Previous periods errors adjustment

During the period of 12 months ended 31 December 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.

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 20, 2017