

ERBUD GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARD

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016 (in PLN thousands)

	Note	Year ended 31 December 2016	Year ended 31 December 2015 *Figures after restatement **
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	24	1 789 776	1 715 418
Cost of sold products and services and of goods and materials	25	1 660 284	1 600 373
Profit (loss) from sales before tax		**129 492**	**115 045**
Cost of sales		5 236	4 659
General and administrative costs		80 330	69 885
Other operating income	26	11 467	11 954
Other operating expenses	26	9 566	11 803
Share of net profit (loss) of subsidiaries valued by equity method	5	0	0
Profit (loss) from operating activities		**45 827**	**40 652**
Financial income	27	7 826	3 389
Financial expenses	27	10 433	10 128
Profit (loss) from continuing operations before tax		**43 220**	**33 913**
Income tax	28	7 950	10 662
Net profit (loss) from continuing operations		**35 270**	**23 251**
Net profit (loss) from discontinued operations		-34 194	8 438
Net profit (loss) for the financial year		**1 076**	**31 689**
Profit for the financial year attributable to:			
Shareholders of the Parent Company		1 791	27 846
Minority shareholders		-715	3 843
Basic earnings (loss) per share (in PLN))			
from continuing operations		2.75	1.82
from discontinued operations		-2.67	0.66
Diluted earnings (loss) per share (in PLN)			
from continuing operations		2.75	1.81
from discontinued operations		-2.67	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Consolidated net profit (loss)	**1 076**	**31 689**
Other comprehensive income, which under specified conditions will be initially reclassified to profit or loss		
Foreign exchange differences from translation of foreign branches and entities	574	470
Valuation of hedging instruments	-1 646	2 073
Other total net incomes	**0**	**0**
Total revenue for the period	**4**	**34 232**
attributable to:		
Shareholders of the Parent Company	727	30 355
Minority shareholders	-723	3 877
Total income attributable to Shareholders of the Parent Company:		
- from continuing operations	34 921	22 617
- from discontinued operations	-34 194	7 738

* Information on data restatement in Note 4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2016 (in PLN thousands)

	Note	31.12.2016	31.12.2015 *Figures after restatement* *	1.12.2015 *Figures after restatement* *
ASSETS		**947 297**	**1 078 767**	**1 031 323**
Fixed assets		**103 496**	**174 585**	**162 161**
Tangible fixed assets	6	46 073	45 963	42 430
Investment property	10	0	51 503	9 377
Goodwill	9	22 968	22 968	22 066
Intangibles	06.3	1 958	2 263	2 263
Non-current financial assets	10	2 876	12 808	41 298
Deferred tax assets	28	17 029	39 000	44 651
Performance bonds / retention under construction contracts		12 565	0	0
Prepayments		27	80	76
Current assets		**843 801**	**904 182**	**869 162**
Inventory	11	2 757	127 987	112 336
Trade and other receivables	12	390 083	327 612	317 643
Income tax receivables	12	4 771	3 913	5 883
Other financial assets	10	22 788	37 440	23 126
Fixed assets held for sale	7	0	3 135	0
Cash and cash equivalents	14	257 273	222 137	186 372
Construction contracts	22	127 600	137 359	161 966
Short-term prepayments and accruals	13	6 265	5 209	6 503
Performance bonds / retention under construction contracts	12, 23	32 264	39 390	55 333
LIABILITIES		**947 297**	**1 078 767**	**1 031 323**
Equity attributable to shareholders of the Parent Company		**251 660**	**278 753**	**254 217**
Share capital	15.1	1 281	1 281	1 276
Exchange differences on translating foreign branches and entities		1 343	761	671
Valuation of hedging instruments		-640	1 006	-1 067
Supplementary capital	15.2	213 197	229 619	223 094
Undistributed profits		36 479	46 086	30 243
Minority interests		**9 145**	**16 912**	**13 192**
Total shareholders' equity		**260 805**	**295 665**	**267 409**
Long-term liabilities		**81 203**	**138 245**	**144 797**
Bank loans and borrowings	16	8 002	25 947	22 801
Other financial liabilities	18.1	5 656	7 159	6 624
Provision for retirement and similar benefits	19	1 932	1 727	1 455
Other provisions	19	2 650	3 780	3 538
Provision for issuance of bonds	19	52 000	65 000	65 000
Performance bonds / retention under construction contracts	23	7 588	0	0
Provision for deferred income tax	28	2 625	34 632	45 379
Other financial liabilities	18.2	750	0	0
Short-term liabilities		**605 289**	**644 857**	**619 117**
Bank loans and borrowings	16	43 916	81 419	30 065
Other financial liabilities	18.3	6 663	6 266	0
Trade and other liabilities	20	313 418	264 085	401 548
Current tax liabilities	20	4 610	4 740	2 751
Liabilities due to bonds issue		0	0	0
Provision for retirement and similar benefits	19	8 972	8 531	7 124
Other provisions	19	28 420	21 840	15 448
Performance bonds / retention under construction contracts	12, 23	89 130	98 100	92 832
Building contracts	22	110 144	120 152	42 538
Other accruals	13	16	39 724	26 811

* Information on data restatement in Note 3.1

Signature of person preparing the Financial Statement

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/ Chief Accountant /

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Paweł Smoleń
/ Management Board Member /

Warsaw, March 20, 2017

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016 (in PLN thousands)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Profit / (loss) before tax		**45 400**	**44 829**
Total adjustments:		**29 159**	**-35 360**
Depreciation and amortization		10 896	10 568
(Profit) loss from exchange rate differences		149	-56
Interest and dividends received		4 958	4 183
(Profit) loss on investment activities		-4 005	-8 602
Change in provisions	14	7 040	8 087
Change in inventory	14	59 446	-10 652
Change in receivables	14	-74 547	8 799
Change in short-term liabilities, excluding loans and borrowings	14	43 939	-135 858
Change in prepayments and accruals	14	-14 563	117 649
Change in escrow accounts		4 655	-9 110
Other adjustments		2 785	-5 306
Income tax paid		-11 594	-15 062
Net cash used in operating activities		**74 559**	**9 469**
Cash flows from investment activities			
Inflows		**55 131**	**30 594**
Disposal of intangible and tangible fixed assets		7 298	868
Disposal of investment in real property and intangible assets		655	973
From financial assets, incl.		47 105	17 025
- Repayment of granted loans		1 824	16 901
- Dividends and interest received		137	124
- Disposal of financial assets		144	0
- Sale of a subsidiary		45 000	0
Net inflows from the sale of jointly controlled entity		0	11 461
Other		73	267
Outflows		**30 648**	**39 958**
Acquisition of intangible and tangible fixed assets		3 979	8 463
Investments in real estate and intangible assets		28	20 814
Acquisition of financial assets		15 151	3 755
Long term loans granted		10 071	6 700
Other		1 419	226
Net cash flow from investing activities		**24 483**	**-9 364**
Cash flows from investment activities			
Inflows		**40 707**	**107 442**
Net proceeds from the issue of shares and other equity instruments and contributions to equity		0	549
Loans and borrowings		40 666	106 893
Issue of debt securities		0	0
Other		41	0
Outflows		**104 613**	**71 782**
Acquisition of own shares		0	0
Dividends and other distributions to shareholders		21 568	6 583
Repayment of loans and borrowings		69 578	52 361
Redemption of debt securities		0	0
Payment of liabilities arising from financial leases		5 738	5 854
Interest paid		6 893	6 984
Due to other financial liabilities		260	0
Other		576	0
Net cash flows from investment activities		**-63 906**	**35 660**

Total net cash flows		**35 136**	**35 765**
Balance sheet change in cash, including		**35 136**	**35 765**
- Change in cash due to exchange differences		0	0
Cash opening balance		**222 137**	**186 372**
Closing balance of cash, including	**14**	**257 273**	**222 137**
- Restricted cash		19 007	19 741

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

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/ Management Board Member /

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/ Management Board Member /

Paweł Smoleń
/ Management Board Member /

Warsaw, March 20, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company									
						Undistributed profit (loss)				
	Share capital	Treasury shares	Reserve capital	Exchange differences on translation of foreign entities	Valuation of hedging instruments	Retained profit / accumulated loss brought forward	Retained profit / accumulated loss brought forward	Total	Minority interests	Share capital
As at 01.01.2016 (Figures after restatement *)	**1 281**	**0**	**229 619**	**761**	**1 006**	**46 086**	**0**	**278 753**	**16 912**	**295 665**
Profit / loss for the period	0	0	0	0	0	0	1 791	**1 791**	-715	**1 076**
Other total income	0	0	0	582	-1 646	0	0	**- 1 064**	-8	**-1 072**
Total income for the period	**0**	**0**	**0**	**582**	**- 1 646**	**0**	**1 791**	**727**	**-723**	**4**
Redemption of shares in Budlex	0	0	4 670	0	0	0	0	**4 670**	-9 170	**- 4 500**
Acquisition of issued shares by minority shareholders of PBDI (subsidiary)	0	0	-2 126	0	0	0	0	**-2 126**	2 126	**0**
	0	0	0	0	0	0	0	**0**	0	**0**
Dividend for shareholders	**0**	**0**	**-18 966**	**0**	**0**	**-11 398**	**0**	**-30 364**	**0**	**-30 364**
As at 31.12.2016	**1 281**		**213 197**	**1 343**	**-640**	**34 688**	**1 791**	**251 660**	**9 145**	**260 805**

* Information on data restatement in Note 3.1

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Warsaw, March 20, 2017

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

	Capital attributable to shareholders of the Parent Company									
						Undistributed profit (loss)				
	Share capital	**Treasury shares**	**Reserve capital**	**Exchange differences on translation of foreign entities**	**Valuation of hedging instruments**	**Retained profit / accumulated loss brought forward**	**Retained profit / accumulated loss brought forward**	**Total**	**Minority interests**	**Share capital**
As at 01.01. 2015	**1 276**	**0**	**223 094**	**671**	**-1 067**	**30 243**	**0**	**254 217**	**13 192**	**267 409**
(Figures after restatement *)										
Profit/loss for the period	0	0	0	0	0	0	27 846	**27 846**	3 843	**31 689**
Other total incomes	0	0	0	90	2 073	346	0	**2 509**	34	**2 543**
Total revenue	**0**	**0**	**0**	**90**	**2 073**	**346**	**27 846**	**30 355**	**3 877**	**34 232**
Buyout of minority interests of Erbud Industry Centrum	0	0	25	0	0	0	0	**25**	-47	**-22**
Increase of share capital under the authorized capital	5	0	545	0	0	0	0	**550**	0	**550**
Share-based payment (Management Stock Option Scheme)	0	0	91	0	0	0	0	**91**	0	**91**
Transfer of net profit from the previous year to retained earnings	0	0	5 864	0	0	-5 864	0	**0**	0	**0**
First time consolidation of subsidiary (PDI Germany)	0	0	0	0	0	-104	0	**-104**	104	**0**
	0	0		0	0		0	**0**	0	**0**
			0							
Dividend for shareholders	**0**	**0**	**0**	**0**	**0**	**-6 381**	**0**	**-6 381**	**-214**	**-6 595**
As at 31.12.2015	**1 281**	**0**	**229 619**	**761**	**1 006**	**18 240**	**27 846**	**278 753**	**16 912**	**295 665**

* Information on data restatement in Note 3.1

KEY FIGURES CONVERTED TO THE EURO

	31.12.2016		31.12.2015 (Figures after restatement *)	
	PLN	EUR	PLN	EUR
Fixed assets	103 496	23 394	174 585	40 968
Current assets	843 801	190 733	904 182	216 896
Shareholders' equity	260 805	58 952	295 665	74 102
Liabilities and provisions for liabilities	686 492	155 175	783 102	183 762

Items of the balance sheet as at 31 December 2016 were converted at the Euro rate which was set by the NBP on that date i.e. 4.424 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.

	Year ended 31.12.2016		Year ended 31.12.2015 (Figures after restatement *)	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	1 789 776	409 026	1 715 418	409 916
Cost of products, services, goods and materials sold	1 660 284	379 433	1 600 373	382 425
Profit on sales before tax	129 492	29 593	115 045	27 491
Profit on operating activities	45 827	10 473	40 652	9 714
Gross profit (loss)	43 220	9 877	33 913	8 104
Net profit (loss)	35 270	8 060	23 251	5 556

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

	Year ended 31.12.2016		Year ended 31.12.2015	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	74 559	17 039	9 469	2 263
Cash flows from investment activities	24 483	5 595	-9 364	-2 238
Cash flows from financial activities	-63 906	-14 605	35 660	8 521
Net cash flows	35 136	8 030	35 765	8 546
Cash opening balance	222 137	52 126	186 372	43 726
Cash closing balance	257 273	58 154	222 137	52 126

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

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 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.

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* Information on data restatement in Note 3.1 and 4

EXPLANATORY NOTES

1 General information

ERBUD SA [ERBUD Joint Stock Company] is the Parent Company (the "Parent", the “Company”) of the Erbud SA Capital Group (the "Group"). ERBUD SA registered on 29 November in the National Court Register under the KRS number 0000268667 (District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register), based in Warsaw, 1 Franciszka Klimczaka St. and established in way of conversion of the Erbud Sp. z o.o. [Erbud Limited Liability Company].
ERBUD Sp. z o.o [Erbud Limited Liability Company] was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

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

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

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

These consolidated financial statements are presented in Polish currency ("PLN") and all figures are in thousands of PLN.

The Consolidated Financial Statements have been approved for publication by the Management Board on 20 March 2017.

The Consolidated Financial Statements have been prepared as of 31 December 2016 and for the twelve month period ended 31 December 2016; and the comparative figures as of 31 December 2015 and for the twelve month period ended 31 December 2015.

In connection with discontinued operations The Group changed the presentation of figures for 2015 as compared to the published Financial Statements for the 12 month period ended 31 December 2015. The change in presentation is presented in Note 4. The Group has also corrected the errors described in Note 3.1.

1.1 Composition of the Group

As of 31 December 2016, the Group consisted of the Parent Company Erbud SA with its headquarters in Warsaw and the below listed fully consolidated subsidiaries, with the exception of Erbud SA Construction Sp. o.o. that is not consolidated due the immateriality for the Consolidated Financial Statements.

Entity’s Name	Registered office	Activity range	Direct percentage of the Parent in the Group	Indirect percentage of the Parent in the Group
Erbud International Sp. z o.o.	Toruń	Civil Engineering Construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road construction	90.00%	
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil Engineering Construction	79.00%	
Erbud Construction Sp. z o.o.	Toruń	Civil Engineering Construction	100.00%	
Grupa Erbud Industry				
Erbud Industry Sp. z o.o.	Toruń	Engineering	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Energy services		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Energy services		100.00%
Erbud Industry Południe Sp. z o.o.	Będzin	Energy services		99.29%
GWI Group				
GWI GmbH	Düsseldorf,	Civil Engineering Construction	85.00%	

	Germany		
PDI Düsseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Civil Engineering Construction	43.35%
PDI Düsseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Civil Engineering Construction	43.35%

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

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

* amount of less than 0.5% of total assets

As of 31 December 2015, the Group consisted of the Parent Company Erbud SA with its headquarters in Warsaw and the below listed fully consolidated subsidiaries, with the exception of Erbud SA Construction Sp. o.o. that is not consolidated due the immateriality for the Consolidated Financial Statements.

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

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

Jointly controlled entities recognized by equity method – joint ventures

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

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

* amount of less than 0.5% of total assets

Parent Company

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

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

As at 31 December 2016 the Management Board of the Parent was consisted of:

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

As at 31 December 2016 the Supervisory Board of the Parent was consisted of:

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

1.3 Going-concern assumption

The Consolidated Financial Statements of the Group for the year ended 31 December 2016 were prepared on the assumption that the Group's entities will continue their business activity in the foreseeable future. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

1.4 Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2016 and include comparative data for the year ended 31 December 20154 and as at 31 December 2015.

1.5 Approval of Financial Statements

The Consolidated Financial Statements were approved by the Management Board and authorised for publication on 21 March 2017.

2 Significant accounting policies applied

The accounting policies applied when preparing these Consolidated Financial Statements are set out below and were applied in all presented periods continuously, unless otherwise stated.

2.1 Basis for preparing the Consolidated Financial Statements

This consolidated financial statement was drawn up in adherence to the International Financial Reporting Standards (“IFRS”) and pursuant to IFRS approved by the European Union (EU), effective at the balancing date of this financial statement. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and International Accounting Standards Committee (“IASC”) at the date of drawing up this statement.

Amendments and interpretations applied:

These Consolidated Financial Statements were affected by the following new and amended standards and interpretations that entered into force as of 1 January 2016

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

a) Amendments to IAS 1

In December 2014, within the framework of works related to the so-called "Disclosure Initiative", the International Accounting Standards Board (IASB) published an Amendment to IAS 1. The purpose of the revised amendment is to clarify the definition of materiality and to explain that if an entity considers that the information is insignificant, it should not disclose it, even if such a disclosure is required by another IFRS. The amended IAS 1 clarifies that the items presented in the statement of financial position and the statement of comprehensive income may be aggregated or disaggregated depending on their materiality. Additional guidelines concerning the presentation of partial amounts in these reports have also been introduced.

b) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The International Accounting Standards Board issued Amendments to IAS 19 Employee Benefits in November 2013. The changes make it possible to recognize contributions from employees as a reduction in the cost of employment during the period when the work is done by an employee instead of attributing the contribution to the periods of employment, if the amount of the employee's contribution is independent of the number of years of employee service.

c) Annual Improvements to IFRSs 2010-2012 Cycle

In December 2013, the International Accounting Standards Board published "Annual Changes to IFRSs 2010-2012 Cycle", which amend seven standards. The revisions include changes in presentation, recognition and measurement; and terminological and wording changes.

d) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The specific bearer plants such as grape vines, rubber trees or oil palm (i.e. those which productive life is over several periods and which are not intended for sale in the form of cuttings or harvested during the harvest time) should be accounted for in the same way as property, plant and equipment in IAS 16, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

e) Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 specify the appropriate accounting treatment if an investor acquires an interest in a joint operation that constitutes a business within the meaning of IFRS 3. In this case the investor shall apply all of the principles on business combinations accounting in IFRS 3 Business Combinations, and other IFRSs, that do not conflict with the guidance in IFRSs, unless they are contrary to the guidelines of IFRS 11.

f) Amendments to IAS 16 and IAS 38 Methods of Depreciation and Amortisation

The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

g) Annual Improvements to IFRSs 2012-2014 Cycle

The International Accounting Standards Board published in September 2014 “Annual Improvements to IFRSs MSSF 2012-2014 Cycle” that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34.

h) Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments permits the use of the equity method as one of accounting methods for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

i) Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception specify the requirements for investment entities and relief in certain circumstances.
The standard clarifies that the parent entity should account for all its subsidiaries which are investment-related at fair value. It also clarifies that the exemption from the use of the equity method for valuation is possible, if the parent company prepares publicly available financial statements, irrespective of whether the subsidiaries are consolidated or measured at fair value through profit or loss in accordance with IFRS 10 in its ultimate or intermediate parent financial statements.

Published standards and interpretations that are not yet in force and have not been applied by the Group until now.

In these consolidated financial statements, the Group has not decided to apply the following issued standards, interpretations or amendments to existing standards before their effective date:

a) IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.

The standard introduces a single classification approach providing only two categories for all financial assets: measurement at fair value and at amortized cost. Classification is performed on initial recognition and is subject to the financial asset management model adopted by the entity and the characteristics of contractual cash flows from those instruments.
IFRS 9 introduces a new expected credit losses impairment model. Most of IAS 39 requirements concerning classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged.
The key change is introducing a requirement to present the effect of changes in own credit risk related to financial liabilities designated at fair value through profit or loss in other comprehensive income.
The new model more closely aligns hedge accounting with risk management activities.

The Group will apply IFRS 9 from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

b) IFRS 14 Regulatory Deferral Accounts

The standard permits first-time adopters of IFRS (starting January 1, 2016 or after that date) to continue to recognise amounts related to rate regulation in accordance with their previous accounting policies. However, to enhance comparability with entities that already apply IFRS and that do not recognise the deferred amounts, IFRS 14 requires that the deferred account balances arising from rate regulation must be presented as separate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income.

According to the European Union decision, IFRS 14 will not be approved.

c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018.

The principles set out in IFRS 15 will apply to all revenue-generating contracts. The core principle of the new standard is the recognition of revenue at the time of transferring goods or services to the customer, at transaction price. All goods or services sold in bundles that can be made distinct within a bundle should be accounted for separately; moreover, any discounts and rebates on the transaction price should, in principle, be allocated to the individual elements of a bundle. In case, the revenue amount is of variable consideration, the variable amounts are classified as revenue according to the new standard, only to the extent that it is highly probable that a reversal in the amount of revenue recognised will not occur in the future as a result of revaluation.
Moreover, according to IFRS 15, costs incurred to acquire and secure a contract with a customer should be capitalized and deferred over the period of consuming the benefits from the contract.

The Group will apply IFRS 15 from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

d) Clarifications to IFRS 15 Revenue from Contracts with Customers

Clarifications to IFRS 15 Revenue from Contracts with Customers have been published on 12 April 2016 and are effective for annual reporting periods beginning on or after 1 January 2018.
The clarifications provide additional information and explanations regarding the major assumptions adopted in IFRS 15 and include, but are not limited to the topics: identifying performance obligations; principal versus agent considerations - whether an entity it is the principal involved in providing goods or services or the agent; and how to record license income.
In addition to the additional explanations, there have also been introduced exemptions and simplifications for entities applying the new standard for the first time.

The Group will apply IFRS 15 from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of these Consolidated Financial Statements, Clarifications to IFRS 15 have not yet been approved by the European Union.

e) Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The changes address the problem of current inconsistencies between IFRS 10 and IAS 28.
Accounting is dependent on whether the non-monetary assets sold or contributed to an associate or a joint venture involve a business. Where a non-monetary asset involves is a business, an investor will recognise the gain or loss from the transaction in full. If the asset transferred does not contain a business, gains or losses are only recognised to the extent of unrelated investors' interests in the investee.

The amendments were published on 11 September 2014. The effective date of the revised regulations was not set by the International Accounting Standards Board.

The Group will apply changes as of the effective date as determined by the International Accounting Standards Board. As of the date of preparation of the Consolidated Financial Statements, the approval of these Amendments is postponed by the European Union.

f) IFRS 16 Leases

IFRS 16 Leases was issued by the International Accounting Standards Board on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.
All leases result in obtaining by a lessee the right to use an asset, and the obligation to pay. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The lessee is required to recognise: (a)

assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply IFRS 16 after its approval by the European Union. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

g) Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 clarify how to account for deferred tax assets due to unrealized losses related to debt instruments.
An entity will be required to recognize deferred tax assets for unrealized losses if they are result of discounting cash flows associated with a debt instrument using market interest rates; but also when it intends to hold the debt instruments until maturity, and there will be no obligation to pay taxes after the nominal amount is received.
The economic benefits reflected in a deferred tax asset result from the instruments holder's ability to obtain future gains (reversing the discounting effect) without the obligation to pay taxes.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The Group will apply the above changes from 1 January 2017. This Standard will not have a material impact on the Consolidated Financial Statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

h) Amendments to IAS 7 Disclosure Initiative

Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017. An entity will be required to disclose the reconciliation of changes in liabilities arising from financial activities.

The Group will apply the above changes from 1 January 2017. This Standard will not have a material impact on the Consolidated Financial Statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

i) Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018.

The amendments contain changes covering i.a. the following matters: fair value measurement of cash-settled share-based payment transactions, reclassification of the share-based payment from cash-settled to equity-settled, and recognition of employee’s tax liability incurred as a result of the share-based payment.

The Group will apply the above changes from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

j) Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 4 Insurance Contracts address the applying the new IFRS 9 Financial Instruments.

The issued amendments to IFRS 4 supplement existing options in the Standard and are designed to prevent temporary fluctuations in the performance of insurance companies in connection with the implementation of IFRS 9.

The Group will apply the above changes from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

k) Annual Improvements to IFRSs 2014-2016 Cycle

The IASB published the Annual Improvements to IFRSs 2014-2016 Cycle on 19 November 2015. This covers amendments three Standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures.
The revisions include clarifications and changes to the scope of standards, recognition and measurement; and terminological and wording changes.

The Group will apply the above changes from 1 January 2017 (re: Amendments to IFRS 12). This Standard will not have a material impact on consolidated financial statements.

The Group will apply the above changes from 1 January 2018 (re: Amendments to IFRS 1 and IAS 28). The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

l) Amendments to IAS 40: Transfers of Investment Property

Amendments to IAS 40 specify the requirements for transfers of property to, or from, investment property. The amendment is effective for annual periods beginning on or after 1 January 2018.

The Group will apply the above changes from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

m) IFRIC 22: Transactions in Foreign Currencies and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The guidelines are effective for annual periods beginning on or after 1 January 2018.

The Group will apply the above changes from 1 January 2018. The Group is in the course of analysing the effect of the standard on the consolidated financial statements.

As at the date of preparation of the Consolidated Financial Statements, these amendments have not yet been approved by the European Union.

At the same time the regulations endorsed by the European Union still do not cover the hedging of financial assets and liabilities portfolio, whose rules were not approved for application in the European Union. According to Group estimates the application of accounting of hedging of financial assets or liabilities portfolio according to IAS

39 “Financial Instruments: Recognition and Measurement” would not have material impact on consolidated financial statement, if they were accepted for use at the balancing date. The financial statement is drawn up based on historical cost concept, except for hyperinflation adjustment referred to in Note 21 and except for some financial instruments that are measured at fair value at the end of each accounting period pursuant to the accounting policy defined below. The historical cost is measures, as a rule, based on fair value of payment made for goods or services. The fair value is the price that is achievable from the disposal of an asset or paid to transfer liability in customer transaction in the main market (or the most favourable) at the measurement date and under current market conditions, regardless of the fact whether the price is directly observable or estimated using another measurement technique. The measure of fair value of an asset or liability the Group takes into consideration the properties of a certain asset or liability, if the market participants take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The fair value for measurement purposes and/or disclosure of information in the consolidated financial statement of the Group is determined on the above basis, except for payment transaction using shares, which are covered by the scope of IFRS 2, lease transactions that are covered with a scope of IAS 17 and measurements that resemble to a certain extent fair value, but are not fair values such as net selling price pursuant to IAS 2 or value in use pursuant to IAS 36.

The Group classifies fair value measurement principles using the hierarchy specified below, reflecting the weight of source data used for measurement:

- **Level 1** – prices quoted (non-adjusted) form active markets for identical assets or liabilities that the Group can access at the measurement date;
- **Level** 2 - inputs other than quoted prices quoted classified at Level 1, that are observable for assets or liabilities either directly (prices) or indirectly (price derivatives); and
- **Level 3 -** inputs that are non-observable market data for assets or liabilities.

2.2 Rules of consolidation

Subsidiaries

The Consolidated Financial Statements contains the Financial Statements of the Parent Company and entities controlled by the Parent Company prepared as at the balance sheet date. Subsidiaries are those economic entities (including structured units) over which the Group exercises control. Control is achieved where the Parent Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date the Group obtains control over the subsidiary and cease to be consolidated when the Group loses control of the subsidiary.

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

Consolidation procedures

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

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

From the Consolidated Financial Statements have been excluded:

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

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

Associates

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

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

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

The Group assesses for each reporting day whether there is objective evidence that the investment in the associate is impaired. If so, the Group calculates the amount of impairment as the difference between the recoverable amount value of the associate and its carrying value and recognises that value together with the item "share in profit / (loss) of the associate" in the statement of income.

Joint Arrangements

Joint arrangements are classified either as joint ventures or as joint operations depending on the contractual rights and obligations of each investor. The Erbud Group has assessed the nature of its joint arrangements and determined that these are joint ventures. Joint ventures are valued using the equity method. Under the equity method, interests in joint ventures are initially recognized at cost and subsequently adjusted to recognize the Group's interest and other changes in total income for the period after the acquisition. When the Group's share in losses of a joint venture equals or exceeds its share in the joint venture (including all long-term interests that in fact form the part of the Group's net investment in joint ventures), the Group does not recognize further losses unless it has incurred liabilities or paid on behalf of joint ventures. Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extend reflecting the Group's interest in joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. Where necessary, the accounting policies used by joint ventures were changed to ensure compliance with the accounting policies applied by the Group.

Minority interests' transactions not resulting in changes in control

Transactions with minority shareholders not resulting in changes in control are recognized in equity.

Loss of control

If the Group loses control of the subsidiary, gain or loss is calculated as the difference between:
• the sum of the fair value of the consideration received and the fair value of retained interests, and
• the carrying amount of assets (including goodwill) and liabilities of the subsidiary,
and recognized in profit. In case the assets of a subsidiary are measured at revalued amount or fair value and the resulting cumulative gain or loss is recognized in other comprehensive income and recorded to equity. The values previously recognized in other comprehensive income and accumulated in equity are accounted for in such a way as if the Group had directly disposed of relevant asset (i.e. they are transferred to the result or directly to retained earnings, in accordance with the appropriate IFRS). The fair value of the investment retained in the former subsidiary as at the date of loss of control is regarded as the fair value on initial recognition, and then accounted

for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or as the cost on initial recognition of an investment in associate or jointly controlled entity.

Changes in fair value of contingent consideration not qualified as adjustments relating to the valuation period are accounted for according to the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability shall remeasured at each reporting date in accordance with IAS 39 or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and gains or losses arising from the revaluation are recognized in profit or loss.

2.2.1 Subsidiaries

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

In 2016, Erbud International Sp. z o. o. had a foreign branch. The branch was subject to tax and accounting rules being in force in the country where it operates, i.e. in Germany i.e. in accordance with Art. 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. Pursuant to Art. 264(1) and in conjunction to Art. 242(3) of the German Commercial Code (HGB), the annual balance consists of: the balance sheet, the profit and loss account and the annex. Branches are treated as small capital companies in terms of art. 267(1) of the German Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

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

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

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

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

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

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

From the Consolidated Financial Statements have been excluded:

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

2.2.2 Associates

An associate is an entity over which the Parent has significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for by using the equity method. The financial statements of associates are the basis for measurement of shares held by the Parent using the equity method. The financial year of associates and the Parent is the same. The Group's entities keep their accounting records in accordance with the policy (rules) set out by the Accounting Law of 29 September 1994 ("Act"), as amended and by regulations issued under them ("National Accounting Standards"). The Consolidated Financial Statements include adjustments not recorded in the books of the Group's entities in order to maintain compliance of the statements of these units with standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

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

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

The Group assesses for each reporting day whether there is objective evidence that the investment in the associate is impaired. If so, the Group calculates the amount of impairment as the difference between the recoverable amount value of the associate and its carrying value and recognises that value together with the item "share in profit / (loss) of the associate" in the statement of income.

2.2.3 Interests in joint ventures

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

2.2.4 Non-controlling interests

The transactions with non-controlling interests are recognised in equity.

2.3 Currency of measurement and currency of Financial Statements

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

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

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

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

Below are presented rates used for the balance sheet measurement:

Currency unit	31 December 2016	31 December 2015
EUR	4.4240	4.2615

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

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

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

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

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

2.4 Estimates and assumptions

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

2.4.1 Critical judgements in applying accounting policies

Identifying the construction contracts sale

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

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

2.4.2 Estimation uncertainty

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

Provisions for legal claims

In case where entities are parties to legal proceedings, the legal service providers of the Group member companies and their Boards estimate the amount of provisions to cover the outcome of pending judicial proceedings.

Provisions for employee benefits

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

Provisions for remedying defects

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

Depreciation rates

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

Recognition of incomes from long-term contracts

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

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

Deferred tax assets

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

Assets impairment

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

2.6 Lease

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

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

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

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Investment property

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

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

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

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

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

2.9 Intangible assets

An intangible asset is recognized only when it is probable that it will generate future economic benefits that are attributable to the asset.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs on permanent impairment. Intangible assets are amortized on a straight-line basis over a period corresponding to their estimated useful life, and are as follows.

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

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

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

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

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

2.10 Goodwill

Goodwill is a surplus of the sum covering:

- consideration transferred, measured at the date of acquisition at the fair value;
- contingent consideration, at the date of acquisition at the fair value;
- the value of any non-controlling interests in the acquire, measured at fair value or proportionally to the interests in the identified net assets;
- when a business combination is achieved in stages, measured at the date of acquisition at the fair value of assets previously held by the acquirer in the acquiree;

over the fair value of identifiable net assets at the acquisition date, into account exceptions listed in IFRS 3.

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

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

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

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

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

2.11 Financial instruments

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

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

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

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

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

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

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

- were purchased primarily for the purpose of sale or redemption in the short period
- are a derivative (except for hedging instruments).

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

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

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

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

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

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

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

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

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

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

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

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

Exclusion from the statement of financial position

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

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

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

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

The exposure to an asset that takes the form of a guarantee is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for the asset.

2.12 Impairment of financial assets

At each balance sheet date, the Group reviews whether there are objective indications that a financial asset or group of financial assets may be impaired

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

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

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

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value cannot be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference

between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

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

2.13 Inventories

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

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

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

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

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

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

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

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

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

As restricted cash the Group primarily treats the assets:

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

if their maturity does not exceed 3 months.

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

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

2.16 Equity

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

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

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

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

2.17 Provisions

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

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

Provisions for liabilities include, but are not limited to:

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

Provision due to defects liability

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

A general rule is that provisions due to warranty liability are created basing on a percentage index calculated as the quotient of the historical costs incurred for remedying defects and historically recognized revenues from execution of construction contracts. The cost of provision due to defects liability is charged to the costs of services sold. The said percentage is subject to ongoing analysis.

Non-construction companies at the balance sheet date estimate the risk associated with providing a warranty for their products or services based on historical figures and current estimates.

Provision for litigations

Legal departments and boards of the Group's companies analyse in detail the potential risks connected with pending cases and on this basis decide about recognition of the results of these proceedings in the accounting books of the companies and state the provision amount.

Unused leave provision

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

Provision for retirement benefits, disability pensions and anniversary awards

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

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

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

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

2.18 Bank loans and borrowings, and debt securities

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

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

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

2.19 Trade and other liabilities

Due to their characteristics, liabilities are divided into:

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

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

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

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

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

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

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

2.20 Prepayments and accruals

The company carries prepayments for costs if apply to future accounting periods.

However, major prerequisite for the settlement of costs over time such costs have to fulfil the requirement of being a part of assets with the value priced reliably, that occurred as a result of post events that will generate inflow of economic benefits into the unit.

The write-downs of cost prepayments may be performed with time or based on the size of benefits. Time and settlement method should be substantiated by the nature of costs under settlement following the prudence principle.

In case of cost prepayments for future periods that are not going to be settled within nearest 12 months from balancing date, such settlements shall be presented as a separate balance sheet item concerned long-term prepayments.

2.21 Recognition of revenues and costs

Sales revenues are recognised at fair value of payments received or due and they represent receivables for products, goods and services delivered during regular business activities, less discounts, VAT and other sales-related taxes.

Goods sales revenues are recognised at the moment when goods have been delivered and all rights related to such goods have been transferred and after the fulfilment of the following terms and conditions:

- the Group has transferred to the purchaser a significant risk and benefits related to the ownership title to the goods;
- the Group has transfer the managerial functions to the extent normally related to the ownership title and effective control over goods sold;
- ability to make reliable pricing of the amount of revenues;
- the existence of probability that the entity will enjoy economic benefits related to the transaction; and
- an option of reliable pricing of costs borne or expected in relation to the transaction.

Received remuneration for non-delivered goods and unfinished services are specified in the statement of financial position as other prepayments.

Revenues related to the execution of building contracts are recognised pursuant to the Group's accounting principles presented below.

Interest income is recognised, with reference to the principal amount of the receivables, pursuant to the method of effective interest rate.

Dividend income is recognised at the moment when the shareholders' right is established to receive payment.

Pursuant to accrual accounting the Group posts into profit and loss account all costs present in a certain accounting period regardless of their actual settlement status. Costs borne, but not referring to a certain period are specified in the assets as short-term prepayments, whereas costs not borne, but present in a certain period, are posted as prepayments.

2.22 Construction contracts

The Group member companies recognise revenues generated under executed building contracts using the stage of completion method. The budgets of individual contracts are subject to the formalized updating process during the year, based on current information, and are approved by the Management

The progress rate method may be applied when an entity is able to determine the outcome of the construction service contract in a reliable manner.

Pursuant to the progress rate method, the revenues under contract are posted into the profit and loss account as revenues in the period in which relevant works were performed in compliance with the construction service contract. The costs under contract are posted into the profit and loss account as costs of the period in which works were performed to which the costs refer. If it is probable that total service execution costs will exceed total revenues under the contract, the expected loss is posted as a cost of period in which it was disclosed.

While determining the progress rate of the contract execution the entity applied the method that will allow to determine the work progress status in a reliable manner. These methods, depending on the contract nature, may include:

- measurements of works completed;
- determination of the proportion of contractual costs borne in relation to the works performed until certain point in time compared to the estimated total costs of the contract,
- physical comparison of carried out parts of the works with the works under the contract.

When determining the progress rate based on the contractual costs borne until a certain point in time, the costs of such works shall include only those contractual costs that reflect work progress status.

If it is not possible to estimate in a reliable manner the financial result of the building contract, the revenues are recognised only and exclusively up to the level of costs borne, whose recovery is probable, whereas contractual costs are carried as the costs of the period in which costs were borne.

The pricing results are posted into assets and liabilities in the line "Building Contracts” in the statement of financial position.

2.23 Profit/loss on sales before tax

Gross profit (loss) on sales is the difference between:

- revenues from the sales of basic production and other services delivered under core activities of the Group business units and from the sales of goods and materials; and
- cost of production of products and services sold and the value of sold goods and materials.

2.24 Operating profit/loss

Operating profit (loss) covers revenues and costs from operating activities excluding financial costs and revenues, which include primarily interest, foreign exchange gains/losses and costs of banking fees and guarantees.

2.25 Taxes

Current tax burden is calculated on the basis of tax result (taxation base) in a certain financial year. Tax profit (loss) differs from the accounting net profit (loss) since taxable revenues and tax deductible expenses in the year to come and costs and revenues that will never be taxed are excluded. Tax burdens are calculated based on the tax rates effective in a certain financial year.

Income tax on the revenues generated at home is calculated pursuant to the Polish tax regulations, whereas revenues of the entities running their businesses in foreign countries are subject to taxation under local regulations, including the treaties on avoiding double taxation.

In relation to provisional differences in the account books between the value of assets and liabilities, and their value for tax purposes and the tax loss possible for deduction in the future the Group member companies set up a provision and they determine deferred income tax assets.

Provision for deferred income tax is set up for positive temporary differences in the amount of income tax to be paid in the future:

- except for the situation where the provision for deferred tax due to temporary positive differences is set up as a result of the initial posting of goodwill or initial posting of an asset or liability at transaction, which is not a merger of business units and at the moment of making such transaction it had no impact neither on gross financial result, nor on taxable income or tax loss; and
- in case of positive temporary differences being a result of investments into subsidiaries or affiliated entities and interests in joint ventures – except for the situation where the dates of reversal of the provisional differences are controlled by the building investor and it is likely that in the foreseeable future the provisional differences are not going to be reversed..

Deferred income tax assets are determined in the amount expected in the future to be deducted from income tax, in connection with the negative provisional differences and tax loss, which is deductible if prudence principle is followed:

- except for the situation where the deferred tax assets concerning negative provisional differences occur as a result of the initial w posting of goodwill or initial posting of an asset or liability at transaction, which is not a merger of business units and at the moment of making such transaction it had no impact neither on gross financial result, nor on taxable income or tax loss; and
- in case of negative provisional differences in relation to the investments in subsidiaries or affiliated entities and interests in joint ventures, a deferred income tax asset is posted into the balance sheet only in the amount, which is probable that in the foreseeable future the aforementioned provisional differences will be reversed and taxable income will be generated, that will allow to deduct negative provisional differences.

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

Deferred tax and provision for deferred tax assets are priced using tax rates that will be effective in the period when the asset will be realised or the provision will be dissolved, using tax regulations effective at the balancing date as a basis.

Income tax concerning items posted directly into equity is posted into equity rather than in the profit and loss account.

Deferred income tax assets and provisions are compensated in individual

2.26 Assets held for sale

This category comprises fixed assets (or categories for sale), if their carrying mount has been recovered primarily through sales transaction rather than its further use.

The pricing of the fixed asset (or categories for sale) is performed using the amount lower than its balance sheet value and fair value less cost of sales. The fair value of fixed assets classified as held for sale (categories for sale) is determined pursuant to IFRS 13.

2.27 Segment reporting

Organisation and management of the Group is performed with a breakdown into segments.

The Erbud Group operates in four major business areas:

- building construction;
- real estate development (discontinued activity);
- road-engineering;
- power engineering construction segment.

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

Breakdown of activities by individual segments was done by qualifying individual entities on the basis of their core statutory activities and the significance of companies' operations for the segment. Such a breakdown corresponds to the distribution of major risks and returns on investments made.

The Group applies coherent accounting policy to all segments. The transactions among individual segments are made at arm's length principle.

The interests in the entities valuated using equity method were qualified in the proper segment because of the profile of the entity valuated on the basis of equity method.

2.28 Net earnings per share

Net earnings per share for each period is calculated by taking net earnings generated in a certain period and dividing it into average weighted number of shares in a certain reporting period.

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

2.29 Hedge accounting

The Group applies hedging accounting. Changes in the fair value of financial derivatives designated for hedging cash flows, partially representing effective security, are recognised directly in other comprehensive incomes.

In the statement of financial position the derivative financial instruments are presented as a separate item or among other assets and liabilities, if their value is immaterial.

Additional information about principles of posting and measuring derivative financial instruments and hedge accounting is included in note 12.2.

3 Amendments to applied accounting principles

3.1 Error adjustment

In the period of 12 months ended 31 December 2016 Erbud S.A. adjusted erroneous posting of costs related to the repair of the airstrip at the Warsaw-Modlin airfield. Since these costs do not fulfil the criteria of assets under IAS definition, but they apply to the repairs made in 2013 they were posted into the result in the previous years. The adjustment resulted in the reduction of prepayments and equity by PLN 20.122 thousand as of 31 December 2015 and 1 January 2015.

The above change had no impact on the profit and loss account, nor on the comprehensive incomes statement for the current financial period and comparative period. Earnings per share and diluted earnings per share were not affected by the above change in the accounting and in the comparative periods.

The Erbud S.A. Group adjusted also presentation of cash assets deposited on escrow accounts. These cash assets were previously posted into the line “Cash and cash equivalents”, but after change they were presented in the line “Other current financial assets”. The change is due to the fact that these assets do not comply with the definition of cash assets and cash equivalents.

Since these assets will be realised in the operational cycle of the Budlex Group running developer activities, they were presented in the line “Current assets”. The above change reduced cash assets and their equivalents by PLN 32.001 thousand as of 31 December 2015 and by PLN 22,891 thousand as of 1 January 2015.

The above change had no impact on the profit and loss account, nor on the comprehensive incomes statement for the current financial period and comparative period. Earnings per share and diluted earnings per share were not affected by the above change in the accounting and in the comparative periods.

3.2 Changes in estimates

During the reporting period ended 31 December 2016, there were no changes in estimation methodology

3.3 Changes in accounting principles

In the reporting period ended 31 December 2015 no changes were made to the applied accounting principles.

4 Discontinued activities

In the accounting period ended 31 December 2016 the discontinued activity occurred within the meaning of IFRS 5. Discontinued activity comprises those segments of the Group that were discontinued (sold) during the financial year. On 13 October 2016, the Group disposed the development property segment. The circumstances of transferring Budlex Group into the line “discontinued activities” are described in the Note 20.

	12- month period ended 31.12.2015 (after restatement)	Approved on 31.12.2015	Change
Continuing operations			
Revenues from sales of products and services and of goods and materials	1 715 418	1 763 282	-47 864
Cost of sold products and services and of goods and materials	1 600 373	1 641 581	-41 208
Profit (loss) from sales before tax	**115 045**	**121 701**	**-6 656**
Cost of sales	4 659	6 493	-1 834
General and administrative costs	69 885	71 558	-1 673
Other operating income	11 954	12 321	-367
Other operating expenses	11 803	11 873	-70
Gain on sale of shares in a jointly controlled entity	0	7 430	-7 430
Profit (loss) on operating activities	**40 652**	**51 528**	**-10 876**
Financial income	3 389	4 812	-1 423
Financial expenses	10 128	11 511	-1 383
Profit (loss) from continuing operations before tax	**33 913**	**44 829**	**-10 916**
Income tax	10 662	13 140	-2 478
Net profit (loss) from continuing operations	**23 251**	**31 689**	**-8 438**
Net profit (loss) from discontinued operations	8 438	0	8 438
Net profit (loss) for the financial year	**31 689**	**31 689**	**0**

	In the period 1.01.2016 - 13.10.2016	12- month period ended 31.12.2015
Discontinued operations		
Revenues from sales of products and services and of goods and materials	59 816	47 864
Cost of sold products and services and of goods and materials	54 551	41 208

Profit (loss) from sales before tax	**5 265**	**6 656**
Cost of sales	1 719	1 834
General and administrative costs	1 550	1 673
Other operating income	2 171	367
Other operating expenses	127	70
Share of net profit (loss) of subsidiaries valued by equity method	0	7 430
Profit (loss) on operating activities	**4 040**	**10 876**
Financial income	750	1 423
Financial expenses	1 570	1 383
Profit (loss) from discontinued operations before tax	**3 220**	**10 916**
Income tax	1 040	2 478
Net profit (loss) from discontinued operations	**2 180**	**8 438**
Loss on sales from discontinued operations	**-36 374**	**0**
Net loss from discontinued operations	**-34 194**	**0**

Group assets disposed related to Budlex Group's net assets

	13 October 2016
Fixed Assets	**18 670**
Property, plant and equipment and intangible assets	3 507
Real estate	5 102
Deferred income tax assets	1 354
Financial assets	8 707
Current assets	**154 856**
Provisions	121 203
Trade and other receivables	6 307
Other financial assets	27 346
TOTAL ASSETS	**173 526**
Liabilities	
Due to deferred income tax	2 129
Trade and other liabilities	38 272
Credits	36 282
Provisions	2 808
Due to issuance of debt securities	13 261
Total liabilities	**92 752**
Net assets	**80 774**

	In the period 1.01.2016 - 13.10.2016	**12- month period ended 31.12.2015**
Net cash flow from discontinued operations		
Net flows from discontinued operating activity	-1 811	-3 446
Net flows from discontinued investment activity	10 816	-25 197
Net flows from discontinued financial activity	-38 955	24 766
Total net cash flow from discontinued operations	**-29 950**	**28 124**

Result on sale of discontinued operations

	13 October 2016
Sale price of shares	45 000
Transaction costs	(600)
Net asset value of sold activities	(80 774)
Loss on sales of discontinued operations	**(36 374)**

5 Segment information

In the reporting period ended 31 December 2016 the Group ran business activities in the following operational segments:

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

During the reporting period ended 31 December 2016, the Group conducted business in the following geographical segments:

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

The breakdown into individual segments was performed through qualification of individual entities based on their statutory activities. The Group applies coherent accounting policy to all segments.

Business segments

The tables below present figures on income and profit by business segments of the Group as of 31 December 2016. As part of discontinued operations, the real estate development activity is presented. The results of discontinued operations are shown for the period from 1 January 2016 to 13 October 2016 (segment disposal date).

Incomes and outgoings by business segments

For the period from 1 January to 31 December 2016	Building construction	Road engineering	Construction for power industry	Other segments	Total	Discontinued operations
Total income	**1 424 261**	**156 843**	**298 098**	**8 668**	**1 887 870**	**59 816**
Intersegment sales	**0**	**(15 072)**	**(83 022)**	**0**	**(98 094)**	**0**
Sale to external clients	**1 424 261**	**141 771**	**215 076**	**8 668**	**1 789 776**	**59 816**
Cost of products, goods and materials sold to external clients	1 331 739	126 509	193 688	8 348	**1 660 284**	**54 551**
Total cost of products, goods and materials sold	**1 331 739**	**126 509**	**193 688**	**8 348**	**1 660 284**	**54 551**
Profit (loss) from sales before tax	**92 522**	**15 262**	**21 388**	**320**	**129 492**	**5 265**
Sales costs	432	2 151	2 653	0	**5 236**	**1 719**
General and administrative costs	55 964	7 991	16 375	0	**80 330**	**1 550**
Result on other operating activity	579	1 338	-51	35	**1 901**	**2 044**
Gain on sale of shares in a jointly controlled entity	0	0	0	0	0	0
Segment result	**36 705**	**6 458**	**2 309**	**355**	**45 827**	**4 040**
Result on financing activity	-2 356	545	-1 193	397	**-2 607**	**-820**
Income tax	5 294	1 480	513	663	**7 950**	**1 040**
Net profit (loss)	**29 055**	**5 523**	**603**	**89**	**35 270**	**2 180**

Other items by operating segments

For the period from 1 January to 31 December 2016	Building construction	Road engineering	Construction for power industry	Other segments	Total	Discontinued operations
Segment depreciation and amortization	3 974	2 759	3 717	446	**10 896**	**830**
Interest income	1 455	958	30	3	**2 446**	**528**
Interest expense	6 617	146	1 026	73	**7 862**	**1 207**
Impairment losses on assets	295	1 074	426	0	**1 795**	**4 611**
Reversal of allowance for impairment of assets	1 028	0	42	0	**1 070**	**3**

Investment outlays on:	**5 263**	**906**	**1 758**	**146**	**8 073**	**103**
Property, plant and equipment	2 342	563	590	146	**3 641**	**35**
Intangible assets	152	11	69	0	**232**	**28**
Increase due to take over	0	0	0	0	**0**	**0**
Other non-monetary outlays	2 769	332	1 099	0	**4 200**	**40**

Assets and liabilities by operating segments

For the period from 1 January to 31 December 2016	Building construction	Road engineering	Construction for power industry	Other segments	Total	Discontinued operations
Segment assets	745 798	91 938	84 310	8 222	**930 268**	**0**
Deferred tax assets	9 635	5 629	1 455	310	**17 029**	**0**
Total assets	**755 433**	**97 567**	**85 765**	**8 532**	**947 297**	**0**
Segment liabilities	542 784	59 751	83 908	49	**686 492**	**0**
Total liabilities	**542 784**	**59 751**	**83 908**	**49**	**686 492**	**0**

Business segments

The tables below present figures on income and profit by business segments of the Group as of 31 December 2015. As part of discontinued operations, the real estate development activity is presented.

For the period from 1 January to 31 December 2015	Building construction	Road engineering	Construction for power industry	Total	Discontinued operations
Total income	**1 130 960**	**333 077**	**372 877**	**1 836 914**	**47 864**
Intersegment sales	**0**	**(2 336)**	**(119 160)**	**(121 496)**	**0**
Sale to external clients	**1 130 960**	**330 741**	**253 717**	**1 715 418**	**47 864**
Cost of products, goods and materials sold to external clients	1 053 823	309 734	236 816	**1 600 373**	**41 208**
Total cost of products, goods and materials sold	**1 053 823**	**309 734**	**236 816**	**1 600 373**	**41 208**
Profit (loss) from sales before tax	**77 137**	**21 007**	**16 901**	**115 045**	**6 656**
Sales costs	241	2 565	1 853	**4 659**	**1 834**
General and administrative costs	45 323	8 692	15 870	**69 885**	**1 673**
Result on other operating activity	299	42	-190	**151**	**297**
Gain on sale of shares in a jointly controlled entity	0	0	0	0	7 430
Segment result	**31 872**	**9 792**	**- 1 012**	**40 652**	**10 916**
Result on financing activity	-5 687	412	-1 464	**-6 739**	**40**
Income tax	7 017	3 128	517	**10 662**	**2 478**
Net profit (loss)	**19 168**	**7 076**	**- 2 993**	**23 251**	**8 438**

Other items by operating segments

For the period from 1 January to 31 December 2015	Building construction	Road engineering	Construction for power industry	Total	Discontinued operations
Segment depreciation and amortization	3 098	3 050	3 357	9 505	**1 063**
Interest income	1 203	807	29	2 039	**1 274**
Interest expense	5 125	233	1 223	5 581	**1 299**
Impairment losses on assets	4 166	56	5	4 227	**5 913**
Reversal of allowance for impairment of assets	238	328	74	640	**0**
Investment outlays on:	**6 731**	**2 764**	**8 209**	**17 704**	**1 371**
Property, plant and equipment	3 482	1 388	4 359	9 229	**1 371**
Intangible assets	176	25	122	323	**0**
Increase due to take over	0	0	1 221	1 221	**0**

Other non-monetary outlays	3 073	1 351	2 507	6 931	**0**

Assets and liabilities by operating segments

For the period from 1 January to 31 December 2015	Building construction	Road engineering	Construction for power industry	Total	Discontinued operations
Segment assets	630 709	112 111	85 120	827 940	**211 827**
Deferred tax assets	22 822	6 835	6 595	36 252	**2 748**
Total assets	**653 531**	**118 946**	**91 715**	**864 192**	**214 575**
Segment liabilities	501 986	67 826	103 160	672 972	**110 130**
Total liabilities	**501 986**	**67 826**	**103 160**	**672 972**	**110 130**

Geographical segments

The tables below present figures on income and profit by geographical segments of the Group as of 31 December 2016. As part of discontinued operations, the real estate development activity is presented. The results of discontinued operations are shown for the period from 1 January 2016 to 13 October 2016 (segment disposal date).

Incomes and expenditures by geographical segments

Year ended 31 December 2016	Domestic market	Abroad	Total	Discontinued operations
Sale to external clients	1 414 019	375 757	**1 789 776**	**59 816**
Total income	**1 414 019**	**375 757**	**1 789 776**	**59 816**
Cost of products, goods and materials sold to external clients	1 306 243	354 041	**1 660 284**	**54 551**
Total cost of products, goods and materials sold	**1 306 243**	**354 041**	**1 660 284**	**51 551**
Total gross sales	**107 776**	**21 716**	**129 492**	**5 265**
Sales costs	5 236	0	**5 236**	**1 719**
General and administrative costs	69 012	11 318	**80 330**	**1 550**
Result on other operating activity	1 111	790	**1 901**	**2 044**
Profit on sales of shares in the jointly controlled entity	0	0	**0**	**0**
Segment result	**34 639**	**11 188**	**45 827**	**4 040**
Result on financing activity	-2 132	-475	**-2 607**	**-820**
Income tax	2 671	5 279	**7 950**	**1 040**
Net profit	**29 836**	**5 434**	**35 270**	**2 180**

Other items by geographical segments

Year ended 31 December 2016	Domestic market	Abroad	Total	Discontinued operations
Segment depreciation and amortisation	10 111	785	**10 896**	**830**
Interest income	2 402	44	**2 446**	**528**
Interest costs	6 495	1 367	**7 862**	**1 207**
Impairment of assets	1 672	123	**1 795**	**4 611**
Reversal of impairment losses on assets	1 070	0	**1 070**	**3**
Capital expenditure for:	**6 309**	**1 764**	**8 073**	**103**
- Tangible fixed assets	2 195	1 446	**3 641**	**35**
- Intangible fixed assets	232	0	**232**	**28**
- Increase due to the acquisition	0	0	**0**	**0**
Other non-cash outlays	3 882	318	**4 200**	**40**

Assets and liabilities by geographical segments

Year ended 31 December 2016	Domestic market	Abroad	Total	Discontinued operations
Segment assets	790 780	139 488	**930 268**	**0**
Deferred tax assets	16 286	743	**17 029**	**0**
Total assets	**807 066**	**140 231**	**947 297**	**0**
Segment liabilities	589 977	96 515	**686 492**	**0**
Total liabilities	**589 977**	**96 515**	**686 492**	**0**

The tables below present figures on income and profit by business segments of the Group as of 31 December 2015. As part of discontinued operations, the real estate development activity is presented.

Incomes and expenditures by geographical segments

Year ended 31 December 2015	Domestic market	Abroad	Total	Discontinued operations
Sale to external clients	1 557 200	158 218	**1 715 418**	**47 864**
Total income	**1 557 200**	**158 218**	**1 715 418**	**47 864**
Cost of products, goods and materials sold to external clients	1 452 990	147 383	**1 600 373**	**41 208**
Total cost of products, goods and materials sold	**1 452 990**	**147 383**	**1 600 373**	**41 208**
Total gross sales	**104 210**	**10 835**	**115 045**	**6 656**
Sales costs	4 659	0	**4 659**	**1 834**
General and administrative costs	62 327	7 558	**69 885**	**1 673**
Result on other operating activity	-6 542	6 693	**151**	**297**
Profit on sales of shares in the jointly controlled entity	0	0	**0**	**7 430**
Segment result	**30 682**	**9 970**	**40 652**	**10 876**
Result on financing activity	-5 470	-1 269	**-6 739**	**40**
Income tax	8 121	2 541	**10 662**	**2 478**
Net profit	**17 091**	**6 160**	**23 251**	**8 438**

Other items by geographical segments

Year ended 31 December 2016	Domestic market	Abroad	Total	Discontinued operations
Segment depreciation and amortisation	8 934	571	**9 505**	**1 063**
Interest income	1 738	301	**2 039**	**1 274**
Interest costs	4 984	1 597	**6 581**	**1 299**
Impairment of assets	4 227	0	**4 227**	**5 913**
Reversal of impairment losses on assets	523	117	**640**	**0**
Capital expenditure for:	**16 802**	**902**	**17 704**	**1 371**
- Tangible fixed assets	8 327	902	**9 229**	**1 371**
- Intangible fixed assets	323	0	**323**	**0**
- Increase due to the acquisition	1 221	0	**1 221**	**0**
Other non-cash outlays	6 931	0	**6 931**	**0**

Assets and liabilities by geographical segments

Year ended 31 December 2016	Domestic market	Abroad	Total	Discontinued operations
Segment assets	716 581	111 359	**827 940**	**211 827**
Deferred tax assets	36 045	207	**36 252**	**2 748**
Total assets	**752 626**	**111 566**	**864 192**	**214 575**
Segment liabilities	601 404	71 568	**672 972**	**110 130**
Total liabilities	**601 404**	**71 568**	**672 972**	**110 130**

6 Property, plant and equipment

2016	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2016	**5 855**	**15 073**	**26 455**	**33 698**	**6 698**	**2 150**	**20**	**89 949**
Increases:	**3 904**	**2 605**	**1 433**	**5 032**	**926**	**-913**	**30**	**13 017**
- Purchase	0	559	1 030	1 148	874	0	30	**3 641**
- Lease	0	0	385	3 815	0	0	0	**4 200**
- Foreign exchange differences	0	0	8	69	62	0	0	**139**
- Reclassification adjustments	0	0	0	0	0	0	0	0
- Acquisitions through business combination	0	0	0	0	0	0	0	0
- Acquisition of fixed assets under construction	0	2 046	0	0	0	-2 046	0	0
- Other	3 904	0	10	0	-10	1 133	0	**5 037**
Decreases:	**957**	**948**	**795**	**1 797**	**1 579**	**105**	**0**	**6 181**
- Sale and liquidation	0	88	555	715	983	105	0	**2 447**
- Intra-group transfers	0	0	0	0	2	0	0	**2**
- Reclassification adjustments –	0	0	0	00	0	0	0	**0**
- Other	0	0	-70	211	70	0	0	**211**
- Assets of the subsidiary sold	957	860	310	871	524	0	0	**3 522**
Gross book value as at 31 December 2016	**8 802**	**16 730**	**27 093**	**36 933**	**6 045**	**1 132**	**50**	**96 785**
Accumulated depreciation as at 1 January 2016	**75**	**6 427**	**14 585**	**19 180**	**3 719**	**0**	**0**	**43 986**
Accumulated depreciation for the period:								
Amortization	28	795	3 194	4 615	1 730	0	0	**10 362**
Decreases:	**0**	**993**	**609**	**830**	**1 204**	**0**	**0**	**3 636**
- Sale and liquidation	0	51	424	401	932	0	0	**1 808**
- Reclassification adjustments	0	0	0	0	0	0	0	**0**
- Foreign exchange differences from translation of foreign entities	0	0	-7	-49	-40	0	0	**-96**
- Other	0	0	-10	119	13	0	0	**122**
- Assets of the subsidiary sold	0	942	202	359	299	0	0	**1 802**
Accumulated depreciation as at 31 December 2016	**103**	**6 229**	**17 170**	**22 965**	**4 245**	**0**	**0**	**50 712**
Impairment as at 1 January 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2016	**5 780**	**8 646**	**11 870**	**14 518**	**2 979**	**2 150**	**20**	**45 963**
Net book value as at 31 December 2016	**8 699**	**10 501**	**9 923**	**13 968**	**1 800**	**1 132**	**50**	**46 073**

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

6.1 Depreciation and amortisation of property, plant and equipment

Depreciation and amortisation of property, plant and equipment for the period ended 31 December 2016 and 31 December 2015 was recognised in the following items:

	Year ended 31 December 2016	Year ended 31 December 2015 *(figures after restatement)*
General and administrative expenses	6 960	3 864
Cost of manufacturing sold products and services	3 402	4 904
Total	**10 362**	**8 768**

6.2 Property, plant and equipment used under financial lease contracts

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

	31 December 2016		31 December 2105	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	12 908	4 463	12 605	5 620
Means of transport	29 142	11 349	27 228	12 280
Other fixed assets				
Total	**42 050**	**15 812**	**39 833**	**17 900**

6.3 Property, plant and equipment upon construction

In the period ended 31 December 2016, there were no borrowing costs capitalized.

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

6.4 Property, plant and equipment held as collaterals

As at 31 December 2016, there were established securities on assets of entities belonging to the Group totalled of PLN 3 909 thousand.

As at 31 December 2015, there were established securities on assets of entities belonging to the Group totalled of PLN 3 150 thousand.

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

As at 31 December 2016, there were no contractual commitments due to the acquisition of property, plant and equipment.

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

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

In the period ended 31 December 2016 and in the period ended 31 December 2015, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7 Assets classified as held for sale

As of 31 December 2016, the Group did not classify any assets as held for sale. On 13 October 2016, the Company disposed assets held for sale. The description of the transaction can be found in Note 34.

8 Intangible assets

2016	Other
Gross book value as at 1 January 2016	**5 456**
Increases:	**233**
- Purchase	231
- acquisition as a result of a business combination	0
- Foreign exchange differences	2
- Other	0
Decreases:	**396**
- Sale	0
- Liquidation	67
- Foreign exchange differences	0
- Assets of sold subsidiary	329
Gross book value as at 31 December 2016	**5 293**
Accumulated depreciation as at 1 January 2016	**3 193**
- Depreciation for the period	534
Decreases:	**392**
- Liquidation	67
- Foreign exchange differences	-2
- Assets of sold subsidiary	327
Accumulated depreciation as at 31 December 2016	**3 335**
Net book value as at 1 January 2016	**2 263**
Net book value as at 31 December 2016	**1 958**

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

8.1 Recognition in profit or loss

Depreciation and amortisation of intangible assets is included in the following items in the profit and loss account::

	Year ended 31 December 2016	Year ended 31 December 2015 *(figures after restatement)*
Production costs of goods and services sold	474	692
General and administrative expenses	60	46
Total	**534**	**738**

8.2 Legal restrictions

As at 31 December 2016 and 31 December 2015, there were no charges on intangible assets held by the Group's entities which would limit the legal title or which secured the liabilities.

9 Consolidated goodwill

	31 December 2016	31 December 2015
Gross book value at the beginning of the period	**22 968**	**22 066**
Increases	0	902
Decreases	0	0
Gross book value at the end of the period	**22 968**	**22 968**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**22 968**	**22 968**

The goodwill recognized in the balance sheet as at 31 December 2016 refers to:

- Erbud International Sp. z o.o. in the amount of PLN 1 420 thousand;
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA. in the amount of PLN 18,274 thousand;
- Erbud Energetyka Sp. z o.o. in the amount of PLN 408 thousand;
- Erbud Industry Pomorze Sp.z o.o. in the amount of PLN 1 964 thousand;
- Erbud Industry Południe Sp.z o.o. in the amount of PLN 902 thousand.

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

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

Based on the impairment test for goodwill, which was performed on 31 December 2016, the Management Board concluded that an impairment loss is not required.

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10 Financial instruments

10.1 Carrying amount

The tables below details the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2016, and items of income, expense, profit and loss included in profit or loss account by financial instruments for the period from 1 January 2016 to 31 January 2016.

Class of financial instruments	Financial instruments						
	Available for-sale financial assets	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments (hedge accounting)**	**Total**
Loans granted	0	0	22 788	0	0	0	**22 788**
Financial assets available for sale	490	0	0	0	0	0	**490**
Other financial assets	0	2 386	0	0	0	0	**2 386**
Total financial assets, incl. those presented in the balance sheet as							
- long-term	*490*	*2 386*	*0*	*0*	*0*	*0*	*2 876*
- short-term	*0*	*0*	*22 788*	*0*	*0*	*0*	*22 788*
Performance bonds / retention under construction contracts	0	0	44 829	0	-96 718	0	**-51 889**
Trade and other receivables	0	0	390 083	0	0	0	**390 083**
Receivables from customers under building contracts	0	0	127 600	0	0	0	**127 600**
Derivative financial instruments	0	0	0	0	0	0	**0**
Cash and cash equivalents	0	257 273	0	0	0	0	**257 273**
Amounts due to customers under building contracts	0	0	0	0	-110 144	0	**-110 144**
Liabilities due to trade and other receivables	0	0	0	0	-313 418	0	**-313 418**
Non-current liabilities due to loans and borrowings	0	0	0	0	-8 002	**0**	**-8 002**
Other non-current financial liabilities	0	0	0	0	-5 656	0	**-5 656**
Other current financial liabilities	0	0	0	0	-6 663	0	**-6 663**
Liabilities arising from the issue of bonds	0	0	0	0	-52 000	0	**-52 000**
Current liabilities due to loans and borrowings	0	0	0	0	-43 916	0	**-43 916**
Total	**490**	**259 659**	**585 300**	**-0**	**-636 517**	0	**208 932**

Class of financial instruments	Financial instruments							
	Assets held to maturity	**Financial assets available for-sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments (hedge accounting*)**	**Total**
Interest income (expense)	0	0	13	1 083	0	-6 012	0	**-4 916**
Gains (losses) from exchange rate differences	0	0	9	3 329	0	1 316	0	**4 654**
Impairment charges (impairment release)	0	0	0	-1 757	0	0	0	**-1 757**
Gains (losses) on valuation	0	0	0	0	-322	0	0	**-322**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	44	0	0	**44**
Total	**0**	**0**	**22**	**2 655**	**-278**	**-4 696**	**0**	**-2 297**

The tables below details the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2016, and items of income, expense, profit and loss included in profit or loss account by financial instruments for the period from 1 January 2016 to 31 January 2016.

Class of financial instruments	Financial instruments						
	Available for-sale financial assets	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments (hedge accounting*)**	**Total**
Loans granted	0	0	15 289	0	0	0	**15 289**
Financial assets available for sale	677	0	0	0	0	0	**677**
Other financial assets	0	2 281	0	0	0	0	**2 281**
Total financial assets, incl. those presented in the balance sheet as							
- long-term	*677*	*2 281*	*9 850*	*0*	*0*	*0*	*12 808*
- short-term	*0*	*0*	*5 439*	*0*	*0*	*0*	*5 439*

Performance bonds / retention under construction contracts	0	0	39 390	0	-98 100	0	**-58 710**
Trade and other receivables	0	0	327 612	0	0	0	**327 612**
Receivables from customers under building contracts	0	0	137 359	0	0	0	**157 481**
Derivative financial instruments	0	0	0	-31	0	-74	**-105**
Cash and cash equivalents	0	254 138	0	0	0	0	**254 138**
Amounts due to customers under building contracts	0	0	0	0	-120 152	0	**-120 152**
Liabilities due to trade and other receivables	0	0	0	0	-264 085	0	**-264 085**
Non-current liabilities due to loans and borrowings	0	0	0	0	-25 947	**0**	**-25 947**
Other non-current financial liabilities	0	0	0	0	-7 159	0	**-7 159**
Other current financial liabilities	0	0	0	0	-6 192	0	**-6 192**
Liabilities arising from the issue of bonds	0	0	0	0	-65 000	0	**-65 000**
Current liabilities due to loans and borrowings	0	0	0	0	-81 419	0	**-81 419**
Total	**677**	**256 419**	**504 361**	**-31**	**-668 054**	**-74**	**128 709**

	Financial instruments							
Class of financial instruments	**Assets held to maturity**	**Financial assets available for-sale**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments (hedge accounting*)**	**Total**
Interest income (expense)	0	0	786	1 061	0	-6 549	0	**-4 702**
Gains (losses) from exchange rate differences	0	0	-118	-60	0	1 304	0	**1 126**
Impairment charges (impairment release)	0	0	0	-3 661	0	0	0	**-3 661**
Gains (losses) on valuation	0	0	0	0	192	0	2 543	**2 735**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	0	**0**
Total	**0**	**0**	**668**	**-2 660**	**192**	**-5 245**	**2 543**	**-4 502**

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

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

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

	31 December 2016			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	490	0	**490**
Financial assets measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	791	0	**791**
Other financial assets	0	2 386	0	**2 386**
Total	**0**	**3 667**	**0**	**3 667**

	31 December 2016			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial liabilities measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	0	0	**0**
Total	**0**	**0**	**0**	**0**

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

	31 December 2015 (figures after restatement*)			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	677	0	**677**
Financial assets measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	1 315	0	**1 315**
Other financial assets	0	2 281	0	**2 281**
Total	**0**	**4 273**	**0**	**4 273**

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

10.3 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.

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.

11 Inventories

	31 December 2016	31 December 2105
Materials	2 893	3 511
Semi-products and unfinished products	0	31 116
Finished products	129	48 485
Goods	0	45 655
Advances for deliveries	0	420
Gross book value of inventories at the end of the period	**3 022**	**129 187**
Impairment of inventories at the beginning of the period	**1 200**	**1 668**
Created in other operating costs	2	0
Created in manufacturing cost of products sold	0	0
Reversed into other operating costs	-23	75
Used	0	379
Reclassification to long-term investments	-914	14
Impairment of inventories at the end of the period	**265**	**1 200**
Net book value of inventories at the end of the period	**2 757**	**127 987**

11.1 Inventories pledged as security

As of 31 December 2016, the position did not occur.. As at 31 December 2015, a pledge was provided on inventories of the Group's entities for the amount of PLN 126,469 thousand.

12 Trade and other receivables

	31 December 2016	31 December 2105
Current receivables before tax		
a) Due to deliveries and services	410 520	350 710
- from related parties	91	32
- from other entities	410 429	350 678
b) From the public sector	14 746	23 354
c) Other	11 267	10 351
Impairment of receivables	**9 415**	**13 500**
Total net current receivables,	**427 118**	**370 915**
presented in the balance sheet as		
Trade and other receivables	390 083	327 612
Receivables from income tax	4 771	3 913
Performance bonds / retention under construction contracts	32 264	39 390

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

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

	31 December 2016	31 December 2105
Receivables overdue		
a) Less than 1 month	63 164	25 842
b) 1 to 3 months	29 823	12 463
c) over 3 to 6 months	9 414	16 778
d) over 6 months to 1 year	7 135	9 566
e) over 1 year	37 966	27 736
Total receivables overdue	**147 502**	**92 385**
Impairment of receivables	8 204	13 500
Total net receivables overdue	**139 298**	**78 885**

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

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

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

	31 December 2016	31 December 2105
Impairments at the beginning of the period	**13 500**	**7 215**
Created in other operating costs	1 795	10 140
Reversed into other operating costs	1 070	640
Used	197	1 802
Currency translation differences	0	-2
Other	-4 613	-1 508
Impairment losses taken from Erbud Industry Południe	0	97
Impairments at the end of the period, of which:	**9 415**	**13 500**
Impairment losses from trade receivables	9 415	12 108
Impairment losses from other receivables	0	1 392

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

13 Prepayments and accruals

Current prepayments	**31 December 2016**	**31 December 2105**
Insurances	4 785	3 137
Discounting of bonds	1 312	1 595
Prepayments	0	0
Advances for deliveries	0	0
Other	168	477
Total	**6 265**	**5 209**

Advances for deliveries	**31 December 2016**	**31 December 2105**
Costs of works and services before invoice	0	9
Advances for purchase of apartments, premises and parking places	0	39 715
Other	16	0
Total	**16**	**39 724**

14 Cash and cash equivalents

	31 December 2016	**31 December 2015 (figures after restatement *)**
Cash in hand	120	116
Cash at bank	238 285	202 572
- current accounts	145 976	94 257
- overnight deposits	54 316	75 617
- other deposits	36 000	28 000
- term investments	1 993	4 698
Other cash	18 868	19 449
Total cash, of which:	**257 273**	**222 137**
Restricted cash and cash equivalents	19 007	19 741
Cash and cash equivalents for cash flows	**257 273**	**222 137**

The Group's restricted cash and cash equivalents are:

	31 December 2016	**31 December 2105**
Cash deposits as collateral for bank guarantees	18 868	9 753
Works Staff Welfare Fund	139	50
Other	0	243
Funds on separate proceeds account	0	9 695
Total	**19 007**	**19 741**

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

	31 December 2016
Change in receivables in the balance sheet	**-68 768**
Sale of a subsidiary	-5 779
Change in receivables in the cash flows account	**-74 547**

	31 December 2016
Change in provisions in the balance sheet	**125 229**
Sale of a subsidiary	-109 824

Reclassification for provisions	44 041
Change in provisions in the cash flows account	**59 446**

	31 December 2016
Change in payables in the balance sheet	**48 347**
Sale of a subsidiary	10 582
Dividend obligation	-14 990
Change in payables in the cash flows account	**43 939**

	31 December 2016
Change in prepayments and accruals in the balance sheet	**-40 960**
Sale of a subsidiary	26 397
in the cash flows account	**-14 563**

	31 December 2016
Change in provisions in the balance sheet	**6 095**
Sale of a subsidiary	945
Change in provisions in Change in the cash flows account	**8 040**

15 Equity

15.1 Share capital

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

Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	4 152 865	32.41%	None
DGI Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16,.7%	None
Nationale Nederlanden PTE (formerly ING PTE S.A.)	Ordinary	None	None	1 266 900	9.89%	None
AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None
Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	712 087	5.56%	None
Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	2 327 201	18.17%	None
TOTAL				**12 811 859**	**100%**	
Par value of shares of all series in PLN	0.10		Share capital value in PLN	1 281 185.90		

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

Movements in the share capital of the Parent Company in 2016

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

The Company's Articles of Association do not grant to the above mentioned shareholders any personal rights in relation to Erbud SA, in particular, do 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.

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

Significant movements in the share capital of the Parent Company from 1 January 2016 to the date of preparing the Financial Statements

In 2016, no significant changes in the shareholding of the parent company took place.

15.2 Capital reserves

	31 December 2016	31 December 2015
- **From sale of shares over their nominal value**	**154 412**	**154 412**
- **Other (by type)**	**58 786**	**75 207**
- From profit	47 899	77 107
- Shareholder's contribution	14	14

- Due to increase of equity in Rembert Plus	-750	-750
- Acquiring the remaining shares in PRD SA	-9	-9
- Income tax adjustment on cost of issuance	767	767
- Acquiring the remaining shares in Budlex	0	-4 636
- Presentation change of supplementary capital	-718	-718
- Share-based payment	2 901	3 398
- From a reserve capital created to purchase of own shares	2 000	2 000
- Sale of treasury shares	484	484
- Acquiring shares in Erbud Energetyka	272	272
- Share-based payment - allocation of shares	0	-6 292
- Increase in the capital of Budlex - agio	0	188
- Increase in share capital within the authorized capital	2 257	2 257
- Increase in the capital of PRD	150	150
- Merger of the subsidiaries: Ersteel and ER Services	102	102
- Purchase of shares in Erbud Industry Centrum (formerly Engorem)	849	849
- Acquisition of the remaining shares in Erbud	16	16
- Sale of PBDI shares	-2 126	0
- Result on redemption of non-controlling interests	4 670	0
- Other	8	8
Total	**213 198**	**229 619**

15.3 Capital management policies and procedures

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

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

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

	31 December 2016	**31 December 2016**
Total debt	114 600	184 952
Less cash and cash equivalents	-257 273	-222 137
Net debt	-142 673	-37 185
Total equity	260 805	295 665
Debt ratio	-55%	-13%

16 Bank loans and borrowings

	31 December 2016	**31 December 2016**
Long-term	**8 002**	**25 947**
Bank loans	8 002	25 947
Short-term	**43 916**	**81 419**
Overdrafts	31 300	35 714
Bank loans and borrowings	12 616	45 705
Total bank loans and borrowings	**51 918**	**107 366**

The maturity of loans and borrowings was as follows:

	31 December 2016	31 December 2016
a) Less than 1 year	43 916	81 419
b) over 1 to 3 years	7 533	23 589
c) over 3 to 5 years	469	2 358
d) over 5 years	0	0
Total	**51 918**	**107 366**

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

Long-term liabilities due to loans and borrowings as at 31 December 2016

GWI:

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 848	2 000	EUR	8 741	1 975,70	Euribor 1M+2.1%	30.09.2017	PKO BP
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
EUR 3m from Erbud S. A.								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 848	2 000	EUR	8 848	2 000	4.39%	31.05.2017	Comerzbank
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
EUR 2m from mBank								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 848	2 000	EUR	42	9,38	EONIA + 4%	Overdraft	KBC Bank
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
EUR 3m from Erbud S. A.								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	7 433	1 680		7 433	1 680	1%	17.02.2017	NRW
Collaterals/guarantees for loan repayment granted to GWI								
Final collaterals:								
Loan taken over by the buyer								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
GWI	7 711	1 743		7 711	1 743	1%	17.02.2017	NRW
Collaterals/guarantees for loan repayment granted to GWI								
Zabezpieczenie docelowe:								
Loan taken over by the buyer								

ERBUD INDUSTRY CENTRUM:

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY CENTRUM	9 383			6 099		Wibor 3M + 1.7%	28.02.2020	CREDIT AGRICOLE

Collaterals/guarantees for loan repayment granted to Erbud Industry Centrum

Final collaterals:

Guarantee ZUP/S/41/2014

ERBUD INDUSTRY:

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY	35 000		PLN	2 526		Wibor 1M + 1.4%	17.09.2024	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

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

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

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

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

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

Statement on submission to the enforcement under Art. 97 of the Banking Law of 29 August 1997(Journal of Laws of 2000, No 72, item 665, as amended)

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY	5 300		PLN	2 987		Wibor 1M + 1.9%	17.09.2019	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 5,300,000 granted by ERBUD SA, seated in Warsaw at 1 Klimczaka St., incl. the Guarantor's statement on submission to enforcement towards the Bank under Art. 97 of the Banking Law 2of 29 August 1997 (Journal of Laws of 2002. No. 72, item 665, as amended)

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

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY	5 000		PLN	475		Wibor O/N + 1.3%	31.01.2018	mBank

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

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

Assignment of existing and future receivables from the contract, incl. conditional balance consolidation for the Bank, which jointly meet the following conditions:

a) the minimum total value of contracts with a duration of more than three months of not less than 9m, of which 50% of the amount will come from contracts executed solely by the customer (contractor) and the other 50% can come from contracts in which the client is a subcontractor of ERBUD SA;

b) the minimum level of revenues from contracts covered by the assignment of PLN 4.5m per quarter; the Bank allows a short-term (not exceeding 3 months) breach of that condition that is justified by seasonality.

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY	4 000		PLN	2 684		Wibor 1M + 1.9%	30.04.2020	BGŻ BNP Paribas SA

Collaterals/guarantees for loan repayment granted to Erbud Industry

Final collaterals:

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

Statement of the Borrower to submit to enforcement under Art. 97 of the Banking Law of 29 August 1997

ERBUD INDUSTRY POMORZE

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY POMORZE	2 000		PLN	1 893		Wibor O/N + 1.25%	28.07.2017	Credit Agricole

Collaterals/guarantees for loan repayment granted to Erbud Industry Pomorze

Final collaterals:

Erbud submitted a statement on voluntary submission to enforcement under Art. 777(1) 1 of the Code of Civil Procedure

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
ERBUD INDUSTRY POMORZE	1 500		PLN	571		Wibor 1M + 1.8%	16.01.2025	BGŻ BNP PARIBAS

Collaterals/guarantees for loan repayment granted to Erbud Industry Pomorze

Final collaterals:

a General assignment of current and future active debts due to trade receivables of the Borrower from all its debtors

b) Surety under civil law up to PLN 2m granted by Erbud Industry Sp. z o.o.

Terms and conditions of loan agreements

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

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.

17 Liabilities arising from issuance of debt and equity securities

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

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

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

18.1 Other non-current financial liabilities

	31 December 2016	**31 December 2016**
Non-current liabilities under financial lease	5 656	7 128

18.2 Other non-current liabilities

	31 December 2016	**31 December 2016**
Foreign exchange risk hedging in Budlex Sp. z o.o	0	31

Liabilities due to buyout of minority interests in Budlex SA	750	**0**
Total	**750**	**31**

18.3 Other current financial liabilities

	31 December 2016	31 December 2016
Interest	0	0
Interest on bonds	846	734
Liabilities due to bonds	0	0
Leases	5 026	5 458
Forward financial instruments	791	74
Total	**6 663**	**6266**

19 Provision for liabilities and other debts

	Provision for remedial works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2016	**17 721**	**4 659**	**10 258**	**3 240**	**35 878**
Increase	3 262	1 696	4 239	13 564	**22 761**
Created in this year	0	0	0	0	**0**
Released	5 040	5 348	482	1 820	**12 690**
Used	115	0	3 111	749	**3 975**
Transfers	0	0	0	0	**0**
As at 31 December 2016	**15 828**	**1 007**	**10 904**	**14 235**	**41 974**

Provisions as at 31 December 2016:	
Presented in the balance sheet as:	
Non-current liabilities	
- Provisions for pensions and similar benefits	1 932
- Other provisions	2 650
Current liabilities	
- Provisions for pensions and similar benefits	8 972
- Other provisions	28 420
Total provisions as at 31 December 2016	**41 974**

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

Provisions as at 31 December 2015:

Presented in the balance sheet as:

Non-current liabilities:

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

19.1 Provision for remedial works

The Group recognized in the balance sheet provision for remedial works in the amount of PLN 17,721 thousand as at 31 December 2015 and PLN 15,828 thousand as at 31 December 2016. The Group creates a provision for anticipated repair costs based on the level of remedial works accounted for in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2013-2016.

20 Trade and other liabilities; income tax liabilities; bonds and retention money under construction contracts

Current liabilities	**31 December 2016**	**31 December 2016**
a) Deliveries and services	**334 959**	**327 918**
- From related parties	766	881
- From other entities	334 193	327 037
b) To public sector	**24 271**	**19 546**
- Corporate income tax	4 610	4 740
- Value Added Tax	9 873	5 037
- Income tax on natural persons	2 121	1 965
- Other	7 667	7 804
c) Other	**47 928**	**19 461**
- Labour costs	6 699	6 330
- Advance payments received	16 457	11 964
- Liabilities due to shares	14 990	0
- Other	9 782	1 167
Total liabilities presented in the balance sheet as:	**407 158**	**366 925**
Trade and other liabilities	313 418	264 085
Current tax liabilities	4 610	4 740
Performance bonds / retention under construction contracts	89 130	98 100

21 Obligations under finance leases

Current value of net minimum lease payments was as follows:

	31 December 2016	**31 December 2016**
	Current value of fees	
The nominal value of minimum lease fees		
up to 1 year	5 405	5 869
between 1 and 5 years	5 799	7 412
Total liabilities under financing lease– total minimum lease fees	**11 204**	**13 281**
Financial expense due to financing lease	522	695
Current value of minimum lease fees		
up to 1 year	5 026	5 458
between 1 and 5 years	5 656	7 128
Total current value of minimum lease fees	**10 682**	**12 586**

22 Long-term construction contracts

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

	Year ended 31 December 2016	Year ended 31 December 2016
Income from building contracts	1 611 938	1 648 413
Expenses due to building contracts, incl.:	1 450 870	1 524 628
- Recognized loss	373	0
Profit before tax	**160 695**	**123 785**

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

	31 December 2016	31 December 2016
Assets:		
Amounts due from customers, incl.	**127 600**	**157 481**
- Contracts measurement	127 600	157 481
Liabilities:		
Amounts due to customers, incl.:	**110 144**	**120 152**
- Contracts measurement	110 144	120 152

23 Performance bonds and retention under construction contracts

Retention money under construction contracts as at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016	31 December 2016
Retentions held by customers		
Retentions returnable beyond 12 months	12 565	10 701
Retentions returnable within 12 months	32 264	28 689
Total	**44 829**	**39 390**
Retentions retained to suppliers		
Retentions returnable beyond 12 months	7 588	10 797
Retentions returnable within 12 months	89 130	87 303
Total	**96 718**	**98 100**

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

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

	31 December 2016	31 December 2016
Discount of retentions held by customers	-698	-537
Discount of retentions retained to suppliers	-483	-644

Discounts recognized in profit or loss:

	Derecognition of discounted liabilities as at 01.01.2016	Derecognition of discounted receivables as at 01.01.2016	Recognition of discounted liabilities as at 31.12.2016	Recognition of discounted receivables as at 31.12.2016	Total impact of discounting in the period ended 31.12.2016
Impact on gross profit/loss	-644	537	483	-698	-322
Impact on net profit/loss	-522	435	391	-565	-261
	Derecognition of discounted liabilities as at 01.01.2015	**Derecognition of discounted receivables as at 01.01.2015**	**Recognition of discounted liabilities as at 31.12.2015**	**Recognition of discounted receivables as at 31.12.2015**	**Total impact of discounting in the period ended 31.12.2015**
Impact on gross profit/loss	-686	771	644	-537	192
Impact on net profit/loss	-556	625	522	-435	156

24 Revenue from sales

	Year ended 31 December 2016	Year ended 31 December 2015 *(Figures after restatement *)*
Revenues from sales of finished products	0	0
Revenues from sales of services	1 779 977	1 710 609
Revenues from sales of goods and materials	9 799	4 809
Total	**1 789 776**	**1 715 418**

25 Costs by type

	Year ended 31 December 2016	Year ended 31 December 2015 *(Figures after restatement *)*
Depreciation and amortization	10 896	9 506
Consumption of materials and power	248 904	277 627
External services	1 204 591	1 163 371
Taxes and charges	9 804	9 087
Payroll	173 345	160 078
Social security and other benefits	39 159	35 717
Other costs	18 129	19 889
Value of sold goods and materials	8 180	4 570
Total expenses by nature	**1 713 008**	**1 679 845**
Change in inventories, products and deferred expenditures due to construction contracts	32 842	-4 928
Cost of production for in-house use (negative value)	0	0
Cost of sales (negative value)	-5 236	-4 659
General and administrative costs (negative value)	-80 330	-69 885
Production cost of goods sold	**1 660 284**	**1 600 373**

26 Other operating income and expenses

Other operating income	Year ended 31 December 2016	Year ended 31 December 2015 *(Figures after restatement *)*
Gain on disposal of non-financial fixed assets	4 127	1 328
Reversal of impairment, incl.:	**40**	**566**
- Receivables	17	566
- Other	23	0

Release of provisions, incl.:	**5 219**	**207**
- Remedial works	1 130	207
- Litigation and claims	3 652	0
- Other	437	0
Other, incl.:	**2 081**	**9 853**
- Indemnities	253	1 161
- Penalties, fines and indemnities received	1 210	376
- Release of impairment losses on receivables	0	139
- Redeemed liabilities	161	10
- Donations	0	0
- Valuation of investment property to fair value - GWI	0	5 685
- Presentation adjustments	0	908
- Other	457	1 574
Total	**11 467**	**11 954**

Other operating costs	**Year ended 31 December 2016**	**Year ended 31 December 2015** *(Figures after restatement *)*
Loss on disposal of non-financial fixed assets	24	20
Creation of impairments, incl.:	**1 777**	**4 227**
- Receivables	1 774	4 227
- Tangible fixed assets	3	0
- Inventories	0	0
Creation of provisions, incl.:	**2 908**	**4 203**
- Remedial works	2 869	505
- Litigation and claims	0	1 397
- Other	39	2 301
Other, incl.:	**4 857**	**3 353**
- Penalties, fines and indemnities	3 717	1 279
- Legal action costs	413	1 196
- Written-off receivables	15	1 790
- Donations	94	41
- Presentation adjustments	0	-1 592
- Other	618	639
Total	**9 566**	**11 803**

27 Financial income and expenses

Financial income	**Year ended 31 December 2016**	**Year ended 31 December 2015** *(Figures after restatement *)*
Revaluation of investments	0	0
Measurement of financial instruments	0	0
Gain on disposal of financial assets	44	0
Dividends and profit sharing	0	0
Interest on loans granted	638	525
Interest on shares/units	0	0
Interest on bonds	0	0
Other interest	1 670	1 158
Interest on term deposits	137	164
Discount of retentions	0	192
Positive exchange differences, incl.:	**4 713**	**1 345**
- Gained	4 286	1 284
- Unrealized	427	61
Gain on bargain purchase of Energoserv	0	0
Valuation of financial instruments	0	0
Other	624	5
Total	**7 826**	**3 389**

Financial costs	Year ended 31 December 2016	Year ended 31 December 2015 *(Figures after restatement *)*
Measurement of financial instruments	0	0
Interest on bonds	2 605	2 600
Interest on loans and borrowings received	2 851	3 250
Financial expenses under finance lease	521	573
Other interests	1 384	125
Negative exchange differences, incl.:	**59**	**219**
- Gained	49	6
- Unrealized	10	213
Bank guarantee fees	291	321
Discount of retentions and other liabilities	322	0
Front-end fee paid to the bank	2 010	2 535
Financial costs of bonds	178	169
Bond discount	0	237
Other	212	99
Total	**10 433**	**10 128**

28 Current and deferred income tax

The main tax items for the year ended 31 December 2016 and 31 December 2015 were as follows:

	Year ended 31 December 2016	*Year ended 31 December 2015 (Figures after restatement *)*
Income tax in profit or loss	**7 950**	**10 662**
Current tax	17 986	16 460
Deferred tax on origination and reversal of temporary differences	-10 036	-5 798
Income tax recognized in equity	**0**	**486**
Valuation of hedging instruments	**0**	**486**

Reconciliation between income tax on profit before tax and tax calculated at an effective tax rate of the Group for the year ended 31 December 2016 and as of 31 December 2015 is summarized in the following table:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before tax on continuing operations	43 220	33 913
Pre-tax result of discontinued operations	0	0
Profit before tax	**43 220**	**33 913**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 2016 and 2015	**5 546**	**7 625**
Additional charge arising from the rate exceeding 19% in Germany	3 674	770
Adjustments of current income tax for previous years	0	441
Unrecognised tax losses	106	0
Excess costs which are not tax deductibles over income not recognized as taxable income	-1 376	1 826
Tax recognized in the consolidated profit and loss statement	**7 950**	**10 662**

In the year ended 31 December 2016 there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2016, there were no items of temporary differences in respect of which neither the deferred tax assets were recognized in the balance sheet nor was any provision for deferred tax established.

Provision on deferred tax	31 December 2016	31 December 2015
Valuation of long-term contracts	22 399	24 615
Revaluation of assets	2 084	7 253
Financial expenses capitalized	78	312
Balance valuation - discounted liabilities	18	594
Accrued interest	59	0

Accrued revenue	0	0
Other	851	1 858
Total	**25 489**	**34 632**
Ney provision on deferred tax	**2 625**	**0**

Deferred tax assets	**31 December 2016**	**31 December 2015**
Valuation of construction contracts	29 140	23 630
Provisions	5 464	6 364
Tax loss	929	1 340
Profit margin on intra-Group sales	0	938
Other fees charged statistically	428	702
Revaluation of receivables	1 354	1 484
Valuation of bonds interest	0	0
Other financial liabilities	1 356	1 582
Consolidation adjustments	0	0
Accrued costs	571	1 724
Discount of retentions	0	0
Other	651	1 236
Total	**39 893**	**39 000**
Net deferred tax assets	**17 029**	

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

29 Loans granted

As at 31 December 2016, the Group granted loans as follows:

	Outstanding loan/borrowing amount		**Interest**	**Maturity date**
Borrower	**[PLN]**			
Budlex S.A.	7 064		Wibor + 3.4%	31.12.2017
Collateral:				
Unsecured loan				

	Outstanding loan/borrowing amount		**Interest**	**Maturity date**
Borrower	**[PLN]**	**[EUR]**		
Wojciech Grabianowski	262	59	4%	31.12.2017
Collateral:				
Unsecured loan				

	Outstanding loan/borrowing amount		**Interest**	**Maturity date**
Borrower	**[PLN]**	**[EUR]**		
X2 GmbH	10 053	2 272	5%	31.12.2018
Collateral:				
Unsecured loan				

	Outstanding loan/borrowing amount		Interest	Maturity date
Borrower	**[PLN]**	**[EUR]**		
Wento Operations Cyprus Limited	5 409	0	1R Wibor + 2.05%	30.05.2017
Collateral:				
Guarantee by Wento Holdings S.a r.l Luxemburg L-1653, at 2, Avenue Charles de Gaulle up to PLN 6m				
Total	**22 788**			

30 Earnings per share

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

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

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

	Year ended 31 December 2016	Year ended 31 December 2015
Net profit (loss) attributable to the shareholders of the Parent	1 791	27 846
Weighted average number of shares (in units)	12 811 859	12 780 257
Net profit (loss) per share (in PLN)	**0.14**	**2.18**
Diluted weighted average number of shares	12 811 859	12 811 859
Diluted earnings (loss) per share (in PLN)	**0.14**	**2.17**

31 Dividends paid and declared; dividend per share

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 was paid to shareholders.

The dividend payment was covered by:

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

To the dividend were entitled 12,811,859 shares.

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

The Management Board informs that the list of shareholders entitled to the dividend for 2015 was 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 has been set at 9 January 2017.

32 Changes in the composition of the Group

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

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

The condition of closing the Transaction is:

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

Furthermore, the Agreement provides that prior to the disposal of 100% of Budlex shares and after the acquisition of 10.04% of the shares from the minority shareholder, Budlex will pay to the Issuer – under so-called allowed outflows - a dividend in the amount of PLN 17m. Also during this period, the Issuer will purchase from subsidiaries of Budlex SA a developed property located in Torun at 10 Wapienna St. for PLN 10m net. Now there are offices of the Shared Services Centre operating within the structure of the Issuer, Torun Erbud SA Branch Office and offices of the subsidiaries of the Issuer: Erbud International Sp. z o.o.; PBDI S.A.; Erbud Industry Sp. z o.o.; Erbud Contruction Sp. z o.o.
The transaction will bring a positive cash flow of PLN 45m.
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 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 45m. 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. o.o. conducts no other operating activities than the management of the property possessed.
The first tranche of the price in the amount of PLN 10m was paid on 30.09.2016. The second tranche amounting PLN 10m and 25m was paid on 13.10.2016 and 27.10.2016 respectively.

On 10 October 2016, an agreement was signed between Budlex SA and Erbud SA to sell 248,120 shares, constituting 100% of shares in Budlex Properties Sp. z o.o. for the total price of PLN 12m, i.e. PLN 48.36 per share. The payment effected on 10.10.2016.

On 21August 2015, by Resolution No. 3 of the Extraordinary General Meeting of PBDI SA, the share capital of the Company has been increased to PLN 913,500.00. The increase was made through the issuance of 828 registered ordinary C-Series shares with a nominal value of PLN 50.00 each. The increase of the Company's share capital was registered in the National Court Register on 13January 2016.
Therefore, the issuer's share in the equity of PBDI S.A as at the date of publication of the Financial Statements was as follows:

Shareholding of PBDI SA holding over 5% of all shares in the company

	Number of Issuer's shares held	Percent of equity	Number of votes	Per cent of voting rights at the GM
1 Erbud S.A.	16 442	90%	16 442	90%
2 Jacek Leczkowski	1 828	10%	1 828	10%

Except for the above mentioned, there were no changes in the structure of subsidiaries and long-term investments.

33 Share-based payment

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

34 Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with related parties that are not subject to consolidation for the year ended 31 December 2016 and as at that date, and for the year ended 31 December 2015 and as at that date:

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2016		Year ended 31.12.2016	
- deliveries and services	91	766	24	0
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	0	0	0	0

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

35 Transactions with key management personnel

As at 31 December 2016 the managing persons (members of the Management Board) held the following number of shares:

Shareholder	Class of shares	Number of shares	Per cent of equity	Number of votes	Per cent of voting rights at the GM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	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) held the following number of shares:

Shareholder	Class of shares	Number of shares	Per cent of equity	Number of votes	Per cent of voting rights at the GM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	712 087	5.56%	712 087	5.56%
Dariusz Grzeszczak	Ordinary	773.900	6.04%	773.900	6.04%
Józef Adam Zubelewicz	Ordinary	259.500	2.03%	259.500	2.03%
Albert Duerr- Supervisory Board member	Ordinary	14.500	0.11%	14.500	0.11%

As of the date of issuing these Financial Statements, the Board members and holders of a commercial power of attorney did not have any Erbud's stock options.

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

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 31 December 2016 and as at 31 December 2015 were not a party to the contract obliging to render services to the companies of the Erbud Group.

36 Remuneration of key management personnel

Remuneration of the Supervisory Board members of ERBUD SA 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 value of remuneration paid and benefits in kind granted in the year ended 31 December 2016	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2015
Udo Berner	President of the Supervisory Board	90	90
Józef Olszyński	Vice-President of the Supervisory Board	24	72
Albert Durr	Supervisory Board Member	60	60
Gabriel Główka	Supervisory Board Member	68	60
Zofia Dzik	Supervisory Board Member	60	60

Michał Otto	Supervisory Board Member	60	60
Janusz Lewandowski	Supervisory Board Member	60	60
Janusz Reiter	Supervisory Board Member	40	0

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

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

37 Contingent liabilities and receivables

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

	31 December 2016	31 December 2015
Contingent receivables		
From other entities	**113 877**	**13 001**
Guarantees and sureties received	113 877	13 001
Litigation	0	0
Bills of exchange received as collateral	0	0
To other entities		
Guarantees and sureties granted	**468 869**	**420 454**
Litigation	461 525	418 843
Contingent receivables	0	0
Promissory notes	7 344	1 611
Total off-balance sheet items	**-354 992**	**-407 453**

38 Court proceedings

As of 31 December 2016, not any significant legal proceedings brought by ERBUD SA were pending, except those disclosed in Note 43.
Significant cases in which Erbud SA is the defendant are described in section 21.2 and 43.

39 Investment expenses

Investment expenses scheduled for 2016 amounted to PLN 3 800 thousand, of which:
- Erbud S.A. – PLN 500 thousand;
- Grupa Industry – PLN 800 thousand;
- PBDI S.A. – PLN 900 thousand;
- GWI – PLN 600 thousand.

40 Employment structure

The average employment in the Group was as follows:

	31 December 2016	31 December 2015
Blue-collar workers	1 121	1 218
White-collar workers	892	826
Total	**2 013**	**2 044**

41 Financial risk management objectives and policy

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

Foreign exchange risk

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

Hedge accounting

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

Under the building contract concluded 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 comprising the project under the name “Office and Conference Centre NOWA FORMIERNIA” some payments will be made in EURO.
In this connection the Group signed on 10 December 2015 with mBank S.A. a par forward contract - In amounts and dates corresponding to expected flows under the construction contract - to secure cash flows from the aforementioned contract.

In connection with entering by ERBUD SA 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 period.

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

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

Carrying value of financial instruments denominated in foreign currencies (in PLN) as of 31.12.2016:

	PLN
Cash and cash equivalents	42 722
Currency forwards	0
Receivables due to retentions	27 082
Loans granted	3 621
Total	0
Loans and borrowings liabilities	**73 425**

Trade and other liabilities	0
Liabilities due to retentions	5 074
Receivables due to retentions	0
Currency forwards	0
Total	**5 074**
Exposure to currency risk	**68 351**

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

	PLN
Cash and cash equivalents	3 134
Currency forwards	1 315
Receivables due to retentions	32 524
Loans granted	1 496
Total	0
Loans and borrowings liabilities	**38 469**
Trade and other liabilities	0
Liabilities due to retentions	5 955
Receivables due to retentions	0
Currency forwards	105
Total	**6 060**
Exposure to currency risk	

Risk of interest rates

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

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

The following tables present the carrying value of financial instruments as at 31 December 2016, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Less than 1 year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Loans granted	262	0	0	0	**262**
Cash assets as term deposits	1 993	0	0	0	**1 993**
Total	**2 255**	**0**	**0**	**0**	**2 255**

Variable interest rates

	Less than 1 year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Cash at bank accounts	236 292	0	0	0	**236 292**
Cash assets as term deposits	0	0	0	0	**0**
Borrowings granted	22 526	0	0	0	**22 526**
Overdrafts	31 300	0	0	0	**31 300**
Liabilities due to finance lease (current and non-current)	5 026	5 588	68	0	**10 682**
Secured bank loans	12 616	7 265	737	0	**20 618**
Bonds	0	52 000	0	0	**52 000**
Total assets - liabilities	**307 760**	**64 853**	**805**	**0**	**373 418**

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

Fixed interest rates

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

Variable interest rates

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

Price risk

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

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

Credit risk

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

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

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

The debt age structure is presented in item 14.

Liquidity risk

In order to reduce the liquidity risk, the Group's companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which are an additional security measure of liquidity. To finance

investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

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

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

The tables below summarize the Group's financial liabilities as at 31 December 2016 and as at 31 December 2015 by the maturity on the basis of contractual undiscounted payments:

31 December 2016	**Less than 3 months**	**3 – 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Loans and borrowings at interest	469	43 447	8 002	0	**51 918**
Liabilities due to lease	428	4 598	5 656	0	**10 682**
Trade and other liabilities	318 028	0	2 387	0	**320 415**
Performance bonds / retention under construction contracts	0	89 130	7 588	0	**96 718**
Issued bonds	0	0	52 000	0	**52 000**
Total	**318 925**	**137 175**	**75 633**	**0**	**531 733**

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

Sensitivity analysis for currency and interest rate risk

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

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

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

Sensitivity analysis for currency risk and interest rate risk as at 31December 2016

Financial statements item	**Value in PLN '000**	**Currency risk**	
		Impact on profit/loss in PLN '000	
		10% PLN revaluation against EUR	10% PLN devaluation against EUR
Cash and cash equivalents	42 722	-4 272	4 272
Trade and other receivables	27 082	-2 708	2 708
Receivables due to retentions	3 621	-362	362
Loans granted	0	0	0
Impact on financial assets	**73 425**	**-7 342**	**7 342**
Credits and loans liabilities	0	0	0
Trade and other liabilities	5 074	507	-507
Liabilities due to retentions	0	0	0
Impact on financial liabilities	**5 074**	**507**	**-507**

Sensitivity analysis for currency risk and interest rate risk as at 31December 2015

Financial statements item	Value in PLN '000	Currency risk	
		Impact on profit/loss in PLN '000	
		10% PLN revaluation against EUR	10% PLN devaluation against EUR
Cash and cash equivalents	3 134	-313	313
Trade and other receivables	32 524	-3 252	3 252
Receivables due to retentions	1 496	-149	149
Loans granted	0	0	0
Impact on financial assets	**37 154**	**-3 714**	**3 714**
Credits and loans liabilities	0	0	0
Trade and other liabilities	5 955	595	-595
Liabilities due to retentions	0	0	0
Impact on financial liabilities	**5 955**	**595**	**-595**

42 Asset-backed securities

Mortgages on fixed assets of the Group's companies

Apart from mortgages on the assets listed in point 6.4.

43 Pending litigations

Claim against the Bank Millennium SA

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

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 connected with the execution of the project: extension of the Airport Modlin

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

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

DSH contracted a number of works with:

- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]: The contract included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;

- CEMEX and LAFARGE – two worldwide known suppliers of aggregate: The contract included the supply of aggregate for concrete used to complete the runway thresholds.

The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Position of the Management Board on financial claims

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

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

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

On **18 March 2015**, the Issuer filed in the District Court Warsaw Mokotów a suit for damages due to improper performance of the contract, against Cemex Polska sp. z o.o based in Warsaw, and Lafarge Kruszywa i Beton sp. z o.o. based in Warsaw (the "Defendant") in the amount of PLN 18,685,956.97 (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.

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.
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. During the hearing that took place on 11 January 2017, the Court issued a decision, in which it accepted evidence from the documents presented by Kępska at the end of 2016, and additionally admit evidence from the supplementary report of an expert.
Erbud lodged objections to the minutes and demanded a reissue of the evidence decision both for the admissibility of documents attached to the above pleadings and for the evidence thesis for the expert on the proof of Erbud's "delay" in the performance of the construction contract. Expected date of closure of the proceedings before the Court of First Instance: 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, and the plaintiff responded to the appeal. An appellate hearing will be on 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

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

The defendant Academy of Music responded to the suit dated 23 January 2014 requesting the dismissal of the action in its entirety and raised the procedural objection to deduction of penalties. The plaintiff filed pleadings dated 31.03.2014 and 22.05.2014, and the defendant pleadings of 04.04.2014 and 30.06.2014. Two hearings were held so far: on 29.08.2014 (one ERBUD's witness has been examined) and on 07.11.2014, where there case has been postponed due to the planned bringing by the defendant a counterclaim for payment of the remainder of contractual penalties. A hearing was held on 04.06.2015 and adjourned.

By decision dated 05.11.2015, the Court combined this case with the case No. I C 1944/14 and then set the date of the hearing for 11.03.2016. Currently, at the request of the Academy of Music, mediation proceedings to reach a settlement are pending.

44 Events subsequent to the reporting period

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

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Paweł Smoleń
/ Management Board Member /

Warsaw, March 20, 2017