

ERBUD GROUP

Interim Consolidated Financial Statements
for the period ended June 30, 2017
prepared in accordance with
International Accounting Standard 34
"Interim Financial Reporting"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30-06-2017	For the six months ended 30-06-2016	For the three months ended 30-06-2017 *unaudited figures*	For the three months ended 30-06-2016 *unaudited figures*
	CONTINUING OPERATIONS				
Note 4.1.	Revenue from sales of products and services and of goods and materials	776 320	788 168	432 235	446 318
	Cost of sold products and services and of goods and materials	715 853	732 078	396 652	417 906
	Profit from sales before tax	**60 467**	**56 090**	**35 583**	**28 412**
	Cost of sales	2 717	2 867	1 418	1 594
	General and administrative costs	45 323	39 113	23 188	19 478
	Other operating income	6 882	25 521	3 560	18 204
	Other operating expenses	4 463	4 174	3 635	2 170
Note 4.1.	**Profit (loss) on jointly controlled entities**	**14 846**	**35 457**	**10 902**	**23 374**
	Financial income	2 018	5 469	1 529	4 725
	Financial expenses	7 474	5 667	3 382	3 538
	Profit from continuing operations before tax	**9 390**	**35 259**	**9 049**	**24 561**
Note 4.2.	Income tax	2 395	7 719	2 151	4 837
	Net profit (loss) from continuing operations	**6 995**	**27 540**	**6 898**	**19 724**
	DISCONTINUED OPERATIONS				
	Net profit (loss) from discontinued operations	-	(35 733)	-	(36 152)
	Net profit (loss) for the financial period	**6 995**	**(8 193)**	**6 898**	**(16 428)**
	Net profit (loss) for the financial period attributable to:				
	Shareholders of the Parent Company	7 136	(10 949)	6 803	(18 183)
	Minority shareholders	(141)	2 756	95	1 755
	Weighted average number of ordinary shares (in pcs.)	12 811 859	12 811 859	12 811 859	12 811 859
	Net earnings per share from continuing operations (in PLN)	0.55	2.15	0.54	1.54
	Net earnings per share from discontinued operations (in PLN)	-	- 2.79	-	- 2.82
	Basic net earnings per share (in PLN)	**0.55**	**- 0.64**	**0.54**	**- 1.28**
	Diluted weighted average number of shares (in pcs.)	12 811 859	12 811 859	12 811 859	12 811 859
	Diluted net earnings f per share from continuing operations (in PLN)	0.55	2.15	0.54	1.54
	Diluted net earnings f per share from discontinued operations (in PLN)	-	- 2.79	-	- 2.82
	Diluted net earnings f per share (in PLN)	**0.55**	**- 0.64**	**0.54**	**- 1.28**
	ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS, INCL. ALTERNATIVE PERFORMANCE MEASURES				
	Amortization and depreciation	5 304	5 486	3 316	2 973
Note 4.1.	**EBITDA**	20 150	40 943	14 218	26 347

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30-06-2017	For the six months ended 30-06-2016	For the three months ended 30-06-2017 *unaudited figures*	For the three months ended 30-06-2016 *unaudited figures*
Consolidated net profit (loss)	**6 995**	**(8 193)**	**6 898**	**(16 428)**
Foreign exchange differences on translation of foreign entities	(723)	675	31	632
Valuation of hedging instruments	2 971	(2 321)	(632)	(2 807)
Other comprehensive income (including tax effect) subject to reclassification to the result	**2 248**	**(1 646)**	**(601)**	**(2 175)**
Total revenue for the period	**9 243**	**(9 839)**	**6 297**	**(18 603)**
attributable to:				
Shareholders of the Parent Company	9 517	(12 714)	6 192	(20 436)
Minority interests	(274)	2 875	104	1 833
Total income attributable to Shareholders of the Parent Company from::				
Continuing operations	9 517	19 426	6 192	12 083
Discontinued operations	-	(32 140)	-	(32 519)
	9 517	**(12 714)**	**6 192**	**(20 436)**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT ENTITY

				Accumulated other comprehensive income					
	Share capital	Reserves from the sale of shares above their nominal value	Reserve capital	Exchange differences on translation of foreign entities	Valuation of hedging instruments	Retained earnings	Total	Minority interests	Equity
Balance at 1 January 2016	**1 281**	**229 619**	**-**	**761**	**1 006**	**46 086**	**278 753**	**16 912**	**295 665**
Net profit/loss for the period	-	-	-	-	-	(10 949)	**(10 949)**	2 756	**(8 193)**
Total income for the financial period	-	-	-	556	(2 321)	-	**(1 765)**	119	**(1 646)**
Total comprehensive income	**-**	**-**	**-**	**556**	**(2 321)**	**(10 949)**	**(12 714)**	**2 875**	**(9 839)**
Dividend	-	(3 977)	-	-	-	(11 398)	**(15 375)**	-	**(15 375)**
Transfer of net profit/loss from the previous year to retained earnings	-	-	-	-	-	-	**-**	-	**-**
Acquisition of issued shares by minority shareholders of the subsidiary PBDI	-	(2 126)	-	-	-	-	**(2 126)**	2 126	**-**
Balance at 30 June 2016	**1 281**	**223 516**	**-**	**1 317**	**(1 315)**	**23 739**	**248 538**	**21 913**	**270 451**
Balance at 1 January 2017	**1 281**	**213 197**	**-**	**1 343**	**(640)**	**36 479**	**251 660**	**9 145**	**260 805**
Net profit/loss for the period	-	-	-	-	-	7 136	**7 136**	(141)	**6 995**
Total income for the financial period	-	-	-	(576)	2 971	(14)	**2 381**	(133)	**2 248**
Total comprehensive income	**-**	**-**	**-**	**(576)**	**2 971**	**7 122**	**9 517**	**(274)**	**9 243**
Dividend	-	-	-	-	-	-	**-**	(105)	**(105)**
Transfer of net profit/loss from the previous year to retained earnings	-	-	11 103	-	-	(11 103)	**-**	-	**-**
Balance at 30 June 2017	**1 281**	**213 197**	**11 103**	**767**	**2 331**	**32 498**	**261 177**	**8 766**	**269 943**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30.06.2017	31.12.2016
	ASSETS	**950 882**	**947 297**
Note 7.2.	Goodwill	22 968	22 968
Note 7.1.	Property, plant and equipment	48 780	48 031
Note 5.1.	Financial assets	26 566	2 903
Note 4.2.	Deferred tax assets	27 972	17 029
Note 2.1.	Receivables under construction contracts -retention	13 120	12 565
	Fixed assets	**139 406**	**103 496**
	Inventory	3 750	2 757
Note 2.1.	Receivables under construction contracts -retention	31 178	32 264
	Receivables under construction contracts -valuation	175 632	127 600
Note 7.5.	Trade and other receivables	443 907	394 854
Note 5.1.	Financial assets	10 746	22 788
Note 3.8.	Cash and cash equivalents	141 367	257 273
Note 7.5.	Other	4 896	6 265
	Current assets	**811 476**	**843 801**
	LIABILITIES	**950 882**	**947 297**
Note 3.1.	Share capital	1 281	1 281
	Reserves from the sale of shares above their nominal value	213 197	213 197
	Reserve capital	11 103	-
	Accumulated other comprehensive income	3 098	703
	Retained earnings	32 498	36 479
	Equity of shareholders of the Parent Company	261 177	251 660
	Minority interests	8 766	9 145
	Equity	**269 943**	**260 805**
Notes 3.3.; 3.5	Interest debt	12 183	65 658
Note 7.6.	Provisions	4 957	4 582
Note 4.2.	Deferred tax liabilities	2 167	2 625
	Liabilities under construction contracts - retention	6 469	7 588
	Other liabilities	-	750
	Long-term liabilities	**25 776**	**81 203**
Notes 3.3.-3.5	Interest debt	140 316	48 942
Note 7.6.	Provisions	34 798	37 392
Note 2.1.	Liabilities under construction contracts - retention	89 522	89 130
	Liabilities under construction contracts - valuation	127 334	110 144
Note 7.8.	Trade and other payables	256 702	319 681
Note 7.8.	Advances received for deliveries	6 491	-
	Short-term liabilities	**655 163**	**605 289**

ADDITIONAL INFORMATION TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 3.6.	Assets to secure debt obligations	3 804	3 909
Note 3.7.	Contingent assets	103 172	113 877
Note 3.7.	Contingent liabilities	757 069	468 869

CONSOLIDATED STATEMENT OF CASH FLOWS

		01.2017-06.2017	01.2016-06.2016
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit (loss) before tax	9 390	35 259
	Depreciation and amortization	5 304	6 042
	Profit (loss) from exchange rate differences	(617)	383
	Interest and share in profit (dividends)	2 610	4 203
	Other non-cash adjustments	(182)	(4 549)
	Income tax paid	(10 557)	(8 654)
	Change in working capital	(127 688)	(103 851)
	Net cash used in operating activities	**(121 740)**	**(71 167)**
	CASH FLOWS FROM INVESTMENT ACTIVITIES		
	Proceeds from the sale of shares in a jointly controlled entity	-	-
Note 5.1.2.	Proceeds from loans granted	2 013	116
	Other inflows	848	7 531
Note 7.1.	Expenditure on acquisition of property, plant and equipment	(2 125)	(2 533)
Note 7.1.	Expenditure on the acquisition of investment properties	-	(28 991)
Note 5.1.2.	Expenditure on loans granted	(10 438)	(44)
	Expenditure on acquisition of shares in companies	-	-
	Other outflows	(1 500)	(1 616)
	Net cash used in investment activities	**(11 202)**	**(25 537)**
	CASH FLOWS FROM FINANCIAL ACTIVITIES		
	Proceeds from debt incurred - loans and loans	44 282	50 860
	Other inflows	-	-
	Expenditures on repayment of debt - capital	(10 059)	(39 690)
	Expenditures on repayment of debt - interest	(2 167)	(5 391)
	Dividend payment	(14 990)	(15 374)
	Other outflows	-	(576)
	Net cash used in financing activities	**17 066**	**(10 171)**
	NET CASH FLOWS	**(115 876)**	**(106 875)**
	Opening cash and cash equivalents	**257 273**	**222 137**
	Foreign exchange differences on cash and cash equivalents	(30)	-
		-	-
	Closing cash and cash equivalents, incl.:	**141 367**	**115 262**
	- restricted cash	22 282	12 816

	30.06.2017		31.12.2016	
	PLN	EUR	PLN	EUR
Fixed assets	139 406	32 984	103 496	23 394
Current assets	811 476	191 997	843 801	190 733
Equity capital	269 943	63 869	260 805	58 952
Liabilities and provisions for liabilities	680 939	161 112	686 492	155 175

	01.2017-06.2017		01.2016-06.2016	
	PLN	EUR	PLN	EUR
Net cash flow from operating activities	(121 740)	(28 662)	(71 167)	(16 246)
Net cash flow from investing activities	(11 202)	(2 637)	(25 537)	(5 830)
Net cash flow from financing activities	17 066	4 018	(10 171)	(2 322)
Net cash flow	(115 876)	(27 281)	(106 875)	(24 398)
Opening cash and cash equivalents	257 273	58 154	222 137	52 126
Closing cash and cash equivalents	141 367	33 448	115 262	26 045

	01.2017-06.2017		01.2016-06.2016	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services and of goods and materials	776 320	182 775	788 168	179 926
Cost of sold products and services and of goods and materials	715 853	168 539	732 078	167 122
Gross profit from sales	60 467	14 236	56 090	12 804
Operating profit	14 846	3 495	35 457	8 094
Gross profit from continuing operations	9 390	2 211	35 259	8 049
Net profit from continuing operations	6 995	1 647	27 540	6 287

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In the Financial Statements you will see icons that represent as follow:

 Accounting policies

 Estimates

1. GENERAL INFORMATION

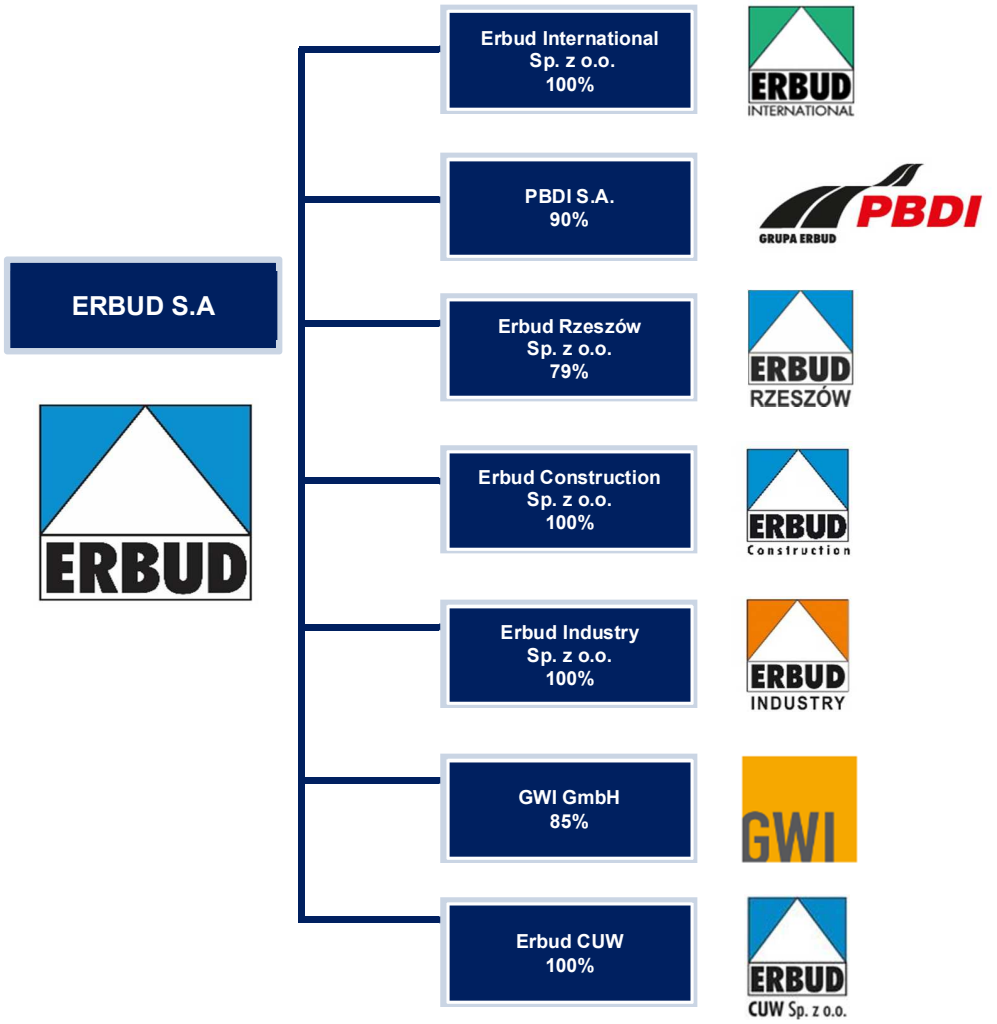
1.1. INTRODUCTION

Erbud S.A. with its registered office in Warsaw, 1 Franciszka Klimczaka Street, is the parent company (the "Parent Company") of the Erbud S.A. Group.

The Parent Company was registered in the National Court Register on 29 November 2006 under the KRS number 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). Since 2007 the Parent Company has been listed on the on the Warsaw Stock Exchange and is a part of the index of construction companies WIG Budownictwo.

The core businesses of the Group are widely understood construction and installation works performed as general contractor at home and abroad. Moreover, Erbud S.A. is the management, financial and advisory centre of the Group. The Group operates on the Polish market and in other EU countries.

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



The detailed structure of the Group is presented in Note 7.10.

1.2. BASIS OF PREPARATION

Statement of compliance with IFRS

The financial statements have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34), which was endorsed by the European Union. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

The consolidated financial statements are presented in Polish Zlotys ("PLN") and all amounts are given in PLN thousand.

These interim condensed consolidated financial statements have been prepared as at and for the six months ended 30 June 2017 and comparative figures as at 31 December 2016 and for the six months ended 30 June 2016.

The financial statements have been prepared under historical cost, except for derivative financial instruments measured at fair value.

These financial statements were approved by the Management Board on 4 September 2017.

Going-concern assumption

The consolidated financial statements have been prepared on the assumption that the member companies of the Group will continue their business activity in the foreseeable future. As at the date of approval of these financial statements, there are no circumstances indicating the going-concern is at risk.

Fair value measurement

When measuring the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if the market participants take them into account when measuring assets or liabilities at the measurement date. The Group classifies fair value measurement policies using a fair value hierarchy - in accordance with IFRS 13 - reflecting the importance of the source data used to valuate.

Foreign currency translation items

Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Parent Company and the currency of presentation of the consolidated financial statements is the Polish Zloty (PLN)

Transactions in foreign currencies are recognized in the books at face value converted to PLN at the average NBP exchange rate. At the time of their realisation, exchange differences are recognized as financial income or expense.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are converted into Polish Zlotys using the average exchange rate established for the currency by the National Bank of Poland at the end of the reporting period.

Foreign exchange differences are recognized in the financial income (expense) or, in the cases specified by accounting principles (policies), capitalized as assets. Non-monetary assets and liabilities recognized at historical cost expressed in foreign currency are stated at the historical exchange rate of the transaction date. Non-monetary assets and liabilities recognized at fair value that are expressed in foreign currency are translated at the exchange rate from the date of measurement to fair value.

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

- assets and liabilities are translated at the closing rate applicable at the balance sheet date,
- revenues and expenses are converted at the average exchange rate (unless the conversion at the average exchange rate would deviate significantly from the value as at the exchange rate applicable at the date of the transaction).

Foreign exchange differences arising from translation of foreign entities are recognized in equity as accumulated other comprehensive income - exchange differences on translation of foreign entities. At the time of disposal of a

foreign entity, accumulated deferred foreign exchange differences recognized in equity related to the foreign entity are recognized in the profit and loss account.

1.3. IMPACT OF NEW STANDARDS

Applied new and revised standards and interpretations

The following new and amended standards and interpretations that entered into force on 1 January 2016 were applied in the consolidated financial statements for the first time:

Annual Improvements to IFRSs 2010–2012

The International Accounting Standards Board published in December 2013 "Annual Improvements to IFRSs 2010–2012" amending seven standards. The amendments include changes in presentation, recognition and measurement, and include changes to terminology and wording. The Group will primarily focus on the change in IFRS 8, i.e. the requirement to disclose judgments regarding the similarity of economic criteria for aggregation of segments.

Amendments to IAS 1

In December 2014, as part of works related to the so-called disclosure initiative, the International Accounting Standards Board issued an amendment to IAS 1. The purpose of the revised amendment is to clarify the materiality concept and to explain that when an entity considers the information as insignificant, it should not disclose it even if such disclosure is, in principle, required by another IFRS. The amended to IAS 1 clarifies that items presented in the statement of financial position, the statement of loss and profit and other comprehensive income may be aggregated or disaggregated depending on their materiality. The amendment also provides additional guidelines concerning the presentation of subtotals in these statements.

These amendments did not have a material impact on the Group's financial statements except for amendments to IAS 1, the application of which resulted in changes in the method of aggregation and presentation of selected items and scope of disclosures related to these items in the financial statements for 2017 as compared to the financial statements for 2016. In accordance with the transitional provisions of IAS 1, the Group is not obliged to publish disclosures as regards changes described above.

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

The Group did not decide to use in these consolidated financial statements any issued standards, interpretations or amendments to existing standards regarding the Group's activities before the effective date. The Group analysed the impact of all standards mentioned in the in last sentence, with particular emphasis on the following new standards:

IFRS 9 "Financial Instruments"	
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.	Date of entry into force: January 1, 2018. The Group will apply IFRS 9 from January1, 2018. In the Group's opinion, the main impact of applying the new standard will be mainly due to the estimation of write-offs based on the model of expected losses. At the moment, the Management Board estimates the change in impairment loss recognized to date. The Management Board intends to complete the analysis of the impact of this standard on the Group by the end of the year.

IFRS 15 " Revenue from Contracts with Customers" and Explanatory Notes to IFRS 15

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. 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. Clarifications to IFRS 15 provide additional information and explanations regarding the major assumptions adopted in IFRS In addition to the additional explanations, there have also been introduced exemptions and simplifications for entities applying the new standard for the first time.	Date of entry into force: January 1, 2018. The Group will apply IFRS 15 and Explanation to IFRS 15 from January 1, 2018. Basing on preliminary analyses, the Group expects that the impact of the new standard may be significant mainly in the area of variable remuneration, extended warranties, identification of multi-component contracts obligations and merger of negotiated contracts. The Management Board intends to complete the analysis of the impact of this standard on the Group by the end of the year.
IFRS 16 "Leases"	
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 introduces a single lessee accounting model for a lessee.	Date of entry into force: January 1, 2019. As at the date of preparation of these consolidated financial statements, this amend has not yet been approved by the European Union. The Group will apply IFRS 16 after the approval by the EU. Basing on preliminary analyses, the Group expects that the majority of space rental agreements (mainly offices) concluded for periods of over 12 months, treated under IAS 17 as operating leases, will be recognized as required by IFRS 16 as assets and as liabilities in the statement of financial position. The Management Board is in the course of analysing the impact of the standard on the Group.

Other issued but yet not binding standards and interpretations do not apply to the Group's activities.

2. CONSTRUCTION CONTRACTS

The Group signs at fixed prices contracts for the delivery of construction projects, mainly for blocks of flats (including whole housing estates), hotels, SPA facilities, shopping centres, wind farms, power plants, production halls and motorways.

Revenues and expenditures due to construction contracts are recognized by the Group in accordance with the works progress method. Determining the stage of completion, the Group applies the method of progress rate, i.e. it values revenues and costs from and of construction contracts in the period from the date of concluding a contract to the balance sheet date in proportion to the stage of completion based on the measurement of works performed. From the amounts thus received, the Group deducts the revenues and expenses that have affected the financial result in the previous years, generating incomes and costs for the current period arising from construction contracts.

If it is not possible to estimate the financial result of a construction contract in a reliable manner (i.e. the rate of performance of a non-completed delivery cannot be reliably established at the balance sheet date), then the revenues are recognized only and exclusively up to the level of costs incurred, which are likely to be recovered, whereas the contract costs are carried as expenditures of the period in which in which they were incurred.

The resulting credit of the valuation (i.e. the determination of revenues and costs by the method of progress) is accounted for as "Receivables (or Liabilities) under construction contracts - measurement".

Invoicing of works under construction contracts is made in accordance with the schedule specified in the contract. The invoiced income is recognized in "Trade and other receivables" (Note 7.4). Counterparties under construction contracts signed with the Group retain a part of the payments as performance bond. These amounts are included in "Construction Contracts - Retention" (Note 2.1) and are repayable most often after the project has been completed or after the expiry of the warranty period.

The Group uses subcontractors to carry out works under construction contracts. The invoiced costs for their hiring are recognized as "Trade and other liabilities" (Note 7.8). The Group retains as the performance bond a part of its payments due to the subcontractors, which are recognized under "Liabilities under construction contracts - Retention" (Note 2.1).

Due to the carrying out of construction contracts and the difference in recognising income and expenses for accounting and tax purposes, the deferred income tax assets and liabilities are accounted for in the statement of financial position - see Note 4.2.

2. Construction contracts

The use of the stage of completion method for recognizing income from and expenses for construction contracts requires estimation of the progress of works, i.e. the measurement of works performed at the balance sheet date in relation to the entire work envisaged in the contract.

Physical measurement, which is a basis to determine the stage of contract completion, is made by site workers. The measurement is performed separately for particular range of works, i.e. elements or stages of the contract, according to assigned meters (mainly sqm, kg and pcs).

There are adequate control processes in the Group to ensure that the calculation of recognized revenue and expenses is based on current and reliable estimates of the measurement, subject to verification and acceptance by the person designated for this purpose. The measurement of works performed made by the site staff is verified by the director of the branch office to which the site is subordinated, and subsequently by the internal audit unit of the Group

The Group keeps records of completed projects – building contracts within the internal system used for project management. Information about a contract, including the progress of works, is entered into the system by the contract/site manager, and then approved by the branch director, to whom the site is subordinated.

The budgets of individual contracts are formally updated during the year, based on current information throughout the year and they are approved by the Management Board. If any events that have material impact on the contract outcome have occurred between official budget revisions, the value of total revenues or costs of the contract is updated on an ongoing basis, i.e. the changes in the scope of the contract are reflected in the internal system of the Group as soon as they has been negotiated by the Group with a customer.

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2.1. RECEIVABLES AND LIABILITIES UNDER CONSTRUCTION CONTRACTS - RETENTION

	30.06.2017			31.12.2016		
	Returnable within 12 months	Returnable beyond 12 months	Total	Returnable within 12 months	Returnable beyond 12 months	Total
Receivables under construction contracts - retention	31 178	13 120	**44 298**	32 264	12 565	**44 829**
Liabilities under construction contracts - retention	89 522	6 469	**95 991**	89 130	7 588	**96 718**

3. CAPITAL MANAGEMENT AND DEBT

3.1. CAPITAL MANAGEMENT

The share capital comprises ordinary shares and is carried at nominal value (according to the Articles of Association of the Parent Company and an entry into the National Court Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal value. It is recognized in "Reserve capital from the sale of shares above their nominal value.

Other reserve capitals are created mainly from the previous years' earnings, including amounts obligatory transferred to reserve capital in accordance with the requirements of the Code of Commercial Companies.

Equity attributable to the non-controlling interests represents a part of equities of fully consolidated subsidiaries which is owned by shareholders other than the entities that are Group members.

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

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 shall not be distributed. The decision about using the supplementary and reserve capital is taken by the Annual General Meeting; however, a part of the capital may be used only to cover the losses shown in the financial statements and shall not be allocated 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 or issue new shares.

Share capital

The share capital of the Parent as of 30 June 2017 consisted of 12,811,859 shares with a total value of PLN 1 281 thousand, and the shareholding structure was as follows:

Shareholder	Number of shares	Equity percentage
Wolff & Muller Holding GmbH & Co.KG	4 152 865	32.41%
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczaka	2 136 260	16.67%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (formerly ING PTE)	1 200 000	9.37%
AVIVA Otwarty Fundusz Emerytalny BZ WBK	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%
PKO OFE	715 279	5.58%
Adler Properties Sp. Z o.o. controlled by Józef Zubelewicz	412 087	3.22%
Józef Zubelewicz	259 500	2.03%
Free Float	1 978 822	15.45%
Total	**12 811 859**	**100.00%**

3. Capital management and debt

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

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. All issued shares are ordinary and non-preference ones. There are neither restrictions on the rights to the shares nor restrictions on the transferability of shares.

3.2. DIVIDENDS PAID AND DECLARED

In accordance with Resolution No. 3 of the Extraordinary General Meeting of ERBUD S.A. 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 S.A. dated 22 December 2016, the list of shareholders entitled to the extraordinary dividend has been set at 9 January 2017.

As at the date of preparation of the statements, the dividend was paid.

3.3. LOANS AND BORROWINSG DEBT

Debt on loans and borrowings is recognized initially at fair value, less transaction costs. At each balance sheet date, these items are measured at amortized cost using the effective interest rate.

	30.06.2017	31.12.2016
Long-term		
Bank loans	6 119	8 002
Short-term		
Overdrafts	40 606	31 300
Bank loans	42 020	12 616
Borrowings	-	-
	82 626	43 916
Total loans and borrowings debt	**88 745**	**51 918**

3. Capital management and debt

	30.06.2017		31.12.2016	
	In functional currency	In foreign currency EUR	In functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	6 119	-	8 002	-
Short-term	82 626	-	43 916	-
Total	**88 745**	**-**	**51 918**	**-**
of which:				
fixed interest rate	-	-	-	-
Interest	1,5% - 4%	0	1,5% - 4%	0
variable interest rate	-	-	-	-
Interest rate base	WIBOR 1m -3m; EURIBOR;EONIA	0	WIBOR 1m -3m; EURIBOR;EONIA	0

As of the balance sheet date, the Group has access to bank multi-purpose lines with a total value of PLN 697,650 thousand which can be used mainly for loans or bank guarantees. As at the balance sheet date, the Group used PLN 88,745 thousand to take out loans and PLN 283,675 for guarantees.

Covenants

Under loan agreements with a total amount of PLN 88,745 thousand, the Group companies are obliged to meet certain financial ratios (covenants) based mainly on EBITDA, debt, net debt and total assets. Violation of the terms of loan agreements may result in: increased margin, increased collaterals and, ultimately, immediate repayment of the loan. As of June 30, 2017, the following covenants has been broken:

Erbud S.A. – covenant counted on the basis of separate figures:

mBank S.A.	**debt ratio =** total debt / total assets	no more than 65%	67.64%

Erbud S.A. – covenant counted on the basis of consolidated figures:

BZ WBK S.A.	**current ratio =** total inventories + current receivables + current investments + short-term prepayments / total provisions for current liabilities + other current provisions + current liabilities and other short-term prepayments	more than 1	0.99

All other covenants as of 30 June 2017 are met.

ERBUD S.A does not see any risk for financing availability or changing conditions despite breaking the above mentioned covenants. The financial situation for both the Company and the Group as a whole is very good.

3. Capital management and debt

3.4. DEBT DUE TO BONDS ISSUEDI

Liabilities arising from bonds issued are initially recognized at fair value less transaction costs. At each balance sheet date, the liability is measured at amortized cost using the effective interest rate.

As at the balance sheet date, the Group had the following indebtedness due to issued bonds, wholly constituting short-term liabilities:

Issue date	Type of bonds issued	Currency (functional / foreign)	Interest	Maturity date	Purpose of obtaining funding	Nominal value of the issue	Debt balance as at 30 June	
							2017	2016
26-03-2014	B-series bearer, dematerialized, unsecured	functional	WIBOR 6m+ 3% margin	26-03-2018	financing increased working capital demand	10	52 000	52 000
			Total current liabilities			10	**52 000**	**52 000**
			Liability for accrued interest disclosed under "Trade and other liabilities""			-	229	846

3.5. FINANCIAL LEASE DEBT

Leases are classified as finance leases if all the risks and rewards of ownership of the leased asset are transferred substantially to the lessee. Finance lease contracts are initially recognized at the lower of the value: the fair value of the leased asset or the current value of the minimum lease payments.

Fixed assets used under financial lease agreements are amortized according to the principles used by the Group for its assets. If there is no reliable assurance that the Group will receive a property right after the lease is finished, the assets are amortized over the period which is shorter: the lease term or the useful life period.

Period		30.06.2017 Nominal value of minimum fees	31.12.2016 Nominal value of minimum fees
Less than 1 year	Current	6 020	5 405
1 - 5 years	Non-current	6 206	5 799
		12 226	**11 204**
Discount		472	522
Current value of minimum fees		**11 754**	**10 682**

3. Capital management and debt

3.6. ASSET-BACKED DEBT LIABILITIES

As at 30 June 2017, debt liabilities under property, plant and equipment totalling PLN 3 804 thousand (PLN 3 909 thousand as at 31 December 2016) were secured by the following assets:

	30.06.2017	31.12.2016
Property, plant and equipment	3 804	3 909
inventory	-	-
Assets held for sale	-	-
Other	-	-
Total	**3 804**	**3 909**

For information on debt related to loans and advances see Note 3.3.

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Other entities				
Guarantees and sureties	99 677	113 877	750 404	461 525
Promissory notes	3 495	-	6 665	7 344
Total	**103 172**	**113 877**	**757 069**	**468 869**

Contingent assets include guarantees and sureties aw performance bonds received by the Group from the subcontractors.

The Group's contingent liabilities mainly concern guarantees issued by the Group and by banks to the customers of the Group in order to secure their claims under construction contracts, mainly performance bonds and bid bonds.

3.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks and in hand and short-term deposits with a maturity of three months or less.

The Group has restricted cash that primarily include security for bank guarantees issued by the Group under construction contracts and derivative liabilities, unless their maturity date is less than 3 months.

The Group recognises restricted cash in "Cash and cash equivalents" in the consolidated statement of financial position.

3. Capital management and debt

	30.06.2017	31.12.2016
Cash in hand	71	120
Cash on bank accounts	119 014	202 146
Restricted cash on bank accounts (as security for bank guarantees)	22 282	19 007
Other cash	-	36 000
Total cash and cash equivalents	**141 367**	**257 273**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. SEGMENT REPORTING

On the basis of the management reporting presented to the chief operating decision maker (i.e. the Management Board of the Parent), the Group identified five key reporting segments:

- building construction at home;
- building construction abroad;
- road-engineering;
- industrial construction;
- other segments.

In 2017 the following changes were made to the segment reporting:

- Dividing the reporting segment "Building construction" into two separate segments: "Building construction at home " and "Building construction abroad ". These changes are due to the growing importance of building construction abroad from the point of view of the Group's activity.
- The real estate development, which in 2016 still met the operating segment criteria, was classified as a discontinued operation. Figures on this activity are still reported under segment reporting, but are excluded from the total of continuing business operations.

The division of activity into segments has been made by the classification of the individual Group companies according to their business profile arising from the articles of association and their importance for the segment. Such a division corresponds to the distribution of the principal risks and returns of expenditures incurred.

Financial figures the for management reporting purposes that are the basis of data on the reporting segments are prepared on the same accounting policies as used when drawing up of the consolidated financial statements of the Group. Transactions between segments are made on market terms

The Management Board analyses the segment performance using key efficiency indicators such as EBIT, EBIT margin, and EBITDA. It should be noted that these are not indicators defined in IFRSs and are not standardized measurements, so the methods of calculating them may vary between different entities on the market. The Group defines EBIT as gross profit plus financial expenses and less financial income. The EBIT margin is defined as the ratio of EBIT to sales revenue expressed as a percentage. EBITDA is defined as EBIT plus amortisation and depreciation over the period.

4. Explanatory notes to the Statement of Comprehensive Income

Reporting segment	Segment activity range	Operating segments aggregated in the reporting segment	Conditions for aggregation of operating segments into reporting segments
Building construction at home	Construction of residential, office and public buildings in Poland	The operating segment consists of individual companies: the Parent Company Erbud S.A., Erbud International Sp. z o.o., Erbud Rzeszów Sp. z o.o. In addition, to the segment is allocated a part of operations of the Parent Company Erbud S.A. related to the acquisition of contracts executed by its subsidiaries on the basis of specifically identifiable actual revenue generated and costs incurred for the segment.	Operating segments were aggregated on the basis of similarity of: - long-term average gross margins; - products and services offered by the companies; - production processes; - distribution methods; - customers.
Building construction abroad	Construction of residential, office and public buildings abroad (mainly in Germany and Belgium)	The subsidiary GWI GmbH is the operating segment. In addition, to the segment is allocated a part of operations of the Parent Company Erbud S.A. related to the acquisition of contracts executed by its subsidiaries on the basis of specifically identifiable actual revenue generated and costs incurred for the segment, and part of operations of Erbud International Sp. z o.o. according to the same rules as stated with respect to the Parent Company Erbud S.A.	Not aggregated
Road-engineering	Construction of roads and wind farms	The subsidiary PBDI S.A.is the operating segment.	Not aggregated
Industrial construction	Industrial projects in the broadly understood industrial sector	The operating segment consists of the whole Erbud Industry Group formed by: Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o., Erbud Industry Południe Sp. z o.o. In addition, to the segment is allocated a part of operations of the Parent Company Erbud S.A. according to the same rules as given for the segment "Building construction abroad".	Not aggregated
Other segments	Broadly understood support services	Erbud CUW Sp. z o.o. is the operating segment.	Not aggregated

4. Explanatory notes to the Statement of Comprehensive Income

Key information about segments for reporting periods 01.2017 - 06.2017 and 01.2016 - 06.2016

The Group operates in Poland and abroad (in Germany and Belgium). Revenues from external customers and assets in any country outside Poland are not significant, so they have been aggregated together and shown as "Abroad".

	01.2017-06.2017			01.2016-06.2016		
	At home (Poland)	Abroad	Total	At home (Poland)	Abroad	Total
Sales to external customers, including::	683 259	93 061	**776 320**	657 638	130 530	**788 168**
Revenue from construction contracts	592 359	92 714	**685 073**	572 390	130 090	**702 480**
Revenue from other contracts – industry	86 119	328	**86 447**	82 272	416	**82 688**
Other revenue	4 781	19	**4 800**	2 976	24	**3 000**
Non-current assets other than financial instruments and deferred tax assets	75 097	23 217	**98 314**	71 444	2 458	**73 902**

4. Explanatory notes to the Statement of Comprehensive Income

Figures on income and profit as well as assets and liabilities of each reporting segment are presented in the table below.

					01.2017-06.2017	
	Building construction at home	Building construction abroad	Road-engineering	Industrial construction	Other segments	Total continuing operations
Total income						
Intersegment sales	-	-	(44 696)	(24 913)	(5 723)	**(75 332)**
Sale to external clients	552 266	92 733	73 208	127 664	5 781	**851 652**
Total sales	**552 266**	**92 733**	**28 512**	**102 751**	**58**	**776 320**
Segment results and reconciliation to gross profit of the Group before discontinued operations						
Prime costs	512 967	87 881	22 169	92 836	-	**715 853**
Result on other operating activity	(25 008)	(4 472)	(5 482)	(11 025)	366	**(45 621)**
Segment result – EBIT	**14 291**	**380**	**861**	**(1 110)**	**424**	**14 846**
EBIT margin	3.00%	0.00%	1.00%	-1.00%	7.00%	**2.00%**
Result on financial activity	(3 396)	(1 643)	121	(541)	3	**(5 456)**
Result before tax excluding discontinued operations	**10 895**	**(1 263)**	**982**	**(1 651)**	**427**	**9 390**
Income tax	2 570	(239)	257	(321)	128	**2 395**
Net result excluding discontinued operations	**8 325**	**(1 024)**	**725**	**(1 330)**	**299**	**6 995**
Depreciation and amortization	1 432	395	1 286	1 876	315	**5 304**
Segment result – EBITDA	**15 723**	**775**	**2 147**	**766**	**739**	**20 150**
Assets and liabilities						
Total assets	**582 094**	**152 471**	**104 347**	**102 206**	**9 764**	**950 882**
Total liabilities	**442 325**	**84 382**	**57 146**	**94 466**	**2 620**	**680 939**
Other relevant items						
Impairment losses on assets	2 592	510	(3)	(80)	6	**3 025**
Expenditures on tangible fixed assets and intangible assets	1 178	242	116	473	289	**2 298**
Interest income	335	476	308	8	12	**1 139**
Interest expense	2 901	273	60	464	8	**3 706**

01.2016-06.2016

4. Explanatory notes to the Statement of Comprehensive Income

	Building construction at home	Building construction abroad	Road-engineering	Industrial construction	Other segments	Total continuing operations	Housing development - operations discontinued in 2016
Total income							
Intersegment sales	-	-	-	(44 500)	-	**(44 500)**	-
Sale to external clients	488 392	130 091	66 877	147 308	-	**832 668**	40 065
Total sales	**488 392**	**130 091**	**66 877**	**102 808**	**-**	**788 168**	**40 065**
Segment results and reconciliation to gross profit of the Group before discontinued operations							
Prime costs	455 624	121 938	59 401	95 115	-	**732 078**	74 071
Result on other operating activity	(17 322)	9 410	(2 859)	(9 862)	-	**(20 633)**	(1 075)
Segment result – EBIT	**15 446**	**17 563**	**4 617**	**(2 169)**	**-**	**35 457**	**(35 081)**
EBIT margin	3.00%	14.00%	7.00%	-1.00%	0.00%	**4.00%**	-88.00%
Result on financial activity	(50)	330	152	(630)	-	**(198)**	(522)
Result before tax excluding discontinued operations	**15 396**	**17 893**	**4 769**	**(2 799)**	**-**	**35 259**	**(35 603)**
Income tax	2 458	4 706	732	(177)	-	**7 719**	130
Net result excluding discontinued operations	**12 938**	**13 187**	**4 037**	**(2 622)**	**-**	**27 540**	**(35 733)**
Depreciation and amortization	1 913	371	1 338	1 864	-	**5 486**	555
Segment result – EBITDA	**17 359**	**17 934**	**5 955**	**(305)**	**-**	**40 943**	**(34 526)**
Assets and liabilities							
Total assets	**615 202**	**140 231**	**97 567**	**85 765**	**8 532**	**947 297**	**-**
Total liabilities	**446 269**	**96 515**	**59 751**	**83 908**	**49**	**686 492**	**-**
Other relevant items							
Impairment losses on assets	1 028	-	-	(146)	-	**882**	-
Expenditures on tangible fixed assets and intangible assets	519	1 099	487	436	-	**2 541**	58
Interest income	927	4	451	8	-	**1 390**	257
Interest expense	3 237	644	80	537	-	**4 498**	1 134

4.2. TAXATION

The financial performance is compulsory taxable. Income tax consists of two components: current tax and deferred tax.

Due to temporary differences between the book value of assets and liabilities and their taxable value and future deductible tax loss, the Group companies using the balance sheet method create deferred tax liabilities in respect of positive temporary differences and determinate deferred tax assets in respect of foreign exchange losses and deductible tax losses using the precautionary principle

Liabilities and deferred tax assets are not recognized in the case of temporary differences arising on initial recognition of an asset or liability in a non-merger transaction and at the time of conducting transactions that have no impact on the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax receivables and current tax liabilities and if the deferred tax relates to the tax imposed by the same tax authority on the same taxpayer. This means that deferred tax assets and liabilities are subject to compensation within individual companies of the Group.

The Group recognizes a deferred tax asset based on the assumption that in the future taxable profits will be available against which the deferred tax asset can be utilised.

The balance sheet value of the 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 utilisation of the deferred tax asset.

The reconciliation of effective income tax rates is presented in the table below:

	01.2017-06.2017	01.2016-06.2016
Gross profit before tax from continuing operations	**9 390**	**35 259**
Tax at the statutory tax rate applicable in Poland - 19%	**1 784**	**2 356**
Additional tax arising from the rate exceeding 19% in Germany	(42)	896
Adjustments to current income tax from previous years	(3)	-
Surplus of non-deductible expenses over income not recognised as taxable income	656	4 467
Tax recognized in the Consolidated Profit and Loss Statement, including:	**2 395**	**7 719**
Current income	13 796	7 032
Deferred income	(11 401)	687
Effective tax rate	**25.51%**	**21.89%**

4. Explanatory notes to the Statement of Comprehensive Income

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

			Impact on			Impact on		
		01.01.2016	Net earnings	Other comprehensive income	31.12. 2016	Net earnings	Other comprehensive income	30.06.2017
	Deferred tax assets							
	Valuation of receivables from construction contracts	23 630	(284)	-	23 346	2 549	-	25 895
Note 7.6.	Provisions	6 364	(900)	-	5 464	940	-	6 404
	Tax loss	1 340	(411)	-	929	563	-	1 492
	Margin on intra-Group sales	938	(938)	-	-	-	-	-
	Accrued remuneration and charges	702	(274)	-	428	85	-	513
Note 7.4.	Impairment losses on receivables	1 484	(19)	-	1 465	400	-	1 865
	Other financial liabilities	1 582	(226)	-	1 356	140	-	1 496
	Accrued expenses	1 724	(1 153)	-	571	2 410	-	2 981
	Other	1 236	5 098	-	6 334	10 499	(150)	16 683
	Total	**39 000**	**893**	**-**	**39 893**	**17 586**	**(150)**	**57 329**
	Deferred tax liabilities							
	Valuation of liabilities due to construction contracts	24 615	(2 919)	-	21 696	6 113	(308)	27 501
	Revaluation of assets	7 253	(5 169)	-	2 084	(58)	-	2 026
	Capitalised finance costs	312	(312)	-	-	-	-	-
	Balance sheet valuation and liabilities discount	594	(484)	-	110	3	-	113
	Accrued interest on debt	-	151	-	151	(2)	-	149
	Accrued revenue	-	-	-	-	-	-	-
	Other	1 858	(410)	-	1 448	(192)	479	1 735
	Total	**34 632**	**(9 143)**	**-**	**25 489**	**5 864**	**171**	**31 524**
	Set-off between assets and liabilities	4 368			14 404			25 805
	After sett-off	**73 632**			**19 654**			**30 139**
	Assets	39 000			17 029			27 972
	Liabilities	34 632			2 625			2 167
	Net impact of changes in the period		**10 033**	**-**		**11 722**	**(321)**	

4. Explanatory notes to the Statement of Comprehensive Income

In the year ended 30 June 2017 and 31 December 2016, there were no negative temporary differences from which deferred tax assets were recognized.

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

	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Current	25 488	2 167	14 840	2 625
Non-current	2 484	-	2 189	-
Total	**27 972**	**2 167**	**17 029**	**2 625**

Information on receivables and payables due to income tax is presented in Notes 7.4 and 7.8.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. ASSETS AND FINANCIAL LIABILITIES



The Group has the following categories of financial instruments:

- Loans and receivables;
- Financial liabilities measured at amortized cost;
- Derivative instruments designated as hedging instruments in hedge accounting

Loans and receivables mainly include:

Note 5.1.2.	Financial assets - loans granted:
Note 2.1.	Receivables under construction contracts – retention money
Note 7.4.	Trade and other receivables
	Receivables from construction contracts - valuation
Note 3.8.	Cash and cash equivalents

Financial liabilities measured at amortized cost mainly include:

Note 2.1.	Liabilities under construction contracts – retention money
	Liabilities under construction contracts – valuation
Note 7.8.	Trade and other liabilities
Notes 3.3 – 3.5.	Debt

Derivative instruments designated as hedging instruments in hedge accounting relate to derivative financial instruments in respect of which the Group applies hedge accounting (Note 5.2).

The accounting policies for the above items are set out in the Explanatory Notes according to the above reference.

5.1.1. FINANCIAL ASSETS

As at 30 June 2017, the Group had the following items disclosed in the statement of financial position as financial assets:

		30.06.2017	31.12.2016
Note 5.1.2.	Loans granted	31 499	22 788
	Other	5 813	2 903
	Total	**37 312**	**25 691**
	Current	26 566	2 903
	Non-current	10 746	22 788

5.1.2. FINANCIAL ASSETS – LOANS GRANTED

Loans are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost after deducting impairment loss.

The impairment loss on loans granted is equal to the difference between the carrying amount of these receivables and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the initial interest rate).

With respect of loans granted, no impairment loss has been recognized. As at the balance sheet date loans are not overdue. Loans are exposed to credit risk and interest rate risk as described accordingly.

5.2. DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments held by the Group are hedging instruments within the cash flow hedge accounting applied by the Group.

The Group hedges cash flows arising from loans granted by the Group and proceeds from construction contracts concluded with customers. Changes in the fair value of derivative financial instruments in the portion constituting effective hedge are recognised directly in revaluation reserve. The ineffective portion is recognized in the profit or loss statement as financial income or financial expense. During the period when the item hedged by a derivative financial instrument affects the financial result, also the amount relating to that instrument previously recognized in other comprehensive income statement is transferred to profit or loss statement.

Concluded agreements on derivative instruments are used to reduce the Group's exposure to currency risk. Further information on currency risk management is provided in Note 5.3.1.

In addition, derivative instruments that are an asset expose the Group to credit risk. As at the balance sheet date and the comparative period, there were no significant derivative instruments accounted for as assets.

Derivative financial instruments held by the Group, i.e. forward contracts, are measured at fair value and classified as Level 2 in the fair value hierarchy, i.e. they are measured on the basis of observable inputs other than quoted prices.

Prospective hedge effectiveness testing is performed for the measurement: the "**dollar-offset method**" was applied using a hypothetical derivative. For the purpose of a prospective test there are used **historical market rates** of exchange rates and interest rates on twelve monthly dates prior to the balance sheet day. For each of the above 12 historical dates, the cumulative change in fair value of the hypothetical derivative instrument is calculated and compared with the cumulative change in fair value of the hedging instrument.

Retrospective hedge effectiveness testing: the "dollar offset method" is applied when using the hypothetical derivative instrument. In this test the ratio of the cumulative change in the fair value of the hedging instrument to the cumulative changes in the hypothetical derivative instrument is measured.

Changes in the fair value of financial derivatives designated to hedge cash flows in part that constitutes effective hedging is recognised directly in revaluation reserve. Changes in the fair value of derivative financial instruments designated to hedge cash flows that not constitute effective hedging are accounted for as other financial income or expenses of the reporting period.

At the time the hedging is established, the Company formally identifies and documents the hedging relationship as well as the risk management objective and strategy for establishing hedging. 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 hedging instrument's effectiveness in offsetting the risk of changes in the fair value of the hedged item or cash flows associated with the hedged risk.

As at the balance sheet date, cash flow hedging was highly effective. At the same time, collateral is expected to be highly effective in offsetting changes in fair value or cash flows arising from hedged risks. The effectiveness of the hedge is to assess on a regular basis to see if it is highly effective in all the reporting periods for which it was established.

As at the balance sheet date, cash flow hedging was highly effective. It is also expected that the hedge will be highly effective in offsetting changes in fair value or cash flows arising from hedged risks. The effectiveness of the hedge is assessed on a regular basis to check if it is highly effective in all the reporting periods for which it has been established.

5.3. FINANCIAL RISK MANAGEMENT POLICY

In the course of conducting its business, the Erbud Group is exposed to various types of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management Board of the Parent Company is responsible for establishing the management rules for the above-mentioned risks and their verification.

5.3.1. MARKET RISK - CURRENCY RISK

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

As regards receivables and liabilities arising from construction contracts for which payments will be made in EUR and with respect to loans denominated in EUR, the Group applies Euro forward agreements hedging under hedge accounting.

5.3.2.MARKET RISK - INTEREST RATE RISK

The risk of Interest rate is mainly due to the Group's use of debts, i.e. bank loans and borrowings (Note 3.3.), issued bonds (Note 3.4.) and financial leases (Note 3.5.).

In addition, the Group invests surplus cash partly in variable interest investments (deposits) and grants loans at variable interest rates

Assets and liabilities at variable interest rates expose the Group to the risk of changes in cash flows, while at fixed rate - to the risk of a change in its fair value; however, due to the fact that the Group does not measure these items to fair value, the impact is not reflected in the financial statements.

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

5.3.3.CREDIT RISK

Cash and cash equivalents

The Group minimizes the credit risk associated with cash and cash equivalents by diversifying the banks with which the deposit transactions are made. The Group cooperates only with high credibility financial institutions.

Trade receivables and receivables under construction contracts

In order to protect against credit risk arising from receivables related to the performance of construction contracts (i.e. trade receivables, receivables due to construction contracts – retention money and measurement of construction contracts), the Group applies the credit risk assessment and verification policy related to all contracts, both at the before-offer and in-progress stages.

Before signing a contract, each customer is appraised for the possibility of meeting its financial obligations. In the event of a negative assessment of the contracting partner’s payment capacity, the establishment of appropriate financial collaterals or asset based securities decides whether the agreement is entered into. Moreover, the conditions of agreements with customers provide for the right to suspend the performance of works, in case of any delay in payment for services rendered.

Where possible, contractual clauses that make payments to subcontractors dependent on the investor’s payment are inserted into contracts.

There is no concentration of credit risk In the Group related to trade receivables and receivables under construction contracts - retention money and measurement of construction contracts.

Changes in impairment allowance and age structure of overdue receivables are presented in note 7.5.

5.3.4.LIQUIDITY RISK

In order to mitigate liquidity risk, the Group keeps adequate cash and transferable securities and also concludes credit facility agreements that are additional liquidity security. For financing investment purchases, the Group uses its own funds or long-term finance leases, ensuring adequate funding structure for this type of asset.

The Group applies a policy that limits credit exposure to individual financial institutions and issuers of debt securities that are acquired as part of investing periodic cash surpluses.

Liquidity management is supported by the Group's liquidity forecast reporting system.

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

							30.06.2017
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total undiscounted cash flows	Discount	Balance sheet values
Debt due to loans and borrowings	41 700	40 927	6 118	-	**88 745**	-	**88 745**
Debt due to issued bonds	-	52 695	-	-	**52 695**	695	**52 000**
Financial leasing debt	1 027	4 770	5 957	-	**11 754**	-	**11 754**
Liabilities under construction contracts – retention	4 003	85 984	6 526	-	**96 513**	522	**95 991**
Trade payables	43 458	169 899	-	-	**213 357**	-	**213 357**
Liabilities from derivative financial instruments	-	229	-	-	**229**	-	**229**
Total	**90 188**	**354 504**	**18 601**	**-**	**463 293**	**1 217**	**462 076**

5. Financial instruments and financial risk management

					31.12.2016		
	Less than 3 months	**3-12 months**	**1-5 years**	**More than 5 years**	**Total undiscounted cash flows**	**Discount**	**Balance sheet values**
Debt due to loans and borrowings	469	43 447	8 002	-	**51 918**	-	**51 918**
Debt due to issued bonds	-	-	53 312	-	**53 312**	1 312	**52 000**
Financial leasing debt	428	4 598	5 656	-	**10 682**	-	**10 682**
Liabilities under construction contracts – retention	-	89 130	8 071	-	**97 201**	483	**96 718**
Trade payables	245 829	-	-	-	**245 829**	-	**245 829**
Liabilities from derivative financial instruments	-	846	-	-	**846**	-	**846**
Total	**246 726**	**138 021**	**75 041**	**-**	**459 788**	**1 795**	**457 993**

6. DISCONTINUED OPERATIONS

In 2016, the subsidiaries of Budlex were sold. As a result, the discontinued operations occurred within the meaning of IFRS 5 with respect to the housing development activities carried out by the Group so far.

The table below details the net result of discontinued operations.

	For six months ended 30-06-2017	For six months ended 30-06-2016	For three months ended 31-03-2017	For three months ended 31-03-2016
DISCONTINUED OPERATIONS				
Revenues from sales	-	40 065	-	13 939
Prime costs	-	74 071	-	48 910
Costs of sale	-	1 218	-	578
General and administrative expense	-	69	-	(22)
Other operation income	-	335	-	247
Other operating cost	-	123	-	115
Result on jointly controlled entities	-	-	-	-
Financial income	-	479	-	269
Financial costs	-	1 001	-	759
Result before tax	**-**	**(35 603)**	**-**	**(35 885)**
Income tax	-	130	-	267
Net result from discontinued operations	**-**	**(35 733)**	**-**	**(36 152)**

The following figures in the Consolidated Cash Flow Statement relate to discontinued operations

	For six months ended 30-06-2017	For six months ended 30-06-2016
Net cash flow from operating activities	-	4 997
Net cash flow from investing activities	-	11
Net cash flow from financing activities	-	(11 784)
Total net cash flow from discontinued operations	**-**	**(6 776)**

7. OTHER NOTES

7.1. PROPERTY, PLANT AND EQUIPMENT

The most important items of property, plant and equipment are transport means and technical equipment and machinery, primarily related to the construction of public, commercial, residential and industrial buildings. In addition, the Group also owns buildings, structures and land.

Tangible fixed assets are recognised at purchase price/production cost less accumulated amortization and any impairment losses. The policy on assessment of impairment losses is presented in Note 7.3.

The initial value of property, plant and equipment, includes their purchase price plus all costs directly related to the buying and adaptation of the asset to be capable to use. The initial value also includes costs of replacement parts of plant and equipment as they occur, if the recognition criteria are met, i.e. replacement parts are expected to be used for more than one year and they can be recognised in a specific item of tangible fixed assets

Costs incurred after the commissioning of the asset, such as maintenance and repairs, are recognized in profit or loss as they occur, except when these costs increase the expected future economic benefits related to the holding of the fixed asset - then the costs borne enhance the initial value of this asset.

Every year, the Group reviews the residual value, useful life and depreciation and amortisation method of components of property, plant and equipment.

Construction-in-progress is valued at costs incurred, directly related to the acquisition or production, including financing costs, less impairment losses. Assets under construction are not depreciated until they are completed.

Amortization rates are based on the expected economic useful lives of tangible fixed assets. Every year, the Group reviews the useful lives based on current estimates.

The Group has entered into finance lease agreements for an average period of 5 years. These contracts include an option of extension after the end of the base period. In addition, the concluded agreements give the Group the right to buy the leased asset at the end of the lease term.

Financial lease liabilities are described in Note 3.5.

7. Other notes

	Land, incl. perpetual usufruct	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Other	Total
Net value as at 1 January 2016	**5 780**	**8 646**	**11 870**	**14 518**	**2 979**	**2 150**	**2 283**	**48 226**
Increases:								
Purchase	-	559	1 030	1 148	874	-	261	**3 872**
Finance lease	-	-	385	3 815	-	-	-	**4 200**
Other, including reclassification adjustments	3 904	2 046	77	24	-	(913)	-	**5 138**
Decreases:								
Depreciation and amortization	28	795	3 194	4 615	1 730	-	534	**10 896**
Sale and liquidation	-	37	131	314	51	105	-	**638**
Presentation adjustments	-	-	6	96	2	-	-	**104**
Sold subsidiary assets	957	(82)	108	512	225	-	-	**1 720**
Other	-	-	-	-	45	-	2	**47**
Net value as at 31 December 2016	**8 699**	**10 501**	**9 923**	**13 968**	**1 800**	**1 132**	**2 008**	**48 031**
Increases:								
Purchase	-	593	603	167	231	1	703	**2 298**
Finance lease	-	-	629	4 189	-	-	-	**4 818**
Other, including reclassification adjustments	1	1 165	16	-	-	-	1	**1 183**
Decreases:								
Depreciation and amortization	14	422	1 796	2 442	344	-	287	**5 305**
Sale and liquidation	-	-	13	82	3	-	93	**191**
Presentation adjustments	34	-	-	778	16	1 133	-	**1 961**
Exchange differences on translation	-	-	(5)	(58)	(30)	-	-	**(93)**
Net value as at 30 June 2017	**8 652**	**11 837**	**9 357**	**14 964**	**1 638**	**-**	**2 332**	**48 780**

7.2. GOODWILL

Goodwill arises as a result of accounting for the acquisition of investments by applying the purchase method - details are described in Note 7.2.

The accounting policy for impairment of goodwill is described in Note 7.3.

	30.06.2017	31.12.2016
Goodwill at the beginning of the period	**22 968**	**22 968**
Increases	-	-
Exchange differences on translation	-	-
Goodwill at the end of the period	**22 968**	**22 968**
of which due to the acquisition of:		
Przedsiębiorstwa Budownictwa Drogowo – Inżynieryjnego S.A.	18 274	18 274
Other	4 694	4 694

7.3. FIXED ASSETS IMPAIRMENT

The Group performs impairment tests for fixed assets if there are indications of impairment and additionally at least once a year for goodwill. The recoverable value is determined at the lowest possible level, i.e. for an individual asset or at the level of a cash-generating unit to which the asset belongs.

Assets impairment

As at each balance sheet date, it is assessed whether there is objective indication that the asset or group of property, plant and equipment may be impaired. If any such indication exists, the Group determinates the estimated recoverable amount of the asset (recoverable amount) and the impairment loss equal to the difference between the recoverable amount and the carrying amount is recognised. The recoverable amount is defined as the higher of fair value less costs to sell and its value-in-use. As at each balance sheet date, the Group also assesses whether there is any indication that the impairment loss recognized in previous periods should be reduced or reversed.

Impairment of goodwill

Goodwill is tested for impairment at least once a year. Any impairment is recognized immediately as a goodwill reduction and is accounted for in the profit and loss statement, and not reversed in subsequent reporting periods.

For the purpose of performing a test for possible impairment, goodwill is allocated to cash-generating units. In case of disposing of an operation within the cash-generating unit to which goodwill has been allocated, the goodwill associated with the operation disposed of is included in the carrying amount when determining the gain or loss on disposal.

The goodwill impairment test, which was performed as at 31 December 2016, did not identify, that there is a need for recognising an impairment loss.

7.4. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group include mainly trade receivables from unrelated parties (first of all due to invoices issued for the carrying out of construction contracts by the Group) and receivables from the state budget, including receivables due to corporate income tax and VAT.

Trade receivables, whose maturity is usually between 30 and 180 days, are recorded at nominal value, i.e. according to the amounts originally invoiced. As at the balance sheet date, these items are measured at amortized cost, including any impairment loss.

Receivables from the state budget are recognized at the amount due to the Group in accordance with applicable regulations.

The amount of allowances on receivables is equal to the difference between the carrying amount of receivables and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the interest rate at initial recognition).

Allowances on receivables are created individually for each receivable amount based on the probability of recovery. The amount of the write-down is recognised in other operating expenses.

	30.06.2017			31.12.2016		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Trade receivables from unrelated parties	428 094	11 221	416 873	378 256	8 199	370 057
Receivables due to corporate income tax	4 166	-	4 166	4 771	-	4 771
Other receivables from the state budget	4 588	-	4 588	9 975	-	9 975
Other receivables	19 496	1 216	18 280	11 267	1 216	10 051
Total	**456 344**	**12 437**	**443 907**	**404 269**	**9 415**	**394 854**

Changes in impairment losses are shown in the table below

	30.06.2017	31.12.2016
Impairment allowances at the beginning of the period	**9 415**	**13 500**
Created	3 200	1 795
Reversed	175	1 070
Utilized	-	197
Other	-	(4 613)
Exchange differences on translation	(3)	-
Impairment allowances at the end of the period	**12 437**	**9 415**

The age structure of overdue receivables for which no impairment loss has been identified is as follows:

Overdue receivables:	30.06.2017	31.12.2016
less than 1 month	60 847	63 164
1 to 3 months	15 746	29 823
3 to 6 months	20 185	9 414
6 to 12 months	27 471	7 135
over 1 year	39 779	29 762
Total	**164 028**	**139 298**

The amount of overdue receivables not covered by the impairment loss as of 31.06.2017 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), 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 amounts, the Company did not include the above items to the write-down. Disputes with these entities described in Note 7.7 are pending.

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

7.5. OTHER ASSETS

Assets held for sale are assets where the carrying amount will be recovered principally through a sale instead of through continuing use. These items are measured at the lower of the carrying amount and fair value less costs to sell (fair value is determined in accordance with IFRS 13).

Insurance is a prepayment made by the Group under insurance contracts related to future reporting periods. They are recognized in the profit and loss account over the passage of time.

	30.06.2017	31.12.2016
Assets held for sale	-	-
Insurance	4 067	4 785
Other	829	1 480
Total	**4 896**	**6 265**

7.6. PROVISIONS

Provisions include mainly provisions for warranty claims, short-term employee benefits and post-employment benefits and provisions for litigations

Remedying defects provision

Provision for costs of remedying defects is a consequence of the fact that the Group provides warranties for its construction services. Provision is created at a percentage rate calculated as the quotient of the historical costs incurred for warranty claims and historically recognized revenue from the carrying out of construction contracts. The cost of provision remedying defects is recognised in costs of services sold. In the case of services other than construction works, mainly service for industry, provision is created on the basis of historical data and a reliable estimate of the liability amount under this warranty. The assumptions used to calculate the provision for remedying defects as at 30 June 2017 have been based on the recorded warranty repairs in the years 2013-2017.

Provision for short-term employee benefits

This group includes provision for unused annual leave. It is calculated on the basis of a list of unused holiday days as at the given balance sheet day for each employee and their gross daily remuneration plus social security contributions paid by the employer.

Provision for post-employment benefits

This group includes provision for retirement severance payments, which the Group is obliged to pay in accordance with the law and the remuneration regulations. The provision is determined at current value using actuarial techniques that require certain assumptions like discount rate, the expected rate of return on assets and the projected wage and salary increases. Because of the complexity of the measurement, the accepted assumptions, and the long-term nature, the liabilities due to the aforementioned benefits are very sensitive to any changes. All of the above assumptions are reviewed and updated at the end of each reporting period..

Provision for litigations

A detailed analysis of the potential risks associated with pending court cases, decisions on the necessity to recognize the effects of these proceedings in the Group's financial statements as well as to create provisions are made by Legal Departments and Boards of individual member companies of the Group.

7. Other notes

Provisions by groups are presented in the table below:

	Remedying defects provision	Provision for short-term and post-employment benefits *	Provision for litigations and damages	Other	Total
As at 01.01.2016	**17 721**	**10 258**	**4 659**	**3 240**	**35 878**
Increased	3 212	4 239	1 696	13 578	22 725
Reversed	292	472	5 348	1 834	7 946
Used	4 813	3 121	-	749	8 683
As at 31.12.2016	**15 828**	**10 904**	**1 007**	**14 235**	**41 974**
Short-term	13 264	8 972	921	14 235	37 392
Long-term	2 564	1 932	86	-	4 582
As at 01.01.2017	**15 828**	**10 904**	**1 007**	**14 235**	**41 974**
Increased	158	12 241	680	1 384	14 463
Reversed	83	216	170	5 516	5 985
Used	686	7 620	-	1 819	10 125
Exchange differences on translation	(96)	1	-	(477)	(572)
As at 30.06.2017	**15 121**	**15 310**	**1 517**	**7 807**	**39 755**
Short-term	13 332	12 142	1 517	7 807	34 798
Long-term	1 789	3 168	-	-	4 957

*) The main part of this item is provision for unused holidays

Provisions for ligations and damages

Increase in provisions in the current reporting period by PLN 510 thousand was caused by the creation by the Group of a provision for the following claims: Fabryka Konstrukcji Stalowych i Maszyn Spomasz S.A. in the amount of PLN 285 thousand due to additional remuneration; Janina Pawłowska - PLN 172 thousand; Wadowice Hospital – PLN 91 thousand for the ventilation and air conditioning system in the Building C of the District Hospital installed within the additional scope of work; Hercules S.A. – PLN 58 thousand as compensation for the downtime of construction equipment; Joanna and Grzegorz Gajda – PLN 25 thousand as damages for improper performance of the contract.

7. Other notes

7.7. LITIGATIONS

Party to the dispute	Case short description	Impact on the financial statements 30.06.2017	31.12.2016
Cases brought against the Group			
Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o.	The case concerns the contract dated 14 September 2010 performed for Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o. [Warsaw-Modlin Airport] in which the Parent Company acted as the general contractor of the Warsaw-Modlin Airport runway. Due to the surface defects found, a decision was issued in 2012 to ban the use of a part of the runway. The Parent Company replaced the concrete pavement surface (as substitute contractor) without waiting for an explanation of the causes of the damage and without confirmation, that the Company is obliged make repair works under the warranty. The work was completed in June 2013 and the airport was re-admitted to passenger traffic on 3 July 2013. The Parent Company does not acknowledge its responsibility for the defective condition of the runway surface, and independent technical reports which were commissioned indicate that the causes of the damage were independent of it. The Management Board believes that the expenses incurred on the replacement of runway surfaces in the total amount of PLN 20.1 million accounted for in equity and retained amounts of PLN 2.9 million recognised in the balance sheet assets as at 30 June 2017 as well as any claims related to this case finally will not be addressed to the Parent Company.	No impact	No impact
Cases brought by the Group			
Bank Millenium S.A.	Claim of 22 December 2010 for payment of PLN 71,065 thousand arising from the advice to conclude FX option transaction as hedging against exchange rate risk for contracts denominated in EUR, carrying out by the Parent Company. In 4Q 2008, as a result of the drastic change in the PLN/EUR exchange rate, the exposures held by the Parent Company was negative measured . At the same time, a dispute arose over the content of FX option transactions, primarily as regards the exclusion of option structures.	No impact	No impact
Cemex Polska sp. z o.o. oraz Lafarge Kruszywa i Beton sp. z o.o.	On 18 March 2015, the Parent Company filed a suit for damages due to improper performance of the contract in the amount of PLN 18,686 thousand (against Cemex Polska Sp. z o.o. for PLN 8 098 thousand and against Lafarge Kruszywa i Beton Sp. z o.o. for PLN 10 588 thousand). The parties were subcontractors of the works described in the above-said contract with Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o.	No impact	No impact
Kępska S.A.	Lawsuit of 22 April 2014, in which the Parent Company claims from Kępska SA the payment of remuneration for completed works. Total amount in dispute: PLN 9 877 thousand.	Write-down of overdue receivables amounting to PLN 8 188 thousand was not created	Write-down of overdue receivables amounting to PLN 8 188 thousand was not created
Międzyzdrojski Rynek Sp. z o.o.	The Parent Company claimed the payment of receivables resulting from the invoices issued for the construction of a building commissioned against the Final Acceptance Certificate. Amount of dispute: PLN 3 700 thousand.	Write-down of overdue receivables amounting to PLN 3 700 thousand was not created	Write-down of overdue receivables amounting to PLN 3 700 thousand was not created
Akademia Muzyczna w Łodzi	Lawsuit of 20 December 2013 for the payment of remuneration for construction works performed by the Parent Company plus interest and damages for improper performance of the contract. Amount of dispute: PLN 2,051 thousand.	Write-down of overdue receivables amounting to PLN 1 895 thousand was not created	Write-down of overdue receivables amounting to PLN 1 895 thousand was not created

7.8. TRADE AND OTHER LIABILITIES

Trade payables and other liabilities mainly include trade payables from unrelated parties, advances received, payroll liabilities and tax liabilities.

Trade liabilities are initially recognized at fair value (corresponding to the face value) and are measured at amortized cost as at the balance sheet date.

Received advances mainly concern payments from customers for the carried oud construction contracts and they are recognized at the face value of the payment.

Payroll liabilities are recognized in the value of the work performed in accordance with the agreements concluded.

Tax liabilities (including VAT, corporate income tax and personal income tax) are recognized in the amount due to be paid by the Group in accordance with applicable regulations.

	30.06.2017	31.12.2016
Trade liabilities	**213 357**	**245 829**
of which form related parties	187	766
Advances received	-	16 457
Financial liabilities:	-	**24 788**
interest	-	-
leasing of fixed assets	-	-
forward pricing	-	-
other	-	9 798
dividend	-	14 990
Liabilities to state budget:	**31 739**	**24 271**
VAT	11 193	9 873
corporate income tax	8 512	4 610
personal income tax	2 855	2 121
social security contributions (ZUS)	8 095	6 138
real property tax	106	-
tax on civil law transactions	-	-
rehabilitation fund contributions (PFRON)	131	115
holiday fund (tax paid in Belgium)	843	1 402
other	4	12
Other liabilities	**11 606**	**8 336**
remuneration	8 610	6 699
accrued expenses	-	-
other	2 996	1 637
Total	**256 702**	**319 681**

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7.9. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of changes in working capital for the period from 1 June to 30 June 2017 and for the period from 1 June to 30 June 2016.

	Change in cash flows 01.2017-06.2017	Change in cash flows 01.2016-06.2016
Change in provisions	**(1 672)**	(5 110)
Change in inventories	**(993)**	7 193
Change in receivables	**(37 492)**	(149 730)
Change in short-term liabilities, except for loans and borrowings	**(58 739)**	40 215
Change in prepayments	**(28 792)**	3 581
Change in working capital	**(127 688)**	**(103 851)**

7.10. GROUP STRUCTURE, INVESTMENTS IN JOINT VENTURES AND TRANSACTIONS WITH RELATED PARTIES

Subsidiaries and consolidation principles: Consolidated financial statements contain the data of the Parent Company and its subsidiaries.

Subsidiaries are consolidated using the full method from the date on which control is assumed until the date that control ceases. Control is established when the Parent Company, in respect of its involvement with the investee, is exposed to variable returns or has the right to variable returns and is able to use its power over the investee to affect the amount of those returns. Financial statements of subsidiaries are prepared for the same reporting period as the Parent Company using uniform accounting policies. In the case of losing control of a subsidiary, the gain or loss on the transaction associated with the loss of control is recognized in the income statement.

Acquisitions and mergers are accounted for using the acquisition method. In this method, identifiable assets and liabilities are measured at their fair values at the acquisition date. Consideration paid for business combination is measured at the fair value of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group In exchange for the control of the acquiree. Costs associated with the acquisition are recognized in the profit or loss account at the time they are incurred. The excess of the acquisition price and the amount of non-controlling interest measured at fair value over the fair value of the net assets acquired, subject to the exceptions listed in IFRS 3, is goodwill.

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

7. Other notes

Group structure

As at 30 June 2017, the Group is comprised of the Parent Company Erbud S.A. and fully consolidated subsidiaries.

Detailed information on the structure of the Group is provided in the tables below.

Item No.	Business name	Seat	Profile	Parent's company share in equity (equal to the voting power) 30.06.2017	31.12.2016
	Shares held directly				
1	Erbud International Sp. z o.o.	Toruń	Construction	**100.00%**	100.00%
2	Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road engineering	**90.00%**	90.00%
3	Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	**79.00%**	79.00%
4	Erbud Construction Sp. z o.o.	Toruń	Construction	**100.00%**	100.00%
5	Erbud Industry Sp. z o.o.	Toruń	Engineering	**100.00%**	100.00%
6	GWI GmbH	Dusseldorf, Germany	Construction	**85.00%**	85.00%

Item No.	Business name	Seat	Profile	Intermediate parent's entity share in equity (equal to the voting power) 30.06.2017	31.12.2016
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	Łódź	Services for energy	**98.92%**	98.92%
2	Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Services for energy	**100.00%**	100.00%
3	Erbud Industry Południe Sp. z o.o.	Będzin	Services for energy	**99.29%**	99.29%
4	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Dusseldorf, Germany	Construction	**43.35%**	43.35%
5	PDI Dusseldorf Malmedyerstrasse West GmbH	Dusseldorf, Germany	Construction	**43.35%**	43.35%

Related party transactions

The table below shows the total amounts of transactions concluded by the Parent Company with related parties for the period ended 30 June 2017 and as of 31 December 2016:

		30.06.2017		31.12.2016	
		Other relationship	Total	Other relationship	Total
	Trade receivables	52	**52**	91	**91**
Note 5.1.2.	Loans granted	-	**-**	-	**-**
	Trade liabilities	206	**206**	766	**766**
	Sales revenue	5	**5**	24	**24**

7.11. EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date, by the date of preparing the financial statements there were no events which have not been, and should be recognized in the accounting books.

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 /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, September 4, 2017