

ERBUD S.A.

Separate Financial Statements
for the year ended 31 December 2017

TABLE OF CONTENTS

INTRODUCTION TO FINANCIAL STATEMENTS 6
1. Business name, address of the registered office, business profile and registration number in the Court Register 6
2. Duration of the Company 6
3. Financial Statements of the Company 6
4. Composition of the Management Board and the Supervisory Board 6
5. Internal organizational business units 7
6. Exercising control or significant influence over other entities 7
7. Going-concern assumption and comparability of financial statements 8
8. Description of accounting principles (policy) applied, including methods of valuation of assets and liabilities, revenues and costs 9
8.1. Intangible fixed assets 9
8.2. Property, plant and equipment 9
8.3. Fixed assets under construction 9
8.4. Lease 10
8.5. Investment properties 10
8.6. Long-term investments 10
8.7. Financial assets 11
8.8. Impairment of financial assets 11
8.9. Inventories 11
8.10. Long-term construction contracts 12
8.10.1. Accounting for and presentation of financial consequences of long-term contracts 12
8.11. Current and non-current trade receivables 12
8.12. Cash and cash equivalents 12
8.13. Prepayments 12
8.14. Capitals 13
8.15. Provisions for liabilities 13
8.16. Employee benefits 13
8.17. Bank loans and borrowings 14
8.18. Deferred income tax 14
8.19. Liabilities 14
8.20. Foreign currency receivables and liabilities 15
8.21. Accruals 15
8.22. Revenues and operating costs 15
8.23. Other revenues, costs, gains and losses, financial incomes and expenses 15
8.24. Income tax, including deferred tax liability 16
PROFIT AND LOSS STATEMENT 22
CASH FLOW STATEMENT T 23
STATEMENT OF CHANGES IN EQUITY 25
Key items IN EURO 27
EXPLANATORY NOTES 29
Note 1. Intangible assets 29
Note 1.1. Changes in other intangible assets (by type) 29
Note 1.2. Intangible assets (ownership structure) 29

Note 2. Tangible assets 30
Note 2.1. Balance sheet assets (ownership structure) 30
Note 2.2. Changes in tangible assets (by type) 31
Note 2.3. Product cost of fixed assets under construction, including interest and capitalized exchange rate differences on liabilities incurred to finance these assets 33
Note 2.4. Value of assets non-depreciated or non-amortized by the business unit, used under rental, tenancy and other agreements, including leases. 33
Note 3. Change in investment properties 33
Note 4. Non-current financial assets 33
Note 4.1. Changes in non-current financial assets (by type) 33
Note 5. Shares or stocks in subsidiaries 34
Note 5.1. Profit (loss) attributable to fully consolidated companies 36
Note 6. Securities, shares and other long-term financial assets (by saleability) 36
Note 6.1. Securities, shares and other long-term financial assets (by currency) 36
Note 7. Changes in deferred income tax assets 37
Note 7.1. Deferred income tax assets 38
Note 8. Inventories 38
Note 8.1. Impairment of inventories; inventory revaluation write-offs 39
Note 9. Short-term receivables 39
Note 9.1. Short-term receivables from related parties 39
Note 9.2. Changes in write-downs of short term receivables 39
Note 9.3. Current receivables (by currency) 40
Note 9.4. Gross trade receivables with residual maturity from the balance sheet date 40
Note 9.5. Overdue trade receivables (before tax) 40
Note 10. Current financial assets 40
Note 10.1. Cash and cash equivalents (by currency) 41
Note 10.2. Short-term loans granted (by currency) 41
Note 11. Short-term prepayments 41
Note 11.1. Prepayments due to construction contracts 41
Note 12. Significant write-downs recognized and reversed due to impairment losses 42
Note 13. Share capital of ERBUD S.A. (structure) 42
Note 13.1 Shareholding structure as at 31.12.2017 42
Note 13.2. Shareholding structure as at 31.12.2016 43
Note 14. Revaluation capital 44
Note 15. Supplementary capital (structure) 44
Note 16. Changes in provision for deferred income tax 44
Note 16.1. Provision for deferred income tax 45
Note 17. Changes in non-current provision for retirement and similar benefits 45
Note 18 Changes in current provision for retirement and similar benefits 45
Note 19. Changes in other non-current provisions (by titles) 46
Note 20. Changes in other current provisions (by titles) 46
Note 21. Non-current liabilities 46
Note 21.1. Long-term liabilities 46
Note 21.2. Long-term liabilities with residual maturity from the balance sheet date 46
Note 21.3. Long-term liabilities (by currency)) 46
Note 22. Current liabilities 46

Note 22.1. Short-term liabilities (by currency) 47
Note 23. Finance lease liabilities 47
Note 24. Loans and borrowings 47
Note 25. Calculation of book value per share 52
Note 26. Issuance / Redemption / Repayment of debt and equity securities 52
Note 26.1. Issuance / Redemption / Repayment of debt and equity securities 52
Note 26.2. Issuance / Redemption / Repayment of equity securities 53
Note 27. Acquisitions / Sale of subsidiaries / Sale of long-term investments 53
Note 28. Trade net income (by type – kind of activities) 53
Note 29. Trade net income (by region) 53
Note 30. Net income on sales of goods and materials (by region) 53
Note 31. Operating costs 53
Note 31.1. Expenses by type 53
Note 31.2. Sale costs 54
Note 32. Other operating income 54
Note 33. Other operating expenses 54
Note 33.1. Income from interest 54
Note 33.2 Other financial income 55
Note 33.3. Financial income from dividends and shares in profits 55
Note 34. Financial costs 55
Note 34.1. Financial liabiliies due to interest 55
Note 34.2. Financial costs - revaluation of investments 55
Note 34.3. Other financial liabilities 55
Note 35. Income tax 55
Note 36. Net earnings per share 57
Note 37. Net profit (loss) – profit distribution 57
Note 38. Cash at the beginning and end of the period 57
Note 39. Information on financial instruments 59
Note 40. Revenues, costs and results of operations discontinued in the reporting period or intended to be discontinued in the subsquent period 63
Note 41. Information on transactions with consolidated and non-consolidated related parteis (mutual receivables and liabilities as well as costs and revenues from mutual transactions) 63
Note 42. Shares held by key management personnel 64
Note 42.1. Remuneration of key management personnel 65
Note 43. Information about non-consolidated joint ventures 65
Note 44. Information about significant events that occurred during the tvelve months of 2017 and after the balance sheet date 65
Note 45. Changes in accounting policy applied and the method of preparing financial statements, introduced in relation to the previous financial year (years), their causes and the impact on the asset and financial position, liquidity, result and profitability 72
Note 46. Business combinations 72
Note 47. Dividend policy - description of the dividends payment policy and any limitations connected. The dividend value per share for each financial year of the period covered by the historical financial information, adjusted for comparison purposes in case of changing the number of shares 72
Note 48. Information on average employment by occupational groups 72
Note 49. Information on liabilities to the state budget or local self-government units due to the ownership right to buildings and structures 72
Note 50. Contingent liabilities to related parties 72

Note 51. Derivative financial instruments 73
Note 52. Off-balance items 73
Note 53. Segment information 74
Note 54. Differences between financial statements prepared under Polish Accounting Standards (PAS) and financial statements prepared under International Financial Reporting Standards (IFRS) 75
Note 55. Remuneration of an auditor or entity authorized to audit financial statements paid or payable for the financial year …….. 76
Note 56. Significant transactions concluded by the Company with related parties on conditions other than market ones 76
Note 57. Information on the nature and economic purpose of agreements concluded by the Company which are not included in the balance sheet to the extend necessary to assess their impact on the assets, financial position and financial performance of the Company 76
Note 58. Information on significant events from previous years included in the financial statements for the current period 76
Note 59. Information on significant events subsequent to the balance sheet date not included in the financial statements 76
Note 60. Asset-backed securities 76
Note 61. Pending ligations 76
Note 62. Information on expenditures on non-financial assets incurred in the last year and planned for the next one, including those for environmental protection 81
Note 63. Extraordinary earnings and losses (random and others) 81
Note 64. Information on income tax due to extraordinary operations 81
Note 65. Seasonality 81
Note 66. Objectives and principles of financial risk management 81
Note 67. Previous periods errors adjustment 83

INTRODUCTION TO FINANCIAL STATEMENTS

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

Erbud S.A. is a joint-stock company incorporated under the transformation of Erbud spółka z ograniczoną odpowiedzialnością (limited liability company), registered on 29 November 2006 in the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register under the number 0000268667 and with its registered office in Warsaw, 1 Franciszka Klimczaka Street.

Erbud spółka z ograniczoną odpowiedzialnością was founded on 28 August 1990 and registered in the National Court Register under the number 0000034299 on 8 August 2001.

The main business activities of the Company are services in the field of general building construction (PKD 4521A).

The Company is a parent company.

The Company prepares consolidated financial statements of the Erbud Group.

2. Duration of the Company

The duration of Erbud S. A. is indefinite.

3. Financial Statements of the Company

The Financial Statements cover the period from 1 January 2017 to 31 December 2017 and comparable data for the period 1 January 2016 to 31 December 2016. The Financial Statements have been prepared in accordance with the following rules:

- Accounting Act of 29 September 1994; Journal of Laws 2018, item 395 (the "Act");
- Regulation of the Minister of Finance dated 18 October 2005, Journal of Laws 2016, item 857 on the scope of information disclosed in the separate and consolidated financial statements required in a prospectus for the issuers with their registered office in the territory of the Republic of Poland, for which applicable are Polish accounting principles ("Regulation on the scope of information in the financial statements");
- Regulation of the Minister of Finance dated 12 December 2001; Journal of Laws 149, item 1674 (as amended) on the detailed principles of recognition, measurement, disclosure and presentation of financial instruments (the "Regulation on financial instruments").

Financial data are presented in thousands of Zlotys (PLN).

The financial statements have been prepared under the historical cost convention, which was modified for:

- financial instruments.

In the period covered by these financial statements and in the previous period, no events occurred that would require comparability of financial data.

4. Composition of the Management Board and the Supervisory Board

Management Board

Dariusz Grzeszczak	- Board Member
Józef Zubelewicz	- Board Member
Agnieszka Głowacka	- Board Member

Supervisory Board

Udo Berner	- Chairman of the Supervisory Board
Gabriel Główka	- Deputy Chairman of the Supervisory Board
Albert Durr	- Board Member

Zofia Dzik - Board Member
Michał Otto - Board Member
Janusz Lewandowski - Board Member
Janusz Reiter - Board Member

5. Internal organizational business units

In the current reporting period the Company did not have separate internal organizational units.

6. Exercising control or significant influence over other entities

The following table presents the entities controlled by the Company or over which it has significant influence as at 31 December 2017:

Company's Name	Registered office	Profile	Direct Parent's share in the Group	Indirect Parent's share in the Group
Erbud International Sp. z o.o.	Toruń	Civil construction	100.00%	
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road construction	90.00%	
Efektywność Energetyczna dla Polski Sp z o.o.*	Szczecin	Consultancy services		50.00%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Civil construction	79.00%	
Erbud Construction Sp. z o.o.	Toruń	Civil construction	100.00%	
Grupa Erbud Industry				
Erbud Industry Sp. z o.o.	Toruń	Engineering services	100.00%	
Erbud Industry Centrum Sp. z o.o.	Łódź	Maintenance services for energy sector		98.92%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Maintenance services for energy sector		100.00%
Erbud Industry Południe Sp. z o.o.	Będzin	Maintenance services for energy sector		99.29%
The 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%

* **On 05 September 2017**, the subsidiary Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S. A. acquired 3 340 newly issued shares constituting 50% of the share capital of the Efektywność Energetyczna dla Polski Sp. z o. o.

Associated entity not included in the consolidated financial statements due to immateriality* (Art. 58 of the Accounting Act of 29 September 1994, Journal of Laws 2018, item 395 ("the Act").

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

* amount of less than 0.5% of total assets

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

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

Associated entity not included in the consolidated financial statements due to immateriality* (Art. 58 of the Accounting Act of 29 September 1994, Journal of Laws 2018, item 395 ("the Act").

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

* amount of less than 0.5% of total assets

7. Going-concern assumption and comparability of financial statements

The financial statements presented in this report have been prepared under the assumption that Erbud S. A. will continue its business activity in the foreseeable future. As at the date of signing of the financial statements, the Company's Management Board does not ascertain any facts or circumstances that would indicate any threats to the Company's ability to continue operations following a going concern principle in the period of at least 12 months after the balance sheet date as a result of an intended or forced discontinuation or material reduction of its current activities

Until the date of preparing these Separate Financial Statements, no events occurred that were not but should have been disclosed in the accounting books for the reporting period.

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

8.1. Intangible fixed assets

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

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

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

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

8.2. Property, plant and equipment

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

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

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

8.3. Fixed assets under construction

Fixed assets under construction are measured at the amount of total costs directly related to their acquisition or production, including the non-deductible value added tax and excise duty, as well as the cost of servicing the

liabilities incurred to finance them and related exchange differences, less revenues from it. The balance of fixed assets under construction is decreased by impairment losses
Fixed assets under construction are not depreciated until they are completed and handed over.

8.4. Lease

Finance lease agreements, which transfer substantially all risks and benefits resulting from ownership of the leased asset to the Company, are capitalised at the lease commencement date at the lower of the following two values: fair value of the leased asset or current value of the minimum lease payments. Lease payments are divided between the finance charges and the repayment of capital instalments, taking into account the fixed interest rate in relation to the liability.
Financial costs are recognized directly in the profit and loss account. Fixed assets used under financial leases are depreciated in according to the rules applied to the own assets.
If there is no reliable certainty, that after the end of the lease agreement the Company will obtain the ownership, the assets are depreciated over a shorter of two following periods: the lease period or the useful lifetime.
Lease agreements under which the lessor bears substantially all the risks and retains all the benefits resulting from the ownership of the leased assets are classified in accordance with Art. 3(4) of the Act on Accounting as operating leases.

8.5. Investment properties

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

8.6. Long-term investments

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

increase in the value of a given investment directly associated with a prior reduction in its value, included in financial costs, is recognized to the amount of these costs as financial revenues.

8.7. Financial assets

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

- Financial assets and liabilities available for sale – Fair value measurement, without reducing transaction costs; gains/losses on revaluation are recognized in the profit or loss account.
- Loans granted and receivables – Measurement at the adjusted purchase price (amortized cost) determined using the effective interest rate. Receivables with short maturities, for which interest rate was not determined, are measured at amount due.
- Financial assets held to maturity – Measurement at the adjusted purchase price (amortized cost) determined using the effective interest rate.
- Financial assets available for sale – Measurement at fair value; gains/losses on revaluation are recognized in the revaluation capital reserve until the investment is sold or its value ids reduced. At this time, the cumulative gain or loss from revaluation is recognized in the profit or loss account.

8.8. Impairment of financial assets

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

8.9. Inventories

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

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

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

8.10. Long-term construction contracts

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

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

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

Building construction contracts

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

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

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

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

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

8.11. Current and non-current trade receivables

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

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

8.12. Cash and cash equivalents

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

8.13. Prepayments

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

8.14. Capitals

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

8.15. Provisions for liabilities

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

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

Provision for remedial works

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

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

Tax settlements

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

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

8.16. Employee benefits

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

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

8.17. Bank loans and borrowings

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

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

8.18. Deferred income tax

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

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

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

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

8.19. Liabilities

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

Due to the characteristics of the liabilities, they can be divided into

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

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

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

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

8.20. Foreign currency receivables and liabilities

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

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

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

If the foreign exchange payment obligation is settled, the exchange rate is used, after which the funds were purchased in the bank. When the payment is made from the entity's own foreign exchange account, the rate is applied at which the cooperating bank would have been charged if the entity had wanted to purchase the currency from the bank.

8.21. Accruals

Accruals are made in the amount of probable liabilities falling due in the current reporting period.

8.22. Revenues and operating costs

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

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

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

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

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

8.24. Income tax, including deferred tax liability

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

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

Deferred income tax

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

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

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

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

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

FINANCIAL STATEMENTS
for the twelve months ended 31 December 2017 (in PLN '000)

BALANCE SHEET

ASSETS

		Note	31.12.2017	31.12.2016
A.	**Fixed assets**		**127 058**	**117 776**
I.	**Intangible assets**	**1**	**231**	**41**
1.	Finished R&D expenses		0	0
2.	Goodwill		0	0
3.	Other intangible assets		231	41
4.	Prepaid intangible assets		0	0
II.	**Tangible assets**	**2**	**10 471**	**8 263**
1.	Tangible fixed assets		10 471	7 130
a)	Land, incl. perpetual usufruct		0	0
b)	Buildings, premises and rights to premises, civil and water engineering structures		2 939	1 285
c)	Plant and equipment		165	193
d)	Means of transport		6 988	5 164
e)	Other tangible fixed assets		379	488
2.	Fixed assets under construction		0	1 133
3.	Prepaid tangible fixed assets under construction		0	0
III.	**Long-term receivables**		**0**	**0**
1.	From related parties		0	0
2.	From other entities		0	0
IV.	**Long-term investments**		**78 895**	**85 914**
1.	Real property	3	0	0
2.	Intangibles		0	0
3.	Non-current financial assets	4,6	78 895	85 914
a)	In related parties, incl.:		75 948	85 180
–	Shares or stocks	5	75 156	75 156
–	Other securities		0	0
–	Loans granted		792	10 024
–	Other non-current financial assets		0	0
b)	In other entities, incl.:		2 947	734
–	Shares or stocks		0	0
–	Other securities		0	0
–	Loans granted		0	0
–	Other non-current financial assets		2 947	734
4.	Other non-current investments		0	0
V.	**Long-term prepayments**		**37 461**	**23 558**
1.	Deferred tax assets	7	37 461	23 558
2.	Other prepayments		0	0

		Note	31.12.2017	31.12.2016
B.	**Current assets**		**562 675**	**583 245**
I.	**Inventories**	**8**	**356**	**0**
1.	Materials		0	0
2.	Semi-finished products and products in progress		356	0
3.	Finished products		0	0
4.	Goods		0	0
5.	Prepaid deliveries		0	0
II.	**Short-term receivables**	**9**	**321 297**	**337 984**
1.	From related parties		7 789	7 844
a)	Trade receivables with a maturity of		5 689	5 744
–	less than 12 months		5 689	5 744
–	over 12 months		0	0
b)	Other		2 100	2 100
2.	Receivables from other entities		313 508	330 140
a)	Trade receivables with a maturity of		302 612	312 438
–	less than 12 months		290 750	302 935
–	over 12 months		11 862	9 503
b)	Receivables from tax, subsidy, customs, social security and other benefits		361	7 986
c)	Other		10 535	9 716
III.	**Short-term investments**		**116 625**	**161 044**
1.	Current financial assets	10	116 625	161 044
a)	In related parties		24 351	3 168
–	Shares or stocks		0	0
–	Other securities		0	0
–	Loans granted		24 351	3 168
–	Other current financial assets		0	0
b)	In other entities		0	7 064
–	Shares or stocks		0	0
–	Other securities		0	0
–	Loans granted		0	7 064
–	Other current financial assets		0	0
c)	Cash and other cash assets		92 274	150 812
–	Cash in hand and at bank		78 060	131 953
–	Other cash		14 214	18 859
–	Other cash assets		0	0
2.	Other current investments		0	0
IV.	**Current prepayments**	**11**	**124 397**	**84 219**
-	Assets under unfinished construction contracts		120 765	79 256
-	Other		3 632	4 963
V.	**Fixed assets held for sale**		**0**	**0**
	TOTAL ASSETS		**689 733**	**701 023**

LIABILITIES

		Note	31.12.2017	31.12.2016
A.	**Equity / own fund**		**228 809**	**213 866**
I.	**Share capital**	13	1 281	1 281
II.	**Called-up share capital (negative value)**		0	0
III.	**Treasury shares (negative value)**		0	0
IV.	**Reserve capital (fund), incl.**	15	222 245	222 245
	- Share premium		124 592	124 592
V.	**Revaluated capital (fund), incl.**	14	1 762	-641
	- revaluation of fair value		1 762	-641
VI.	**Other reserve capital (funds)**		11 103	0
	- created under the Articles of Association		11 103	0
	- for own shares (stocks)		0	0
VII.	**Retained earnings / loss brought forward**		-20 122	-20 122
VIII	**Net profit (loss)**		12 539	11 103
IX.	**Write-down of net profit for the financial year (negative value)**		0	0
B.	**Liabilities and provisions for liabilities**		**460 924**	**487 155**
I.	**Provisions for liabilities**		**45 570**	**34 169**
1.	Deferred income tax provision	16	23 676	15 292
2.	Provision for retirement and related benefits		7 847	5 558
–	Non-current	17	1 443	897
–	Current	18	6 404	4 661
3.	Other provisions		14 047	13 319
–	Non-current	19	0	0
–	Current	20	14 047	13 319
II.	**Long-term liabilities**	**21**	**54 820**	**55 069**
1.	To related parties		0	0
2.	To other entities		54 820	55 069
a)	Loans and borrowings		0	0
b)	Issue of debt securities	26	52 000	52 000
c)	Other financial liabilities	23	2 820	2 319
d)	Other		0	750
III.	**Short-term liabilities**	**22**	**330 542**	**336 503**
1.	To related parties		18 658	38 492
a)	Deliveries and services with a maturity of		18 658	38 492
–	less than 12 months		14 929	38 337
–	over 12 months		3 729	155
b)	Other		0	0
2.	To other entities		311 884	298 011
a)	Loans and borrowings	24	0	0
b)	Issue of debt securities		3 950	0
c)	Other financial liabilities	23	2 453	3 586
d)	Deliveries and services with a maturity of		281 755	252 512
–	less than 12 months		278 055	249 322
–	over 12 months		3 700	3 190
e)	Prepaid deliveries		5 750	16 457
f)	Bills		0	0
g)	Taxes, customs, social insurance and other benefits		15 072	6 848
h)	Salaries		1 702	1 640
i)	Other		0	14 990
i)	less than 12 months		1 202	1 978
3.	Special funds		0	0
IV.	**Accruals**		**29 992**	**61 414**
1.	Other accruals	11.1	29 992	61 414
	TOTAL LIABILITIES		**689 733**	**701 023**

Calculation of book value per share

	Note	31.12.2017	31.12.2016
Book value (in 000' PLN)		228 809	213 867
Number of shares		12 811 859	12 811 859
Book value per share (in PLN)	25	17.86	16.69

Off-balance sheet items

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

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

	Note	31.12.2017	31.12.2016
1. Conditional receivables		115 709	128 412
1.1. From related parties		50 000	50 000
- guarantees and sureties received		50 000	50 000
1.2 From other entities		65 709	78 412
- guarantees and sureties received		65 709	78 412
2. Conditional liabilities		478 932	492 161
2.1. To related parties	52	81 716	77 781
- guarantees and sureties granted		81 716	77 781
2.2. To other entities	52	397 216	414 380
- guarantees and sureties granted		397 216	414 380
3. Other		0	0
- court proceedings against Erbud S. A..		46 682	41 935
-of which MPL Modlin		34 381	34 381
Total off-balance sheet items		**641 323**	**662 508**

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

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

All amounts are presented in fair values.

The debited off-balance sheet items include:
- civil guarantees granted to subsidiaries for the repayment of their obligations to financial institutions, details of which are listed in Notes 50-52 to this Financial Statements.

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

All amounts are presented in fair values.

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, March 27, 2018

PROFIT AND LOSS STATEMENT

	Note	12-month period ended 31. 12. 2017	12-month period ended 31. 12. 2017
Revenues from sales of products, goods and materials, incl.:		**1 215 475**	**1 074 944**
- From related parties		13 182	5 070
Net revenues from sales of products	28,29	1 215 035	1 074 884
Net revenues from sales of goods and materials	30	440	60
Cost of products, goods and materials sold, incl.:	**31**	**1 142 336**	**1 000 823**
- To related parties		92 003	44 950
Cost of products sold		1 141 899	1 000 823
Value of goods and materials sold		438	0
Gross profit (loss) on sales		**73 139**	**74 121**
Sales costs	31	0	0
General and administrative costs	31	48 413	48 582
Profit (loss) on sales		**24 726**	**25 539**
Other operating revenues	**32**	**4 573**	**8 477**
Profit on disposal of non-financial fixed assets		183	3 995
Subsidies		0	0
Other operating revenues		4 390	4 482
Other operating expenses	**33**	**12 002**	**6 359**
Loss on disposal of non-financial assets		0	0
Revaluation of non-financial fixed assets		0	0
Other operating expenses		12 002	6 359
Profit (loss) on operating activities		**17 297**	**27 656**
Financial revenues		**6 018**	**24 475**
Dividends and profit sharing	33.3	2 721	17 499
- From related parties		2 721	17 499
- incl. those whose shares are held by the company		2 721	499
- From other entities,		0	0
- incl. those whose shares are held by the company		0	0
Interest, incl.:	33.1	2 333	1 579
- From related parties		1 125	191
Profit on financial assets outflows, incl.:		0	0
- In related parteis		0	0
Revaluation of investments		0	0
Other	33.2	964	5 397
Financial costs		**7 552**	**41 266**
Interest, incl.:	34.1	4 636	5 241
- To related parties		0	0
Loss on financial assets outflows, incl.:		0	33 675
- In related parteis		0	33 675
Revaluation of investments	34.2	0	0
Other	34.3	2 916	2 350
Gross profit (loss)		**15 763**	**10 865**
Income tax	35	3 224	-238
Other statutory reductions in profit (increases in loss)		0	0
Net profit (loss)	**36**	**12 539**	**11 103**
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares (in units)		**12 811 859**	**12 811 859**
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)		**0.9787 / 0.9787**	**0.8666 / 0.8666**

Signatures of the Management Board Members

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/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, March 27, 2018

CASH FLOW STATEMENT T

	Note	12-month period ended 31. 12. 2017	12-month period ended 31. 12. 2017
Net profit (loss)		**12 539**	**11 103**
Total adjustments		**-47 711**	**12 387**
Amortisation and depreciation		2 758	2 971
Foreign currency translation gain (loss)		-40	-412
Interest and profit sharing (dividends)		-933	-13 474
(Profit (loss) on investment activities		-183	-3 995
Change in provisions		11 815	-4 406
Change in inventory		-356	147
Change in receivables	38	18 518	-34 762
Change in short-term liabilities, excluding credits and loans	38	6 211	24 768
Change in prepayments and accruals		-85 502	7 957
Other adjustments		0	33 675
Impairment of investments		0	-82
Net cash flows from operating activities		**-35 172**	**23 490**
Net profit (loss)			
Inflows		**15 401**	**79 905**
Disposal of intangible and tangible fixed assets		88	7 091
Disposal of investments in real property and intangible assets		0	655
From financial assets, incl.:		15 313	72 159
a) In related parties		7 772	72 022
- Disposal of financial assets		0	45 000
- Dividends and profit sharing		2 721	17 499
- Repayment of granted long-term loans		5 051	9 456
- Interest		0	67
- Other inflows from financial assets		0	0
b) In other entities		7 541	137
- Disposal of financial assets		0	0
- Dividends and profit sharing		0	0
- Repayment of granted long-term loans		7 426	0
- Interest		115	137
- Other inflows from financial assets		0	0
Other inflows from investment activities		0	0
Outflows		**21 008**	**32 035**
Purchase of intangible assets and tangible fixed assets		1 704	747
Investments in real property and intangible assets		0	0
Due to financial assets, incl.:		17 804	31 288
a) In related parties		17 804	31 288
- Acquisition of financial assets		0	15 000
- Granting of long-term loans		17 804	16 288
b) in other entities		0	0
- Acquisition of financial assets		0	0
- Long-term loans granted		0	0
Other outflows due to investment activities		1 500	0
Net cash flows from investing activities		**-5 607**	**47 870**

	Note	12-month period ended 31. 12. 2017	12-month period ended 31. 12. 2017
Cash flow from financial activities			
Inflows		**3 496**	**0**
Net inflows from issue of shares and other capital instruments and from capital contributions		0	0
Loans and borrowings		0	0
Issue of debt instruments		3 496	0
Other financial inflows		0	0
Outflows		**21 254**	**21 773**
Redemption of own shares		0	0
Dividends and other payments to the shareholders		14 990	15 374
Expenses due to profit distribution other than payments to shareholders		0	0
Repayment of loans and borrowings		0	0
Repayment of debt instruments issued		0	0
Due to other financial liabilities		0	0
Payment of liabilities arising from financial leases		2 459	1 771
Interest paid		3 805	4 628
Other		0	0
Net cash flow from financial activities		**-17 758**	**-21 773**
Total net cash flow		**-58 537**	**49 587**
Balance sheet change in cash, incl.:	**38**	**-58 537**	**49 587**
- change in cash due to foreign exchange differences			
Cash opening balance	**38**	**150 812**	**101 225**
Closing balance of cash, incl.:	**38**	**92 274**	**150 812**
- restricted cash		14 214	18 859

Signatures of the Management Board Members

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/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, March 27, 2018

STATEMENT OF CHANGES IN EQUITY

	12-month period ended 31. 12. 2017	12-month period ended 31. 12. 2017
I. Equity opening balance	**213 866**	**254 896**
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	-20 122
I.a. Equity opening balance at the beginning of the period after adjustment to comparative data	**213 866**	**234 774**
1. Share capital at the beginning of the period	**1 281**	**1 281**
1.1. Changes to share capital	**0**	**0**
a) Increase from	0	0
– issue of "I" series shares	0	0
– issue of "J" series shares	0	0
b) Decrease from	0	0
– redemption of shares	0	0
1.2. Share capital at the end of the period	**1 281**	**1 281**
2. Capital reserves at the beginning of the period	**222 245**	**241 212**
2.1. Changes in capital reserves	0	-18 967
a) Increase from	0	11 397
– capital reserves transfer	0	0
– profit distribution	0	11 397
– redemption of shares	0	0
– issue of "I" series shares above their value	0	0
– issue of "J" series shares above their value	0	0
– manager options	0	0
b) Decrease	0	30 364
– dividend payment	0	30 364
– redemption of shares	0	0
2.2. Capital reserves at the end of the period	**222 245**	**222 245**
3. Revaluation reserve at the beginning of the period	**-641**	**1 006**
3.1. Changes in revaluation reserve	2 403	-1 646
a) Increase	2 403	0
– financial assets valuation	2 403	0
b) Decrease	0	1 646
– financial instruments valuation	0	1 646
3.2. Revaluation reserve at the end of the period	**1 762**	**-641**
4. Other capital reserves at the beginning of the period	**0**	**0**
4.1. Changes in other capital reserves	11 103	0
a) Increase	11 103	0
– profit sharing	11 103	0
b Decrease – transfer to capital reserves	0	0
4.2. Other capital reserves at the end of the period	**11 103**	**0**
5. Capital from settlement of merger transactions at the beginning of the period	**0**	**0**
5.1 Changes in capital from settlement of merger transactions under the uniting of interest method		
Increase	**0**	**0**
Decrease	**0**	**0**
5.2 Capital from settlement of merger transactions at the end of the period	**0**	**0**

	12 month period ended 31.12.2017	12 month period ended 31.12.2016
6. Retained earnings / carried forward loss at the beginning of the period	**11 103**	**11 397**
6.1. Retained earnings at the beginning of the period	11 103	11 397
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	0
– recognition of the last year result as a result of previous years		
6.2 Retained earnings at the beginning of the period after reconciliation with comparable data	11 103	11 397
a) Increase	0	0
b) Decrease	11 103	11 397
– profit distribution for capital reserves	11 103	0
– profit distribution for dividends	0	11 397
– profit distribution to cover losses from previous years	0	0
6.3. Retained earnings at the end of the period	**0**	**0**
6.4. Carried forward loss at the beginning of the period	**-20 122**	**0**
– changes in accounting rules (policy) applied	0	0
– correction of material errors	0	-20 122
– recognition of the last year result as a result of previous years		
6.5. Carried forward loss at the beginning of the period after reconciliation with comparable data	0	0
a) Increases	0	0
b) Decreases (profit distribution to cover losses)	0	0
6.6. Carried forward loss at the end of the period	**0**	**0**
7.7 Retained earnings (loss) at the end of the period	**-20 122**	**-20 122**
8. Net result	**12 539**	**11 103**
a) Net profit	12 539	11 103
b) Net loss	0	0
c) Write-downs from profit	0	0
II. Equity closing balance	**228 809**	**213 866**
III. Equity, after including proposed profit distribution (coverage of loss)	**228 809**	**213 866**

Signatures of the Management Board Members

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/ Management Board Member /

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/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, March 27, 2018

KEY ITEMS IN EURO

	31 Dec 2017		31 Dec 2016	
	PLN	**EUR**	**PLN**	**EUR**
Fixed assets	127 058	30 462	117 777	26 622
Current assets	562 675	134 905	583 245	131 837
Shareholders' equity	228 809	54 858	213 867	48 342
Liabilities and provisions for liabilities	460 924	110 509	487 156	110 117

Items of the balance sheet as at 31 December 2017 were converted at the Euro rate which was set by the NBP on that date i.e. 4.1709 PLN/EUR.

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. 4.4240 PLN/EUR.

	12 month period ended 31.12.2017		12 month period ended 31.12.2016	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	1 215 475	286 351	1 074 944	245 662
Cost of products, services, goods and materials sold	1 142 336	269 121	1 000 823	228 723
Profit on sales before tax	73 139	17 230	74 121	16 939
Profit on operating activities	17 297	4 075	27 656	6 320
Profit (loss) before tax	15 763	3 714	10 865	2 483
Net profit (loss)	12 539	2 954	11 103	2 537

Items of the profit and loss statement for the period from 1.01.2017 to 31.12.2017 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. 4.2447 PLN/EUR.

Items of the profit and loss statement for the period from 1.01.2016 to 31.12.2016 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.3757 PLN/EUR.

	12 month period ended 31.12.2017		12 month period ended 31.12.2016	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	-35 172	-8 286	23 490	5 368
Cash flows from investment activities	-5 608	-1 321	47 870	10 940
Cash flows from financial activities	-17 757	-4 183	-21 773	-4 976
Net cash flows	-58 537	-13 790	49 587	11 332
Cash opening balance	150 812	34 089	101 225	23 753
Cash closing balance	92 274	22 123	150 812	34 089

Cash flow items for the period from 1.01.2017 to 31.12.2017 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. 4.2447 PLN/EUR.

Cash flow items for the period from 1.01.2016 to 31.12.2016 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.3757 PLN/EUR.

For translating cash as at 1 January 2017 it was applied the exchange rate set by the NBP as of that day, i.e. 4.4240 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 2017 it was applied the exchange rate set by the NBP as of that day, i.e. 4.1709 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. 4.4240 PLN/EUR.

EXPLANATORY NOTES

Note 1. Intangible assets

	31.12.2017	31.12.2016
Intangible assets		
a) R&D completed	0	0
b) Goodwill	0	0
c) Acquired concessions, patents, licenses and similar assets, incl.:	0	0
- computer software	0	0
d) Other intangible assets	231	41
e) Prepaid intangible assets	0	0
Total tangible assets	**231**	**41**

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

Item	Other
a) Gross value of intangible assets as at 1 Jan 2017	1 464
b) Increases	493
- acquisition	493
- transfer from advances to intangible assets	0
c) Decreases	21
- liquidation	21
d) Gross value of intangible assets as at 31 Dec 2017	1 936
e) Cumulative depreciation as at 1 Jan 2017	1 423
f) Depreciation for the period	303
g) Decrease	21
h) Cumulative depreciation as at 31 Dec 2017	1 705
i) Net value of intangible assets as at 31 Dec 2017	231

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

Note 1.2. Intangible assets (ownership structure)

	31.12.2017	31.12.2016
Other intangible assets		
a) own	231	41
Other intangible assets in total	**231**	**41**

Note 2. Tangible assets

	31.12.2017	31.12.2016
Tangible assets		
Fixed assets, incl.:	10 471	7 130
- Land (incl. perpetual usufruct)	0	0
- Buildings, premises and rights to premises, civil and water engineering structures	2 939	1 285
- Plant and equipment	165	193
- Means of transport	6 988	5 164
- Other fixed assets	379	488
Total tangible assets	0	1 133
Tangible assets	**10 471**	**8 263**

Note 2.1. Balance sheet assets (ownership structure)

	31.12.2017	31.12.2016
Balance sheet assets		
a) own	3 639	3 118
b) used under rental, tenancy or other contract, incl. lease contract	6 832	5 145
- lease	6 832	5 145
Total balance sheet assets	**10 471**	**8 263**

Note 2.2. Changes in tangible assets (by type)

Item	Land (incl. perpetual usufruct)	Buildings, premises and rights to premises, civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2017	**0**	**1 302**	**522**	**17 278**	**3 028**	**1 133**	**0**	**23 263**
b) Increases (from)	0	1 707	11	3 635	455	0	0	**5 808**
- acquisition	0	574	11	171	455	0	0	**1 211**
- lease	0	0	0	3 464	0	0	0	**3 464**
- transfer	0	0	0	0	0	0	0	**0**
- transfer of fixed assets under construction	0	1 133	0	0	0	0	0	**1 133**
c) Decreases (from)	0	0	117	68	21	1 133	0	**1 339**
- sale	0	0	0	68	20	0	0	**88**
- revaluation	0	0	0	0	0	0	0	**0**
- liquidation	0	0	117	0	1	0	0	**118**
- held for sale	0	0	0	0	0	0	0	**0**
- transfers	0	0	0	0	0	1 133	0	**1 133**
d) Gross value of fixed assets as at 31 Dec 2017	**0**	**3 009**	**416**	**20 845**	**3 462**	**0**	**0**	**27 732**
e) Cumulative amortisation and depreciation at the beginning of the period	**0**	**16**	**329**	**12 114**	**2 540**	**0**	**0**	**14 999**
f) Depreciation and amortisation for the period	0	54	33	1 805	563	0	0	**2 455**
g) Decreases, incl.:	0	0	111	62	20	0	0	**193**
- liquidation	0	0	111		0	0	0	**111**
- sale	0	0	0	62	20	0	0	**82**
- adjustments	0	0	0	0	0	0	0	**0**
- held for sale	0	0	0	0	0	0	0	**0**
h) Cumulative depreciation and amortisation as at 31 Dec 2017	**0**	**70**	**251**	**13 857**	**3 083**	**0**	**0**	**17 261**
i) Net value of fixed assets as at 1 Jan 2017	**0**	**1 286**	**193**	**5 164**	**488**	**1 133**	**0**	**8 263**
j) Net value of fixed assets as at 31 Dec 2017	**0**	**2 939**	**165**	**6 988**	**379**	**0**	**0**	**10 471**

In the period of 12 months ended 31 December 2017, the Company did not create any revaluation write-downs on fixed assets held.

Item	Land (incl. perpetual usufruct)	Buildings, premises and rights to premises, civil and water engineering structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Advances for fixed assets under construction	Total tangible assets
a) Gross value of fixed assets as at 1 Jan 2016	**0**	**0**	**446**	**15 268**	**3 457**	**1 293**	**0**	**20 464**
b) Increases (from)	0	1 301	94	2 281	489	1 133	0	**5 299**
- acquisition	0	8	94	4	489	1 133	0	**1 728**
- lease	0	0	0	2 277	0	0	0	**2 277**
- transfer	0	0	0	0	0	0	0	
c) Decreases (from)	0	1 293	0	0	0	0	0	**1 293**
- sale	0	0	17	272	919	1 293	0	**2 501**
- revaluation	0	0	0	272	532	0	0	**804**
- liquidation	0	0	0	0	0	0	0	
- held for sale	0	0	17	0	384	0	0	**401**
- transfers	0	0	0	0	0	0	0	
d) Gross value of fixed assets as at 31 Dec 2016	0	0	0	0	3	1 293	0	**1 296**
e) Cumulative depreciation at the beginning of the period	**0**	**1 302**	**523**	**17 278**	**3 028**	**1 133**	**0**	**23 262**
f) Amortisation for the period	**0**	**0**	**320**	**10 714**	**2 215**	**0**	**0**	**13 249**
g) Decreases, incl.:	0	41	25	1 524	1 198	0	0	**2 788**
- liquidation	0	25	17	124	874	0	0	**1 040**
- sale	0	0	17	0	382	0	0	**399**
- adjustments	0	25	0	124	489	0	0	**638**
- held for sale	0	0	0	0	3	0	0	**3**
h) Cumulative depreciation as at 31 Dec 2016	0	0	0	0	0	0	0	
i) Net value of fixed assets as at 1 Jan 2016	**0**	**16**	**328**	**12 114**	**2 540**	**0**	**0**	**14 999**
j) Net value of fixed assets as at 31 Dec 2016	**0**	**0**	**126**	**4 554**	**1 242**	**1 293**	**0**	**7 215**
a) Gross value of fixed assets as at 1 Jan 2016	**0**	**1 285**	**193**	**5 164**	**488**	**1 133**	**0**	**8 263**

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

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

As at 31 December 2017 and 31 December 2017, there was no such item.

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

As at 31 December 2017 and 31 December 2017, there was no such item.

Note 3. Change in investment properties

	31.12.2017	31.12.2016
Changes in real property		
a) As at the beginning of the period	0	232
b) Increases	0	0
c) Decreases	0	232
- Sale	0	232
d) As at the end of the period	0	0

Note 4. Non-current financial assets

	31.12.2017	31.12.2016
Non-current financial assets		
a) In related parties	75 948	85 180
- Shares or stocks	75 156	75 156
- Loans granted	792	10 024
b) In other entities	2 947	734
- Shares or stocks	0	0
- Other non-current financial assets	2 947	734
Total non-current financial assets	**78 895**	**85 914**

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

Changes in non-current financial assets	**31.12.2017**	**31.12.2016**
a) As at the beginning of the period - 1 Jan 2017	85 914	152 477
- Shares	75 156	136 736
- Loans granted	10 024	13 702
- Other non-current financial assets	734	2 039
b) Increases	2 213	16 510
- Shares	0	16 500
- Loans granted	0	0
- Other non-current financial assets	2 213	10
c) Decreases	9 232	83 074
- Shares	0	78 080
- Loans granted	9 232	3 678
- Other non-current financial assets	0	1 316
d) As at the end of the period - 31 Dec 2107	78 895	85 914
- Shares	75 156	75 156
- Loans granted	792	10 024
- Other non-current financial assets	2 947	733

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

- Loan for Erbud Industry Sp. z o.o. in the amount of PLN 792 thousand with interest rate based on 1M WIBOR plus margin.

Note 5. Shares or stocks in subsidiaries

as at 31 December 2017

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

as at 31 December 2016

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

Note 5.1. Profit (loss) attributable to fully consolidated companies

	2017	2016
Erbud International Sp. z o.o.	125	1 359
GWI GmbH	395	1 377
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	11 205	4 142
Erbud Industry Sp. z o.o.	-898	2 355
Erbud Industry Centrum Sp. z o.o.	1 279	-305
Erbud Rzeszów Sp. z o.o.	1 261	749
Erbud Industry Pomorze Sp. z o.o.	305	1 554
Erbud Industry Południe Sp. z o.o.	-271	-2 038
Erbud CUW Sp. z o.o.	738	942

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

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

Securities, shares and other non-current financial assets	31.12.2017	31.12.2016
A. With unlimited transferability; listed on stock exchange market (carrying value)	0	0
B. With unlimited transferability; listed on OTC market (carrying value)	0	0
C. With unlimited transferability; not listed on a regulated market (carrying value)	0	0
D. With restricted transferability (carrying value)	78 895	85 914
a) Shares and stocks (carrying value)	75 156	75 156
- Value adjustments (cumulative)	-2 928	-2 928
- Value at the beginning of the period	0	0
- Value at acquisition prices	78 084	78 084
b) Bonds (carrying value)	0	0
c) Loans granted (carrying value)	792	10 024
d) Other - by type (carrying value)	2 947	734
- Value at acquisition price	810	810
- Value adjustments (cumulative)	-38	-76
e) Other forward contracts	2 175	0
Total carrying value	**78 895**	**85 914**

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

Securities, shares and other long-term financial assets	31.12.2017	31.12.2016
a) in Polish currency	78 548	85 567
b) in foreign currencies (by currency, converted into PLN)		
- in EUR	100	100
- In PLN (historical rate)	347	347
Total of securities, shares and other long-term financial assets	**78 895**	**85 914**

Note 7. Changes in deferred income tax assets

	31.12.2017	31.12.2016
1. Deferred income tax assets at the beginning of the period, incl.:	**23 558**	**21 068**
a) Recognized in financial result	**23 408**	**21 054**
- Holiday provision	886	787
- Retirement severance provision	170	160
- Remedial works provision	2 287	1 809
- Provision for loss on long-term contracts	71	69
- Write-down of receivables	1 134	1 361
- Accruals for costs	571	1 724
- Valuation of building contracts	11 669	13 273
- Tax loss	0	0
- Provision on cost	173	900
- Write-down of inventories and investments	53	53
- Balance sheet valuation of interest on bonds	34	0
- Long-term investment impairment	556	556
- Lease liabilities	811	715
- Fixed assets under lease	-978	-827
- Discount of security deposit for receivables	133	0
- Production in progress	5 790	0
- Other	48	474
b) Recognized in equity	**150**	**14**
2. Increases	**37 461**	**23 558**
a) Recognized in financial result	**37 461**	**23 408**
- Holiday provision	1 217	886
- Retirement severance provision	274	170
- Remedial works provision	2 326	2 287
- Provision for loss on contracts	0	71
- Write-down of receivables	1 681	1 134
- Accruals for costs	2 268	571
- Valuation of building contracts	5 698	11 669
- Tax loss in Belgium	798	0
- Write-down of inventories and investments	53	53
- Long-term investment impairment	556	556
- Provision on cost	343	173
- Lease liabilities	1 002	811
- Fixed assets under lease	-1 298	-978
- Receivables discount	102	133
- Balance sheet valuation of interest on bonds	89	34
- Production in progress	21 639	5 790
- Receivables discount	510	0
- Other	203	48
b) Recognized in equity	**0**	**150**
3. Decreases	**23 558**	**21 068**
a) Recognized in financial result	**23 408**	**21 054**
- Holiday provision	886	787
- Retirement severance provision	170	160
- Remedial works provision	2 287	1 809
- Provision for loss on contracts	71	69
- Valuation of building contracts	11 669	13 273
- Write-down of receivables	1 134	1 361
- Tax loss	0	0
- Write-down of inventories and investments	53	53
- Long-term investment impairment	556	556
- Provision on cost	173	1 724
- Accruals	571	900
- Balance sheet valuation of bond interest	34	0
- Lease liabilities	811	715
- Fixed assets under lease	-978	-827

- Discount of security deposit for receivables	133	0
- Production in progress	5 790	0
- Other	48	474
b) Recognized in equity	**150**	**14**
4. Deferred income tax assets at the end of the period, incl.:	**37 461**	**23 558**
a) Recognized in financial result	**37 461**	**23 408**
- Holiday provision	1 217	886
- Retirement severance provision	274	170
- Remedial works provision	2 326	2 287
- Write-down of receivables	1 681	1 134
- Accruals	2 268	571
- Valuation of building contracts	5 698	11 669
- Write-downs of inventories and provisions	53	53
- Long-term investment impairment	556	556
- Provision for loss on contracts	0	71
- Tax loss in Belgium	798	0
- Provision on cost	343	173
- Lease liabilities	1 002	811
- Fixed assets under lease	-1 298	-978
- Discount of security deposit for receivables	102	133
- Balance sheet valuation of bond interest	89	34
- Production in progress	21 639	5 790
- Receivables discount	510	0
- Other	203	48
b) Recognized in equity	**0**	**150**

Note 7.1. Deferred income tax assets

Deferred income tax assets	**31.12.2017**	**31.12.2016**
- Valuation of long-term contracts	5 698	11 669
- Accruals	2 268	571
- Tax loss in Belgium	798	0
- Provision for loss on contracts	0	71
- Employee provisions	1 491	1 056
- Remedial works provision	2 326	2 287
- Other provisions	343	173
- Production in progress	21 639	5 790
- Other	2 898	1 941
Total deferred income tax assets	**37 461**	**23 558**

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

Note 8. Inventories

	31.12.2017	**31.12.2016**
Inventories		
a) Materials	0	0
b) Products and semi-products in progress	356	0
c) Goods	0	0
Total inventories	**356**	**0**

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

	31.12.2017	31.12.2016
As at the beginning of the period	262	262
Increases / Decreases	0	0
As at the end of the period	**262**	**262**

Note 9. Short-term receivables

	31.12.2017	31.12.2016
Current receivables		
a) From related parties	**7 789**	**7 844**
- due to deliveries and services with a maturity:	5 689	5 744
- less than 12 months	5 689	5 744
- over 12 months	0	0
- other	2 100	2 100
- claimed at court	0	0
b) From other entities	**313 508**	**330 140**
- due to deliveries and services with a maturity:	302 612	312 438
- less than 12 months	290 750	302 935
- over 12 months	11 862	9 503
- due to taxes, subsidies, duties, social and health insurance and other benefits	361	7 986
- other	10 535	9 716
- claimed at court	0	0
Total net current receivables	**321 297**	**337 984**
c) Write-down of receivables	13 077	7 343
Total gross current receivables	**334 374**	**345 326**

Note 9.1. Short-term receivables from related parties

	31.12.2017	31.12.2016
Current receivables from related parties		
a) Due to deliveries and services, incl.:	**5 689**	**5 744**
- from subsidiaries	5 689	5 744
b) Other	**2 100**	2 100
- from subsidiaries	2 100	2 100
c) Claimed at court	**0**	**0**
Total net current receivables from related parties	**7 789**	**7 844**
Total gross current receivables from related parties	**7 789**	**7 844**

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

	31.12.2017	31.12.2016
At the beginning of the period	**7 343**	**8 199**
a) Increases	7 700	172
- Creations	7 700	172
b) Decreases	1 966	1 028
- Impairment loss release	1 966	1 028
Short-term write-downs of receivables at end of the period	**13 077**	**7 343**

Note 9.3. Current receivables (by currency)

	31.12.2017	31.12.2016
Current receivables before tax		
a) In Polish currency	305 537	320 269
b) Equivalent in Polish currency when converted at the average exchange rate of the NBP as at the balance sheet date (Euro is the original settlement currency)	28 837	25 057
Total current receivables	**334 374**	**345 326**

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

	31.12.2017	31.12.2016
Receivables from deliveries and services		
a) Less than 1 month	173 571	157 442
b) 1 - 3 months	0	0
c) 3 - 6 months	0	0
d) 6 - 12 months	0	0
e) Over 12 months	0	0
f) Retentions of less than 12 months	29 060	25 569
g) Retentions over 12 months	11 862	9 503
h) Overdue debts	102 991	131 801
Total receivables from deliveries and services (gross)	320 168	324 315
i) Write-downs of trade receivables	11 867	6 133
Total receivables from deliveries and services (net)	**308 301**	**318 182**

Note 9.5. Overdue trade receivables (before tax)

	31.12.2017	31.12.2016
Overdue receivables from deliveries and services		
a) Less than 1 month	37 023	52 623
b) 1 - 3 months	21 913	28 162
c) 3 - 6 months	1 473	8 338
d) 6 - 12 months	7 931	6 712
e) Over 12 months	34 651	35 966
Total overdue receivables from deliveries and services (gross)	102 991	131 801
f) Write-offs of overdue trade receivables	11 867	6 133
Total overdue receivables from deliveries and services (net)	**91 124**	**125 668**

The amount of overdue debts as at 31 December 2017 includes, but is not limited to disputable receivables of PLN 8 188 thousand from Kępska S.A. secured by mortgage and PLN 1 895 thousand from the Academy of Music.. On the basis of estimated discounted cash flows, partial write-offs were created for disputable receivables.

Note 10. Current financial assets

	31.12.2017	31.12.2016
Current financial assets		
a) In subsidiaries	24 351	3 168
- Loans granted	24 351	3 168
b) in joint controlled entities	0	0
c) In associates	0	0
d) In major investor	0	0
e) In the Parent	0	0
f) In other entities	0	7 064
- Loans granted	0	7 064
g) Cash and cash equivalents	92 274	150 812

- Cash at bank and in hand	78 060	131 953
- Other cash	14 214	18 859
Total current financial assets	**116 625**	**161 044**

	31.12.2017	31.12.2016
Cash in hand	29	49
Cash at bank accounts	92 245	150 763
- current accounts	29 714	95 067
- overnight deposits	2 974	837
- other deposits	44 000	36 000
- fixed-term deposits	1 343	0
Other cash	14 214	18 859
Total cash and cash equivalents, incl.:	**92 274**	**150 812**
restricted cash and cash equivalents	14 214	18 859
Cash for the purposes of the cash flow account	**92 274**	**150 812**

Note 10.1. Cash and cash equivalents (by currency)

	31.12.2017	31.12.2016
Cash and cash equivalents		
a) In Polish currency	81 084	111 879
b) In foreign currencies (by currency and translated in PLN)		
- unit/currency PLN / 1 EUR (4.1709 and 4.2615)	2 671	8 800
- PLN	11 190	38 933
Total cash and cash equivalents	**92 274**	**150 812**

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

	31.12.2017	31.12.2016
a) In Polish currency	8 399	10 232
b) In foreign currencies (by currency and translated in PLN)	15 952	0
- unit/currency PLN / 1 EUR (4.1709 and 4.2615)	0	0
- PLN	0	0
Total short-term loans granted	**24 351**	**10 232**

Note 11. Short-term prepayments

	31.12.2017	31.12.2016
a) Current prepayments, incl.:	124 397	84 219
- other costs	3 632	4 963
- long term contracts	120 765	79 256
Total current prepayments	**124 397**	**84 219**

Note 11.1. Prepayments due to construction contracts

	31.12.2017	31.12.2016
Expected revenues from ongoing projects	2 974 592	2 999 614
Expected costs of ongoing projects	2 716 156	2 765 613
Expected margin on ongoing projects	258 436	234 001
Cumulative revenues recognized in the profit or loss	1 525 485	1 446 740
Cumulative costs recognized in the profit or loss	1 407 155	1 342 216

Cumulative margin recognized in the profit or loss	118 330	104 524
Margin to be recognized in subsequent periods	140 107	129 477
Percentage of margin to be recognized in subsequent periods	54,21%	55,33%
Revenue surplus over partial invoices by staging	51 046	39 410
Costs surplus over expenses arising from the accounting costs by staging	11 688	41 907
Surplus on partial invoices over incomes by staging	18 304	19 507
Surplus on costs resulting from the accounting costs over expenses by staging	69 719	39 845
Total amounts presented in prepayments	120 765	79 256
Total amounts presented in accrued liabilities	29 992	61 414

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

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

Impairment losses on long-term financial assets	**31.12.2017**	**31.12.2016**
Opening balance	**2 928**	**2 928**
Increases / Decreases	0	0
Closing balance	**2 928**	**2 928**

Impairment losses on short-term financial assets	**31.12.2017**	**31.12.2016**
Opening balance	**0**	**0**
Increases / Decreases	0	0
Closing balance	**0**	**0**

Impairment losses on inventories	**31.12.2017**	**31.12.2016**
Opening balance	**262**	**262**
Increases / Decreases	0	0
Closing balance	**262**	**262**

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

Note 13.1 Shareholding structure as at 31.12.2017

The share capital of the Parent as of 31 December 2017 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 2017 was as follows:

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

AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None
Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
PKO OFE	Ordinary	None	None	715 279	5.58%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	412 087	3.22%	None
Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	1 978 822	15.45%	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 table shows shareholders having more than 5% of the share capital and has been prepared based on the book of shares.

Movements in the share capital of the Parent Company in 2017

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 below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

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

Significant movements in the share capital of the Company during the period from 1 January 2017 till the preparation of financial statements.

In 2017, there were no significant changes in the shareholding of the parent company.

Note 13.2. Shareholding structure as at 31.12.2016

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

AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.23%	None
Dariusz Grzeszczak	Ordinary	None	None	773 900	6.04%	None
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	512 087	4.00%	None
Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
Free Float	Ordinary	None	None	2 594 101	20.25%	None
TOTAL				**12 811 859**	**100%**	

Par value of shares of all series in PLN	0.10	Share capital value in PLN	1 281 185.90

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

Note 14. Revaluation capital

	31.12.2017	31.12.2016
Total revaluation capital as at the beginning of the period	**-641**	**1 006**
a) due to profit /loss on valuation of financial instruments recognized under hedge accounting	2 403	-1 646
b) due to other adjustment s	0	0
Total revaluation capital as at the end of the period	**1 762**	**-641**

Note 15. Supplementary capital (structure)

	31.12.2017	31.12.2016
a) From sale of shares over their nominal value	13 840	13 840
b) Distribution to shareholders	-550	-550
c) Other (by type)	208 955	208 955
- issue of Series C shares (agio)	796	796
- issue of Series D share (agio)	119 896	119 896
- from profit	99 492	99 492
- from redemption of shares	-4 647	-4 647
- adjustment of CIT tax due to issue costs	767	767
- repurchase of own shares	484	484
- transfer from reserve capital	2 000	2 000
- issue of Series E shares	345	345
- issue of Series F shares	452	452
- issue of Series G shares	369	369
- issue of Series H shares	399	399
- issue of Series I shares	516	516
- issue of Series J shares	544	544
- manager options	2 532	2 532
Total supplementary capital	**222 245**	**222 245**

Note 16. Changes in provision for deferred income tax

	31.12.2017	31.12.2016
1. Provision for deferred income tax at the beginning of period, incl.:	**15 292**	**19 217**
a) Recognised in financial result	**15 292**	**18 967**
Valuation of loans as at the balance-sheet date	59	16
Valuation of construction contracts	15 064	18 799
Discounted liabilities	169	122

Other	0	30
b) Recognised in equity	**0**	**250**
2. Increases	**23 676**	**15 292**
a) Recognised in financial result	**23 263**	**15 292**
Valuation of loans as at the balance-sheet date	208	59
Valuation of construction contracts	22 951	15 064
Discounted liabilities	104	169
b) Recognised in equity	**413**	**0**
3. Decreases	**15 292**	**19 217**
a) Recognised in financial result	**15 292**	**18 967**
Valuation of loans as at the balance-sheet date	59	16
Valuation of construction contracts	15 064	18 799
Discounted liabilities	169	122
Other	0	30
b) Recognised in equity	**0**	**250**
4. Provision for deferred income tax at the end of period, incl.:	**23 676**	**15 292**
a) Recognised in financial result	**23 263**	**15 292**
Valuation of loans as at the balance-sheet date	208	59
Valuation of construction contracts	22 951	15 064
Discounted liabilities	104	169
b) Recognised in equity	**413**	**0**

Note 16.1. Provision for deferred income tax

Provision due to	**31.12.2017**	**31.12.2016**
- Valuation of construction contracts	22 951	15 064
- Other	725	228
Total provision for deferred income tax	**23 676**	**15 292**

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

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

	31.12.2017	**31.12.2016**
a) As at the beginning of the period	897	843
b) Increases	546	54
- Retirement severance payments	546	54
c) Used	0	0
d) Dissolved	0	0
Jubilee	0	0
e) As at the end of the period	1 443	897

Note 18 Changes in current provision for retirement and similar benefits

	31.12.2017	**31.12.2016**
a) As at the beginning of the period	4 661	4 143
b) Increases	1 743	518
- Unused leave	1 743	518
c) Used	0	0
d) Dissolved	0	0
e) As at the end of the period	6 404	4 661

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

There were no items.

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

	31.12.2017	31.12.2016
a) As at the beginning of the period	13 319	14 372
b) Increases	1 627	4 497
- Litigations and claims	735	1 610
- Remedial works	892	2 514
- Contract losses	0	373
c) Used	0	0
d) Dissolved	1 058	5 550
- Litigations and claims	0	5 187
- Remedial works	685	0
- Contract losses	373	363
a) As at the beginning of the period	**14 047**	**13 319**
- Litigations and claims	1 646	912
- Remedial works	12 241	12 034
- Contract losses	0	373
- Balance sheet audit	160	0

Note 21. Non-current liabilities

Note 21.1. Long-term liabilities

	31.12.2017	31.12.2016
a) To subsidiaries	0	0
b) To other entities	2 820	2 319
- Other financial liabilities, of which	2 820	2 319
- due to finance lease	2 820	2 319
c) From issue of debt securities	52 000	52 000
d) Other	0	750
Total long-term liabilities	**54 820**	**55 069**

Note 21.2. Long-term liabilities with residual maturity from the balance sheet date

	31.12.2017	31.12.2016
a) 1 to 3 years	54 820	55 069
Total long-term liabilities	**54 820**	**55 069**

Note 21.3. Long-term liabilities (by currency))

	31.12.2017	31.12.2016
a) In Polish currency (PLN)	54 820	55 069
b) In foreign currencies (converted into PLN)	0	0
Total long-term liabilities	**54 820**	**55 069**

Note 22. Current liabilities

	31.12.2017	31.12.2016
a) To related parties	**18 658**	**38 492**
- Loans and borrowings	0	0
- Issue of debt securities	0	0
- Dividends	0	0
- Other financial liabilities	0	0

- Deliveries and services, with a maturity:	18 658	38 492
- of less than 12 months	14 929	38 337
- over 12 months	3 729	155
- Advances received for deliveries	0	0
- Liabilities due to bills of exchange	0	0
- Other	0	0
b) To other entities	**311 884**	**298 011**
- Loans and borrowings	0	0
- Issue of debt securities	3 950	0
- Dividends	0	0
- Other financial liabilities, incl.:	2 453	3 586
- Lease	2 453	1 949
- Interest on bonds	0	846
- Financial instruments	0	791
- Deliveries and services, with a maturity:	281 755	252 512
- of less than 12 months	278 055	249 322
- over 12 months	3 700	3 190
- Advances received for deliveries	5 750	16 457
- Liabilities from bills of exchange	0	0
- Taxes, customs, social insurance and other benefits	15 072	6 848
- Remuneration	1 702	1 640
- Other	1 202	1 978
- Liabilities towards shareholders due to extraordinary dividend payment	0	14 990
Total short-term liabilities	**330 542**	**336 503**

Note 22.1. Short-term liabilities (by currency)

	31.12.2017	31.12.2016
a) in Polish currency (PLN)	327 103	334 277
b) Equivalent in Polish currency when converted at the average exchange rate of the NBP as at the balance sheet date (Euro is the original settlement currency)	3 439	2 226
Total short-term liabilities	**330 542**	**336 503**

Note 23. Finance lease liabilities

Balance sheet value

	31.12.2017	31.12.2016
Up to 1 year	2 453	1 949
1 to 5 years	2 820	2 319
Over 5 years	0	0
Total	**5 273**	**4 268**

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

Note 24. Loans and borrowings

As at 31.12.2017, lines of credit in 6 banks are available to the Company. As at 31 December 2017, the Company did not use the overdraft facility in any of the banks.

Terms and conditions of loan agreements

Under the loan agreements, the Group companies are obliged to meet certain financial ratios (covenants). Violation of terms of loan agreements, which may potentially limit the unconditional availability of credit facilities over the next year, makes it necessary to classify such liabilities as short-term.

As at the date of preparing the Consolidated Financial Statement, the Management Board of the Parent Company does not see any significant problems with maintaining the current bank financing.

As of 31 December 2017, ERBUD SA did not have any liabilities due to short-term overdrafts.

The following tables provide details of loans and borrowings used as of 31.12.2017:

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	20 000	PLN	PLN	0	PLN	Wibor 3M+2.170%	30.06.2020	PKO BP

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

Final collaterals:

Security deposit in the case of a request to issue a guarantee with a term longer than 24 months - 10% of the guarantee amount and if the guarantee period exceeds 36 months - 15% of the guarantee amount .

Enforcement statement according to Art. 777(1) point 5.

Assignment of receivables from construction contracts of 120% of the loan and guarantee limit.

Turnover - 30% of sale revenues through the account held at PKO BP.

Sureties – provided by Erbud International Sp.z o.o. and PBDI S.A.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	34 000	PLN	PLN	0	PLN	Wibor 1M+1.60%	31.01.2019	ING S.A.

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

Final collaterals:

Security deposit - 10% of the guarantee granted for a period between 2 and 4 years; 15% of the guarantee granted for a period of over 4 years.

Mortgage on developed property located in Toruń on Polna St. belonging to PBDI SA up to PLN 50 million.

Enforcement statement according to Art. 777(1) point 5.

Assignment of receivables from construction contracts of 150% of the loan and guarantee limit.

Turnover - through an account maintained with ING S. A. in the amount proportional to the Bank's involvement in the Group's financing.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 1M+1.60%	29.01.2019	mBank S.A.

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

Final collaterals:

Enforcement statement according to Art. 777(1) point 5.
Assignment of receivables from construction contracts of 150% of the credit line.
Power of attorney to the bank account maintained at mBank S. A.
Security deposit in case of a request to issue a guarantee for 24-36 - 10% of the guarantee; for 36-48 months - 20%; and for 48-60 months - 30%.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	3 000	PLN	PLN	0	PLN	Wibor 3M+1.50%	31.01.2019	BNP Paribas Bank S.A.

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

Final collaterals:

Transfer of amounts from the account as collateral: 0% for a 12 month guarantee, 10% of the guarantee provided for 2 - 36 month, 15% of the guarantee in case of guarantees for over 36 months.
Enforcement statement according to Art. 777(1) point 5.
Assignment of receivables from construction contracts of 100% of the loan and guarantee limit.
Turnover - through an account maintained with PNB Paribas S.A. in the amount proportional to the Bank's involvement in the financing of ERBUD S.A.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 3M+1.60%	04.09.2018	Alior Bank

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

Enforcement statement according to Art. 777(1) point 5.
Power of attorney to the current account and other accounts held with the Bank.
Assignment of receivables from construction contracts of 120% of the loan and guarantee limit.
Security deposit of 10% of the guarantee granted under the guarantee limit, in case of guarantees with a period of over 36 months.

Bank loans/borrowings:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing the loan/borrowing
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	5 000	PLN	PLN	0	PLN	Wibor 1M+1.50%	31.10.2018	BZ WBK S.A.

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

Final collaterals:

Assignment of receivables from trade contracts of 120% of the loan and guarantee limit.
Enforcement statement according to Art. 777(1) point 5.

Note 25. Calculation of book value per share

Book value per share is calculated by dividing the equity by the number of shares as at the balance sheet date.
2017: book value - PLN 228 809 thousand (equity); 12,811,859 shares = PLN 17.86 per share
2016: book value - PLN 213 867 thousand (equity); 12,811,859 shares = PLN 16.69 per share.

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

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

On 26 March 2014, the Company issued a total of 5 200 (in words: five thousand two hundred) dematerialized, and unsecured bearer bonds of B series, with a nominal value of PLN 10 000 (in words: ten thousand) per bond and with an aggregate nominal value of PLN 52,000.000 (in words: fifty-two million). The issue price amounted to PLN 9 587 (in words: nine thousand five hundred and eighty-seven) per share, the interest rate was based on WIBOR 6M plus a margin equal to 3.0 percentage points and the redemption date was set at 26 March 2018.

On 11 September 2017, the Management Board of Erbud S.A. adopted a resolution on the issue of up to 52,000 (in words: fifty-two thousand) dematerialized, unsecured bearer bonds of C series, with a par value of PLN 1 000 (in words: one thousand) per bond and a total value of up to PLN 52,000,000 (in words: fifty-two million) per bond (the "Series C Bonds").

Series C Bonds – issue date 27.09.2017

1. The bonds were acquired in the following manner:
    a. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Subfund of Quercus Ochrony Kapitału) – 5 200 bonds at the issue price of PLN 1 000 per bond - the total issue price was PLN 5,200,000;
    b. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Subfund of Quercus Stabilny) – 4 480 bonds at the issue price of PLN 1 000 per bond - the total issue price was PLN 4,480,000;
    c. Nationale –Nederlanden Dobrowolny Fundusz Emerytalny – 2 000 bonds at the issue price of PLN 1 000 per bond - the total issue price was PLN 2.000.000,00 zł;
    d. Nationale –Nederlanden Otwarty Fundusz Emerytalny – 40 320 bonds at the issue price of PLN 1 000 per bond - the total issue price was PLN 40,320,000.

The total nominal value of long-term bonds (4 years) amounts to PLN 52,000,000.

2. The redemption of series B own bonds - ERBUD S. A. repurchased own bonds of series B for the price equal to 101.5% of the nominal value, i.e. PLN 10,500 and the accrued interest.
    a. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Subfund of Quercus Ochrony Kapitału) – 520 bonds at the price of PLN 10,150 per bond - the total repurchase prise was PLN 5,278,686; repurchase cost PLN 78, 000; interest PLN 686.40.
    b. Quercus Parasolowy Specjalistyczny fundusz Inwestycyjny Otwarty (Subfund of Quercus Stabilny) – 448 bonds at the price of PLN 10,150 per bond - the total repurchase prise was PLN 4,547,791; repurchase cost PLN 67,200; interest PLN 591.36.
    c. Nationale –Nederlanden Dobrowolny Fundusz Emerytalny – 12 bonds at the price of PLN 10,150 per bond - the total repurchase prise was PLN 121,815.84; repurchase cost PLN 121,800; interest PLN 15.84.
    d. Nationale –Nederlanden Otwarty Fundusz Emerytalny – 3 825 bonds at the price of PLN 10,150 per bond - the total repurchase prise was PLN 38,828,799; repurchase cost PLN 38,823,750; interest PLN 5 049.

3. Series B bonds: 5 200 were issued, of which 4 805 repurchased for redemption and 395 with the value of 3,950,000 are short-term liabilities.

In 2017, the Company incurred financial costs due to accured interest on issued bonds amounted to PLN 2 962 thousand.

Note 26.2. Issuance / Redemption / Repayment of equity securities

As at the date of preparation of the Separate Financial Statements of Erbud S. A. and the Consolidated Financial Statements of the Erbud Group, as well as at the date of publication of these Financial Statements, there is no share-based incentive scheme, stock option scheme, warrant scheme or other derivative instrument in force in the Company and in the Group.

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

As at 31 December 2017, there were no changes in the structure of subsidiaries or in the structure of long-term investments.

Note 28. Trade net income (by type – kind of activities)

	2017	2016
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	1 215 475	1 074 944
- of which to related parties	13 182	5 070
Total trade net income	**1 215 475**	**1 074 944**
- of which from associates	**13 182**	**5 070**

Note 29. Trade net income (by region)

	2017	2016
a) Domestic	1 189 757	1 041 557
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	1 189 757	1 041 557
- of which to related parties	13 182	5 070
b) Export	25 718	33 387
- Sale of products	0	0
- of which to related parties	0	0
- Sale of services	25 718	33 387
- of which to related parties	0	0
Total trade net income	**1 215 475**	**1 074 944**
- of which from related parties	**13 182**	**5 070**

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

In 2017, the Company generated revenues of PLN 440 thousand. In 2016, the Company did not achieve any revenues from the sale of goods and materials.

Note 31. Operating costs

Note 31.1. Expenses by type

	2017	2016
a) Depreciation and amortisation	2 758	2 971
b) Consumption of materials and power	235 797	134 081
c) External services	926 641	830 275
d) Taxes and charges	3 919	4 967
e) Remuneration	61 990	58 759
f) Social security and other benefits	14 861	13 563
g) Other costs	4 794	4 580
h) Goods and materials sold	438	0
Total expenses by type	**1 251 198**	**1 049 196**

Change in products and accrued expenses under construction contracts	60 449	209
Product cost of products for in-house use (negative value)	0	0
Sales cost (negative value)	0	0
General and administrative costs (negative value)	- 48 413	-48 582
Value of goods and materials sold	0	0
Product cost of products sold	**1 141 899**	**1 000 823**

Note 31.2. Sale costs

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

Note 32. Other operating income

	2017	**2016**
a) Profit on disposal of non-financial fixed assets, incl.:	183	3 995
- Fixed assets and fixed assets in progress	183	3 572
- Real estate	0	423
b) Subsidies	0	0
c) Other, incl.:	4 390	4 481
- Indemnities	1 060	455
- Provisions released	686	3 738
- Other	667	133
- Cancelled liabilities	0	155
- Write-downs on receivables	1 977	0
Total other operating income	**4 573**	**8 476**

Note 33. Other operating expenses

	2017	**2016**
a) Loss on disposal of non-financial fixed assets	0	0
b) Revaluation of non-financial assets	0	0
- Impairment of receivables	0	0
- Impairment of inventories	0	0
c) Other, incl.:	12 002	6 359
- Impairment of receivables	5 016	172
- Write-downs on claims	281	15
- Penalties, fines and indemnities	1 874	3 012
- Cost of litigations	15	305
- Provisions created	1 627	2 514
- Donations	124	76
- Receivables discount	2 684	0
- Other	381	265
Total other operating expenses	**12 002**	**6 359**

Note 33.1. Income from interest

	2017	**2016**
a) Due to borrowings granted	1 851	573
- from related parties, of which:	1 125	191
- from subsidiaries	1 125	191
- form other entities	726	382
b) Other interest	482	1 006
- from related parties	0	0
- from other entities, of which:	482	1 006
- from capital investments	118	137
- other	364	869
Total income from interest	**2 333**	**1 579**

Note 33.2 Other financial income

	2017	2016
a) Exchange rate gains	76	4 494
- realized	1 102	4 087
- unrealized	-1 026	407
b) Provisions released	0	0
c) Other	888	903
Total other financial income	**964**	**5 397**

Note 33.3. Financial income from dividends and shares in profits

In the reporting period ended 31 December 2017, the Company recorded financial income due to dividend from its subsidiary GWI GmbH in the amount of PLN 1 426 thousand, from Erbud Rzeszów in the amount of PLN 396 thousand and from Erbud CUW in the amount of PLN 900 thousand.

Note 34. Financial costs

Note 34.1. Financial liabiliies due to interest

	2017	2016
a) Loans and borrowings to	1 431	613
- related parties	0	0
- other entities	1 431	613
b) Other interest to	3 205	4 628
- related parties	0	0
- other entities, incl.;	3 205	4 628
financial liabilities due to lease	212	177
interest on outstanding tax	6	1
interest on bonds	2 962	2 605
other interest	25	1 845
other current liabilities	0	0
Total financial cost due to interest	**4 636**	**5 241**

Note 34.2. Financial costs - revaluation of investments

In the reporting period ended 31 December 2017 there was no such item.

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

Note 34.3. Other financial liabilities

	2017	2016
a) Foreign exchange losses	0	0
b) Provisions created	0	0
c) Other, incl.:	2 916	2 350
- charges on bank guarantee	157	20
- origination fees and commissions	2 116	1 815
- other	643	515
Total other financial costs	**2 916**	**2 350**

Note 35. Income tax

	2017	2016
1. Gross profit (loss), of which:	**15 763**	**10 865**
- gross profit (loss)	**15 763**	**10 865**

Tax non-deductible costs	**51 858**	**77 831**
Revaluation of receivables	5 016	1 200
Revaluation of long-term financial assets	0	0
Representation and advertising	687	538
Costs of damages	229	332
Budget interest	6	1
Other	344	280
Penalties and sanctions	0	0
Contribution to National Disabled Persons Rehabilitation Fund (PFRON)	381	256
Creation of provision for leaves	1 744	518
Creation of provision for remedial works	892	2 514
Creation of provision for retirement severance payments	546	54
Creation of provision for balance sheet audit	320	160
Creation of provision for loss on long- term contracts	0	373
Provision for costs	0	0
Non-deductible VAT	473	391
Accrued expenses of the period	8 929	-6 067
Provisions for litigation	735	337
Written-off claims	94	15
Unpaid social insurance (ZUS) contributions	0	171
Unpaid remuneration	0	0
Donations	124	73
Balance sheet valuation of loans, receivables, payables and cash and cash equivalents	1 058	32
Balance sheet valuation of interest on loans	364	0
Contributions to the organizations	270	287
Depreciation of fixed assets leased	1 777	1 484
Financial costs on lease	212	177
Discounted receivables and payables	0	322
Interest expense on bonds (accrued)	0	112
Discounted bonds	466	178
Balance sheet impact of contract valuation	-72 931	11 212
Overdue payments	0	0
Litigation expenses	1 661	523
Construction costs taxed in Belgium	12 361	31 883
Production in progress	83 417	30 475
Discounted receivables	2 684	0
Book income not classified as tax income	**17 446**	**54 441**
Revaluation of investments	38	10
Surplus of balance sheet revenue over tax income from the valuation of contracts		0
Reversal of impairment losses on receivables	1 977	1 028
Balance sheet valuation of loans, receivables, payables and cash and cash equivalents	15	465
Dividend	2 721	15 793
Interest on loans	1 093	457
Release of provision for losses on long-term contracts	0	363
Release of provisions for remedial works	686	0
Release of provisions for holidays	0	0
Release of provisions for litigations	0	4 075
Discounted security deposit for receivables	226	0
Release of provisions for retirement	0	0
Taxation of construction revenue in Belgium	10 521	32 250
Other	170	0
Tax costs not classified as book costs	**3 172**	**3 991**
Release of provision for balance sheet audit	330	247
Lease payments	2 670	2 124
Unpaid social insurance (ZUS) contributions	171	157
Unpaid remuneration	0	1 463
Tax costs not classified as book costs	**0**	**0**
Revenue from contracts (accrued)	0	0
2. Income tax base	**47 003**	**30 475**
3. Deductions from the tax base	**0**	**0**

- Losses from previous years	0	0
4. Tax base after deductions	**47 003**	**30 475**
5. Income tax at the rate of 19%	8 930	5 790
6. Current income tax declared in the tax return for the period		
7. Change in deferred tax asset (19%)	-13 903	-2 490
8. Change in provision for deferred tax (19%)	8 384	-3 924
9. Change in assets credited to capital from previous yeas	-413	0
10. Change in provision credited to revaluation capital	-150	150
11. Change in deferred tax provision and asset	**-6 083**	**-6 264**
12. Tax on dividends from a foreign company	**376**	**0**
13. Tax liability recognised in profit or loss	**3 224**	**-238**

Note 36. Net earnings per share

	31.12.2017	**31.12.2016**
Net earnings (loss)	12 539	11 103
Weighted average number of shares / Diluted weighted average number of shares (in units)	12 811 859	12 811 859
Earnings (loss) per share / Diluted earnings (loss) per share (in PLN)	0,9787/0,9787	0,8666/0,8666

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

Note 37. Net profit (loss) – profit distribution

The Management Board of the Company will recommend to the Supervisory Board and the General Meeting of Shareholders of ERBUD S. A. the payment of dividend in the amount of PLN 1.10 per share, which gives the total payment of PLN 14,093,044. 90. The amount of PLN 12,539,246.93 will be from the net profit generated in 2017, while PLN 1,553,797.97 will come from the Company's reserve capital.

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

	31.12.2017	**31.12.2016**
a) Total cash (opening balance)	150 812	101 225
- Cash in hand and at bank	131 953	92 021
- Other cash	18 859	9 204
b) Total cash (closing balance)	92 274	150 812
- Cash in hand and at bank	78 060	131 953
- Other cash	14 214	18 859
Change in cash	**-58 537**	**49 587**
Change in cash due to exchange rate differences	0	0
Cash generated from operating activities	-35 172	23 490
Cash from investing activities	-5 608	47 870
Cash from financing activities	-17 757	-21 773

Reconciliation of changes in balance sheet items to changes reported in the statement of cash flows for 2017 is presented below:

	31 Dec 2017
Change in provisions in the balance sheet	**12 384**
Change in provision due to deferred tax recognized in the revaluation reserve	413
Change in provisions in the cash flow account	**12 797**

	31 Dec 2017
Change in liabilities in the balance sheet	**-8 779**
Change in liabilities to shareholders due to the extraordinary dividend payment	14 990
Change in liabilities in the cash flow account	**6 211**

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

	31 Dec 2017
Change in liabilities in the balance sheet	**39 758**
Change in liabilities to shareholders due to the extraordinary dividend payment	-14 990
Change in liabilities in the cash flow account	**24 768**

	31 Dec 2016
Change in prepayments and accruals in the balance sheet	**7 807**
Changes in assets due to deferred tax recognized in the revaluation reserve	150
Change in prepayments and accruals in the cash flow account	**7 957**

	31 Dec 2016
Change in provisions in the balance sheet	**-4 656**
Change in provision due to deferred tax recognized in the revaluation reserve	250
Change in provisions in the cash flow account	**-4 406**

Note 39. Information on financial instruments

39.1. Carrying value

The carrying value of all the Company's financial instruments, broken down by classes and categories of assets and liabilities as at 31 December 2017, is summarized in the table below:

Class of financial instruments	Financial instruments						
	Available for-sale financial assets	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cos**	**Financial liabilities at fair value through profit or loss**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss account**	**Loans and receivables at amortized cost**
Loans granted	0	0	25 143	0	0	**0**	**25 143**
Financial assets	75 156	0	0	0	0	**0**	**75 156**
Building contracts retention money	0	0	40 921	0	-94 289	**0**	**-53 368**
Trade receivables, excluding building contracts retention	0	0	280 014	0	0	**0**	**280 014**
Receivables from customers under building contracts presented in prepayments	0	0	124 397	0	0	**0**	**124 397**
Derivative financial instruments	0	0	0	0	0	2 175*	**2 175**
Other financial assets	0	772	0	0	0	**0**	**772**
Cash and cash equivalents	0	92 274	0	0	0	**0**	**92 274**
Loans, borrowings and other external financing	0	0	0	0	-61 223	**0**	**-61 223**
Liabilities to customers under building contracts	0	0	0	0	-29 992	**0**	**-29 992**
Trade liabilities, excluding building contracts retention	0	0	0	0	-206 124	**0**	**-206 124**
Other receivables and liabilities	0	0	12 635	0	-8 654	**0**	**3 981**
Total	**75 156**	**93 046**	**483 110**	**0**	**-400 282**	**2 175**	**253 205**

** The amount consists of the value of financial assets amounting to PLN 4 185 thousand and of financial liabilities amounting to PLN 2 010 thousand*

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

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

* *The amount consists of the value of financial assets amounting to PLN 1 315 thousand and of financial liabilities amounting to PLN 2 106 thousand*

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

For the period from 1 January 2017 to 31 December 2017

Class of financial instruments	Financial instruments						
	Available for-sale financial assets	Financial assets at fair value through profit or loss account	Loans and receivables at amortized cos	Financial liabilities at fair value through profit or loss	Available for-sale financial assets	Financial assets at fair value through profit or loss account	Loans and receivables at amortized cost
Interest income (expense)	0	0	2 333	0	-4 636	0	**-2 303**
Gains (losses) from exchange rate differences	0	0	-58	0	133	0	**75**
Release (creation) of revaluation write-offs	0	0	3 049	0	0	0	**3 049**
Gains (losses) on valuation	0	0					
Gains (losses) on sale /realisation of financial instruments	0	0					
Total	**0**	**0**	**5 324**	**0**	**-4 503**	**0**	**821**

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

For the period from 1 January 2016 to 31 December 2016

Class of financial instruments	Financial instruments						
	Available for-sale financial assets	Financial assets at fair value through profit or loss account	Loans and receivables at amortized cos	Financial liabilities at fair value through profit or loss	Available for-sale financial assets	Financial assets at fair value through profit or loss account	Loans and receivables at amortized cost
Interest income (expense)	0	0	1 388	0	-4 740	0	**-3 352**
Gains (losses) from exchange rate differences	0	0	3 131	0	1 362	0	**4 493**
Release (creation) of revaluation write-offs	0	0	-172	0	0	0	**-172**
Gains (losses) on valuation	0	0	0	-322	0	0	**-322**
Gains (losses) on sale /realisation of financial instruments	0	0	0	-33 675	0	0	**-33 675**
Total	**0**	**0**	**4 347**	**-33 997**	**-3 378**	**0**	**-33 028**

The Company holds 5 872 participation units in Allianz Stabilnego Wzrostu FIO. The value of participation units as at 31.12.2017 amounted to PLN 772 thousand and the valuation income as of 31 December 2017 was PLN 38 thousand. The revaluation was recognised in the result of the reporting period.

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

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

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

	Receivables/assets	Liabilities	Income	Expenses
	as at 31 Dec 2017		as at 31 Dec 2017	
Total related parties	**32 932**	**18 658**	**15 205**	**92 527**
- Deliveries and services	5 689	18 658	13 182	92 003
- Loans and interest liabilities	25 143	0	1 125	0
- Other	2 100	0	898	524
Consolidated related parties	**32 897**	**18 658**	15 205	92 527
- Deliveries and services	5 654	18 658	13 182	92 003
- Loans and interest liabilities	25 143	0	1 125	0
- Other	2 100	0	898	524
Non- consolidated related parties	**35**	**0**	0	0
- Deliveries and services	35	0	0	0
- Other	0	0	0	0
- Loans and interest liabilities	0	0	0	0

	Receivables/assets	Liabilities	Income	Expenses
	as at 31 Dec 2016		as at 31 Dec 2016	
Total related parties	**21 036**	**38 492**	**6 646**	**45 450**
- Deliveries and services	5 744	38 492	5 070	44 950
- Loans and interest liabilities	13 192	0	191	0
- Other	2 100	0	1 385	500
Consolidated related parties	**21 002**	**38 492**	**6 644**	**45 450**
- Deliveries and services	5 710	38 492	5 068	44 950
- Loans and interest liabilities	13 192	0	191	0
- Other	2 100	0	1 385	500
Non- consolidated related parties	**34**	**0**	**2**	**0**
- Deliveries and services	34	0	2	0
- Other	0	0	0	0
- Loans and interest liabilities	0	0	0	0

Note 42. Shares held by key management personnel

As at 31 December 2017, the managing persons (members of the Management Board and the Supervisory Board, and commercial proxies) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	412 087	3.22%	412 087	3.22%
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%
Agnieszka Głowacka	Ordinary	4.077	0.03%	4,077	0.03%

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

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	512 087	4.00%	512 087	4.00%
Dariusz Grzeszczak	Ordinary	773.900	6.04%	773.900	6.04%
Józef Adam Zubelewicz	Ordinary	259.500	2.03%	259.500	2.03%
Albert Duerr Supervisory Board member	Ordinary	28.000	0.22%	28.000	0.22%

Both as at 31 December 2017 and 31 December 2016, members of the Supervisory Board and the Management Board of the Parent as well as key managing persons did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 31 December 2017 and 31 December 2016, members of the Supervisory Board and the Management Board of the Parent as well as key managing persons were not a party to any contract obliging to provide services to the companies of the Erbud Group.

Note 42.1. Remuneration of key management personnel

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

Name and surname	Position/Function	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2017	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2016
Dariusz Grzeszczak	Member	1 154	2 190
Józef Adam Zubelewicz	Member	1 154	2 190
Agnieszka Głowacka	Member	490	0
Paweł Smoleń	Member	704	131

Remuneration of the ERBUD SA Supervisory Board members in the year ended 31 December 2017 and as at 31 December 2016 paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2017	Total remuneration paid and benefits in kind granted in the year ended 31 Dec 2016
Udo Berner	Chairman	90	90
Albert Dürr	Member	60	60
Gabriel Główka	Deputy Chairman	72	68
Zofia Dzik	Member	60	60
Michał Otto	Member	60	60
Janusz Lewandowski	Member	60	60
Janusz Reiter	Member	60	40

Note 43. Information about non-consolidated joint ventures

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

Note 44. Information about significant events that occurred during the tvelve months of 2017 and after the balance sheet date

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

On **27 January 2017,** the Issuer signed a significant contract for construction works on the following terms and conditions:

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

On **31 March 2017,** the Annex No. 1 to the building contract for construction of Seaside Park Hotel in Kołobrzeg worth PLN 25.9m has been signed on the following terms and conditions:
The total value of the contract after signing the annex is PLN 54m.

- Annex signed on 2017-03-31.
- Investor: SEASIDE Park Sp. z o.o. ul. Piękna 18 00-549 Warszawa.
- Contract value: PLN 25,939,158.70.
- The Annex covers masonry works, elevation and roof for the Spa and Hotel complex "Seaside Park".
- Site location: Kołobrzeg, Przesmyk St., cadastral numbers 29/1 and 29/2, cadastral district 6.
- Completion period: 01.11.2017 - 30.05.2018.
- Payment terms: 30 days from the delivery date of valid invoice to the Investor**.**

On **7 April 2017,** a contract for construction works has been concluded on the following terms and conditions:

- Investor: "Durham 2 Spółka z ograniczona odpowiedzialnością; ul. Prosta 68, 00-838 Warszawa; NIP: 5252676797.
- Net contract value: PLN 37,936,126.93
- Contract subject: "Construction of two multi-storey residential buildings, including an underground garage; in-building systems: water supply, sanitary and storm drainage, central heating, mechanical ventilation and smoke venting, wiring (incl. low-current wiring and external lighting); playground; on-site roads with drainage, footways and structural landscaping called NOVUM II A APARTMENTS at Rakowicka and Wita Stwosza Strrets in Kraków."
- Site location: Kraków.
- Completion period: 10.04.2017 – 30.03.2019.
- Terms of payment: Invoicing on monthly basis; credit period: 30 days.

On **27 April 2017,** a construction contract was concluded on the following terms and conditions:

2. Contract subject: Building of a residential and medical complex.

- Contract concluded on 24 April 2017.
- Parties to the contract:
- Customer: IPG Gründstück und Verwaltunggsgesellschaft mbH;
- Contractor: GWI Bauunternehmung GmbH – earthworks, Berlin-type retaining wall, foundation piles, composite structure, steel frame structure, shell and core.
- Contract value: EUR 10,996,652 net add applicable VAT, what after conversion at the exchange rate as of the date of concluding the contract gives PLN 46,511,439.29.
- Completion period: from April this year till 24.09.2018.

On **28 April 2017,** the Issuer concluded another contract with the same Investor over the last 12 months for the completion of Phase 4, under the following terms and conditions:

- Contract concluded on 2017.04.28.
- The Investor: CGL II Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa, 02-672 Warsaw, 32 Domaniewska St.
- Contract value: PLN 14,450,000.
- Contract subject: Residential and retail complex with an underground car park named "Bliski Tarchomin" in Warsaw at 1 Kowalczyka St., phase 4.
- Site location: Warsaw, 1 Kowalczyka St.
- Completion deadline: 30 July 2018.
- Payment terms: 30 days from receipt by the Investor of a valid invoice.

On **12 May 2017,** in consortium with Elektra Invest Sp. z o.o. Sp.k., based in Poznań, the Issuer signed a contract for construction works on the following terms and conditions:

- Contract concluded on 12.05.2017.
- Investor: STUDENT DEPOT FUNKY Sp. z o.o., Aleja Jana Chrystiana Szucha 6, 00-582 Warszawa, KRS 0000618838, NIP: 5223063632.
- Contract value: Consortium contract – PLN 38,020,000 net, of which works to be performed by Erbud SA – PLN 36,400,000.
- Contract subject: Construction of the FUNKY Student House in Wrocław at 96 Robotnicza St.
- Site location: Wrocław, 96 Robotnicza St.
- Deadline for completion: 16.08.2018.

On **16 May 2017,** the Issuer entered into a construction contract with Grupo Lar Real Estate VI Spółka z ograniczoną odpowiedzialnością V Sp. Komandytowa.to build the "Nowe Bielany 2" residential and retail complex with underground car park.
This is the second contract concluded within the last twelve months with a company from the Grupo Lar. The total value of contracts signed in the last twelve months is PLN 40,741,000.

- Contract concluded on 16.05.2017.
- Investor: Grupo Lar Real Estate VI Spółka z ograniczoną odpowiedzialnością V sp. komandytowa, 02-672 Warszawa, ul. Domaniewska 32.
- Contract value: PLN 10,370,000.00.
- Contract subject: "Nowe Bielany 2" residential and retail complex with underground car park in Warsaw on Duracza St. (Phase 3).
- Site location: Warsaw, Duracza St.
- Completion period: 21.05.2017 – 30.09.2018.

On **31 May 2017,** Erbud S.A. signed with CGL VIII Spółka z ograniczoną odpowiedzialnością sp.komandytowa a construction contract to build the “Grójecka 216" residential complex with underground car park, located in Warsaw on Grójecka Street.
This is another contract concluded within the past 12 months with a company from the GRUPO LAR. The aggregate value of contracts signed over the last period amounts to PLN 76,125,188.10.

- Contract concluded on 31 May 2017.
- Investor: CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa, 02-672 Warszawa, ul. Domaniewska 32.
- Contract value: PLN 17,312,805.
- Contract subject: “Grójecka 216" Housing Estate with underground car park in Warsaw on Grójecka Street, Phase II.
- Site location: Warsaw, Grójecka Street.
- Completion period: 31.05.2017 - 30.09.2018.

On **2 June 2017,** a contract for construction works has been concluded on the following terms and conditions:

- Contract concluded on 2 Juni 2017.
- Investor: Nordic Astrum Sp z o.o. ul. E. Plater 53, 00-113 Warszawa.
- Net contract value: PLN 73,250,000.
- Contract subject: construction as General Contractor of the NORDIC ASTRUM residential and commercial building in Bydgoszcz on Babia Wieś Street.
- Site location: Bydgoszcz, Babia Wieś Street.
- Completion period: The handing over possession of the Construction Site to the General Contractor will take place within 30 days from the date of signing the Contract. The commencement of Works will take place within 5 days after the handing over possession of the Construction Site and the delivery of complete Design Documentation. The project will be completed within 24 months.

On **22 June 2017,** the Issuer concluded a construction contract on the following terms and conditions:

- Investor: Lake Hill spółka z ograniczoną odpowiedzialnością spółka komandytowa seated 00-124 Warsaw, 12 Al. Jana Pawła II, entered in the Register of Business Companies kept by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register; KRS 0000651524; REGON 366037258; NIP: 5252687387.
- Contract value: PLN 48,973,087.
- Contract subject: Construction of two buildings numbered A and B forming a leisure complex called "Lake Hill Resort & Spa".
- Site location: 58-564 Sosnówka, Tyrolska St., community of Podgórzyn.
- Completion period: For building A - 31.07.2018; for building B according to the construction schedule.
- Payment terms - credit period of 30 days.

On **23 June 2017**, the subsidiary company GWI GmbH signed a significant contract for construction works under the following terms and conditions:

- Contract subject: construction of the "Reuter C Ersatz" combined heat and power plant.
- Contract concluded on 23.06.2017.
- Parties to the contract:
  a. Client: Vattenfall Europe Wärme AG, Puschkinallee 52, 12435 Berlin;

b. Contractor: Arge GWI/Matthäi, where the participation of GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf is 50%.

- Contract value: EUR 17.6m net (equal to PLN 74,368,800) + applicable VAT, of which contract value for GWI: EUR 8.8m net (equal to PLN 37,184,400) + applicable VAT.
- Completion period: 23.06.2017 - 31.12.2018.

On **27June 2017,** the Issuer entered into two contracts with a subsidiary of VD spółka z ograniczoną odpowiedzialnością Mieszkania XVII with its registered office in Wrocław, carrying out residential development project "Dorzecze Legnickiej" located in Wrocław at Małopanewska Street.
The total value of these contracts is PLN 55.1m net.

Under the first contract the Issuer is obliged to the comprehensive construction of residential buildings within the development Dorzecze Legnickiej Phase 1A along with the necessary technical and service infrastructure, land development, demolition of existing buildings and construction of an access road. The Phase 1A of will comprise 198 flats with a total area of 10,721 sq. m. The contract is valued at PLN 38.6 m net.

Under the second contract the Issuer is obliged to the comprehensive construction of residential buildings within the development Dorzecze Legnickiej Phase 1B, including the necessary technical and service infrastructure, and land development. The Stage 1B will consist of 90 flats with a total area of 4,771 m2. The net value of the contract is PLN 16.5 million.

Both contracts were concluded for the time necessary to fulfil by the Issuer all obligations arising from thereof, but not later than within 71 weeks after the date of delivery of the Notice to Proceed with the Works, which the Ordering Party may issue at the latest by 30 September 2017 for the Phase 1A and at the latest by 31 March 2018 for the Phase 1B.
Both contracts include a condition clause saying that if the Ordering Party does not issue the Notice to Proceed within the above said dates, the contract expires and the General Contractor shall not be entitled to the right to withdraw from the contract, to charge contractual penalties or to any other compensation claims. The contracts provide contractual penalties reserved for the Ordering Party; however, the total amount of all penalties cannot exceed 15% of the contractual remuneration. The Ordering Party is entitled to claim compensation for damage in excess of the contractual penalty under the general provisions of the Civil Code.

On **12July 2017,** Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A from Toruń (the "Contractor") which is a 90% owned subsidiary of the Issuer, entered with Galeria Libero-Projekt Echo-120 spółka z ograniczoną odpowiedzialnością seated in Kielce, 36 Solidarności Av., (the "Customer") into a contract for roadworks and engineering works (network construction works) at the LIBERO Shopping Centre in Katowice under the following terms and conditions:

- Contract concluded on 7 July 2017.
- Customer: Galeria Libero - Projekt Echo - 120 spółka z ograniczoną odpowiedzialnością seated in Kielce, 36 Solidarności Av.
- Net contract value: PLN 38,899,586.88.
- Contract subject: Reconstruction of roads near the intersection of Streets: Kościuszki, Kolejowa, Gen. Zygmunta Waltera Jankego and Rzepakowa in Katowice.
- Completion period: till 30 June 2018.

On **13 July 2017,** Erbud S.A. concluded a contract to build the Residential Complex (Phase III) in Kraków on Spiska Street, including site surroundings, road infrastructure, buried utilities, underground infrastructure, car parks and development works.
The contract was signed with Echo Investments S.A. based in Kielce. This is another contract that has been entered into in the past 12 months with this Customer. Total value of contracts signed in the last 12 months is PLN 160,250,000.

- Contract concluded on13.07.2017.
- Investor: ECHO Investment S.A., Al. Solidarności 36, 25-323 Kielce, NIP: 657-023-09-12.
- Contract value: PLN 17.2 million net.
- Contract subject: Construction under a general construction contract of the Residential Complex (Phase III) in Kraków on Spiska Street, incl. site surroundings, road infrastructure, buried utilities, underground infrastructure, car parks and development works.
- Site location: Kraków.
- Completion period: 13.07.2017 - 14.04.2019.

On **21 July 2017,** Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. from Toruń (the "Contractor") - a subsidiary 90% owned by the Issuer, concluded with Chatteris Investements Sp. z o.o. headquartered in Warsaw, 11a Warecka Street (the "Customer") a contract for power engineering and construction works required to build the

Photovoltaic Power Plants: Mierki I, Mierki II, Mierki III, Mierki IV, Mierki V, Mierki VI, Dobrcz I, Dobrcz II, Dobrcz III, Dobrcz VI, under the following terms and conditions:

- Contract concluded on 21.07.2017.
- Customer: Chatteris Investements Sp. z o.o., 00-034 Warsaw, 11a Warecka Street.
- Contract value: PLN 28,903,117.02 net.
- Contract subject: Comprehensive power engineering and construction works required to build the Photovoltaic Power Plants: Mierki I, Mierki II, Mierki III, Mierki IV, Mierki V, Mierki VI, Dobrcz I, Dobrcz II, Dobrcz III, Dobrcz VI.
- Completion deadline: 16.02.2018.

On **27 July 2017,** The Management Board of Erbud SA with its registered office in Warsaw (the "Issuer") informs that on 27July 2017, a contract was signed to construct as general contractor three stages of residential project in Białołęka, a district of Warsaw.
Dom Development S.A. based in Warsaw is the Investor of and the Party to the Contract.
The remuneration for Erbud S.A. for the completion of the above said project amounts to PLN 148,335,480.50 (in words: one hundred and forty eight million three hundred thirty five thousand four hundred and eighty Zlotys and 50/100) net plus due VAT.
The construction of 843 residential units and one retail unit will commence in the third quarter of 2017.
The completion of works is planned for the fourth quarter of 2019.

On **21 August 2017,** a significant construction contract was signed by GWI GmbH, a subsidiary of ERBUD S.A, to build a rest home in Düsseldorf at Gräulinger Straße 118.

- Parties to the contract:
  - Customer: Consulting & Construction GmbH & Co. KG;
  - Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf.
- Net contract value: EUR 5,916,652.37 / PLN 25,291,913.81 PLN (conversion at the NBP exchange rate from 21.08.2017 – 4.2747).
- Completion period: 18.09.2017 - 31.07.2018.

On **21 August 2017,** the Issuer signed a contract for construction works on following terms and conditions:

- Investor: PORTO OFFICE A Sp. z o.o., 331-115 Kraków, 3/7 Garncarska St; NIP: 676-252-86-94.
- Contract value: PLN 32.3 million net.
- Contract subject: general contracting works to build an office and retail building (segment A) with underground car park, including in-building systems: forced ventilation, air conditioning, wiring, lightning protection, transformer station, and on-site technical infrastructure: construction of road entry and alteration of pavement, bicycle path, street drainage and traffic lights; as well as lateral service line and central heating line.
- Site location: Kraków.
- Completion period: commencement of work until 21.08.2017; completion until 31.12.2018.

On **27 September 2017,** the Issuer received information about signing a contract for construction works of significant value by the Issuer's subsidiary GWI GmbH under the following terms and conditions:

- Contract subject: Construction of an office building named Kö-Quartier Development Düsseldorf, including shall and core and roof framework.
- Contract concluded on 26 September 2017.
- Parties to the contract:
  - Customer: KQ Development S.C.S, 35F, AVENUE J.F. KENNEDY, 1855 LUXEMBOURG;
  - Contractor: GWI Bauunternehmung GmbH, Hansaallee 247 b, 40549 Düsseldorf.
- Contract value: EUR 9,620,978.80 net, what after conversion at the exchange rate as of 26.09.2017 gives PLN 41,197,031.22 (FX: Table 186/A/NBP/2017 of 26.09.2017 - 4.2820).
- Completion period: 26.09.2017 - 15.10.2018.

On **6 October 2017,** it has been concluded Annex No. 2 to the Contract for building the "Seaside Park" Hotel and Spa Complex with a value of PLN 23,313,624.69 million on the below given terms and conditions.
The total contract value after signing of Annex No. 2 amounts to PLN 77.3 million.

- Annex concluded on 06.10.2017.
- Investor: SEASIDE Park Sp. z o.o., 00-549 Warszawa, 18 Piękna Street.
- Annex value: PLN 23,313,624.69.
- Contract subject: comprehensive finishing works, plumbing and HVAC for the "Seaside Park" Hotel and Spa Complex.

- Site location: Kołobrzeg, Przesmyk Street; plots with a cadastral Nos.29/1 and 29/2, cadastral district 6.
- Completion period: 06.10.2017. – 31.01.2019.

On **20 October 2017,** the Issuer a significant contract for extension, vertical enlargement and alteration of existing buildings, including landscaping of site located in Międzyzdroje at 9 Zdrojowa Street.

- Investor: TROFANA Bogdan Sadka Sp.k. ul. Zdrojowa 9 72-500 Międzyzdroje.
- Completion period: 02.11.2017 - 30.06.2019.
- Net contract value: PLN 25.2 million.

On **3 November 2017,** a contract has been concluded for the refurbishment of air pollution control system at heating plant in Czestochowa, including the turnkey construction of flue gas denitrification, scrubbing and desulphurisation systems for WR-25 boilers Nos. K1, K2 and K3 and WR-40 boiler No.K5 under the following terms and conditions:

- Contract concluded on 03.11.2017 between the Cconsortium formed by Erbud SA (the “Leader”), Erbud Industry Sp. z o.o. (the “Partner”) and Fortum Power and Heat Oy, seated in 02150 Espoo, 1 Keilaniementie (jointly called the "Contractor") and Fortum Power and Heat Polska Sp. z o..o seated in 50-304 Wrocław, 1a Antoniego Słonimskiego St. (the "Client”)
- Investor: Fortum Power and Heat Polska Sp. z o.o, 50-304 Wrocław, 1a Antoniego Słonimskiego Street.
- Contract value: PLN 49,780,000 net + 23% VAT (of which ERBUD SA PLN 20,000; Erbud Industry Sp. z o.o. PLN 40,180,000; and Fortum Power and Heat Oy PLN 9,580,000).
- Contract subject: Refurbishment of air pollution control system at heating plant Czestochowa, including the turnkey construction of flue gas denitrification, scrubbing and desulphurisation systems for WR-25 boilers Nos. K1, K2 and K3 and WR-40 boiler No.K5.
- Site location: Rejtana Heating Plant; Czestochowa, 37/39 Rejtana Street.
- Completion period: 03.11.2017 - 19.09.2019

On **10 November 2017,** a significant contract was signed on the following terms and conditions:

- Investor: Szpital Specjalistyczny im. Ludwika Rydygiera w Krakowie sp. z o.o.; os. Złotej Jesieni 1, 31 – 826 Kraków; KRS 0000352784; NIP 6783105119.
- Contract value: PLN 29,662,170.73 net.
- Contract subject: Design & Build Contract for:
  - Task 1: “New seat of the Malopolska Centre of Burns Treatment and Rehabilitation, Plastic and Reconstructive Surgery and Intensive Care Unit for Children";
  - Task 2: “Refurbishment of hospital facilities for the purpose of "Małopolska Centre of Maternity and Woman’s Medicine".
- Site location: 31 – 826 Kraków, os. Złotej Jesieni 1.
- Completion period: Task 1 - 15 months from the conclusion of the Contract (10.11.2017 - 10.02.2019); Task 2 - 7 months from the conclusion of the Contract (10.11.2017 - 10.06.2018).

On **10 November 2017,** the Issuer signed with Promenade VIII KD spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Wrocław (the “Client") two contracts of a total net value of PLN 44 million to perform as general contractor construction works at the Promenady Wrocławskie Residential Development Project in Wrocław, Phase VIII.

Under the first contract, the Issuer will erect two residential buildings numbered A and B, comprising of 181 flats with a total area of 8 892 m2 and 6 retail units with a total area of 445 m2, including the necessary services and utilities, site development, circulation system and essential roads. The value of the contract is PLN 37.4 million.

Under the second contract, the Issuer will construct the residential building numbered C, consisting of 22 flats with a total area of 1 123 m2, including the necessary services and utilities, site development, circulation system and essential roads. The value of this contract amounts to PLN 6.6 million.

Both contracts were concluded for the time required to fulfil all obligations arising therefrom, but for not more than 106 weeks after the date of receipt Notice to Proceed with the Works in the case of the contract for buildings A and B and 77 weeks after the date of receipt Notice to Proceed for the contract concerning the building numbered C. The Notice to Proceed with the Works was submitted by the Client to the Issuer immediately after the conclusion of the contracts.

On 4 December 2017, the Company signed the Annex to the construction contract of 22 June 2016. The value of the original contract amounted to PLN 21.5 million and was not a significant contract, which means that the Issuer did not inform about its signing. Conclusion of the Annex to the aforementioned contract increases the total value of the contract to the amount of PLN 37.790.000, and following this, the contract becomes a significant one.

- Contract subject: Contract for construction works at the project named "Stara Cegielnia" Phase II located in Poznań at 4 Ceglana Street.
- Investor: Poznań Kartuska Spółka z o.o. Sp. K.

- Completion period: 05.12.2017 - 30.06.2019, including the obtaining of occupancy permit.
- Contract value: PLN 16,290,000 PLN.

On 7 December 2017, the Company entered into a construction contract on the following terms and conditions:

- Contract date: General Contracting Contract of 07.12.2017.
- Investor: SILESIA OUTLET Sp. z o.o.; 18 Piękna Street, 00-549 Warszawa; NIP: 7010533434.
- Contract value: PLN 57,560,000.
- Contract subject: Construction as general contractor of a retail and shopping centre in Gliwice on Rybnicka Street, including road system, parking area and associated infrastructure, retaining walls, water meter chamber, pumping station and fire-fighting tanks, pylon and monument sign – 1st stage of completion/phase 1.
- Site location: Gliwice.
- Completion period: from about 29.12.2017 to 29.03.2019.

On **19 December 2017**, the Issuer concluded with the company Centrum Praskie Koneser Spółka z ograniczoną odpowiedzialnością sp.k., which carries out the "Kwartał Centralny" Office and Retail Complex as part of the "Centrum Praskie Koneser" development project in Warsaw, annexes to the construction contract of 12 October 2015 and to the contract of 21 December 2016.
Pursuant to the annex to the contract of 21 December 2016 (Current Report No. 90/2016), the Contractor's remuneration for the Works has been changed due to additional work to be performed, taking into account costs resulting from the change of the completion date. The Contractor's net remuneration under this annex amounts to EUR 3,055,175.85.
The Contractor's total remuneration for the execution of all works after the annex will be EUR 15.586.533.96.
According to the annex to the contract of 12 October 2015 (Current Report No. 60/2015) the Contractor's remuneration for the Works due to additional work to be performed, taking into account the costs arising from the change of the completion date increased by EUR 3,748,842.22.
The Contractor's total remuneration under the contract of 12.10.2015 for the execution of all works after the above-mentioned annex will be EUR 9,064,084.27 and PLN 3,073,166.67.
Additionally, in order to hedge foreign exchange risk resulting from cash flows from the aforementioned annexes, at the same time the Issuer concluded with mBank S.A. seated in Warsaw a series of Par Forwards securing cash flows from both contracts.

On **22 December 2017,** the Issuer concluded a significant contract for the construction of Phase II (Building No. 3) of the "ZAJEZDNIA POZNAŃ" residential, commercial and retail complex with underground car park, located in Poznań,

- Investor: REF Eastern Opportunities Sp. z o.o.; 60- 815 Poznań; 1A Gajowa St.
- Contract value: PLN 39,498,400.
- Completion period: 08.01.2018 - 08.09.2019.

On 22 February 2018, ERBUD SA entered into a contract with CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa on the construction of the BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street. This is another contract concluded within the last 12 months with a company from the GRUPO LAR. The total value of contracts signed in recent months amounts to PLN 94,236,553.
The above said contract has been concluded on the following terms and conditions:

- Investor: CGL VIII Spółka z ograniczoną odpowiedzialnością spółka komandytowa, 02-672 Warszawa, 32 Domaniewska St.
- Contract value: PLN 18,111,365.
- Contract subject: BLISKIE BEMOWO Residential Complex, Phase II, located in Warsaw on Powstańców Śląskich Street.
- Site location: Warsaw, Powstańców Śląskich Street.
- Completion period: Commencement of Works - 22.02.2018, completion of Works - 31.03.2019.

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

On **28 November 2017,** the HEBUD Company was registered in the Ministry of Justice of the Republic of Belarus and the started its activity. The company was established by Resolution No. 24/2017 passed by the ERBUD SA Management Board on 6 November 2017. HEBUD is a 100% subsidiary of ERBUD S.A.

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

There were no changes over the reporting period.

Note 46. Business combinations

In the periods ended 31 December 2017 and 31 December 2016, the Company did not merge with any other entity.

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

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 was made by decreasing (partially dissolving) the Company's supplementary capital by PLN 14,989,875.03 in its part resulting from the Company's profits achieved in previous years.

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.

Note 48. Information on average employment by occupational groups

Average employment	**31.12.2017**	**31.12.2016**
White-collar workers	457	421
Blue-collar workers	287	201
Total	**744**	**622**

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

As at 31.12.2017 and 31.12.2016, the Company had no obligations towards the state budget or local self-government units due to the ownership right to buildings and structures.

Note 50. Contingent liabilities to related parties

	31 Dec 2017	**31 Dec 2016**
Contingent liabilities to related parties from		
a) guarantees and sureties provided. of which	81 716	77 781
- to subsidiaries	81 716	77 781
- to associates	0	0
b) other, of which	0	0
- to subsidiaries	0	0
- to associates	0	0
Total contingent liabilities to related parties	**81 716**	**77 781**

	31 Dec 2017	31 Dec 2016
GWI GmbH – loan repayment guarantee	32 533	26 544
GWI GmbH – loan repayment guarantee	8 342	8 848
GWI GmbH, Erbud International – civil surety for Euler Hermes	0	0
Erbud Industry Sp. z o.o. – loan repayment guarantee	35 680	35 680
Erbud Industry Centrum Sp. z o.o. – loan repayment guarantee	5 161	6 709
Total contingent liabilities	**81 716**	**77 781**

Note 51. Derivative financial instruments

Under the construction 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, as a whole, the project under the name "Office and Conference Centre NOWA FORMIERNIA", Erbud SA expects certain payments in EUR . In order to hedge the cash flows arising from this contract, the Group signed on 10 December 2015 with SA mBank a Par Forward contract for amounts and dates corresponding to the expected flows under the aforementioned 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 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 revaluation reserve. Changes in fair value of financial derivatives designated as cash flow hedges to the extent that they not represent an effective hedge are included in other income or loss for the period.

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

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

The table below shows the opening and closing balance sheet, incl. the change in fair value of hedging instruments recognized in revaluation reserve for 2017.

Item	31 Dec 2017	31 Dec 2016
Contract valuation as of the opening balance sheet date	-791	1 241
Change in valuation of forward contracts (hedges) recognized in revaluation reserve	2 966	-2 032
Contract valuation as of the closing balance sheet date	**2 175**	**-791**

Note 52. Off-balance items

As at 31 December 2017, the Company had the following contingent liabilities:

- Liabilities under guarantees granted

Item	31 Dec 2017	31 Dec 2016
Guarantee to pay obligations	25 664	22 720
Performance bonds	224 694	232 598
Remedial works bonds	146 858	159 062
Liabilities due to litigations against Erbud S.A.	46 682	41 935
Total contingent liabilities	**444 095**	**455 466**

- Sureties granted to subsidiaries

Item	31 Dec 2017	31 Dec 2016
GWI GmbH – loan repayment surety	32 533	26 544
GWI GmbH – loan repayment guarantee	8 342	8 848
GWI GmbH, Erbud International – civil surety for Euler Hermes	0	0
Erbud Industry Sp. z o.o. – loan repayment surety	35 680	35 680
Erbud Industry Centrum Sp. z o.o. – loan repayment surety	5 161	6 709
Total contingent liabilities	**81 716**	**77 781**

Note 53. Segment information

During the period ended 31 December 2017, the Company conducted operations under the following business segments:

- civil engineering - building construction;
- industrial construction.

During the reporting period ended 31 December 2017, the Company conducted operations in the following geographical segments:

- domestic;
- abroad (Belgium).

The segmentation was done by qualifying individual construction contracts. The Company applies a uniform accounting policy for all segments. Only changes in the reported segments were made. Report segment "building construction" was divided into two separate reporting segments: "building construction at home" and "building construction abroad". The changes are due to the growing importance of building construction abroad from the point of view of the Group's operations.

Business segments

The table below presents revenue and profit as well as certain assets and liabilities of the Company's business segments as at 31 December 2017

Incomes and expenditures by business segments

For the period from 1 Jan to 31 Dec 2017	Building construction at home	Building construction abroad	Industrial construction	Other segment	Total
Sale to external clients	1 188 966	25 718	791	0	**1 215 475**
Total income	**1 188 966**	**25 718**	**791**	0	**1 215 475**
Prime costs	1 118 151	23 602	583	0	1 142 336
Net profit (loss) on other operating activities	**-49 171**	**-1 958**	**-28**	-4 685	**-55 842**
Segment result – EBIT	**21 643**	**158**	**181**	-4 685	**17 297**
EBIT margin	**1.82%**	**0.62%**	**0.29%**	0	**1.42%**
Net profit (loss) on financial activity	-1 395	-139	0	0	**-1 534**
Income tax	3 224	0	0	0	**3 224**
Net profit	**17 023**	**20**	**181**	-4 685	**12 539**

The following table presents revenue and profit as well as certain assets and liabilities of the Company's business segments as at 31 December 2016.

Incomes and expenditures by business segments

For the period from 1 Jan to 31 Dec 2016	Building construction	Road-engineering	Power engineering	Other activity	Total
Sale to external clients	1 072 019	82	2 843		**1 074 944**
Total income	**1 072 019**	**82**	**2 843**	**0**	**1 074 944**
Cost of products, goods and materials sold to external clients	998 404	529	1 890		1 000 823

Total cost of products, goods and materials sold	**998 404**	**529**	**1 890**	**0**	**1 000 823**
Total gross sales	**73 615**	**-447**	**953**	**0**	**74 121**
Cost of sales	0	0	0	0	**0**
General and administrative costs	47 870	239	474	0	**48 583**
Profit (loss) on other operating activity	-383	2 500	0	0	**2 117**
Segment profit (loss)	**25 362**	**1 815**	**479**	**0**	**27 656**
Profit (loss) on other financing activity	-16 790	0	0		**-16 790**
Income tax	-238	0	0	0	**-238**
Net profit	**8 809**	**1 815**	**479**	**0**	**11 103**

Geographical segments

The following table presents revenue, expenditure and certain assets related to the Company's particular geographical segments as at 31 December 2017.

Income and expenses by geographical segments

For the period from 1 Jan to 31 Dec 2017	**Domestic**	**Abroad**	**Total**
Sale to external clients	1 189 757	25 718	1 215 475
Total income	**1 189 757**	**25 718**	**1 215 475**
Prime costs	1 118 734	23 602	1 142 336
Net profit (loss) on other operating activities	**-53 884**	**-1 958**	**-55 842**
Segment result – EBIT	**17 139**	**158**	**17 297**
EBIT margin	1,44%	0,62%	**1,42%**
Net profit (loss) on financial activity	-1 395	-139	**-1 534**
Income tax	3 224	0	**3 224**
Net profit	**12 519**	**20**	**12 539**

The table below presents revenue, expenditure and certain assets related to the Company's particular geographical segments as at 31 December 2016.

Income and expenses by geographical segments

For the period from 1 Jan to 31 Dec 2016	**Domestic**	**Abroad**	**Total**
Sale to external clients	1 041 557	33 387	**1 074 944**
Total income	**1 041 557**	**33 387**	**1 074 944**
Cost of products, goods and materials sold to external clients	969 019	31 804	**1 000 823**
Total cost of products, goods and materials sold	**969 019**	**31 804**	**1 000 823**
Total gross sales	**72 539**	**1 582**	**74 121**
Cost of sales	0	0	**0**
General and administrative costs	48 408	174	**48 582**
Profit (loss) on other operating activity	2 125	-8	**2 117**
Segment profit (loss)	**26 256**	**1 400**	**27 656**
Profit (loss) on other financing activity	-17 974	1 184	**-16 790**
Income tax	-238	0	**-238**
Net profit	**8 520**	**2 583**	**11 103**

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

In the period ended 31 December 2017, financial statements prepared by the Company under PAS and IFRS did not show any significant differences.

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

Audit for 2017: under the agreement for the audit and review of the financial statements of 30 June 2017, the Company incurred in the current reporting period costs related to the review of the separate and consolidated financial statements prepared as at 30 June 2017 and the audit of the separate and consolidated financial statements prepared as at 31 December 2017 in the total amount of PLN 330 thousand.

Audit for 2016: under the agreement for the audit and review of the financial statements of 30 June 2016, the Company incurred in the current reporting period costs related to the review of the separate and consolidated financial statements prepared as at 30 June 2016 and the audit of the separate and consolidated financial statements prepared as at 31 December 2016 in the total amount of PLN 313 thousand.

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

There were no such transactions.

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

There were no such contracts.

Note 58. Information on significant events from previous years included in the financial statements for the current period

See Note 61.

Note 59. Information on significant events subsequent to the balance sheet date not included in the financial statements

On 5 February 2018, ERBUD Beteiligungs GmbH with its registered office in Düsseldorf was founded. The 100% owner of ERBUD Beteiligungs GmbH is Treuhand copia 1 GmbH, currently ERBUD Holding Deutschland GmbH with headquarters in Düsseldorf. On 14 February 2018 ERBUD S.A. acquired 100% shares in ERBUD Holding Deutschland GmbH with headquarters in Düsseldorf. The purchase price was EUR 12,500.

On 27 February 2017, IVT Beteiligungs GmbH, an indirect subsidiary of the Issuer through its subsidiary Erbud Deutschland Holding GmbH, concluded as a buyer a conditional agreement on sale and transfer of shares with the shareholders of IVT Weiner+Reimann GmbH headquartered in Oberhausen ("IVT") as sellers. In this way, ERBUD S. A. indirectly held a 100% stake in IVT Weiner + Reimann GmbH and its subsidiary IVT Weiner + Reimann GmbH - IVT Menzenbach GmbH. The transaction value amounted to EUR 8.5 million.

Note 60. Asset-backed securities

None.

Note 61. Pending ligations

Claim against the Bank Millennium SA

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A. The amount of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the

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

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

As at the report publishing date of the Financial Statements the litigation is in progress; hearings of witnesses are continued.

The Issuer's standpoint regarding the situation related to the execution of the project: extension of the Airport Modlin

Case state - General information about the contract and its completion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The court appointed the next session, on which witnesses will be heard, for 25 September 2017.

We also stand by our opinion presented in the previous memoranda, according to which the risk of awarding a claim to MPL is lower than the chance of dismissing the suit. However, even if the court founds the plaintiff's claim to be justified, the amount of the award would be significantly lower than this required by MPL, as Erbud SA is in a position to contest almost every part of the damage reported 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.

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

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

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

Claim against Kępska S.A. seated in Warszawa

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

The amount in dispute: PLN 9,877,132 (8,187,631.31 + 1,689,500)

Case state: ERBUD SA claims the payment for executed works from Kępska SA. By lawsuit of 22 April 2014, the plaintiff applied for awarding the amount of PLN 8,187,631.31 from Kępska SA.

In the suit Erbud SA also requested to secure further sum of PLN 1,414,500 by freezing debts on bank accounts, to which the defendant is entitled, and creating a forced mortgage on the real property located in Opole at 8 Kępska St. By decision of 12 August 2014, the District Court secured the claim amounting PLN 1,414,500 as requested by the plaintiff.

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

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

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

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

On 12 June 2017, the attorneys of Erbud S.A. received a supplementary court expert opinion which, on the one hand, confirmed the lack of essential defects that would entitle the investor to taking over the works and, on the other hand, pointed out the existence of defects and delay in performance of the contract by Erbud S.A. In view of material shortcomings of the opinion, Erbud S.A. submitted by letter of 22 June 2017 objections to the supplementary expert opinion and also requested to summon the expert to the hearing and admit evidence from the further supplementary oral expert opinion.

It is expected that the closure of the proceedings before the First Instance Court will be in 2018.

Claim against Międzyzdrojski Rynek Sp. z o.o.

The amount in dispute: PLN 3,699,578

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

Erbud SA claimed the payment of debts arising from invoices (accepted by the defendant). The building constructed by Erbud SA was finally inspected and accepted in written form. The Parties tried to reach an agreement, the defendant expressed willingness to pay, but extending payments for ERBUD over time, made it necessary to apply to a court. Currently, the defendant seeks a reduction in remuneration due to numerous significant defects in workmanship.

On 25.01.2016 the sentence was announced under which PLN 3,212,456.39 add interest was awarded to Erbud. The judgment is not legally binding. The defendant appealed, the plaintiff responded to the appeal. The appeal hearing was held on 09.03.2017 and won by Erbud SA. Legal proceedings are currently carried out to enforce the claim.

Claim against Akademia Muzyczna in Łódź

Date of filing a lawsuit: 20 December 2013.

The amount in dispute: PLN 2,050,515

Case state: On 20 December 2013, ERBUD SA filed a claim for payment of PLN 1,895,430 as remuneration for construction works carried out by the plaintiff to the defendant under contract No. 694/U/AML/2012 of 20 December 2012, in accordance with the VAT invoice No. 519/13/W of 30 July 2013, issued by the plaintiff to the defendant. and payment of PLN 74,934.40 due to statutory interest on the amount of remuneration accrued from day on which the amount became due and payable (i.e. from 29 August 2013) till the date of filing a lawsuit (i.e. 20 December 2013), and PLN 80,150.37 as compensation for improper performance of Agreement No. 209/U/AMŁ/11 of 15 September 2011 by

the Academy. ERBUD thereupon suffered injury in the form of increased site maintenance costs for a period longer than predicted in the above-mentioned agreement, i.e. from 01.06.2013 to 07.15.2013.The defendant Academy of Music responded to the suit dated 23 January 2014 requesting the dismissal of the action in its entirety and raised the procedural objection to deduction of penalties. The plaintiff filed pleadings dated 31.03.2014 and 22.05.2014, and the defendant pleadings of 04.04.2014 and 30.06.2014. Two hearings were held so far: on 29.08.2014 (one ERBUD's witness has been examined) and on 07.11.2014, where there case has been postponed due to the planned bringing by the defendant a counterclaim for payment of the remainder of contractual penalties. A hearing was held on 04.06.2015 and adjourned. By decision dated 05.11.2015, the Court combined this case with the case No. I C 1944/14. The hearings were held on 11.03.2016 and 8.08.2016. Another was set at 3.02.2017. However, we make a reservation that this is an early stage of the case (before the evidence of expert's opinion and the hearing of all the witnesses). At the initiative of the Academy of Music, mediation was held and an initial meeting took place. The first substantive meeting is scheduled for 21.03.2017.

At the request of the Academy of Music, a mediation to conclude a settlement is currently in course.

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

As at 31 December 2017 and in the previous financial year the Company did not incur any environmental protection expenditure.

Expenditures on non-financial assets incurred during the reporting period amounted to PLN 1 704 thousand.

Planned capital outlays for non-financial assets in 2018 are PLN 36 953 thousand.

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

Such events did not occur.

Note 64. Information on income tax due to extraordinary operations

There were no extraordinary operations.

Note 65. Seasonality

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

Note 66. Objectives and principles of financial risk management

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

Foreign exchange risk

As a part of the core business, the Company concludes construction contracts that are denominated in foreign currencies (mainly in the Euro). The currency risk management policy adopted by the Management Board consists in adjusting the contract underlying currency to the currency of expenses related under this contract.

Contracts carried out in Poland are concluded in the Polish currency (Polish Zlotys, PLN) while those executed abroad are signed in Euros.

The Company applies hedge accounting for specified payments in Euro (contracts for construction works with Spółką Hala Koszyki Grayson Investments sp. z o.o. sp.k. and with Centrum Praskie Koneser sp. z o.o. sp.k.; Nowa Formiernia Office and Conference Centre).

Interest rates risk

The interest rates risk occurs mainly when the Company takes advantage of bank loans and borrowings, issued bonds and financial lease. These financial instruments are based on variable interest rates and expose the Company to the

risk of changes in cash flows. In addition, the Company invests cash surpluses in deposits with a variable interest rate (deposits), which reduces the return on investments in the event of a decrease in interest rates.

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

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

Price risk

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

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

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

Credit risk

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

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

The age structure of receivables is presented in Note 9.

Liquidity risk

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

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

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

Interest rate sensitivity analysis

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

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

The impact of taxation is not covered by the Company's sensitivity analysis.

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

Interest rate sensitivity analysis

Financial statement item	Value in PLN '000	Interest rate risk in %	
		Impact on result	
		(PLN,EUR) +100 bps	(PLN,EUR) -100 bps
Loans granted	25 143	251	-251
Cash and cash equivalents	92 274	923	-923
Impact on financial assets	92 274	923	-923
Bonds issued	55 950	-559	559
Lease	5 273	-53	53
Impact on financial liabilities	5 273	-53	53

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

Financial statement item	Value in EUR '000	Currency risk	
		Impact on profit in PLN '000	
		10% PLN/EUR revaluation	10% PLN/EUR devaluation
Cash and cash equivalents	11 190	-268	268
Trade and other receivables	28 837	-691	691
Financial assets – loans granted	15 979	-382	382
Impact on financial assets	55 979	-1 342	1 342
Trade and other liabilities	3 439	82	-82
Impact on financial liabilities	3 439	82	-82

Note 67. Previous periods errors adjustment

There was no such item in the reporting period.

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Agnieszka Głowacka
/ Management Board Member /

Warsaw, March 27, 2018