Mirbud S.A.
Annual financial statements for the period
from 01/01/2017 to 31/12/2017

Consolidated Financial Statements for the Period from 01/01/2017 to 31/12/2017 according to the IFRS in the form approved by the European Union

I. Basic financial data.

Selected financial data	in PLN thousand		in EUR thousand	
	For the period:	For the period:	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 = PLN 4.2583			4.2583	4.3757
Revenue from sales	859,856	773,993	201,925	176,884
Profit (loss) on operating activities	47,865	41,489	11,240	9,482
Pre-tax profit (loss)	31,410	27,757	7,376	6,343
Net profit (loss)	25,103	21,480	5,895	4,909
Total income for the net financial year	22,798	19,479	5,356	4,452
Net cash flows from operating activities	68,439	32,774	16,072	7,490
Net cash flows from investment activities	-23,939	-10,308	-5,622	-2,356
Net cash flows from financial activities	-42,442	-23,039	-9,967	-5,265
Total net cash flows	2,058	-572	483	-131
net profit (loss) per share in PLN/EUR	0.30	0.26	0.07	0.06
diluted profit (loss) per share in PLN/EUR	0.28	0.24	0.07	0.05

Selected financial data	in PLN thousand		in EUR thousand	
	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets and liabilities items according to the average exchange rate determined by the National Bank of Poland as at the reporting date, respectively: 1 EUR = 4.1709 PLN			4.1709	4.4240
Total assets	1,004,053	955,666	240,728	216,019
Liabilities and provisions for liabilities	648,187	624,902	155,407	141,253
Long-term liabilities	311,715	326,985	74,736	73,912
Short-term liabilities	336,472	297,917	80,671	67,341
Equity	355,866	330,764	85,321	74,766
Share capital	8,249	8,249	1,978	1,865
Number of shares in units	82,492,500	82,492,500	82,492,500	82,492,500
Book value per share in PLN/EUR	4.31	4.01	1.03	0.91
Diluted book value per one share in PLN/EUR	4.31	4.01	1.03	0.91

II. General information about the Parent Company.

Name of the issuer:	MIRBUD S.A.
Issuer’s registered office	Skierniewice
Legal form	joint-stock company
Registered office country:	Poland
NIP (tax identification number)	836-170-22-07
REGON	750772302
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+ 48 (46) 833 98 65
Fax:	+ 48 (46) 833 97 32
E-mail	sekretariat@mirbud.com.pl
Website:	www.mirbud.com.pl

MIRBUD S.A. was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the Code of Commercial Companies. The Company was registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register under the KRS number 0000270385 on 22 December 2006.

Core activities

The Issuer's core activities in accordance with its Articles of Association and the entry in the National Court Register are as follows:

- General construction and civil engineering
- Freight transport by road
- Rental of construction and demolition equipment with operator service
- Advertising and publishing activities
- Renting of premises for own account
- Wholesale of materials for the construction industry

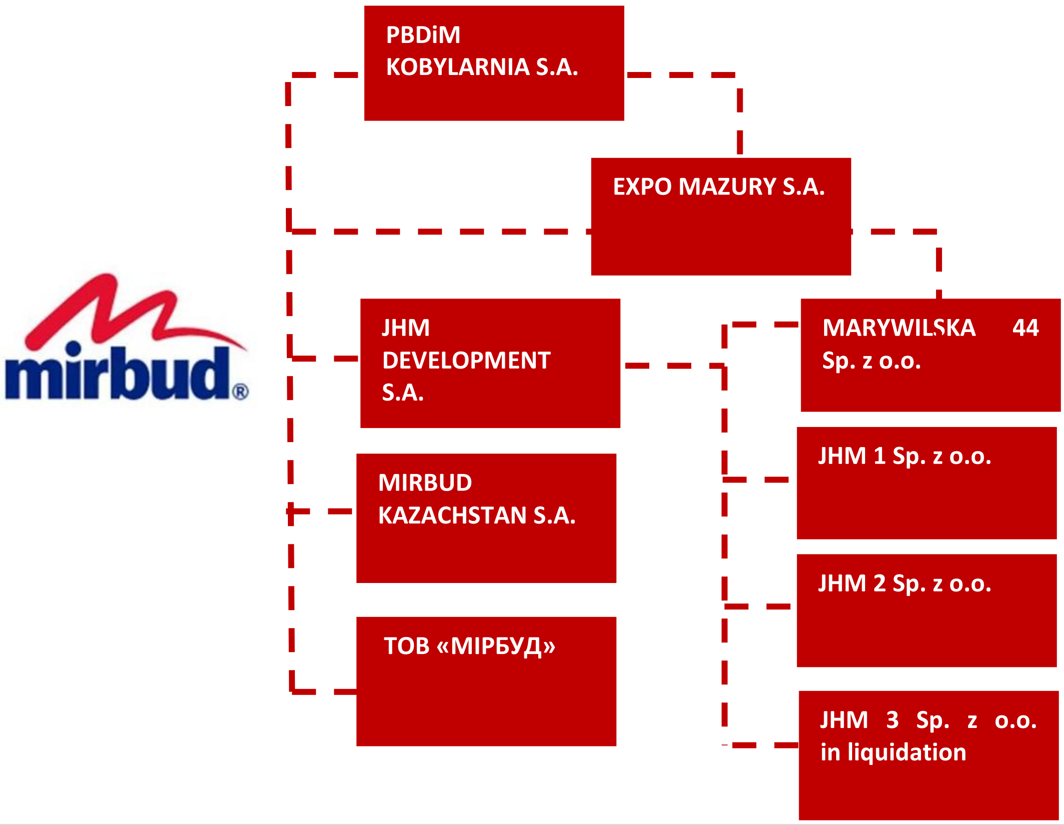
Duration

The duration of the Issuer shall be unlimited.

Management Board and Supervisory Board

Management Board	
Jerzy Mirgos	President of the Management Board
Sławomir Nowak	Vice-President of the Management Board
Paweł Korzeniowski	Member of the Management Board
Tomasz Sałata	Member of the Management Board
Supervisory Board	
Dariusz Jankowski	Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Waldemar Borzykowski	Member of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Krystyna Lachowicz	Member of the Supervisory Board

Structure of the capital group



Subsidiaries and consolidation method

Name of the entity	JHM DEVELOPMENT S.A.
Registered office	Skierniewice
Legal form	joint-stock company
Registered office country:	Poland
NIP (tax identification number)	836-181-24-27
REGON	100522155
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+48 (46) 833-61-28
Fax:	+48 (46) 833-61-28
E-mail	sekretariat@jhmdevelopment.pl
Website:	www. jhmdevelopment.pl

Consolidated using the full method.

Operates in the segment of development service activities and investment real property.

Name of the entity	Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A.
Registered office	Kobylarnia Kobylarnia
Legal form	joint-stock company
Registered office country:	Poland
NIP (tax identification number)	953-22-34-789
REGON	091631706
Address details	Kobylarnia 8; 86-051 Brzoza
Telephone	+48(52) 381-06-10
Fax:	+48(52) 381-06-10
E-mail	pbdim@kobylarnia.pl
Website:	www.kobylarnia.pl

Consolidated using the full method. Operates in the construction and assembly activities segment.

Name of the entity	EXPO MAZURY S.A.
Registered office	Ostróda
Legal form	joint-stock company
Registered office country:	Poland
NIP (tax identification number)	839-27-67-573
REGON	771485919
Address details	ul. Grunwaldzka 55, Ostróda
Telephone	+48(89) 506-58-00
Fax:	+48(89) 647-78-77
E-mail	sekretariat@expoarena.pl
Website:	www.expomazury.pl

Consolidated using the full method. Operates in the segment of trade fairs and exhibitions activities.

Name of the entity	MIRBUD – KAZACHSTAN Sp z o.o.
Registered office	Astana
Legal form	limited liability company
Registered office country:	Kazakhstan
NIP (tax identification number)	620-200-358-701
REGON	100640000567
Address details	ul. Imanowa 19, 010000 Astana
Telephone	+ 48 (46) 833 98 65
Fax:	+ 48 (46) 833 97 32
E-mail	sekretariat@mirbud.com.pl
Website:	www.mirbud.com.pl

The entity is not consolidated due to its immaterial character. The investment in the entity has been revalued to “0”. The entity does not carry out business activities

Name of the entity	MARYWILSKA 44 Sp. z o.o.
Registered office	Warszawa
Legal form	limited liability company
Registered office country:	Poland
NIP (tax identification number)	524-271-14-28
REGON	142434636
Address details	ul. Marywilska 44, 03-042 Warszawa
Telephone	+48(22) 423-10-00
Fax:	+48(22) 423-10-00
E-mail	sekretariat@marywilska44.waw.pl
Website:	www. marywilska44.waw.pl

Consolidated using the full method. Operates in the investment real property segment.

Name of the entity	JHM 1 Sp. z o. o
Registered office	Skierniewice
Legal form	limited liability company
Registered office country:	Poland
NIP (tax identification number)	8361855968
REGON	101288135
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+ 48 (46) 833 95 89
Fax:	+ 48 (46) 833 61 28
E-mail	sekretariat@jhmdevelopment.pl
Website:	www. jhmdevelopment.pl

Consolidated using the full method. Operates in the investment real property segment.

Name of the entity	JHM 2 Sp. z o. o
Registered office	Skierniewice
Legal form	limited liability company
Registered office country:	Poland
NIP (tax identification number)	8361856465
REGON	101387140
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+ 48 (46) 833 95 89
Fax:	+ 48 (46) 833 61 28
E-mail	sekretariat@jhmdevelopment.pl
Website:	www. jhmdevelopment.pl

Consolidated using the full method. Operates in the investment real property segment.

Name of the entity	JHM 3 Sp. z o. o. in liquidation
Registered office	Skierniewice
Legal form	limited liability company
Registered office country:	Poland
NIP (tax identification number)	8361857252
REGON	101451240
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+ 48 (46) 833 95 89
Fax:	+ 48 (46) 833 61 28
E-mail	sekretariat@jhmdevelopment.pl
Website:	www.jhmdevelopment.pl

Consolidated using the full method.

III. Basic information on the consolidated financial statements

Basis of preparation

The Consolidated Financial Statements have been prepared pursuant to § 55(5) of the Accounting Act of 29 September 1994, in accordance with the International Financial Reporting Standards (IFRS) approved for use by the European Union. The financial statements were prepared on the basis of the adopted accounting principles which were relevant to the conducted business activity and in accordance with International Financial Reporting Standards.

Representations of the Management Board

The Management Board represents that, to the best of its knowledge, the consolidated annual financial statements for the period from 1 January 2017 to 31 December 2017 and comparative data have been prepared in accordance with the applicable accounting principles, which give a true, fair and clear view of the Company's financial and asset situation. The Management Board's report on business activities presents a comprehensive view of the development,

achievements and the financial and asset situation, including a detailed description of fundamental threats and risk.
The Management Board's report on activities is a development of the data contained in these statements and is published together with them.

The entity entitled to audit financial statements which carried out the annual audit of the financial statements, was selected in accordance with the provisions of law. This entity and the expert auditors who carried out the audit met the requirements allowing them to issue an unbiased and independent opinion, in accordance with the applicable provisions and professional standards.

Business continuity

These consolidated financial statements have been prepared based on the assumption that the business activity will continue in the foreseeable future. As of the day of presentation of these financial statements there are no circumstances indicating a threat to the continuation of the activity.

Functional currency

The reporting currency for the financial statements is the Polish zloty (PLN). The financial statements have been prepared in PLN thousand (PLN thousand), and all values, unless indicated otherwise, are given in PLN thousand. Any differences between the total amount and the sum of their components are due to rounding.

IV. Consolidated statement of comprehensive income.

Profit and loss account	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Continued activities			
Revenue from sales	17	859,856	773,993
Own cost of sales	18	-775,627	-702,758
Gross profit from sales		**84,229**	**71,235**
Shares in profits or losses of associates and joint ventures accounted for in accordance with the equity method	19		
Other operating and investment activity revenues	20	21,653	35,463
Other costs of operating and investment activities	20	-58,017	-65,209
EBIT		**47,865**	**41,489**
Financial costs	20	-16,455	-13,732
Pre-tax activity profit (loss)		**31,410**	**27,757**
Income tax attributable to continuing activities	21	-6,307	-6,277
Profit (loss) on continuing activities		**25,103**	**21,480**
Discontinued activities			
Revenues on discontinued activities			
Costs of discontinued activities			
Pre-tax discontinued activity profit (loss)			
Income tax attributable to discontinued activities			
Profit (loss) on discontinued activities			
NET PROFIT (LOSS)		**25,103**	**21,480**
Assigned to non-controlling shares		-2,305	-2,001
Assigned to the owners of the parent company	-	**22,798**	**19,479**

Other total income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Items that will not be subsequently reclassified to profit or loss account			
Items that will be reclassified to profit or loss after meeting specified conditions			
Other total net income	**21**		
Assigned to non-controlling shares			
Assigned to the owners of the parent company	-	-	-

Total comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Total comprehensive income		25,103	21,480
Assigned to non-controlling shares		-2,305	-2,001
Assigned to the owners of the parent company	-	**22,798**	**19,479**

V. Consolidated statement of financial position.

Assets	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2017	31/12/2016
Fixed assets		**538,806**	**512,212**
Tangible fixed assets	1	273,942	272,621
Investment real property	2	210,468	179,731
Intangible assets	3	16,911	17,372
Long-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)	4	213	6,192
Investments measured using the equity method.	5		
Long-term trading and other receivables	6	15,907	16,327
Biological assets	7		
Deferred income tax assets	21	19,382	18,684
Other fixed assets not elsewhere classified (including prepayments and accruals)	8	1,983	1,286
Current assets		**465,247**	**443,453**
Inventories	9	172,636	183,484
Receivables on account of the income tax	21	2,603	
Trading receivables and other receivables	6	236,851	209,399
Short-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)	4	2,978	3,500
Cash and cash equivalents	10	46,544	44,486
Other current assets not elsewhere classified (including prepayments and accruals)	8	3,635	2,585
Fixed assets held for sale	11		
Total assets	-	**1,004,053**	**955,666**

Capitals and liabilities	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2017	31/12/2016
Equity	**12**	**355,866**	**330,764**
Issued share capital		8,249	8,249
Profit (loss) attributable to owners of the entity		22,798	19,479
Other capitals		270,555	251,077
Capital attributable to non-controlling shares		54,264	51,959
Long-term liabilities and provisions for liabilities		**311,715**	**326,985**
Provisions under deferred income tax	21	26,843	22,615
Other provisions for long-term liabilities	13	2,408	1,650
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	177,936	194,138
Long-term trading and other liabilities	15	49,052	44,058
Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments)	16	55,476	64,524
Short-term liabilities and provisions for liabilities		**336,472**	**297,917**
Provisions for short-term liabilities	13	2,974	2,399
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	67,754	66,088
Trading and other liabilities	15	235,212	203,477
Liabilities under deferred income tax	21	366	2,747
Other liabilities and short-term provisions not elsewhere classified (including accruals and prepayments)	16	30,166	23,206
Liabilities directly related to fixed assets classified as held for sale	11		
Total capitals and liabilities	-	**1,004,053**	**955,666**

VI. Consolidated statement of cash flows.

Statement of cash flows	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Pre-tax profit		**31,410**	**27,757**
Amortisation		10,481	9,673
Profit / loss under foreign exchange rate differences		-577	
Profit / loss on investment activities		-1,265	-8,975
Borrowing costs		16,093	13,143
Change in liabilities with the exclusion of financial liabilities		35,040	-2,844
Change in receivables		-29,635	28,887
Change in inventories		10,848	-29,969
Change in provisions		5,561	1,615
Profit / loss on other financial instruments			-692
Other changes in working capital		-4,533	2,039
Cash from operating activities		**73,423**	**40,632**
Paid income tax		-4,984	-7,858
Net cash from operating activities		**68,439**	**32,774**
Sales of tangible fixed assets and intangible assets		6,458	320
Acquisition of tangible fixed assets and intangible assets		-4,934	-8,552
Sale of investment real property		1,622	571
Acquisition of investment real property		-28,331	-1,368
Repayment of loans granted			
Loans granted		522	-300
Sale of other investments			
Acquisition of other investments		-138	-1,671
Dividends and interest received		362	692
Other inflows from investing activities		500	
Other expenses related to investment activities			
Net cash from investment activities		**-23,939**	**-10,308**
Inflows from shareholders			
Payments to owners			

Commitment of liabilities under credits and loans		87,591	93,904
Repayment of liabilities under credits and loans		-103,163	-98,302
Repayment of liabilities under leasing		-10,415	-5,497
Repayment of other financial liabilities			
Interest paid and other expenses related to debt service		-16,455	-13,143
Other financial inflows			
Other financial expenses			
Cash from financial activities		**-42,442**	**-23,039**
Cash and cash equivalents at the beginning of the period		44,486	45,058
Net increase (decrease) in cash and cash equivalents	-	**2,058**	**-572**
Effect of foreign exchange rate changes on cash denominated in foreign currencies			
Cash at the end of the period		**46,544**	**44,486**
including cash and cash equivalents with restricted availability		24,870	11,456

VII. Consolidated statement of changes in equity.

Changes in equity	Share capital	Retained profit attributable to shareholders of the parent company	Write-offs from net profit during the financial year related to shareholders of the parent company	Cumulated other comprehensive income attributable to shareholders of the parent company	Other capitals attributable to shareholders of the parent company	Net profit (loss) attributable to shareholders of the parent company	Foreign exchange difference from translation	Capital attributable to non-controlling shares	TOTAL
As at 01/01/2016	**8,249**	**80,533**			**170,830**			**49,958**	**309,570**
Impact of retrospective application of accounting policy changes									
Impact of retrospective restatement									-
Total profits (losses) for the period						19,479		2,001	21,480
Total other comprehensive income									-
Owners' contributions									
Payments to owners									
Changes in ownership shares in subsidiaries not resulting in a loss of control									
Other changes in equity					-286				-286
As at 31/12/2016	**8,249**	**80,533**			**170,544**	**19,479**		**51,959**	**330,764**
Settlement of unpaid financial result		19,479				-19,479			-

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Changes in equity	Share capital	Retained profit attributable to shareholders of the parent company	Write-offs from net profit during the financial year related to shareholders of the parent company	Cumulated other comprehensive income attributable to shareholders of the parent company	Other capitals attributable to shareholders of the parent company	Net profit (loss) attributable to shareholders of the parent company	Foreign exchange difference from translation	Capital attributable to non-controlling shares	TOTAL
As at 01/01/2017	**8,249**	**80,533**			**170,544**	**19,479**		**51,959**	**330,764**
Impact of retrospective application of accounting policy changes									-
Impact of retrospective restatement									
Total profits (losses) for the period						22,798		2,305	25,103
Total other comprehensive income									
Owners' contributions									-
Payments to owners									
Changes in ownership shares in subsidiaries not resulting in a loss of control									-
Other changes in equity									
As at 31/12/2017	**8,249**	**100,011**			**170,544**	**22,798**		**54,264**	**355,866**

VIII. Accounting principles applied by the Group.

Intangible assets

The Capital Group includes in intangible assets the assets which meet the following criteria: they may be excluded or separated from the business entity and sold, transferred, licensed or put to use for consideration to third parties, both individually and together with related contracts, components of assets or liabilities, or arise from contractual or other legal rights, regardless of whether they are transferable or separable from the business entity or from other rights or liabilities.

The initial recognition of a component of intangible assets is made according to their acquisition prices or cost of production.

The acquisition price includes the purchase price of an asset component (i.e. the amount due to the seller less deductible value added tax and excise tax), public and legal charges (in the case of imports) and expenditures directly attributable to the purchase and adaptation of the asset component for its intended use. Rebates and discounts granted by the seller and other similar reductions and recoveries reduce the acquisition price of an asset component.

If an intangible asset component is acquired in exchange for capital instruments of the Company preparing the financial statements, the acquisition price of an asset component corresponds to the fair value of the issued capital instruments, which equals the fair value of a given asset component.

In accordance with IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

At least as at the balance sheet date, intangible assets are measured at acquisition price or production cost less amortisation write-offs, as well as impairment losses.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. The revaluation write-offs under impairment losses are recognised in the profit and loss account.

Amortisation write-offs of intangible assets are done by spreading their initial value over their estimated economic useful lives. Amortisation is made beginning from the first day of the month in

which the intangible assets are accepted for use. Amortisation is interrupted at the end of the month in which the accumulated amortisation value equals the initial value or in which the intangible and legal asset component is to be liquidated, sold or found to be in short supply.
Amortisation write-offs of intangible assets components are done on a straight-line basis at the following rates:

Claim	Annual amortisation rate
computer software	5%-50%
other intangible assets	20%-50%

The correctness of the amortisation rates applied to individual intangible asset components shall be verified at least annually. Any changes resulting from the verification of amortisation rates affect (as a change of estimated values) the appropriate adjustment made in the amortisation write-offs for the current financial year and in subsequent financial years.

Intangible assets with indefinite useful lives and those not yet in use (under construction) are tested for impairment on an annual basis in relation to individual assets or at the level of a cash-generating unit. In the case of other intangible assets, an annual assessment is carried out whether there is any indication that their value may be impaired. Any possible revaluation write-offs are recognised in the profit and loss account.

Except for development works, intangible assets generated by the entity itself are not included in assets, and expenditures incurred for their production are included in costs of the period in which they were incurred.

The cost of an intangible asset component (development work) comprises all costs incurred by the entity in the period in which it was constructed or adapted for use until its date of acceptance for use (or until the balance sheet date if the component is not yet available for use), including non-deductible VAT and excise taxes.
A given intangible asset item may be de-recognised from the balance sheet upon disposal or when no economic benefits are expected from the further use of such asset component. Profits or losses resulting from sale/liquidation or cessation of use of intangible assets are defined as the difference between sales revenues and the net value of these assets, and are recognised in the profit and loss account.

Cost of research and development works

Research costs are recognised in the profit and loss account when incurred. Expenditures incurred on development works performed as part of a given project are carried forward to the next period if it can be deemed that they will be recovered in the future. After the initial recognition of development expenditures, the historical cost model is applied, according to which asset components are recognised at acquisition prices less accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the estimated period in which it will generate revenue from the sale of a given project.

The costs of development works are assessed for possible impairment annually - if an asset has not yet been put into use, or more frequently - if during the reporting period there is an indication of impairment indicating that its balance sheet value may not be recoverable.

Goodwill

Goodwill under the acquisition of a business entity is initially recognised at acquisition cost, being the excess of the cost of business entities' merger over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is disclosed at acquisition cost less any accumulated impairment losses. Testing for impairment is carried out once a year or more frequently if there are indications of impairment. Goodwill is not subject to amortisation. As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units which may benefit from the merger synergy. Impairment is determined by estimating the recoverable amount of a cash-generating unit to which goodwill relates. If the recoverable amount of a cash-generating unit is lower than its balance-sheet value, an impairment loss is recognised. An impairment loss is not reversed in a subsequent period. If goodwill forms part of a cash-generating unit and part of the operations within that unit is sold, then when determining the profit or loss on the sale of such operations, goodwill related to the operations sold is included in its balance-sheet value; in such circumstances, the goodwill sold is determined on the basis of the relative value of the activities sold and the value of the retained part of the cash-generating unit.

Tangible fixed assets

Tangible fixed assets are initially recognised at acquisition price or production cost. The acquisition price is increased by all costs directly related to the purchase and adjustment of the asset component to its usable condition. Costs incurred after the date of commissioning of a fixed asset, such as maintenance and repair costs, are recognised in the profit and loss account at the moment they are incurred.

Fixed assets at the time of their acquisition are divided into components being items of significant value to which separate useful lives can be assigned. The costs of general overhauls, as well as significant spare parts and equipment, if used for a period longer than one year, are also included.

After initial recognition, tangible fixed assets are disclosed at acquisition cost or production price less accumulated amortisation and any revaluation write-offs under impairment losses.

In accordance with IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

Depreciation is calculated on a straight-line basis over the estimated useful life of a given asset component, and the amortisation rates for particular groups of tangible fixed assets are as follows:

Claim	Annual amortisation rate
Land (the right of perpetual usufruct)	is not amortised
Buildings and structures	1.5% – 2.5%
Machines and technical devices	7% – 30%
Means of transportation	10 – 20%
Investments in foreign fixed assets	in proportion to the useful life of the main asset

Amortisation commences in the first monthly period following the month in which the asset is brought into use. The correctness of the applied amortisation rates is periodically verified (once a year), causing the adjustment of amortisation write-offs in subsequent years.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of tangible fixed assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. Revaluation write-offs under impairment losses are recognised in the profit and loss account under "other operating costs".

An item of tangible fixed assets may be de-recognised from the balance sheet upon disposal or when no future economic benefits are expected from the further use of such asset component. Profits or losses resulting from sale/liquidation or cessation of use of fixed assets are defined as the difference between revenues from sale and the net value of these fixed assets and are recognised in the profit and loss account.

Fixed assets under construction or assembly are disclosed at acquisition price or production cost. Fixed assets under construction are not amortised until their construction is completed and they are put to use.

In the case of permanent abandonment of expenditures for fixed assets under construction, all costs incurred in relation to the works performed so far shall be charged to the costs of the period. Investments may be suspended if there is a justified intention to continue such investments in subsequent periods. The investment is suspended based on the decision of the Company's Management Board. As at each balance-sheet date, expenditures on fixed assets under construction are subject to analysis regarding impairment and the necessity to make possible impairment write-offs.

Advance payments paid for the purchase of Tangible Fixed Assets are presented in the financial statements under other short-term receivables.

The right of perpetual usufruct of land

The right of perpetual usufruct of land acquired by way of an administrative decision is recognised in the balance sheet at fair value. The fair value of a right is deemed to be one of two values: its market value, if the Company has such information, or the value determined by an expert.

The excess of the fair value determined in this manner over the costs incurred to acquire the right of perpetual usufruct of land by way of an administrative decision is disclosed in the "profit from previous years".

The right of perpetual usufruct of land acquired on the secondary market is measured at acquisition price and is not subject to revaluation.
The right of perpetual usufruct of land is amortised proportionally to the period for which it was granted.

Leasing

Financial lease contracts under which the transfer takes place of substantially the entire risk and benefits arising from the ownership of the subject of lease onto the lessee, are recognised in the balance sheet as at the date of the inception of lease according to the lower of the following two values: the fair value of the fixed asset constituting the subject of lease, or the current value of minimum lease charges. Minimum lease charges are apportioned between the financial costs and the reduction of the lease liability, so as to produce a constant interest rate on the remaining balance of the liability. Contingent lease charges are recognised as an expense in the period in which they are incurred.
Fixed assets used under financial lease contracts are amortised according to the same rules as those applied to own assets. However, if it is not reasonably certain that the entity preparing the financial statements will obtain ownership by the end of the lease term, the asset is amortised over the shorter of the two periods: the estimated useful life of the fixed asset or the lease term.
Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from

the ownership of the subject of lease are classified as operating lease contracts. Lease charges under operating lease are recognised as the costs in the profit and loss account with the straight-line method throughout the term of lease.

Assets under financial leases are presented in the balance sheet as receivables in the amount equal to the net investment. The net investment is the sum of the minimum lease payments due to the lessor under the financial lease contract and any unguaranteed residual value attributed to the lessor, discounted at the interest rate of the lease. Financial income arising from a financial lease of an asset component is recognised in a manner which reflects a constant periodic rate of return on the net lease investment.

Non-renewable natural resources

Non-renewable natural resources are initially recognised at acquisition price or production cost.
The acquisition price is increased by all costs directly related to the purchase or adaptation of the asset for use.
Costs incurred after the date of including non-regenerative natural resources in the records (use) are recognised in the profit and loss account at the time they are incurred.

After initial recognition, non-renewable natural resources are disclosed at acquisition price or production cost less any accumulated depreciation and any accumulated revaluation write-offs under impairment losses. Amortisation is calculated naturally.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of non-regenerative natural resources may not be recoverable, the asset is reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. Revaluation write-offs under impairment losses are recognised in the profit and loss account under "other operating costs".

An item of non-renewable natural resources may be de-recognised on disposal or when no future economic benefits are expected from further use of such asset component. Profits or losses resulting from sale/liquidation or cessation of use of non-renewable natural resources are defined as the difference between revenues from sale and the net value of these assets and are recognised in the profit and loss account.

Fixed assets and groups of assets held for sale

Fixed assets and groups of net assets are classified as held for sale if their balance-sheet value is recovered primarily as a result of a sale transaction and not as a result of their further use. This condition is considered to be met only if the asset component (or a group of net assets held for sale) is available for immediate sale in its present condition and a sale transaction is highly probable within one year from the moment of reclassification.

Fixed assets classified as held for sale and groups of net assets held for sale are measured at the lower of the two values: balance-sheet value or fair value less sale costs.

Simplifications applied to non-investment fixed assets

Depreciation (amortisation) of fixed assets and intangible assets with a low initial value (not exceeding PLN 3,500) is carried out in a simplified manner by making one-off write-offs of the entire initial value of such fixed assets.
The Company applies a simplification, according to which the moment of acceptance of a fixed asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the fixed asset for use took place.
The Company applies simplification, according to which the moment of acceptance of an intangible asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the intangible asset for use took place.
The verification of amortisation rates is considered to have been carried out when all fixed asset components with a net value exceeding PLN 50 thousand are included in the verification.

Investment real property

Investment real property means land and buildings and structures acquired for the purpose of deriving economic benefits from the increase in the value of these assets or from other benefits, e.g., revenues from rent. These assets are not used by the Company.

Investment real properties are initially measured at acquisition cost or production cost, including transaction costs. After initial recognition, investment real properties are measured at fair value. Profits or losses arising from changes in the fair value of investment real property are recognised in the profit and loss account in the period in which they arise. The fair value of investment real property reflects market conditions as at the balance-sheet date.

Inventories

During the financial year, direct and indirect materials are recognised at acquisition price or purchase cost. Direct and indirect materials are distributed according to the FIFO method. The adopted purchase price may constitute the purchase price, provided that the costs incurred in connection with the purchase of materials constitute insignificant value in relation to the purchase cost. The purchase cost of materials processed also includes storage costs necessary during the production process.

During the financial year, goods are recognised at acquisition price or purchase cost. The goods are distributed according to FIFO prices.

Land and real property intended for resale, treated as goods, are recorded and spent according to the principle of detailed identification.

Finished products, semi-finished products and work in progress are measured according to actual costs incurred for the production of finished products.

In the case of development activities, all expenditures related to the execution of the task are capitalised in inventories as work in progress.

The acquisition price or production cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The inventory acquisition costs comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the tax authorities), transport, loading and unloading costs, and other costs directly attributable to the acquisition of finished goods, materials and services. Discounts, rebates and other similar items shall be deducted in determining purchase costs.

The expenditures incurred to complete the construction contract before the contract is entered into, provided that it is probable that they will be recovered, are also recognised as work in progress.

As at the balance-sheet date, inventories are measured at acquisition or purchase prices or production cost, however, not higher than their net selling price (net realisable value). Net realisable value is the difference between the estimated selling price in the ordinary course of business and the estimated costs of completion and the costs necessary to make the sale.

Revaluation write-offs of tangible current asset components, related to impairment or measurement as at the balance-sheet date are charged to other operating expenses. If the reason for making a revaluation write-off ceases to exist, the value of tangible current assets is credited to other operating income. Circumstances indicating the need to make a revaluation write-off on inventories include in particular:
impairment of the value in use of inventories (destruction, overdue inventories),
the balance of inventories exceeds the demand and the possibility of sale by the Company,
low inventory turnover,
the loss of market value due to lower sales prices of competitors.

As at the date, an aging analysis of inventories is prepared, broken down by assortment, and the amount of revaluation write-offs is determined.

Receivables

Trade receivables and other receivables are recognised and disclosed at initially invoiced amounts. After the initial recognition, receivables are measured at amortised cost using the effective interest rate, taking into account revaluation write-offs on the value of receivables. Write-offs for doubtful receivables are estimated at the moment when it is no longer probable that the full amount of receivables will be recovered. When determining the amount of the revaluation write-off, the management of the entity, with the participation of financial and accounting services, takes into account all risks and events that may affect the probability of economic impairment of the item, with particular consideration of:

- known information on the financial and economic situation of the debtor,
- any court and enforcement proceedings that are pending against the debtor,
- current relations with the debtor,
- the age structure of the item.

Impairment losses are recognised in other operating expenses.

Trade receivables with a maturity date of less than 12 months from the date of origin of the receivables are not subject to discounting. The Capital Group applies maturity dates for trade receivables in the range of 14 to 90 days.

Receivables are classified into three unrecoverability risk categories by way of individual assessment. Depending on the classification, appropriate revaluation write-offs are made:

- low risk - no write-off
- medium risk - 50% gross value write-off
- high risk - 100% gross value write-off
- unrecoverable receivables - removed from the accounting books by write-off from costs

Receivables also include the un-invoiced portion of revenues which will arise from the estimation of the value of revenues under unfinished construction contracts and other long-term contracts.

Accruals and prepayments

In order to maintain matching of revenues and costs related to their achievement, costs and revenues related to particular reporting periods are separated. Prepaid expenses and costs, i.e. those related to future periods, are disclosed under prepaid expenses, whereas accrued expenses include amounts classified as costs of the current period, even though they will be covered in the future reporting period. Write-offs of prepaid and accrued expenses are made on the time basis or on the basis of the amount of benefits. The time and the method of accounting should by justified by the nature of the relevant expenses and subject to the prudence principle. The scope of typical expenditures settled over time includes in particular:

- prepaid press subscriptions,
- property insurance contributions,

- lease costs (rents),
- fees for occupation of roadway,

Items in the amount of probable liabilities related to the current reporting period are recognised in the accrual item.

Income accruals and prepayments

Income accruals and prepayments include mainly cash received to finance the acquisition of fixed assets under construction and intangible assets, which are accounted for in parallel with amortisation write-offs on fixed assets financed from such sources.

Financial instruments

Any contract that gives rise to a financial asset component of one party and a financial liability or capital instrument of the other party simultaneously is a financial instrument, provided that the contract between two or more parties has a clear economic effect.

The entity preparing the financial statements classifies the financial instruments into the following categories:

financial asset components or financial liabilities measured at fair value through profit and loss account - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

held-to-maturity investments - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Capital Group has the positive intention and ability to hold to maturity.

loans and receivables - non-derivative financial assets with fixed or determinable payments that are not traded on an active market.

financial assets available for sale - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investments or financial assets measured at fair value through financial result.

Recognition and de-recognition of a financial asset component and a financial liability

A financial asset or financial liability is disclosed on the balance sheet when it becomes a party to the contractual provisions of that instrument. Regular-way purchase and sale transactions of financial assets and financial liabilities are recognised on the date of the transaction.

A financial asset is de-recognised from the balance sheet when the rights to economic benefits and risks arising from the contract have been exercised, cancelled or have expired.

Measurement of financial instruments as at the day of their creation

As at the date of acquisition, financial assets and liabilities are measured by the Capital Group at fair value, i.e. most often at the fair value of the payment made in the case of an asset component or the amount received in the case of a liability.
The Capital Group includes the transaction costs in the initial value of measurement of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through profit and loss account.

Measurement of financial instruments as at the balance-sheet date

The valuation of financial instruments as at the balance-sheet date is carried out as follows:
- at amortised cost, taking into account the effective interest rate: held-to-maturity investments, loans and receivables and other financial liabilities; measurement may also be performed at the value requiring payment if the discount effects are not significant;
- at fair value: financial assets and liabilities of the category measured at fair value through profit and loss account and the category of financial assets available for sale.

The effects of measurement of financial assets available for sale are recognised in equity.
The effects of measurement of financial assets and liabilities classified into other categories are recognised in the profit and loss account.

Hedge accounting

Derivative instruments hedging cash flows with a highly probable planned transaction are recognised at fair value taking into account changes in such value:
- in the part deemed to be an effective hedge - directly in the equity,
- in the part deemed ineffective - in the profit and loss account.

Derivative instruments hedging the fair value of assets and liabilities are recognised at fair value. The effects of a change in the fair value of these instruments are recognised in the profit and loss account.

Discontinuation of hedge accounting

The person preparing financial statements ceases to apply hedge accounting to cash flows if:
- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative profit or loss on the hedging instrument which is recognised directly in equity shall remain separately recognised in equity until the planned transaction occurs;
- the hedge no longer meets the criteria for hedge accounting. In such a case, the cumulative profit or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated profit or loss related to the hedging instrument, recognised directly in equity, is recognised in the profit and loss account.

Equity

Equity is recognised in the accounting books with the division into types and according to the principles determined by the provisions of law and the provisions of the articles of association of the Company.

Capital from the sale of shares above their nominal value is created from the surplus of the issue price of shares, above their nominal value reduced by the costs of the issue. The costs of shares issue incurred at the establishment of a joint-stock company or increase in the initial capital reduce capital of the issue of shares above the nominal value of the surplus of the issue value over the nominal value of shares.
Undistributed financial result includes: amounts resulting from profit distribution, undistributed result from previous years, effects of errors from previous periods.
Minority capitals are a separate item of equity.

Bank credits and loans

All bank credits, loans and debt securities are initially recognised at their purchase price corresponding to the fair value of cash received, less costs related to obtaining a given credit or loan.

After initial recognition, interest-bearing credits, loans and debt securities are subsequently measured at adjusted acquisition price in the form of amortised cost, using the effective interest rate method. When calculating the adjusted purchase price, the costs related to obtaining a credit or loan, as well as discounts or premiums obtained at the settlement of the liability, shall be taken into account.

Liabilities

After initial recognition, all liabilities, except those measured at fair value, are measured, as a rule, at adjusted acquisition price using the effective interest rate method.
However, liabilities with a maturity of no more than 12 months after the balance-sheet date are not discounted.
Liabilities are presented in the financial statements divided into long-term and short-term liabilities. Moreover, liabilities towards related entities and liabilities towards other entities are separated.
Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries.
Liabilities also include amounts relating to the settlement of construction and other long-term services.
Amounts retained by suppliers are disclosed separately in the financial statements.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised in the financial statements because:

- it is not probable that an outflow of resources containing economic benefits will be required to settle the obligations, or
- the amount of the obligation cannot be measured with sufficient reliability.

The identified contingent liabilities are subject to presentation in the financial statements in additional notes and explanations,

Provisions

Provisions are created when the person preparing the financial statements has a present obligation (legal or constructive) arising from past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of that liability.

If the reporting entity expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset component, but only if there is a sufficient assurance that the reimbursement will actually be made.
Costs related to a given provision are disclosed in the profit and loss account, less all reimbursements.
The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.
If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money and the possible risks specific to the liability. If the discounting method is applied, an increase in the provision due to the passage of time is recognised as borrowing costs.
Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision.
The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

Provisions for employee benefits

The reporting entity creates a provision for the costs of accumulating paid absences, which it will have to incur as a result of the entitlement unused by the employees, and which accrued as at the balance-sheet date, as well as for retirement severance pay.

Provisions for unused leave are calculated on the basis of the actual number of days of unused leave in the current period, increased by the number of days of unused leave in previous periods. The provision for the cost of accumulating compensated absences is recognised after deducting any amounts already paid. The leave reserve is not discounted.

The provision for retirement severance pays is created on the basis of the number of employees and the number of years remaining until the date of retirement. The provision for retirement severance pays is subject to discounting.

Revenues

The amount of revenues is determined by the Entity according to the fair value of the payment received or due. The fair value of the consideration is determined by discounting all future cash inflows using the imputed interest rate. The imputed interest rate is most simply set at the interest rate for a similar financial instrument issued by an issuer of similar creditworthiness, or at the rate that discounts the nominal value of the financial instrument to the current cash selling price of the goods or service.
The difference between the nominal and fair value of receivables (discount) is recognised as costs of the activity to which the receivables relate.
The amount of revenue arising from a transaction is usually determined by contract between the Entity and the buyer or user of the asset component. It is measured at the fair value of the consideration paid, taking into account the amount of trade discounts and wholesale rebates granted by the Entity. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the transaction is recognised based on the stage of completion of the transaction at the balance-sheet date. The result of a transaction can be reliably estimated if all of the following conditions are met:
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity,
- the degree of execution of the transaction at the balance-sheet date can be determined reliably,
- the costs incurred in connection with the transaction and the costs of completing the transaction can be measured reliably.

The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the periods in which the services are rendered. Revenue recognition based on this method provides useful information about the extent of service activities and their results for a given period. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. When there is uncertainty about the recoverability of an amount already included in revenue, the entity recognises the unrecoverable amount or the amount for which recovery has ceased to be probable as an expense, rather than as an adjustment of the amount of revenue originally recognised.
The person preparing the financial statements applies the completion method based on the ratio of costs incurred to total costs expected for the performance of a given service.
When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses incurred that are expected to be recoverable. If the outcome of the transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and expenditure incurred is recognised as an expense. When the uncertainty which prevented the outcome of the contract from

being estimated reliably has been removed, revenue from transactions shall be recognised on the basis of the stage of completion of the transaction at the balance-sheet date.

Interest income arising from an entity transferring an asset to another entity for use (e.g. a loan, financial lease) is recognised taking into account the effective interest rate.
Royalties (e.g. under licences or similar entitlements) are recognised on an accrual basis in accordance with the substance of the contracts entered into.
Dividends are recognised at the moment the owner's right to obtain them is established. Revenues from barter transactions are recognised only if they have an economic substance.

Costs

The entity preparing the financial statements recognises costs in accordance with the principle of matching revenues and costs and the precautionary principle.
Own cost of sales as at the balance-sheet date is adjusted by the change in the fair value of financial instruments which hedge cash flows when the transaction is no longer effective and when the hedged item is realised.
Costs are accounted for by cost centres and by nature, with the basic cost reporting format used in the profit and loss account being the cost accounting format.

The total cost of products, goods and materials sold includes:
production cost of products sold,
production cost of services sold,
value of goods and materials sold,

In addition, the costs of the reporting period, which affect the financial result, are other operating costs, related indirectly to the operating activity, including in particular:
- Administrative expenses.
- Costs of sales.
- Loss on sale of tangible fixed assets and intangible assets.
- Donations made.
- Established provisions for disputes, penalties, damages and other costs indirectly related to operating activities, as well as financial costs related to financing the activity.

Transactions in foreign currencies

Transactions expressed in currencies other than the Polish zloty are converted into Polish zlotys using the exchange rate applicable on the date of the transaction or the exchange rate defined in the forward-type contract accompanying a given transaction.

As at the balance sheet date, monetary items expressed in currencies other than the Polish zloty are converted into the Polish zloty at the closing rate (spot rate) applicable at the end of the reporting period, i.e. the spot rate of exchange applicable at the balance-sheet date. Non-monetary balance sheet items denominated in foreign currencies are disclosed at the historical exchange rate as at the transaction date. Foreign exchange differences resulting from such translation are disclosed under financial income or expenses or, in cases provided for in the accounting policies, capitalised in the value of assets, except for cash items constituting a hedge of foreign exchange risk, which are recognised directly in capital in accordance with the cash flows hedge accounting principles.

The exchange rate applicable on the transaction date shall be the average exchange rate of the National Bank of Poland (NBP) announced on the day preceding the transaction date.
Immediate realisation rate as at the balance sheet date shall be the average exchange rate of the NBP announced as at the balance-sheet date.

Income tax

Obligatory encumbrances on the result include: current tax and deferred tax. Current tax encumbrance is calculated based on the tax result (tax base) of a given financial year. The tax profit (loss) differs from the net book profit (loss) due to exemption of taxable revenue and costs constituting costs of obtaining revenue in subsequent years and cost and revenue items which will never be subject to taxation. Tax encumbrances are calculated using tax rates applicable for a given financial year.

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future. Deferred tax is calculated on the basis of differences between the balance-sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base. Deferred tax provisions are created for all taxable temporary differences, whereas deferred tax asset components are recognised to the extent that it is probable that they will be available, against which the deductible temporary differences can be utilised against recognised future taxable profits. An asset component is also created on the basis of tax losses which can be settled and are carried forward, as well as unused tax exemptions.

The deferred income tax asset component and provisions may be offset when it is expected that the deferred tax asset component and provision will be realised in the same tax period.

An item of assets or a tax liability does not arise if the temporary difference results from goodwill or from the initial recognition of another asset component or liability in a transaction which does not affect either the tax result or the accounting result. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, unless the entity is able to control the timing of the reversal and it is probable that the reversal will not occur in the foreseeable future.

The value of a deferred tax asset is subject to analysis as at each balance-sheet date, and in the event that the expected future tax profits are not sufficient for the realisation of an asset component or a part thereof, it is written off. Deferred tax is calculated at tax rates which will apply at the moment when the asset item is realised or the liability becomes due. Deferred tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity. In the latter case, the deferred tax is also settled directly in equity.

Earnings per share (EPS)

Earnings per share are calculated by dividing the net profit for the period attributable to ordinary share holders by the weighted average number of shares outstanding during a given period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted for possible changes in profit resulting from the change of potential ordinary shares into ordinary shares by the adjusted weighted average number of ordinary shares.

Mergers and consolidation

Subsidiaries are all economic entities (including structured entities) controlled by the Compiler of financial statements. The Compiler of financial statements controls an entity when it is exposed to, or has the right to variable returns from, its involvement in that entity, and has the ability to influence those returns in its power over the entity. Subsidiaries are subject to full consolidation as of the date the control is transferred to the Group. Consolidation shall cease as from the date on which control ceases.

The Compiler of financial statements recognises business mergers using the purchase method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed from former owners of the acquiree and the capital interests issued by the group. The consideration transferred shall include the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business merger are initially measured at their acquisition-date fair values. As at the acquisition date, the Compiler of financial statements shall recognise all non-controlling interests in the acquiree, either at fair value or at the proportional share value (corresponding to the non-controlling share) in the acquiree's identifiable net assets. In the case of a business merger achieved in stages, the acquirer shall remeasure the balance sheet value of its previously held capital share in the acquiree at its acquisition-date fair value and recognise the resulting profit or loss. A contingent consideration that is classified as part of equity is not subject to a revaluation and its subsequent settlement is accounted for within equity. Intragroup transactions and settlements and unrealised gains arising from intragroup transactions shall be eliminated.
Changes in ownership interests in subsidiaries which do not result in a loss of control, transactions with non-controlling shareholders which do not cause the loss of control, are recognised as capital transactions, i.e. transactions with owners acting in their capacity as capital holders. The difference between the fair value of the consideration transferred and the share acquired in the balance sheet value of the subsidiary's net assets is recognised in equity. Profits or losses on sale of non-controlling interests are also recognised in equity.
Upon loss of control by the Group, any retained interest in the entity is measured at fair value as at the date of loss of control, with a change in the balance sheet value being recognised in the financial result. Fair value constitutes the initial balance sheet value for the purpose of subsequent recognition of a retained interest as an associate, joint venture or financial asset component. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are recognised as if the group had directly sold the related assets or liabilities. This may mean that

amounts previously recognised in other comprehensive income are reclassified to the financial result. Associates are all entities on which the Compiler of financial statements has significant influence, but which it does not control, which is usually the case when holding between 20% and 50% of the voting rights. Investments in associates are recognised using the equity method. Under this method, the investment in the associate is initially recognised at cost and the balance sheet value is increased or decreased to recognise the investor's share in the associate's results after the date of acquisition. The Group's investment in associates includes goodwill as at the acquisition date. If the ownership share in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is appropriately reclassified to the result. The share of the Compiler of financial statements in the financial result after the acquisition is recognised in the result report and its share in other comprehensive income after the acquisition is recognised in other comprehensive income together with an appropriate adjustment to the balance sheet value of the investment. When the Compiler of financial statements share in losses of an associate becomes equal to or greater than its share in that associate, including any other unsecured receivables, the reporting Compiler of financial statements shall de-recognise further losses unless it has assumed legal obligations or constructive obligations or made payments on behalf of the associate.
At each reporting date the Group determines whether there is objective evidence that an investment in an associate is impaired. If an impairment loss has been incurred, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its balance sheet value, and recognises that amount, in addition to its "share in the associate's profit/(loss)", in the result report.

A business merger under common control is a business merger in which all of the merging entities are ultimately controlled by the same party or parties both before and after the merger, and that control is not transitory. This applies in particular to transactions such as the transfer of companies or undertakings between Group entities or the merger of a parent company and its subsidiary.
The Company applies the pooling of shares method to settle the effects of mergers between entities under common control.

Principle of no-offsetting

This principle applies to the prohibition of offsetting assets and liabilities, unless IFRS requires or permits offsetting.
Income and expense items may be offset only when:
- offset is required by IFRS,
- profits, losses and related costs arising from the same or similar transactions or events are not material.

The following transactions, presented by way of offsetting, are accepted by the Capital Group:
- profits and losses on the sale of fixed assets, including investments and assets used in operating activities, are recognised in the amount of the difference between the revenues earned on the sale and the balance sheet value of a given asset component plus selling expenses;
- expenditure related to the provision which is contractually reimbursed by a third party (e.g. supplier's guarantee) is offset against the corresponding amount of reimbursement;

deferred income tax assets and liabilities are disclosed as surplus assets or provisions;

- advance payments received for the performance of work under construction contracts are offset against the value of revenue due under those contracts, provided that compensation is possible under the terms of the contract;
- profits and losses arising from a group of similar transactions are recognised in the net amount, e.g. foreign exchange difference profits and losses or profits and losses arising from the measurement of financial instruments held for trading and hedging recognised in the financial result, profits or losses arising from the discounting of long-term settlements;
- receivables and liabilities under settlement of input VAT and due VAT, concerning future settlement periods.

Cash flow statement

The cash flow statement is drawn up using the indirect method.

Changes in principles, changes in estimates, errors of previous years

A change in accounting principles (policy) is made when the legal regulations concerning accounting are changed, and when this results in the increase in reliability of financial statements containing information on the impact of transactions, other events and conditions on the financial position, financial result or cash flows.

In the case of changes in the accounting policy, it is assumed that the new accounting principles have always been applied. Related adjustments are shown as equity adjustments - in the item of profit/loss from previous years. In order to ensure comparability of data, the financial statements (comparable data) for previous years should be amended accordingly, so that the statements also reflect the changes made to accounting principles.

The items of the financial statements determined on the basis of estimates are subject to verification in the event of changes in the circumstances on which the estimates were based or as a result of obtaining new information or gaining greater experience.

Adjustment s caused by the removal of material errors from previous periods are charged to equity - in the item of profits/losses from previous years. In preparing the financial statements, it is assumed that the error has already been corrected at the time of the occurrence of the error. This means that the amount of the adjustment relating to the previous reporting period shall be included in the profit and loss account for that period.

Exceptional items

Exceptional items are disclosed separately in the financial statements when necessary for understanding the financial position and the results of the Compiler of financial statements. These are significant items of income or expenses which have been separately disclosed because of the materiality of the amounts or the nature of the event.

Business segments

In accordance with the requirements of IFRS 8, the Company identifies operating segments on the basis of internal reports which are regularly verified by the Management Board in order to allocate resources to particular segments and assess the results of their activities.
Segment activities are assessed mainly on the basis of revenues and results at the EBIT level.

The following segments are identified within the group within which the entity operates:

Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other

To the Other group other ancillary activities are assigned which do not affect the assessment of the financial position of the entity. All assets and liabilities are assigned to the main activity segments.

Items based on estimates and professional judgement

Lease contract classification - The Compiler of financial statements classifies leasing as an operating or finance lease based on an assessment of the extent to which risks and rewards incidental to ownership of the leased item are attributable to the lessor, and to which to the lessee. This assessment is based on the substance of each transaction.

The Compiler of financial statements makes judgements as to whether the result of the construction contract can be estimated reliably. The assessment shall be based on an analysis of the likelihood of the economic benefits associated with a given contract. Revenues from the performance of construction contracts are determined proportionally to the degree of advancement, measured as the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. Contract budgets are subject to a formal updating process. If the stage of advancement of the service cannot be reliably determined as at the balance-sheet date, the revenue is determined at the amount of contract costs incurred, for which it is probable that they will be recovered.

The Compiler of financial statements assesses whether there is any indication that an asset is impaired. Impairment of an asset occurs when the balance sheet value of an asset or a cash-generating unit exceeds its recoverable amount, understood as the fair value less sales costs or the value in use of an asset component or cash-generating unit, whichever is higher. The assessment is based on the estimation of future cash inflows and outflows from the continuing use of the asset component and from its ultimate sale, and the application of an appropriate discount rate to these future cash inflows.

The Compiler of financial statements assesses whether there is any indication that shares (stocks) in subsidiaries are impaired. The impairment test for a cash-generating unit is based on the estimation of future discounted cash flows (DCF method) generated by the company. Similarly, goodwill is tested for impairment.

The Compiler of financial statements assesses the probability of payment of receivables by taking into account their past due date, collaterals established and the debtor's situation, on a transaction-by-transaction basis.

The entity preparing the financial statements makes judgements with respect to the expenditures necessary to fulfil a given obligation as at the balance-sheet date, related to the pending court disputes. The assessment is based on an estimate of the amount the entity would be required to pay to settle the obligation at the balance-sheet date.

The Compiler of financial statements recognises a deferred tax asset component on the basis of the assumption that taxable profit shall be achieved in the future, against which it can be utilised. A decrease in tax income in the future could make this assumption unjustified.

The Compiler of financial statements applies the method of percentage advancement of works in the settlement of long-term contracts. Application of this method requires the Entity to estimate the proportion of contract costs incurred to date to total estimated contract costs. In justified cases, when this method would not reliably reflect the stage of completion of the contract, another method may be applied, reliably reflecting the stage of completion of the contract.

Amortisation rates are determined based on the anticipated useful economic life of tangible fixed asset components and intangible assets. The useful economic lives are reviewed annually by the Entity based on current estimates.

The entity measures investment real property at fair value using the DCF method based on estimation of future discounted cash flows.

IX. Changes in accounting principles and presentation of financial statements.

In the current financial year, the Compiler of financial statements did not make any significant changes in the accounting policy, other than those required by law (if any, described in a separate part of the statements), mainly resulting from changes in IFRS approved for use by the European Union.

In order to present the financial and property situation better in the financial statements, the Compiler of financial statements changed the presentations:
- consolidated statement of asset situation;
- consolidated statement of comprehensive income;
- consolidated statement of cash flows;
- consolidated statement of changes in capital.

As part of the changes introduced, the Company presents the results of the settlement of construction contracts in receivables and liabilities previously disclosed in prepayments and accruals.

			Old qualification	New qualification
	I		**Intangible assets**	Intangible assets
	II		**Tangible fixed assets**	
		1.	Fixed assets	Tangible fixed assets
		2.	Fixed assets under construction	Tangible fixed assets
		3.	Advance payments on fixed assets under construction	Trading receivables and other receivables
	III		**Long-term receivables**	
		1.	From related entities	Trading receivables and other receivables
		2.	From other entities	Trading receivables and other receivables
	IV		**Long-term investments**	
		1.	Real property	Investment real property
		2.	Intangible assets	Intangible assets
		3.	Long-term financial assets	Long-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)
		4.	Other long-term investments	Long-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)
	V		**Long-term prepayments and accruals**	
		1.	Deferred income tax assets	Deferred income tax assets
		2.	Other accruals and prepayments	Other fixed assets not classified elsewhere (including accruals)
B	**Current assets**			
	I		**Inventories**	Inventories
	II		**Short-term receivables**	
		1.	Receivables from related entities	
			a) trade receivables with a maturity of:	Trading receivables and other receivables
			b) other	
		2.	Receivables from other entities	
			a) trade receivables with a maturity of:	Trading receivables and other receivables
			- up to 12 months	
			- over 12 months	

		b) receivables under taxes, subsidies, customs duties, social and health insurance, and other benefits	Trading receivables and other receivables; Current income tax receivables
		c) other	Trading receivables and other receivables
		d) receivables claimed in court	Trading receivables and other receivables
	III	**Short-term investments**	
		1. Short-term financial assets	
		a) in related entities	Short-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)
		b) in other entities	Short-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)
		c) cash and other monetary assets	Cash and cash equivalents
		2. Other short-term investments	Short-term financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)
	IV	**Short-term accruals**	Other current assets not classified elsewhere (including accruals)
		TOTAL ASSETS	
		LIABILITIES	
A.		**Equity**	
	I	**Share capital**	Issued share capital
	II	**Called-up share capital**	Issued share capital
	III	**Own shares (stocks)**	Issued share capital
	IV	**Reserve capital**	Other capitals
	V	**Revaluation capital**	Other capitals
	VI	**Other reserve capitals**	Other capitals
	VII	**Retained profit (loss)**	
	VIII	**Net profit (loss)**	Profit (loss) attributable to owners of the entity
	IX	**Write-offs on net profit during the financial year**	Other capitals
B.		**Liabilities and provisions for liabilities**	
	I	**Provisions for liabilities**	
		1. Provisions under deferred income tax	Provisions under deferred income tax
		2. Provisions for pensions and similar benefits	
		- long-term	Other provisions for long-term liabilities
		- short-term	Provisions for short-term liabilities
		3. Other provisions	
		- long-term	Other provisions for long-term liabilities
		- short-term	Provisions for short-term liabilities
	II	**Long-term liabilities**	
		1. To related entities	Long-term trading and other liabilities; Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
		2. To other entities	
		a) credits and loans	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
		b) under issue of debt securities	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
		c) other financial liabilities	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
		d) other	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
	III	**Short-term liabilities**	

1.	To related entities	
	A) trade liabilities with a maturity of:	Trading and other liabilities
	b) other	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
2.	To other entities	
	a) credits and loans	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
	b) under issue of debt securities	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
	c) other financial liabilities	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
	d) trade liabilities with a maturity of:	Trading and other liabilities
	e) advance payments received on supplies	Trading and other liabilities
	g) under taxes, customs duties, insurance and other benefits to be paid	Trading and other liabilities; Income tax liabilities
	h) payroll liabilities	Trading and other liabilities
	i) other	Trading and other liabilities
IV	**Accruals and prepayments**	
1.	Negative goodwill	Liabilities directly related to fixed assets classified as held for sale
2.	Other accruals and prepayments	Liabilities directly related to fixed assets classified as held for sale
	TOTAL LIABILITIES	
	A. Net revenues from sales of products, goods and materials, including:	Revenue from sales
	B. Costs of sold products, goods and materials, including:	Own cost of sales
	C. Gross profit (loss) on sales (A-B)	**Gross profit from sales**
	D. Costs of sales	Other costs of operating and investment activities
	E. General administrative expenses	Other costs of operating and investment activities
	F. Profit (loss) on sales (C - D - E)	
	G. Other operating revenue	Other operating and investment activity revenues
	H. Other operating costs	Other costs of operating and investment activities
	I. Operating activity profit (loss) (F + G - H)	
	J. Financial income	Other operating and investment activity revenues
	K. Financial costs	Financial costs
	L. Profit (loss) on the sale of all or part of shares	Other operating and investment activity revenues
	O. Pre-tax profit (loss)	**Pre-tax activity profit (loss)**
	P. Income tax	Income tax attributable to continuing activities
	S. Net profit (loss) (N - O - P)	**Profit (loss) on continuing activities**
T.	**Other total income under:**	
I.	Financial assets available for sale	net amount, broken down into components which will not be reclassified to profit and loss account and subsequently reclassified to profit and loss account
II.	Cash-flow hedges	
III.	Other total income	
IV.	Income tax related to income from other comprehensive income	
V.	**Total comprehensive income (S+T)**	

X. Impact on the financial statements of current and future changes in the accounting

regulations.

Amendments to the existing standards issued by the International Accounting Standards Board (IASB) and approved for application in the EU enter into force for the first time in 2017:	Impact on financial statements / reference
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (published on 19 January 2016)	had no significant impact on the financial statements
Amendments to IAS 7 Disclosure Initiative (published on 29 January 2016)	had no significant impact on the financial statements
Amendments to IAS 1 "Presentation of Financial Statements" - Initiative with respect to disclosures - approved by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016)	had no significant impact on the financial statements
Standards and interpretations issued but not yet effective.	**Impact on financial statements / reference**
IFRS 9 Financial Instruments (published on 24 July 2014) – effective for annual periods beginning on or after 1 January 2018.	will not have any significant impact on the financial statements
IFRS 15 Revenue from Contracts with Customers (published on 28 May 2014) – effective for annual periods beginning on or after 1 January 2018.	will have a negligible impact on the financial statements
Explanations to IFRS 15 Revenue from Contracts with Customers (published on 12 April 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 01 January 2018,	will not have any significant impact on the financial statements
Amendments to IFRS 4 Application of IFRS 9 Financial Instruments including IFRS 4 Insurance Contracts (published on 12 September 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2018,	will not have any significant impact on the financial statements

Amendments to IFRS 2 Classification and Valuation of Payment Transactions based on Shares (published on 20 June 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2018,	will not have any significant impact on the financial statements
Amendments resulting from the Review of IFRS 2014-2016 (published on 08 December 2016) - until the date of approving these financial statements not approved by the EU - Amendments to IFRS 12, IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018,	will not have any significant impact on the financial statements
Interpretation of IFRIC 22 Transactions in Foreign Currency and Pre-payments (published on 8 December 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2018,	will not have any significant impact on the financial statements
Amendments to IAS 40: Transfer of the Investment Real Property (published on 8 December 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2018,	will not have any significant impact on the financial statements
IFRS 16 Leasing (published on 13 January 2016) - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2019,	will not have any significant impact on the financial statements
IFRS 14 Regulatory Deferral Accounts (published on 30th January 2014) - according to the decision of the European Commission, the standard approval process in the pre-release will not be initiated before the release of the standard in the final version - until the date of approving these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2016,	will not have any significant impact on the financial statements
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published on 11 September 2014) - works leading to the approval of these changes were postponed by the EU for an indefinite period - the date of coming into force was deferred by the IASB for an indefinite period,	will not have any significant impact on the financial statements
IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Payments" (applicable to annual periods beginning on or after 1 January 2018),	will not have any significant impact on the financial statements

XI. Notes to the consolidated financial statements.

Note 1 Tangible fixed assets

Ownership structure of fixed assets	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Own tangible fixed assets	241,078	246,384
Tangible fixed assets used under operating leases, leases, rental and similar arrangements	32,864	26,237
Total	**273,942**	**272,621**

Borrowing costs capitalised in the value of fixed assets	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Interest		
Foreign exchange differences		
Other borrowing costs		
Total		

There were no borrowing costs activated in tangible fixed assets.

Fixed assets used under a financial lease contract	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Costs	48,739	39,433
Depreciation	-15,875	-13,196
Total	**32,864**	**32,864**

Changes in fixed assets (by type groups) - for the period of 01/01/2016 - 31/12/2017.

Fixed assets by type	lands	buildings and structures	technical devices and machines	means of transportation	other fixed assets	Fixed assets under construction	Fixed assets held for sale	TOTAL
As at 01/01/2016								
Costs	**28,681**	**181,073**	**76,900**	**16,538**	**6,660**	**3,068**		**312,920**
Increases including:		3,766	7,079	1,830	366	2,110		15,151
- acquisitions		3,766	7,079	1,830	366	2,110		15,151
- acquisitions of subsidiaries								
- revaluation surpluses								
- transfers								
- other								
Decreases including:	-742		-812	-409	-32	-1,924		-3,919
- sale			-544	-401				-945
- transfers	-742					-1,924		-2,666
- shifts to the held-for-sale group								
- other			-268	-8	-32			-308
As at 31/12/2016								
Costs	**27,939**	**184,839**	**83,167**	**17,959**	**6,994**	**3,254**		**324,152**
As at 01/01/2016								
Depreciation		**-6,744**	**-23,326**	**-8,236**	**-3,047**			**-41,353**
Increases including:		-1,973	-7,230	-1,441	-526			-11,171
- amortisation		-1,973	-7,230	-1,441	-526			-11,171
- acquisitions of subsidiaries								
- other								
Decreases			651	310	32			993
- sale			527	305				832
- shifts to the held-for-sale group								
- transfers								
- other			124	5	32			161
Revaluation write-offs								
- revaluation write-offs								

As at 31/12/2016								
Depreciation		**-8,717**	**-29,905**	**-9,367**	**-3,541**			**-51,531**
Net book value as at 01/01/2016	**28,681**	**174,329**	**53,574**	**8,302**	**3,613**	**3,068**		**271,567**
Net book value as at 31/12/2016	**27,938**	**176,122**	**53,262**	**8,592**	**3,453**	**3,254**		**272,621**
As at 01/01/2017								
Costs	**27,939**	**184,839**	**83,167**	**17,959**	**6,994**	**3,254**		**324,152**
Increases including:	802	177	10,971	4,870	536	3,057		20,413
- acquisitions	668	177	10,971	4,870	536	3,057		20,413
- acquisitions of subsidiaries								
- revaluation surpluses								
- transfers								
- other								
Decreases including	-1,842		-6,681	-611	-4	-1,517		-10,655
- sale	-216		-6,668	-611	-4			-7,499
- shifts to the held-for-sale group								
- other	-1,626		-13			-1,517		-3,143
As at 31/12/2017								
Costs	**26,899**	**185,016**	**87,457**	**22,218**	**7,526**	**4,794**		**333,910**
As at 01/01/2017								
Depreciation		**-8,717**	**-29,905**	**-9,367**	**-3,541**			**-51,531**
Increases including:	-1	- 1,971	-5,649	-1,609	-508			-9,738
- amortisation	-1	- 1,971	-5 649	-1,609	-508			-9,738
- acquisitions of subsidiaries								
- other								
Decreases			731	565	4			1,300
- sale			718	565	4			1,287
- shifts to the held-for-sale group								
- transfers								
- other			13					13
Revaluation write-offs								
- revaluation write-offs								
As at 31/12/2017		**-10,688**	**-34,823**	**-10,411**	**-4,045**			**-59,968**

Depreciation								
Net book value as at 01/01/2017	27,938	176,122	53,262	8,592	3,453	3,254		272,621
Net book value as at 31/12/2017	27,898	174,328	52,634	11,807	3,481	4,794		273,942

No oversize expenditures on fixed assets are planned for the upcoming reporting periods under the approved investment plans.

Note 2 Investment real property

Investment real property measured acc. to the fair value model	undeveloped land	buildings and structures	TOTAL
As at 01/01/2016	**15,272**	**154,687**	**169,959**
Acquisitions of new real properties		2,059	2,059
Increases resulting from activation of subsequent expenditures			
Increases resulting from acquisitions through entity mergers			
Net amount of profits or losses resulting from fair value measurement		8,381	8,381
Foreign exchange difference from translation			
Transfers to and from inventories			
Sales		-668	-668
Transfers to and from owner-occupied real property			
Other changes			
As at 31/12/2016	**15,272**	**164,459**	**179,731**
Acquisitions of new real properties		28,331	28,331
Increases resulting from activation of subsequent expenditures			
Increases resulting from acquisitions through entity mergers			
Net amount of profits or losses resulting from fair value measurement		1,019	1,019
Foreign exchange difference from translation			
Transfers to and from inventories	-134	1,521	1,387
Sales			
Transfers to and from owner-occupied real property			
Other changes			
As at 31/12/2017	**15,138**	**195,330**	**210,468**

The amount of PLN 15 million disclosed in the consolidated financial statements relates to undeveloped land properties situated in Wola Pękoszewska, Skierniewice, at ul. Unii Europejskiej, and Rawa Mazowiecka, at ul. Biała.
The amount of PLN 195 million relates to investment real properties for lease:

a) Shopping Centre building with a value of PLN 125 million
b) Water Commercial Park building completed on 31/12/2017, with a value of PLN 28 million
c) apartments in Hel with a value of 13 million
d) Shopping Centre building in Rumia with a value of PLN 11 million
e) commercial building in Starachowice with a value of PLN 18 million

Ownership structure of investment real property value	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Own	210,468	179,731
Used under operating lease, lease, rental and similar arrangements		
Total	**210,468**	**179,731**

Investment real property used under a financial lease contract	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Activated lease costs		
Fair value changes		
Total		

Data regarding investment real property measured at fair value carried out by the entity	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Book value	210,468	179,731
Rent revenues	41,814	37,754
Direct operating costs for investment real properties generating rental income	-24,948	-22,746
Direct operating costs for investment real properties which have not generated rental income		
Total:	**16,866**	**14,459**
Amounts of restrictions on the realisation of economic benefits		
Contractual amounts for purchase, construction or adjustment		

Investment real properties according to the fair value hierarchy	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
I		
II	210,468	179,731
III		
Total	**210,468**	**179,731**

Note 3 Intangible assets

Ownership structure of intangible assets	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Own intangible assets	3,885	4,346
Intangible assets used under operating leases, leases, rental and similar agreements		
Total	**3,885**	**4,346**

Borrowing costs capitalised in intangible assets	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Interest		
Foreign exchange differences		
Other borrowing costs		
Total	-	-

Intangible assets used under a financial lease contract	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Costs	2,885	2,885
Depreciation	-765	-412
Total	**2,120**	**2,473**

	Costs of completed development works	Goodwill	Programmes and licenses	Other intangible assets	Advances on intangible assets	TOTAL
As at 01/01/2016						
Costs		13,026	5,430			18,456
Depreciation and revaluation write-offs			-1,135			-1,135
Net book value		13,026	4,295			17,321
Increases			611			611
including revaluation surpluses						
Decreases			-560			-560
including changes in accumulated amortisation			-560			-560
Foreign exchange differences						
As at 31/12/2016						
Net book value	-	**13,026**	**4,346**	-	-	**17,372**
as at 01/01/2017						
Costs		13,026	6,041			19,067
Depreciation			-1,695			-1,695
Revaluation write-offs						
Net book value	-	**13,026**	**4,346**	-	-	**17,372**
as at 31/12/2017						
Costs		**13,026**	**6,041**			**19,067**
Increases including:						
- acquisitions			282			282
- acquisitions of subsidiaries						
- revaluation surpluses						
- transfers						
- other						
Decreases including:						
- sale						
- shifts to the held-for-sale group						
- other						
Depreciation			**-1,695**			**-1,695**
Increases including:			-743			-743
- amortisation			-743			-743
- acquisitions of subsidiaries						
- other						
Decreases						
- sale						

- shifts to the held-for-sale group						
- transfers						
- other						
Revaluation write-offs						
- revaluation write-offs						
- withdrawals of revaluation write-offs						
Foreign exchange differences						
Net value	-	**13,026**	**3,885**	-	-	**16,911**

The main component of intangible assets is the SAP system. The program has a useful life of 10 years and its residual value is PLN 0.00.

Goodwill has been allocated to the relevant activity segments as cash-generating units. The impairment tests carried out for these units, based on discounted cash flows, indicated that the recoverable value of these assets was higher than their book value.
Cash flows have been designed on the basis of historical data and the best management forecasts. The discount factors were selected on the basis of external sources and presented in the note corresponding to the report on activity segments.

Note 4 Long-term financial assets (excluding trading receivables, assets measured using the equity method and cash and cash equivalents) and financial data of subsidiaries.

Financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Capital investments in subsidiaries		
Other	2,978	9,617
Total	**2,978**	**9,617**

Capital investments in subsidiaries	JHM Development S.A.	PPDiM KOBYLARNIA S.A.	Expo Mazury S.A.	TOTAL
As at 01/01/2016	**196,365**	**49,554**	**72,592**	**318,511**
Increases			11,300	11,300
Decreases			-18,592	-18,592
Foreign exchange differences				
As at 31/12/2016	**196,365**	**49,554**	**65,300**	**311,219**
Increase under increase of shares in share capital				
Subsidies to capitals			9,200	**9,200**
Reversals of revaluation write-offs				
Re-qualification under obtaining control				
Re-qualification from other categories				
Other increases				
Sale of shares in subsidiaries				
Revaluation write-offs				
Re-qualification under loss of control				
Mergers with subsidiaries				
Re-qualification to other categories				
Other reductions				
As at 31/12/2017	**196,365**	**49,554**	**74,500**	**320,419**

Other financial assets (excluding trading receivables, assets measured according to the equity method and cash and cash equivalents)	in PLN thousand			
	As at:	Increases	Decreases	As at:
	31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	31/12/2016
Long-term financial assets			**-6117**	**6,117**
in related entities	-	-		-
- other securities (bonds)				
- loans granted				
- other long-term financial assets				
in other entities			**-6,117**	**6,117**
- shares or stocks				
- financial assets available for sale				
- held-to-maturity financial assets				
- assets under derivative instruments				
- loans granted				
- other long-term financial assets			-6,117	6,117
Short-term financial assets	**2,978**		**-522**	**3,500**
in subsidiaries and jointly controlled entities	-	-	-	-
- shares or stocks available for trading				
- other securities				
- loans granted				
- other short-term financial assets				
in associates				
- shares or stocks available for trading				
- other securities				
- loans granted				
- other short-term financial assets				
in other entities	**2,978**		**-522**	**3,500**
- shares or stocks (listed)				
- other shares or stocks				
- financial assets measured at fair value by financial result				
- financial assets available for sale				
- held-to-maturity financial assets				

- assets under derivative instruments				
- loans granted	2,978		-522	3,500
- other short-term financial assets				
Total	**2,978**		**-6,639**	**9,617**

Basic financial data of the main, directly controlled subsidiaries	JHM Development S.A.	PBDiM Kobylarnia S.A.	Expo Mazury S.A.	Mirbud Kazachstan Sp. z o.o.
Total assets	319,800	163,402	185,475	
Long-term liabilities	7,410	40,701	82,486	
Short-term liabilities	34,101	67,809	18,379	
Equity	278,289	54,892	84,610	
Direct share in capital	86.28%	100.00%	63.29%	100.00%
Share in equity (direct and indirect)	86.28%	100.00%	99.99%	100.00%
Revenue from sales	96,891	263,622	19,160	
Net profit (loss)	7,357	4,228	-508	
Total income for the net financial year	7,357	4,228	-508	
Total net cash flows	3,081	-3,594	211	

Basic financial data of the main, indirectly controlled subsidiaries	Marywilska 44 Sp. z o.o.	JHM 1 Sp. z o.o.	JHM 2 Sp. z o.o.	JHM 3 Sp. z o.o. in liquidation
Total assets	191,603	19,675	14,176	1
Long-term liabilities	38,627	8,874	4,350	
Short-term liabilities	28,236	762	538	
Equity	124,740	10,039	9,288	1
Share in equity (direct and indirect)	**86.28%**	**86.28%**	**86.28%**	**86.28%**
Revenue from sales	38,768	992	702	
Net profit (loss)	6,871	1,515	676	
Total income for the net financial year	6,871	1,515	676	
Total net cash flows	10	7	14	-2

Note 5 Investments measured using the equity method.

Neither in the current nor in the previous reporting period did the item occur.

Note 6 Trading and other receivables.

Trading and other receivables	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Long-term receivables	**15,907**	**16,327**
trading receivables from related entities		
trading receivables from other entities		
other receivables from related entities		
other receivables from other entities	15,907	16,327
Short-term receivables	**236,851**	**209,399**
trading receivables from related entities		
trading receivables from other entities	89,999	79,840
amounts retained under execution of contracts from related entities		
amounts retained under execution of contracts from other entities	27,397	14,794
other receivables from related entities		
other receivables from other entities		1,754
amounts committed for deliveries	4,252	357
budgetary receivables, except for corporate income tax settlements	4,684	122
disputed receivables claimed in court	26,759	26,072
calculation of receivables under settlement of long-term contracts	83,760	86,460
Total	**252,758**	**225,726**

Age structure of short-term receivables	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Gross trading receivables	**255,704**	**229,244**
not overdue	168,544	189,014
overdue up to 3 months	54,914	13,751
overdue from 3 to 6 months	5,397	1,439
overdue from 6 to 12 months	3,047	2,023
overdue over 12 months	23,802	23,017

Receivables revaluation write-off	-2 946	-3 518
Net trading receivables	**252 758**	**225 726**

Receivables revaluation write-offs	Trading receivables	Disputed receivables	Other	Total
As at 01/01/2016	**-3,522**	-	-	**-3,522**
Increases	1,350			1,350
Releases	-4,868			-4,868
Utilisations	3,522			3,522
As at 31/12/2016	**-3,518**	-	-	**-3,518**
Increases	349			349
Releases	365			365
Utilisations	-142			-142
as at 31/12/2017	**-2,946**	-	-	**-2,946**

Note 7 Biological assets.

Neither in the current nor in the previous reporting period did the item occur.

Note 8 Other assets not classified elsewhere (including accruals and prepayments).

Other assets	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Other long-term assets	**1,983**	**1,286**
Long-term accruals and prepayments	1,983	1,286
Other long-term assets, not elsewhere classified		
Other short-term assets	**3,635**	**2,585**
Short-term accruals and prepayments	3,635	2,585
Other short-term assets, not elsewhere classified		
Total	**5,618**	**3,871**

Note 9 Inventories.

Inventories	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Materials	11,533	14,582
Semi-finished products and products in progress	38,736	77,081
Finished products	16	82
Goods	49,520	51,703
Finished developer contracts	72,831	40,036
Total	**172,636**	**183,484**

Inventory revaluation write-offs	Materials	Semi-finished products and products in progress	Finished products	Goods	Finished developer contracts

As at 01/01/2016	-	-	-	-	-
Increases					
Releases					
Utilisations					
As at 31/12/2016	-	-	-	-	-
Increases					
Releases					
Utilisations					
as at 31/12/2017	-	-	-	-	-

There were no circumstances indicating the need to make revaluation write-offs on inventories.

Note 10 Cash and cash equivalents.

Cash and cash equivalents	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Cash on hand and with banks	21,674	33,030
Term deposits	21,913	11,456
Other cash assets	2,957	
Total	**46,544**	**44,486**

Term deposits in the amount of PLN 1,800 thousand are interest-bearing funds used as security for the Marywilska 44 company's credit contract.
The amount of PLN 7,031 thousand is short-term deposits of the JHM Development SA company.
Term deposit in the amount of PLN 144 thousand constitutes interest-bearing funds securing the credit contract of the JHM 2 Sp. z o.o. company.
Term deposits in the amount of PLN 11,939 thousand are interest-bearing funds constituting a security for proper performance of construction contracts of MIRBUD S.A.
As a result, they are limited in their use.
Other cash assets are funds accumulated on individual housing accounts by purchasers of residential units for development investments in the course of construction.

Note 11 Fixed assets held for sale and liabilities related to them.

Neither in the current nor in the previous reporting period did the item occur.

Note 12 Capitals.

Capitals and liabilities	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Issued share capital	8,249	8,249
Retained profit attributable to shareholders of the parent company	100,011	80,533
Write-offs from net profit during the financial year related to shareholders of the parent company		
Cumulated other income attributable to shareholders of the parent company		
Other capitals attributable to shareholders of the parent company	170,543	170,544
Net profit (loss) attributable to shareholders of the parent company	22,798	19,479

Foreign exchange difference from translation		
Capital attributable to non-controlling shares	54,264	51,959
Total	**355,866**	**330,764**

Share capital structure	Number of shares	Value of the capital	share nominal value	Registration date	Manner of coverage
	thousand Pieces	in PLN thousand	in PLN	dd/mm/yyyy	
Series A ordinary shares	19,500	1,950	0.10	22/12/2006	Financial contribution
Series B ordinary shares	14,625	1,463	0.10	22/12/2006	Financial contribution
Series C ordinary shares	2,264	226	0.10	22/12/2006	Financial contribution
Series D ordinary shares	3,611	361	0.10	22/12/2006	Financial contribution
Series E ordinary shares	5,000	500	0.10	11/12/2019	Financial contribution
Series F ordinary shares	10,000	1,000	0.10	03/03/2010	Financial contribution
Series G ordinary shares	10,000	1,000	0.10	19/05/2010	Financial contribution
Series H ordinary shares	10,000	1,000	0.10	18/08/2010	Financial contribution
Series I ordinary shares	7,493	749	0.10	25/06/2014	Financial contribution
Total at the beginning of the period	**82,493**	**8,249**	-	-	-
Total at the end of the period	**82,493**	**8,249**	-	-	-
Total as at the date of approval of financial statements for publication	**82,493**	**8,249**	-	-	-

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Peter Gyllenhammar AB	Other Shareholders
As at 31/12/2016				
Owned ordinary shares	33,590,594	10,193,049	-	39,708,857
Preference shares held				
Share in capital	39.51%	12.36%	-	48.14%
Share in profit	39.51%	12.36%	-	48.14%
Share in voting	39.51%	12.36%	-	48.14%
As at 31/12/2017				
Owned ordinary shares	33,145,008	10,193,049	-	39,154,443
Preference shares held				
Share in capital	40.18%	12.36%	-	47.46%
Share in profit	40.18%	12.36%	-	47.46%
Share in voting	40.18%	12.36%	-	47.46%
Balance as at the date of approval of financial statements for publication				
Owned ordinary shares	33,307,750	10,193,049	4,300,400	34,691,401
Preference shares held				
Share in capital	40.38%	12.36%	5.21%	42.05%
Share in profit	40.38%	12.36%	5.21%	42.05%
Share in voting	40.38%	12.36%	5.21%	42.05%

Shares of the Company held by members of management and supervisory bodies	Jerzy Mirgos - President of the Management Board	Dariusz Jankowski - Chairman of the Supervisory Board
As at 31/12/2016		
Owned ordinary shares	32,590,594	39
Preference shares held		
Share in capital	39.51%	0.00%
Share in profit	39.51%	0.00%
Share in voting	39.51%	0.00%
As at 31/12/2017		
Owned ordinary shares	33,145,008	39

Preference shares held		
Share in capital	40.18%	0.00%
Share in profit	40.18%	0.00%
Share in voting	40.18%	0.00%
Balance as at the date of approval of financial statements for publication		
Owned ordinary shares	33,307,750	39
Preference shares held		
Share in capital	40.38%	0.00%
Share in profit	40.38%	0.00%
Share in voting	40.38%	0.00%

Note 13 Provisions.

Provisions	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Long-term provisions	**2,408**	**1,650**
provisions for retirement benefits	935	689
other long-term provisions	1,473	961
Short-term provisions	**2,974**	**2,399**
provisions for retirement benefits	542	433
provisions for warranty repairs	1,000	1,000
provisions for losses under settlement of long-term contracts		
other short-term provisions	1,432	966
Total	**5,382**	**4,049**

Note 14 Financial liabilities, except for provisions, trading liabilities and other liabilities.

Loans and bank credits and other debt instruments	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	**177,936**	**194,138**
Financial liabilities due to related entities		
Loans and credits from other entities	162,222	182,294
Liabilities under derivative instruments		
Debt securities issued		
Liabilities under financial lease	15,714	11,845
Other		
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	**67,754**	**66,088**
Financial liabilities due to related entities		
Loans and credits from other entities	59,070	58,747
Liabilities under derivative instruments		
Debt securities issued		
Liabilities under financial lease	8,684	7,340
Other		
Total	**245,690**	**260,226**

Structure of debt instruments	in PLN thousand					
	loans and credits	Liabilities under derivative instruments	Debt securities issued	Liabilities under financial lease	Other	Total
As at 01/01/2016	**241,705**	-		**16,537**	-	**258,242**
Accrued interest	12,639			638		13,277
Interest paid	-12,505			-638		-13,143
Incurrences	97,504			11,745		105,649
Repayment	-98,302			-5,497		-103,799
Average liabilities	239,573			19,661		259,234
Real interest rate	5.28%			3.25%		5.12%
As at 31/12/2016	**237,441**			**22,785**		**260,226**
minimum fees up to 1 year	55,147			10,940		66,088
minimum fees from 1 year to 5 years	180,464			11,845		192,308
minimum fees over 5 years	1,830					1,830
interest payable up to 1 year	12,527			739		13,266
interest payable over 1 and up to 5 years	38,470			1,537		40,007
interest payable over 5 years	97					97
Approximate fair value	237,432			21,975		259,407
as at 01/01/2017	**237,441**			**22,785**		**260,226**
Accrued interest	12,908			987		13,895
Interest paid	-12,655			-987		-13,631
Incurrences	87,591			12,028		99,619

Repayment	-103,740			-10,415		-114,155
Average liabilities	239,573			23,592		263,165
Real interest rate	5.28%			4.18%		
As at 31/12/2017	**221,292**			**24,398**		**245,690**
minimum fees up to 1 year	92,146			10,678		102,824
minimum fees from 1 year to 5 years	89,041			13,721		102,762
minimum fees over 5 years	40,105					40,105
interest payable up to 1 year	9,252			734		9,986
interest payable over 1 and up to 5 years	20,053			1,148		21,201
interest payable over 5 years	3,176					3,176
Approximate fair value	217,796			23,848		241,644

Note 15 Trading liabilities and other liabilities.

Trading and other liabilities	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Long-term liabilities	**49,052**	**44,058**
Trading liabilities to related entities		
Retained amounts to related entities		
Other liabilities to related entities		
Trading liabilities to other entities		
Retained amounts to other entities	49,052	44,058
Other liabilities to other entities		
Short-term liabilities	**235,212**	**203,477**
Trading liabilities to related entities	17	
Retained amounts to related entities		
Other liabilities to related entities		
Trading liabilities to other entities	139,101	172,898
Liabilities under settlement of long-term contracts	1,809	
Advance payments received	15,518	5,150
Promissory note liabilities		
Budgetary liabilities with the exception of the corporate income tax	41,493	12,360
Settlements under remuneration	3,027	2,818
Retained amounts to other entities	34,133	
Other liabilities to other entities	114	10,251
Total	**284,264**	**247,535**

Note 16 Other liabilities and shot-term liabilities not elsewhere classified (including accruals and prepayments)

Other liabilities and provisions not classified, including accruals and prepayments	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Long-term	**55,476**	**64,524**
Revenues settled in time	55,476	64,524
Accruals		
Other items		
Short-term	**30,166**	**23,206**
Revenues settled in time	27,971	23,206
Accruals	2,195	
Other items		
Total	**85,642**	**87,730**

Note 17 Sales revenues

Structure of sales revenues	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Net revenue from sales of products and services	**821,092**	**743,609**
- to related entities		
- to other entities	821,092	743,609
Net revenues from sales of products	**19,796**	**30,360**
- to related entities		
- to other entities	19,796	30,360
Net revenues from sales of materials	**18,968**	**25**
- to related entities		
- to other entities	18,968	25
Total	**859,856**	**773,993**

Geographical structure of sales revenues	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Net revenue from sales of products and services	**821,092**	**743,609**
- domestic sales	821,092	743,609
- export sale		
Net revenues from sales of products	**19,796**	**30,360**
- domestic sales	19,796	30,360
- export sale		
Net revenues from sales of materials	**18,968**	**25**
- domestic sales	18,968	25
- export sales		
Total	**859,856**	**773,993**

Settlement of profits or losses under long-term services in progress	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Revenues invoiced for services in progress	961,946	966,422
Adjustment of revenues on account of settlement of advancement of construction services	84,468	86,460
Total	1,045,414	1,052,882
Incurred costs of services in progress	-947,947	-999,160
Adjustment of costs under settlement of advancement of construction services		
Total	**-947,947**	**-999,160**
Losses on contracts being executed		
Impact on the current financial result	**83,760**	**86,460**
Impact on the cumulative results of unfinished contracts as at the balance-sheet date	**97,467**	**53,722**

In the construction industry there is a seasonality of annual sales resulting from the production processes taking place in the construction industry and from the cycle on the construction and assembly services market. Due to technological and atmospheric conditions, the majority of construction works are carried out in the period from March to November. Possible delays resulting from atmospheric conditions are assumed in the investment implementation schedules and do not threaten their timely completion.

Note 18 Own cost of sales

Own cost of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Production costs of products sold	**-741,278**	**-673,318**
- to related entities		
- to other entities	-741,278	-673,318
Value of sold goods	**-16,351**	**-29,415**
- to related entities		
- to other entities	-16,351	-29,415
Value of sold materials	**-17,998**	**-25**
- to related entities		
- to other entities	-17,998	-25
Total	**-775,627**	**-702,758**

Own cost of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Production costs of products sold	**-741,278**	**-673,318**
- own cost of domestic sales	-741,278	-673,318
- own cost of export sales		
Value of sold goods	**-16,351**	**-29,415**
- own cost of domestic sales	-16,351	-29,415
- own cost of export sales		
Value of sold materials	**-17,998**	**-25**
- own cost of domestic sales	-17,998	-25
- own cost of export sales		
Total	**-775,627**	**-702,758**

Structure of costs by type	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Amortisation	-10,481	-9,673
Consumption of materials and energy	-151,482	-113,383
Outsourcing	-590,932	-592,153
Taxes and charges, including:	-6,103	-5,708
Remunerations	-53,228	-43,910
Social insurance and other benefits	-9,993	-8,034
Other costs by type	-18,429	-17
Value of goods and materials sold	-34,349	-29,440
Costs of manufacturing products by the entity for its own purposes		
Total	**-874,997**	**-802,319**

Recognition of costs by type in the financial statements	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
In own cost of sales	-775,627	-702,758
In change in the balance of assets	-54,693	-58,582
In sales costs	-5,157	-3,986
In general administrative costs	-39,520	-36,993
In other items		
Total:	**-874,997**	**-802,319**

Note 19 Shares in profits or losses of associates and joint ventures accounted for in accordance with the equity method

The item did not occur in the current and previous financial year.

Note 20 Other revenue and costs

Other revenues and costs of operating and investment activities	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Costs of sales	-5,157	-3,986
Administrative expenses	-39,520	-36,993
Revaluation write-offs of non-investment assets	-1,418	-3,112
Reversal of revaluation write-offs of non-investment assets	276	
Costs of restructuring		
Result of settlements of court cases		
Result on sale of non-investment fixed assets	246	320
Revenues under revaluation of investment property	1,019	17,502
Costs under revaluation of investment property		-9,122
Result on sale of investment real property		-97
Result on sale of all or part of subsidiaries		
Result on sale of other financial investments		
Dividends		
Interest	1,304	692
Result on revaluation of other financial investments measured at fair value through financial result		
Result on measurement of investments disclosed acc. to the equity method		
Revaluation write-offs of other financial assets		
Reversal of revaluation write-offs of other financial assets		
Foreign exchange differences of operating and investment activities	-377	1,966
Other revenues	18,808	14,983
Other costs	-11,545	-11,900
Total revenues	**21,653**	**35,463**
Total costs	**-58,017**	**-65,209**

Shares in profits or losses of associates and joint ventures accounted for in accordance with the equity method	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Income on account of increase in the value of investments measured according to the equity method		
Costs under decrease in the value of investments measured according to the equity method		
Total		

The above items did not occur.

Structure of revaluation write-offs of non-investment assets	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Tangible fixed assets		
- creation of revaluation write-off		
- reversal of revaluation write-off		
Intangible assets		
- creation of revaluation write-off		
- reversal of revaluation write-off		
Receivables		
- creation of revaluation write-off	-901	-3,112
- reversal of revaluation write-off	306	
Inventories		
- creation of revaluation write-off		
- reversal of revaluation write-off		
Fixed assets held for sale		
- creation of revaluation write-off		
- reversal of revaluation write-off		
Other		
- creation of revaluation write-off		
- reversal of revaluation write-off		
Total revaluation write-offs of assets	-901	-3,112
Total reversal of revaluation write-offs	306	-

Revenues and costs from investment real property	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Revenues from sales to related entities		
Revenues from sales to other entities		571
Own cost of sales to related entities		
Own cost of sales to other entities		-668
Increase in fair value of investment real property	1,019	17,502
Decrease in fair value of investment real property		-9,122
Result on investment real properties	**1,019**	**8,283**

The above items did not occur.

Revenues and costs from financial investments	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Dividends to related entities		
Dividends to other entities		
Interest to related entities		
Interest to other entities	740	692
Revenues from sales of all or part of subsidiaries		
Own cost of sales of all or part of subsidiaries		
Revenues under increase in the value of derivative instruments		
Costs under decrease in the value of derivative instruments		
Revenues from ineffective hedging instruments		
Costs of ineffective hedging instruments		
Reversal of revaluation write-offs of other financial assets		
Revaluation write-offs of other financial assets		
Revenues from increase in investments measured at fair value through financial result		
Costs under decrease in the value of investments measured at fair value through financial result		
Foreign exchange gains	620	1,966
Foreign exchange losses	-56	
Result on financial investment activities	**1,304**	**2,658**

Other revenues	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Grants received	9,186	9,204
Other revenues from related entities	2,647	
Other revenues from other entities	6,975	5,779
Total	**18,808**	**14,983**

Other costs	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Donations	-143	-116
Other costs from related entities		
Other costs from other entities	-11,402	-11,783
Total	**-11,545**	**-11,900**

Note 20 Financial costs.

Financial costs	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Interest on credits		-12,023	-11,815
Interest on loans from related entities			
Interest on loans from other entities			
Interest on bonds for related entities			
Interest on bonds for other entities			
Interest on liabilities under financial lease contracts from related entities			
Interest on liabilities under financial lease contracts from other entities		-987	-638
Other interest for related entities		-540	
Other interest for other entities		-2,020	-454
Measurement of capital instruments			
Interest under factoring contracts		-885	-824

Foreign exchange differences from financial liabilities			
Other financial costs for related entities			
Other financial costs for other entities			
Total financial costs		**-16,455**	**-13,731**

Note 21 Income tax.

Income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Income tax current part	-2,777	-7,419
Income tax deferred part	-3,530	1,141
Other tax charges on financial result		
Adjustments concerning earlier years		
Total income tax	**-6,307**	**-6,277**

Agreement on effective tax rate	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Pre-tax profit (loss)	31,410	27,757
Statutory rate of tax in %	19%	19%
Tax with the application of the statutory (normative) rate	-5,968	-5,274
Tax effect of dividends received		
Tax benefits		
Assets under tax loss for the reporting period not included in deferred tax		
Tax effect of other revenues and costs which are not permanently tax revenues and costs	-339	-1,003
Other		
Income tax in result account	**-6,307**	**-6,277**

Deferred tax	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Deferred tax assets	**19,382**	**18,684**
- under provisions for employee benefits	570	369
- under other provisions	1,934	2,969
- under accrued interest	79	78
- under revaluation write-offs of current assets	671	27
- under the measurement of investments	282	
- under settlement of construction contracts	344	490
- under losses from previous years	3,976	7,363
- under tax and balance sheet differences in the value of fixed assets and lease contracts	62	
- under foreign exchange differences		
- other	11,464	7,388
Provisions under deferred tax	**26,843**	**22,615**
- under accrued interest	440	54
- under the measurement of investments	3,553	6,637
- under settlement of construction contracts	8,679	3,744
- under tax and balance sheet differences in the value of fixed assets and lease contracts	13,906	10,543
- under foreign exchange differences		
- under goodwill		
- other	265	1,636
Assets (Provisions) under deferred net income tax	**-7,461**	**-3,931**

Assets (Provisions) under deferred net income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Assets (Provisions) under deferred net income tax at the beginning of the period	**-3,931**	**-5,073**
Reference to the financial result	-3,530	1,141
Reference to other comprehensive income		
Other reference to equity		
Subsidiaries		
Assets (Provisions) under deferred net income tax at the end of the period	**-7,461**	**-3,931**

Receivables (liabilities under deferred income tax)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Receivables (liabilities under income tax) at the beginning of the period	**-2,747**	**-4,328**
Payment (refund) of income tax	7,761	9,000
Current income tax calculation	-2,777	-7,419
Receivables (liabilities under income tax) at the end of the period	**2,237**	**-2,747**

Note 21 Other comprehensive income.

Other total income	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Items that will not be subsequently reclassified to profit or loss account		
Foreign exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on components which will not be carried forward in later periods		
Items that will be reclassified to profit or loss after meeting specified conditions		
Effects of measurement of financial instruments by other comprehensive income		
Effective part of hedge accounting		
Effects of the revaluation of fixed assets		
Transfer to the statements from the profit and loss account		
Income tax related to items presented in other comprehensive income		
Other total net income	-	-
Assigned to non-controlling shares		
Assigned to the owners of the parent company	-	-

Neither in the current period nor in the comparative period did any items occur which affected other total income.

Note 22 Earnings per share (EPS).

Earnings per share	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Profit (loss) on continued activities attributable to owners of the parent company	22,798	19,479
Profit (loss) on discontinued activities attributable to owners of the parent company		
Total	**22,798**	**19,479**
Weighted average number of ordinary shares in thousands of pieces	**82,493**	**82,493**
Basic earnings per share	**0.28**	**0.24**
Interest costs on convertible bonds (after deducting tax)		
Profit (loss) to determine diluted earnings per share	**22,798**	**19,479**
Issued share options in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
Weighted average number of ordinary shares for the purposes of diluted earnings per share in thousands of pieces	**82,493**	**82,493**
Diluted earnings per one share	**0.28**	**0.24**

Note 23 Operating segments.

The activity of the compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. In the Capital Group, where the Issuer is a parent company, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.
Other activities, which do not have a significant effect on the financial and asset situation of the compiler of the financial statements, have been assigned to other items.

Mirbud S.A.
Annual financial statements for the period
from 01/01/2017 to 31/12/2017

Selected items of the profit and loss account for segments in PLN thousand in the comparative period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017
Continued activities	-	-	-	-	-	-	-	-
Revenue from sales	**863,351**	**95,840**	**42,014**	**19,160**	**1,811**	**1,022,176**	**-163,320**	**859,856**
Own cost of sales	-808,708	-79,386	-25,101	-18,820	-2,434	-934,449	-158,822	-775,627
Gross profit from sales	**54,643**	**16,454**	**16,913**	**340**	**-623**	**87,727**	**-3,498**	**84,229**
EBIT	32,103	9,442	13,349	2,183	-623	56,454	-8,589	47,865
Pre-tax activity profit (loss)	**15,198**	**7,944**	**12,618**	**-508**	**-623**	**34,629**	**-3,219**	**31,410**
Income tax attributable to continuing activities	-3,454	-1,430	-2,328		118	-7,094	-787	-6,307
Profit (loss) on continuing activities	**11,744**	**6,514**	**10,290**	**-508**	**-505**	**27,535**	**-2,432**	**25,103**
Discontinued activities								
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**11,744**	**6,514**	**10,290**	**-508**	**-505**	**27,535**	**-2,432**	**25,103**
Assigned to the owners of the parent company	**11,744**	**6,514**	**10,290**	**-508**	**-505**	**27,535**	**-4,737**	**22,798**

Concentration of recipients by business activity segments	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 31/12/2017
Recipient 1	**145,163**							**145,163**
Recipient 2	52,225							52,225
Recipient 3	**51,172**							**51,172**
TOTAL	**248,560**							**248,560**

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after reciprocal exemptions
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
Fixed assets	452,612	26,439	231,293	182,771		893,115	-354,309	538,806
Current assets	331,361	186,391	9,969	2,704		530,425	-65,178	465,247
Total assets	**783,973**	**212,830**	**241,262**	**185,475**		**1,423 ,540**	**-419,487**	**1,004 ,053**
Equity	**306,210**	**171,320**	**159,874**	**84,610**		**722,014**	**-366,148**	**355,866**
Long-term liabilities and provisions for liabilities	173,519	7,244	52,016	82,486		289,274	-3,550	311,715
Short-term liabilities and provisions for liabilities	**304,244**	**34,266**	**29,372**	**18,379**		**412,252**	**-49,789**	**336,472**
Total capitals and liabilities	**783,973**	**212,830**	**241,262**	**185,475**		**1,423 ,540**	**-419,487**	**1,004 ,053**

Other segment data in PLN thousand in the comparative period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
Goodwill allocated to a segment								
Risk-free rate	3.00%	3.00%	3.00%	3.00%	3.00%			
General risk acc. to Damodoran	6.06%	6.06%	6.06%	6.06%	6.06%			
beta coefficient for the industry acc. to Damodoran	0.75	0.85	0.63	0.75	0.93			
Individual risks	2.0%	2.0%	2.0%	2.0%	2.0%			
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	**8.80%**	**9.70%**	**7.71%**	**8.80%**	**10.45**			

Selected items of the profit and loss account for segments in PLN thousand in the reporting period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after reciprocal exemptions
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016
Continued activities	-	-	-	-	-	-	-	-
Revenue from sales	**911,468**	**41,184**	**38,962**	**13,471**	**1,722**	**1,006,807**	**-232,814**	**773,993**
Own cost of sales	-858,013	-33,551	-23,789	-13,403	-2,306	-931,062	228,304	-702,758
Gross profit from sales	**53,455**	**7,633**	**15,173**	**68**	**-584**	**75,745**	**-4,510**	**71,235**
EBIT	50,396	2,434	19,165	586	-584	71,997	-30,508	41,489
Pre-tax activity profit (loss)	**40,189**	**2,273**	**15,691**	**-1,715**	**-584**	**55,854**	**-28,097**	**27,757**
Income tax attributable to continuing activities	-6,203	-250	-3,291		111	-9,633	3,356	-6,277
Profit (loss) on continuing activities	**33,986**	**2,023**	**12,400**	**-1,715**	**-473**	**46,221**	**-24,741**	**21,480**
Discontinued activities		-		-	-			-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**33,986**	**2,023**	**12,400**	**-1,715**	**-473**	**46,221**	**-24,741**	**21,480**
Assigned to the owners of the parent company	**33,986**	**2,023**	**12,400**	**-1,715**	**-473**	**46,221**	**-26,742**	**19,479**

Concentration of recipients by business activity segments	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after reciprocal exemptions
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016	from 01/01/2016 to 31/12/2016
Recipient 1	**170,529**					**170,529**		**170,529**
Recipient 2	160,696					160,696		160,696
Recipient 3	**88,865**					**88,865**		**88,865**
TOTAL	**420,090**					**420,090**		**420,090**

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after reciprocal exemptions
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Fixed assets	589,361	102,068	216,380	183,903		1,091,712	-579,499	512,212
Current assets	497,899	205,993	3,156	3,439		710,487	-267,034	443,453
Total assets	**1,087,261**	**308,061**	**219,535**	**187,342**	-	**1,802,199**	**-846,533**	**955,666**
Equity	**381,428**	**270,932**	**145,884**	**75,418**		**873,662**	**-542,898**	**330,764**
Long-term liabilities and provisions for liabilities	338,344	21,486	59,029	33,072		451,931	-124,946	326,985
Short-term liabilities and provisions for liabilities	**367,489**	**15,643**	**14,623**	**78,851**		**476,605**	**-178,689**	**297,917**
Total capitals and liabilities	**1,087,261**	**308,061**	**219,535**	**187,342**	-	**1,802,199**	**-846,533**	**955,666**

Other segment data during the reporting period	Construction and assembly activities	Real estate development activities	Activities connected with lease of investment real property	Exhibition and trade fair activities	Other	Total	Exclusions	Total after reciprocal exemptions
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Goodwill allocated to a segment	**4,509**			**8,517**				**13,026**
Risk-free rate	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%		
General risk acc. to Damodoran	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%		
beta coefficient for the industry acc. to Damodoran	0.72	0.58	0.36	0.86	0.37	0.58		
Individual risks	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	**9.20%**	**7.80%**	**5.60%**	**10.60%**	**5.70%**	**7.78%**		**7.78%**

Note 24 Transactions with related entities.

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital ties		Members of the management board, the supervisory board and key personnel	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Revenue from sales	65,793	54,273						
Revenues from sales of fixed assets								
Revenues under interest	2,542	26						
Other revenues		26,039						
Acquisition of inventories and other costs activated at the value of current assets								
Acquisition of services and other operating costs	-139,474	-224,636						
Acquisition of fixed assets								
Interest costs	-2,828	-3,050						
Other costs							-540	-541
Loans received								
Loans granted								
Costs of remuneration							8,005	7,532
Receivables under loans								

Trading and other receivables	25,243							
Liabilities under loans								
Trading and other liabilities	-25,135	-16,671						

Remuneration of key personnel	Entity	Position	Remunerations in PLN thousand		Loans granted to key personnel in PLN thousand		Additional information
			31/12/2017	31/12/2016	31/12/2017	31/12/2016	
Jerzy Mirgos	Mirbud S.A.	President of the Management Board	1,572	1,573			The remuneration comprises the remuneration under the employment contract, performance of the function of the President of the Management Board and revenue under sureties granted to the entity.
Sławomir Nowak	Mirbud S.A.	Vice-President of the Management Board	900	900			
Paweł Korzeniowski	Mirbud S.A.	Member of the Management Board	545	540			
Tomasz Sałata	Mirbud S.A.	Member of the Management Board	521	514			
Ewa Przybył	Mirbud S.A.	Proxy	261	-			Proxy appointed on 08/03/2017
Hubert Bojdo	Mirbud S.A.	Member of the Supervisory Board	30	30			
Agnieszka Bujnowska	Mirbud S.A.	Secretary of the Supervisory Board	37	36			
Andrzej Zakrzewski	Mirbud S.A.	Member of the Supervisory Board	30	30			
Waldemar Borzykowski	Mirbud S.A.	Member of the Supervisory Board	36	36			
Dariusz Jankowski	Mirbud S.A.	Chairman of the Supervisory Board	55	54			
Krystyna Byczkowska	Mirbud S.A.	Member of the Supervisory Board	37	17			

Krystyna Lachowicz	Mirbud S.A.	Member of the Supervisory Board	30	13			
Total			**4 054**	**3 743**			

Remuneration of key personnel of subsidiaries	Entity	Position	Remunerations in PLN thousand		Loans granted to key personnel in PLN thousand		Additional information
			31/12/2017	31/12/2016	31/12/2017	31/12/2016	
Management Board	Kobylarnia S.A.		1,654	1,328			
Supervisory Board	Kobylarnia S.A.		55	55			
Management Board	JHM Development		888	575			
Supervisory Board	JHM Development		94	97			
Management Board	Expo Mazury		541	950			
Supervisory Board	Expo Mazury		60	73			
Management Board	Marywilska 44		840	630			
Supervisory Board	Marywilska 44		80	81			
Total			**4,212**	**3,789**			

Note 25 The auditor’s remuneration.

Statutory Auditor’s remuneration	in PLN thousand	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Remuneration for the audit of the separate and consolidated financial statements	105	111
Remuneration for the mid-year review of the separate and consolidated financial statements	60	68
Other services	2	
Total	**167**	**179**

Note 26 Financial instruments.

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Loans granted	-	-	-	-	2,978	3,500	-	-
Derivative financial instruments								
Other financial instrument measured at fair value								
Trading liabilities and other liabilities					255,361	225,726		
Cash and cash equivalents					46,544	44,486		
Other financial assets						6,117		
Total financial assets	-	-	-	-	**304,883**	**279,829**	-	-
Dividend revenues								
Revenues under interest	-	-	-	-	1,304	692	-	-
Foreign exchange difference profits (losses)					-377	1,966		
Reversals (creation) of depreciation write-offs	-	-	-	-	-1,418	-3,112	-	-
Profits (losses) under measurement and execution								
Profits (losses) under derivative instruments	-	-	-	-			-	-
Total impact on the profit and loss account of financial assets	-	-	-	-	**-491**	**-454**	-	-

Financial liabilities according to IAS 39	Capital instruments		Measured at fair value by financial result		Measured at amortised cost		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Credits	-	-	-	-	221,292	241,041	-	-
Derivative financial instruments								
Other financial instrument measured at fair value								
Trading liabilities and other liabilities					284,264	247,535		
Other financial liabilities								
Total financial liabilities	-	-	-	-	**505,556**	**488,576**	-	-
Interest	-	-	-	-	-12,023	-11,815	-	-
Foreign exchange difference profits (losses)								
Profits (losses) under measurement and execution	-	-	-	-		-	-	-
Profits (losses) under derivative instruments								
Total impact on the profit and loss account on financial liabilities	-	-	-	-	**-12,023**	**-11,815**	-	-

Financial instruments according to the fair value hierarchy	Level I		Level II		Level III	
	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets	-	-	-	-	-	-
Derivative financial instruments in assets	-	-	-	-	-	-
Other financial instrument measured at fair value						
Other financial assets	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other financial instrument measured at fair value						
Other financial liabilities	-	-	-	-	-	-

Both in the current and the comparative period, there were no financial instruments measured at fair value.

Note 27 Errors related to previous reporting periods.

No material errors were found in the previous reporting period.

Note 28 Transactions with non-controlling shareholders.

This item does not exist

Note 29 Business mergers.

There were no business mergers in the current period.

Note 30: Significant planned capital expenditures.

As at the date of approval of these financial statements for publication, no material capital expenditures were planned.

Note 31 Material events after the balance-sheet date.

In the period between the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events that would not be included in these financial statements.

Note 31 Employment structure.

Employment structure	converted into full-time equivalents	
	For the period:	For the period:
	from 01/01/2017 to 31/12/2017	from 01/01/2016 to 31/12/2016
Non-production employees	350	318
Production employees	286	277
Staff under contract	147	109
Total	783	704

Note 32 Dividends declared and paid.

Shares of all series are ordinary shares, one share entitles to one vote at the General Meeting of Shareholders. Shares of all series carry the same right to dividend and return on capital. As at the balance-sheet date, there were no dividend restrictions.
The Issuer did not declare or pay any dividends in the current or comparative period.

Note 33 Effects of de-mergers, restructuring and discontinued activities

In the reporting period there were no changes regarding the merger of business entities, acquisition or sale of entities from the Issuer's capital group, long-term investments, division, restructuring or discontinuation of activity.

Note 34 Limitations on disposition and collaterals established on assets.

Security title	Type of protection	Value of the debt	Collateral value in PLN thousand		Balance sheet value of the collateral subject in thousand PLN thousand		expiry date
		As at:	As at:	As at:	As at:	As at:	
		31/12/2017	31/12/2017	31/12/2016	31/12/2017	31/12/2016	dd/mm/yyyy
Credit collateral 202-129/3/II/2/2008	mortgage	7,686	26,700	26,700	25,945	26,676	01/03/2023
Collateral for the IDA loan	mortgage	26,500	60,000	60,000	173,321	179,731	31/12/2020
Collateral for the BOŚ BANK credit	mortgage	24,843	59,508	59,508	6,329	6,329	01/08/2019
Collateral for the IDA loan	mortgage	2,778	75,000	75,000	44,448	44,448	28/02/2018
Collateral for the KIN|173850 credit	mortgage	33,000	33,000		8,601		02/05/2028
Collateral for the KRB|13313177| credit	assignment of mortgage	1,962	1,962	1,368	8,601	2,235	30/12/2018
Collateral for working capital credit 45/KG010/15 granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice	mortgage	2,700	12,000	12,000	8,138	9,071	31/03/2018
Collateral for a working capital credit, pursuant to contract 3/G/O/040/17, granted by the Bank	mortgage	1,699	11,980	0	9,623	0	20/12/2019

Spółdzielczy (Cooperative Bank) in Skierniewice							
Collateral for a working capital credit, pursuant to contract 45/KG010/17, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice	mortgage	3,514	12,937	0	8,875	0	31/10/2020
Collateral for a working capital credit, pursuant to contract 5/OB/070/17, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice	mortgage	508	5,950	0	2,114	0	28/02/2018
Collateral for a working capital credit, pursuant to contract U0003216491389, granted by ALIOR BANK S.A.	mortgage	0	68,934	0	21,041	0	31/05/2023
Collateral for a working capital credit, pursuant to contract 2/OB/070/16, granted by the Bank Spółdzielczy (Cooperative Bank)	mortgage	0	0	12,000	0	3,744	31/12/2019

Collateral for a working capital credit, pursuant to contract 3472510/25/K/Ob/15, granted by Bank BPS S.A.	mortgage	0	0	49,450	0	46,773	03/08/2019
Collateral for a working capital credit, pursuant to contract 3472510/26/K/Ob/15, granted by Bank BPS S.A.	mortgage	0	0	8,757	0	46,773	03/04/2018
Collateral for a working capital credit, pursuant to contract 3472510/18/K/OB/16, granted by Bank BPS S.A.	mortgage	0	0	42,500	0	36,206	31/12/2019
Collateral for a working capital credit, pursuant to contract 3472510/19/K/OB/16, granted by Bank BPS S.A.	mortgage	0	0	3,700	0	36,206	31/12/2019
Collateral for a working capital credit, pursuant to contract U0003026129108, granted by ALIOR BANK S.A.	mortgage	0	0	19,650	0	15,475	30/11/2018
Collateral for working capital credit, pursuant to contract U0002696687748, granted by Alior Bank	mortgage	2,245	17,250	17,250	13,535	5,499	31/12/2021

Collateral for the credit WK14-000016	mortgage	58	30,000	30,000	6,604	27,611	30/09/2018
Collateral for the credit WK14-000016	mortgage	11,952	60,000		12,135		30/09/2018
Collateral for the credit KNK/1622269 DEUTSCHE BANK	mortgage	9,243	14,702	15,594	18,842	18,366	30/09/2031
Total		**126,445**	**412,691**	**440,378**	**346,030**	**505,143**	

Assets pledged as security for liabilities	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Tangible fixed assets	256,647	284,795
Investment real property	25,330	31,040
Financial assets	12,135	
Intangible assets		
Other assets	51,918	189,308
Total	**346,030**	**505,143**

Note 35 Judicial cases.

Cases pending against the Compiler of the financial statements	Value of the object in dispute in PLN thousand	Party to the proceedings	Description and standpoint of the management board	Risk assessment
regarding payment	576	Polaris Hospitality Enterprises Sp. z o.o.	The Issuer believes that the claim is unfounded due to the fact that a settlement of the investment has been submitted to the Investor.	low
regarding payment	16,956	Polaris Hospitality Enterprises Sp. z o.o.	The Issuer considers the claim to be unfounded due to the fact that the reasons for delay of MIRBUD S.A. in meeting the milestones indicated in § 23 para. 2, points b), c), d), e) and f) of the Contract of 8 September 2011, in the wording set out in Annex No. 1 of 30 September 2013, as well as the reasons for delay of MIRBUD S.A. in meeting the deadline for the completion of the subject of the Contract were the result of circumstances for which the Investor is solely responsible, namely resulted in particular from: - suspension by the decision of the District Construction Supervision Inspector for the capital city of Warsaw no. IVOT/571/2013 on 10 December 2013, of construction works on the construction site in the period from 10 December 2014 to 14 January 2014, as a result of actions taken by the claimant, - the fact that the Investor has not obtained the decision on the change of the building permit by 31 December 2013 - failure to prepare and submit by 31 December 2013 documentation by the Investor in the form of a full variable project of the extension, reconstruction and superstructure of the hotel building, and thus the inability of MIRBUD S.A. to perform the works and the inability of MIRBUD S.A. to prepare the executive documentation and, consequently, the subcontracting documentation, - failure to perform by the Investor the acceptance obligations resulting from the schedule for the execution of works constituting Annex 4b to Annex 1 to the contract, - suspension until 2014 of payment of remuneration due to the General Contractor in the amount of PLN 627,049.22 on account of performed works consisting in repair of cracked reinforced concrete floors and faultily seized floor in the garage despite the completion of these works in September 2012 ordering MIRBUD S.A. to perform additional works not included in the scope of the contract, - introduction by the Investor of continuous changes during the performance of the contract to the scope of completed and performed works, - suspending paving work in the area of the main entrance from Skalnicowa Street between February and April 2014 and stopping related work (greenery, irrigation system, advertising elements) and making it impossible for the defendant to use the exit from Skalnicowa Street - the main entrance to the construction site, - evasion by the Investor of the obligation to perform final acceptance of the subject of the contract in the situation when on 06 June 2014 MIRBUD S.A. made a declaration of readiness for acceptance, and only on 23 June 2014 did the Investor	low

			establish the Final Acceptance Commission for the Investment Project, and the final acceptance protocol itself was signed only on 1 September 2014 (after 86 days from the notification of readiness for acceptance).	
regarding payment	12,188	Polaris Hospitality Enterprises Sp. z o.o.	In the Issuer's opinion, the claim is unjustified due to the application of substitute execution procedure to the defects questioned by MIRBUD S.A. due to the circumstances of their occurrence. Total	low
regarding payment	19,196		Other low unit value proceedings	low
Total	**48,916**			

Cases pending on the action of the Compiler of the financial statements	Dispute object value	Party to the proceedings	Description and standpoint of the management board	Risk assessment
regarding payment	53	Polaris Hospitality Enterprises Sp. z o.o.	on 28/08/2015 the writ of payment was issued in accordance with the application for a writ of execution	low
regarding payment	500	Hospitality Enterprises Sp. z o.o.	on 02/09/2015 the writ of payment was issued in accordance with the application for a writ of execution	low
regarding payment	16,270	Hospitality Enterprises Sp. z o.o.	request payment of remuneration for additional works carried out by MIRBUD within the framework of Double Tree by Hilton Warsaw Conference Center and SPA investment in Warsaw	low
regarding payment	500	Hospitality Enterprises Sp. z o.o.	on 23/09/2015 the writ of payment was issued in accordance with the application for a writ of execution	low
regarding payment	1,000	Hospitality Enterprises Sp. z o.o.	on 02/12/2015 the writ of payment was issued in accordance with the application for a writ of execution	low
regarding payment	15,283	Other	Other low unit value proceedings	low

Total	33,606	-	-

The risk assessment carried out is closely related to the creation of revaluation write-offs and provisions according to the following principle:

- low risk - no write-off / no provision
- medium risk - write-off of 50% of gross value / provision for 50% of claims
- high risk - write-off of 100% of gross value / provision for 100% of claims
- unrecoverable receivables - removed from the accounting books by write-off from costs

Note 36 Contingent liabilities.

List of mutual sureties granted by the issuer within the capital group	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		
		As at:	As at:	As at:	As at:	surety expiry date
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	dd/mm/yyyy
To related entities	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	49,500	26,930	33,000	6,902	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	7,000	7,000	1,962	1,368	08/12/2018
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit	89,912	26,200		3,355	31/05/2026
JHM 1 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	9,967	10,396	9,243	10,398	30/09/2031
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	30,000	30,000	58		30/09/2018
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	60,000		11,893		30/09/2019
EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	75,000	25,474	28,562	27/03/2029
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	21,143				15/02/2019
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	3,000				30/03/2018
To other entities	-		-		-	-
Total -		**345,522**	**175,526**	**81,630**	**50,585**	-

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Under proper performance guarantee	187,988	207,446
Under rectifying faults and defects	99,667	94,138
Total	**287,655**	**301,584**

Note 37 Objectives and principles of risk management.

Risk of changes in interest rates

The Company to a large extent uses bank credits to finance its investment activities. The costs of interest on credits are affected by the amount of the WIBOR base rate for credits taken out in Polish zlotys and EURIBOR for credits in EURO. An increase in the value of WIBOR/EURIBOR indices through an increase in interest on loans may have an adverse effect on the Company's financial situation. If a risk of changes in interest rates is identified. In the case of long-term financing, the Company's Management Board always considers the possibility of concluding interest rate hedging transactions (interest rate swaps - IRS strategy, CIRS).

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Liabilities under credits and loans	245,690	260,226		
Loans granted	2,978	3,500		
Other financial assets				
Other financial liabilities				
Total	**248,668**	**263,726**	-	-

Risk of changes in foreign exchange rates

In 2017, MIRBUD S.A. generated approx. 35% of revenues in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenues and profits. In order to minimise the exchange rate risk, in previous years the Company hedged the exchange rate level by entering into FORWARD-type transactions. At present, the Management Boards of the Companies take into account the currency risk in the measurement of their services, assess the currency risk as low and do not hedge the currency exchange rate.

Items exposed to change in foreign exchange rates	EUR		USD		Other	
	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Liabilities under credits and loans						
Loans granted						
Trading and other receivables	57,303	18,843				
Trading and other liabilities						
Cash	8,510	3,352				
Other financial assets						
Total	**65,813**	**22,195**	-	-	-	-

Risk related to the general macroeconomic situation and economic situation in Poland

Revenues of Companies from the MIRBUD Group are mostly earned on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an impact on the financial results achieved by the Company and the entire development sector: GDP growth rate, unemployment rate, inflation rate, real wage growth rate, level of investments, level of changes in household income, level of reference interest rates and the development of exchange rates and budget deficit.
Possible negative changes in the stability of the macroeconomic situation and general economic situation of Poland may have a negative impact on the activity, financial situation or development prospects of the Company.

Risk related to the economic situation in the construction industry

The activities of the Group companies are closely correlated with the overall economic situation in Poland. The financial results achieved by the Company are most affected by the level of investments in enterprises, GDP growth rate, inflation rate, value of construction and assembly production, tax policy and increase in interest rates. There is a risk that negative changes in the above mentioned ratios, in particular the slowdown in the economic growth rate, the increase in the inflation rate caused by the increase in the prices of materials or the increase in interest rates, may have a negative impact on the activity and results of the Company.
The Management Board observed a gradual increase in the number of investments in the segment of industrial and commercial buildings, as well as the road construction segment.

Risk related to competition in the construction industry

A slowdown in economic growth in many EU countries may result in an increase in the number of competing entities on the Polish market, which, together with a slowdown in Polish economic growth and the number of investments carried out in the country, may translate into an increase in competition and pressure to reduce margins on construction contracts.
Further intensification of competition on the markets where the Company operates may have a material adverse effect on the Company's operations, results and financial position as well as on its

future development outlook.
The Management Board of the Company, based on its many years of experience, tries to build a portfolio of contracts that would enable it to achieve an appropriate financial result.

Risk related to the economic situation in the development sector

The situation on the real estate development market in Poland in the period covered by these financial statements affects the operations and financial results of JHM DEVELOPMENT S.A., however, it should be remembered that the economic situation in the real estate development sector is cyclical in nature. The current low economic situation is additionally compounded by relatively high and rising unemployment, which makes many people unable to afford credit, and results in the tightening of the mortgage lending policy of many banks following the financial crisis of previous years. As a result, many potential clients of developers who have not lost their jobs have also been unable to obtain the necessary credit to buy a flat on reasonable terms.
The occurrence in the future of financial and economic crises, recessions or periods of economic slowdown or other factors adversely affecting the development industry may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

Risk related to the economic situation in the management of shopping halls and lease of commercial space

Apart from construction and development activities, an important area of the Group's activity is management of shopping halls and lease of commercial space. These activities are carried out by the following subsidiaries: Marywilska 44, JHM 1 and JHM 2. The level of commercial activity and the demand for lease of commercial space in the given shopping halls depends on the general macroeconomic situation in a given market, the level of competition and the level of consumption, and in particular the demand for products from the popular segment in a given market.
The occurrence in the future of factors negatively affecting the economic situation of the shopping hall management and commercial space lease industry may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

Risk related to competition in the development sector

The regions of the country in which the JHM DEVELOPMENT Group operates are characterised by a high degree of competition in the development sector. JHM DEVELOPMENT S.A. takes into account the intensity of competition on local markets where the start of development activities or the implementation of further projects is considered. As a rule, the Company focuses on locations where competition is limited. The existence of limited competition at the time when the investment is considered to commence does not mean, however, that competitive entities will not undertake investments in the same local market as the Company in the near future, after the commencement of preparations or work by the Company. Both relatively small local companies and larger developers competing with the Company are capable of comprehensive implementation of large projects. The intensification of competition may translate into an increase in the supply of finished apartments offered on the local market, which may result in price pressure when selling premises, a reduction in rental rates of premises, as well as an extension

of the period of their sale.
The existence or intensification of competition on the markets where the Companies operate may also translate into difficulties in obtaining attractive plots of land for new development and commercial projects at the assumed prices. The intensification of competition in the markets where the Company operates may have a material and adverse effect on its operations, results, financial situation or its future development outlook.

Risk related to the management of shopping halls and commercial space lease activities

The shopping halls managed by the subsidiary Marywilska 44 are one of the largest shopping hall complexes in Poland and the largest in the Capital City of Warsaw.
The basic assortment offered to customers in shopping halls at ul. Marywilska 44 consists of clothes, footwear, leather goods and toys in the popular segment. Traders specialising in the sale of the above articles in the popular segment can choose from a wide range of entities offering lease of commercial space in Warsaw and its vicinity, including large shopping halls located in the vicinity of Nadarzyn and in Wólka Kosowska. Additionally, it cannot be excluded that in the future other entities will not build large shopping hall complexes, which will compete directly with the halls at ul. Marywilska 44 within the Capital City of Warsaw. The subsidiaries, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o., are exposed to the same risk. The intensification of competition in the markets where the Group operates may have a material and adverse effect on the Group's activities, results, financial situation and future development outlook.

Risk related to the purchase of land for new development projects and investment projects for lease of commercial space

The further successful development of development activities and the construction and letting of commercial premises depend on the ability to purchase plots of land in attractive locations and at prices which enable satisfactory margins to be realised. Due to the limited number of attractive plots available with the desired design parameters, the Companies cannot guarantee that in the future it will be possible to purchase a sufficient number of attractive plots to implement the assumed development plans. Moreover, the possibility to purchase attractive plots of land for new development projects and commercial and service projects depends on a number of factors, such as:

- the existence of local land-use plans,
- the ability to finance the purchase of plots and start the investment process,
- the possibility of obtaining the required administrative approvals to start implementation of projects (development conditions, architectural design approval),
- the possibility of ensuring the required own contribution and obtaining bank financing for the implementation of the projects.

The above factors depend to a large extent on the overall situation on the real property market in Poland and on local markets, as well as on the general economic situation of the country.

Risk of sudden changes in housing prices

JHM DEVELOPMENT S.A. derives its revenues from development activities from the sale of flats and single-family houses. Due to the fact that development investments are carried out in a long-term perspective and it is often necessary to assume sale prices of constructed real property several years in advance, there is a risk that during the project implementation significant changes will occur in the prices of flats and houses on a given market, including significant drops in the prices of residential units and houses. Real property prices in a given market depend on a number of factors, such as the general economic situation of a region, the level of unemployment, the number of residential units available for sale by other developers in that market, the availability of mortgage loans to potential customers, etc. In the event of a significant fall in real property prices, the Company may not be able to sell the constructed apartments and houses at the planned prices within a specified period of time.
The occurrence of any factors that will cause the prices of apartments or houses to fall on the markets
where the Company executes projects, may have a material and adverse effect on the Group's operations, financial situation or its development prospects.

Risk related to changes in provisions of the law, in particular in tax law

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provisions which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies. The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Company's operations, financial situation or its development prospects.

Risk related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the real property

The implementation of each of the investment projects by the Company requires the fulfilment of the requirements set forth in the law. In most cases, the Company is obliged to obtain various types of permits, which are issued by public administration bodies. Obtaining these administrative acts is a necessary condition for the commencement of the investment process. It should be noted that obtaining all permits and consents requires considerable effort and time. Public administration bodies issuing permits and consents operate on the basis of the provisions of the Code of Administrative Procedure and special acts. In these proceedings, the interest of local communities is taken into account in the first place and a number of planning issues are subject to wide public consultation (e.g. environmental issues). Additionally, lack of even a part of the documentation makes it impossible to commence the investment process. Moreover, the discovery of any irregularities, either on the part of the Company or in the administrative files, and in particular the existence of any contradictions between them may lead to the delay in the commencement of the investment process. There is also a risk that already valid administrative decisions will be challenged by resuming proceedings or annulling decisions. Administrative decisions may also be challenged, in

whole or in part, and consequently there is a risk that they will be annulled. In areas where local land-use plans have not been adopted, there is also a risk that the Companies will not be able to implement their plans due to difficulties related to the possibility of obtaining a development conditions' decision.
The occurrence of any of the aforementioned factors may have an adverse effect on the Company's activities, financial position or its development prospects.

Risk associated with the implementation of the development strategy

The Polish market and the situation on local markets where the Company operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the Company's future financial performance, development and market position depend on its ability to develop and implement a long-term strategy in an uncertain and changing market environment.
In particular, the implementation of the Company's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Company's governing bodies, and which cannot always be predicted.
Such factors also include those of a general nature, such as:
- unpredictable market events, such as the occurrence of an economic crisis or recession in Poland or other European Union countries,
- radical and sudden changes in legal regulations or the methods of their interpretation (e.g. influencing the issuance of development conditions),
- natural disasters in the areas where the Company operates.

and a number of factors of a specific nature, such as:
- reduced availability of bank financing for development and commercial projects,
- other operational risks described in these statements.

The Company makes every effort to ensure that the assumed strategy is implemented and tries to analyse all market and industry factors on an ongoing basis which have and may have an effect on the implementation of the strategy. The factors described above may result in the Company being unable to implement the assumed development strategy, including the planned development projects, and thus these factors may have a significant negative impact on the Company's operations, financial position, results or its development prospects.

Risk related to the building infrastructure

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform additional infrastructure works as part of the investment project. The administrative bodies may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project

implementation, but which may be expected by the bodies as an investor's contribution to the development of the local community in connection with the investment.
The occurrence of any of the above factors, translating into delays in the implementation of projects or additional project costs, may have a material and adverse effect on the Company's activities, financial situation or its development prospects.

Risk related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits

At present, banks in Poland, acting on the basis of EU directives, have tightened their credit policy towards companies operating in the development sector, commercial space lease sector, as well as towards people applying for mortgage credits.
The Company's policy regarding the use of bank credits is conservative and the Company tries to be prepared for situations when restrictions occur towards the availability of credits to investors on the Polish market. The introduction of any restrictions towards the availability of credits may have a material and adverse effect on the Company's activities, financial situation and its development prospects.

Risk related to liability for breach of environmental regulations

Pursuant to the applicable environmental protection regulations, entities which are owners or users of plots where hazardous substances are present, or where there has been an adverse transformation of the natural configuration of the land, may be required to remove them, or bear the cost of land reclamation or pay a fine. In order to minimise the risk of breaching environmental regulations, the Company carries out technical analyses of future projects in terms of the risk related to liability for breach of environmental regulations. Until the date of preparing the report, the Company was not obliged to bear the costs of land reclamation or to pay any administrative penalties for this. However, it cannot be precluded that in the future the Company will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.
The occurrence of any of the aforementioned factors may have an adverse effect on the Company's activities, financial position or its development prospects.

Risk of penalties for non-performance or untimely performance of orders

An entity acts as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Company and determine the consequences of non-performance of the assumed obligations. Such agreements, first of all, very precisely specify the deadlines - both for the performance of the ordered works, as well as the performance of other activities, e.g. removal of possible defects during the warranty period. If these deadlines are not met, the Company may be at risk of paying contractual penalties.
In order to limit the risk of investors making a claim for payment for non-performance or improper performance of the Company's orders, the Company has taken the following actions:
- provision of insurance coverage for contracts, including activities of the subcontractors,

- implementation and application of the Management System according to EN ISO 9001:2000 in the scope of:
  a) general construction, civil engineering, road and motorway construction,
  b) industrial facilities construction, c) installation works.
- transfer of risks to cooperation contracts concluded by the Company with producers, suppliers and subcontractors (product responsibility, responsibility for services, differences between the ordered and delivered assortment, price increases, etc.).

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Company's financial results. It should be noted, however, that in the years 2005-2016, the Company did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

Risk related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works

Development activity consists in comprehensive implementation of residential buildings and houses construction projects, as well as the sale of residential units and houses. In order to implement numerous investments, the Company has concluded and will continue to conclude construction contracts with contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The Companies are also liable to the purchasers of the premises on account of warranty for physical and legal defects of the buildings. The period covered by these claims is 3 years.

Moreover, pursuant to art. 649_1 – 649_5 of the Civil Code, at the request of the contractor, the Company acting as an investor is obliged to grant a guarantee of payment to the contractor (general contractor) for construction works in the form of a bank or insurance guarantee, as well as a bank letter of credit or bank surety granted at the investor's request. The occurrence of any of the above factors, which translate into claims against the Companies, may have an adverse effect on the Group's activities, financial position or its development prospects.

Risk related to financing development with bank credits

The Group Companies finance their development and current activities with the use of bank credits and leasing. In the future, the Company intends to use bank credits to finance the demand for working capital related to the increase in the scale of activities. However, there is a risk that in the future, in the event of adverse changes in the Company's activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, they will have difficult access to

financing using credits, their cost will be higher than the current one, or they will be forced to repay or refinance their existing debt on worse terms. This may contribute to a slower than planned growth rate and deterioration of the financial results obtained.
The Management Board considers the current level of debt to be safe and does not see any threats to its timely service. Despite the good financial standing of most of the Group's Companies, it cannot be ruled out that in the future, as a result of unfavourable market processes, they will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company of the Group is not able to settle its debts under credit contracts and loans on an ongoing basis, repayments may become due and payable immediately. As a result, in order to satisfy its creditors, the Company will be forced to sell a part of its assets. The strategies of the Companies provide for a gradual exchange of short-term debt for long-term financing and that the newly acquired credit financing will be appropriate for the implementation of specific construction contracts and developer investments.
The occurrence of the above-mentioned factors may have an adverse effect on the Company's operations, financial
situation or its development prospects. In order to limit the risk, the Company performs on an ongoing basis
an analysis of debt and the possibility of settling liabilities.

Risk related to the production process

Construction contracts contain a number of clauses concerning proper and timely performance of the contract, proper removal of defects and faults, which involves the provision of a guarantee deposit or securing the contract with an insurance or bank guarantee. The security is usually provided in the form of an insurance guarantee, bank deposit or cash deposit within a specific period of time after the contract is signed and settled after the contract completion. The amount of the security depends on the type of contract. Typically, it is between 5 and 10% of the contract price.
As the necessity to lodge a security in the form of a deposit may have an impact on the limitation of the Company's financial liquidity, the Company prefers to lodge the security in the form of an insurance guarantee. If access to insurance or bank guarantees is restricted and the cost of obtaining them increases, the Company bears the risk of increasing the costs and freezing financial resources, which in turn may lead to a decrease in the Company's profitability or financial liquidity.
In order to minimise the risk, the Company's contracts with subcontractors require subcontractors to secure proper performance of the agreement in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

Note 38 Capital management.

The objective of capital risk management is to protect the ability to continue with the activities, so that returns for shareholders and benefits for other stakeholders can be performed, and to maintain an optimal capital structure in order to reduce the cost of capital.
The tools used to maintain and correct the capital structure may include:
- change in the amount of declared dividends to be paid;
- return of capital to shareholders;

- issue of shares and other capital instruments;
- the sale of assets in order to reduce debt.

Capital monitoring is carried out by means of the debt ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as the sum of financial debt (including current and long-term credits and loans and other financial debt disclosed in the consolidated balance sheet), less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the consolidated balance sheet, together with net debt.

Debt ratio calculation	in PLN thousand	
	As at:	As at:
	31/12/2017	31/12/2016
Total credits	245,690	260,226
Cash and cash equivalents	-46,544	-44,486
Net debt	**199,146**	**215,740**
Equity	355,866	330,764
Total capital	**555,012**	**546,504**
Debt ratio	**36%**	**39%**

XII. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 03.04.2018

Jerzy Mirgos	Sławomir Nowak
President of the Management Board	Vice-President of the Management Board

Paweł Korzeniowski	Tomasz Sałata
Member of the Management Board	Member of the Management Board

Anna Sołwińska
Person entrusted with bookkeeping