Financial Statements for the period from 01/01/2016 to 31/12/2016 according to the IFRS in the form approved by the European Union

I. Basic financial data.

Selected financial data Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: 1 EUR =	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	in PLN thousand For the period: from 01/01/2015 to 31/12/2015	in PLN thousand For the period: from 01/01/2016 to 31/12/2016 4.3757	in PLN thousand For the period: from 01/01/2015 to 31/12/2015 4.1848
Revenue from sales	659,819	600,782	150,792	143,563
Profit (loss) on operating activities	14,727	25,648	3,366	6,129
Pre-tax profit (loss)	5,037	12,879	1,151	3,078
Net profit (loss)	5,593	10,214	1,278	2,441
Net comprehensive income for the financial year	5,593	10,214	1,278	2,441
Net cash flows from operating activities	-6,077	41,517	-1,389	9,921
Net cash flows from investment activities	30,852	-18,064	7,051	-4,317
Net cash flows from financial activities	-35,511	-3,187	-8,116	-762
Total net cash flows	-10,736	20,266	-2,454	4,843
net profit (loss) per share in PLN/EUR	0.07	0.12	0.02	0.03
net profit (loss) diluted per share in PLN/EUR	0.07	0.12	0.02	0.03

Selected financial data	in PLN thousand		in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Asset and liability items according to the average exchange rate set by the National Bank of Poland as at the reporting date, respectively: 1 EUR =			4.4240	4.2615
Total assets	606,634	645,442	137,123	151,459
Liabilities and provisions for liabilities	362,329	406,729	81,901	95,443
Long-term liabilities	131,424	167,495	29,707	39,304
Short-term liabilities	230,904	239,234	52,194	56,138
Equity	244,305	238,713	55,223	56,016
Share capital	8,249	8,249	1,865	1,936
Number of shares in pieces	82,492,500	82,492,500	82,492,500	82,492,500
Book value per share in PLN/EUR	2.96	2.89	0.67	0.68
Diluted book value per share in PLN/EUR	2.96	2.89	0.67	0.68

II. General information about the entity.

Name of the issuer:	MIRBUD S.A.
Issuer's registered office	Skierniewice
Legal form	joint-stock company
Country of registered office:	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 business in accordance with its Articles of Association and the entry in the National Court Register is 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

III. Basic information on the financial statements

Basis of preparation

The Financial Statements have been prepared on the basis of § 55 para. 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 In preparing the financial statements, the accounting principles appropriate for the activities have been adopted in accordance with the International Financial Reporting Standards.

Representations of the Management Board

The Management Board represents that, to the best of its knowledge, the annual financial statements for the period from 01/01/2016 to 31/12/2016 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 Management Board represents that 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 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.
Until the date of preparing the financial statements for 2016, no events occurred that were not but should have been disclosed in the books of account for the reporting period. At the same time, these financial statements do not contain any significant events related to previous years.

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. Statement of total income.

Profit or loss account	Note No.	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Continued activities			
Revenue from sales	17	659,819	600,782
Own cost of sales	18	-652,757	-562,334
Gross profit from sales		**7,062**	**38,448**
Shares in the profits or losses of associates and joint ventures settled using the equity method	19		
Other operating and investment activity revenues	20	31,606	12,114
Other costs of operating and investment activities	20	-23,942	-24,914
EBIT		**14,727**	**25,648**
Financial costs	21	-9,690	-12,769
Pre-tax activity profit (loss)		**5,037**	**12,879**
Income tax attributable to continuing activities	22	556	-2,665
Profit (loss) on continuing activities		**5,593**	**10,214**
Discontinued activities	23		
Revenues on discontinued activities			
Discontinued activity costs			
Pre-tax discontinued activity profit (loss)			
Income tax attributable to discontinued activities			
Profit (loss) on discontinued activities			
NET PROFIT (LOSS)		**5,593**	**10,214**
Assigned to non-controlling shares			
Assigned to the owners of the parent company		**5,593**	**10,214**

Other total income	Note No.	in PLNPLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Assets which are not subsequently reclassified to the profit and loss account			
Assets which will be reclassified to profit or loss after meeting certain conditions			
Other total net income	**24**		
Assigned to non-controlling shares			

Assigned to the owners of the parent company

		-	-
Total comprehensive income	Note No.	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Total comprehensive income		5,593	10,214
Assigned to non-controlling shares			
Assigned to the owners of the parent company	-	**5,593**	**10,214**

V. Statement of financial situation.

Assets	Note No.	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Fixed assets		**369,174**	**379,449**
Tangible fixed assets	1	46,985	48,451
Investment real property	2		
Intangible assets	3	2,481	2,848
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	317,335	323,032
Investments measured using the equity method.	5		
Long-term trading and other receivables	6		
Biological assets	7		
Deferred income tax assets	22	2,373	3,246
Other fixed assets not elsewhere classified (including prepayments and accruals)	8		1,872
Current assets		**237,460**	**265,992**
Inventories	9	3,828	2,050
Receivables on account of the income tax	22		
Trading receivables and other receivables	6	214,070	233,317
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	3,500	3,200
Cash and cash equivalents	10	14,166	24,902
Other current assets not elsewhere classified (including prepayments and accruals)	8	1,897	2,523
Fixed assets held for sale	11		
Total assets	-	**606,634**	**645,442**

Capitals and liabilities	Note No.	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Equity	**12**	**244,305**	**238,713**
Issued share capital		8,249	8,249
Profit (loss) attributable to owners of the entity		5,593	10,214
Other capitals		230,464	220,250
Capital attributable to non-controlling shares			
Long-term liabilities and provisions for liabilities		**131,424**	**167,495**
Provisions under deferred income tax	22	8,224	10,453
Other provisions for long-term liabilities	13	150	150
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	102,081	131,883
Long-term trading and other liabilities	15	20,968	25,009
Other long-term liabilities and provisions not elsewhere classified (including accruals and prepayments)	16		
Short-term liabilities and provisions for liabilities		**230,904**	**239,234**
Provisions for short-term liabilities	13	1,301	1,257
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	49,734	44,340
Trading and other liabilities	15	176,476	191,295
Liabilities under deferred income tax	22	628	2,342
Other current liabilities and provisions not elsewhere classified (including accruals and prepayments)	16	2,765	
Liabilities directly related to fixed assets classified as held for sale	11		
Total capitals and liabilities	-	**606,634**	**645,442**

VI. Statement of cash flows.

Statement of cash flows	Note No.	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Pre-tax profit		**5,037**	**11,743**
Amortisation		3,841	3,634
Profit/loss under exchange rate differences			
Profit/loss on sale of fixed assets and intangible assets		-256	-79
Borrowing costs		9,010	10,788
Change in liabilities with the exclusion of financial liabilities		-18,860	13,455
Change in receivables		19,247	-15,203
Change in inventories		-1,777	12,195
Change in provisions		-2,184	1,002
Profit/loss on other financial instruments		-25,114	
Other changes in working capital		6,138	4,460
Cash from operating activity		**-4,919**	**41,895**
Paid income tax		-1,158	-378
Net cash from operating activities		**-6,077**	**41,517**
Sale of tangible fixed assets and intangible assets		377	4,958
Purchase of tangible fixed assets and intangible assets		-35	-822
Sale of investment real property			15,131
Purchase of investment real property			
Repayment of loans granted			2,165
Granting of loans		-300	-3,700
Sales of other investments		31,428	
Purchase of other investments		-12,896	-39,363
Received dividend and interest		12,278	1,981
Other cash flows from investment activities			1,586
Other expenses related to investment activity			
Net cash from investment activity		**30,852**	**-18,064**

Cash flows from shareholders			
Payments for owners			
Commitment of liabilities under loans and credits		44,588	88,386
Repayment of liabilities under loans and credits		-66,757	
Repayment of liabilities under leasing		-4,443	-6,240
Repayment of other financial liabilities			-72,371
Interest paid and other debt service expenditure		-8,899	-12,769
Other cash flows			
Other financial expenditure			-193
Cash from financial activity		**-35,511**	**-3,187**
Cash and cash equivalents at the beginning of the period		24,902	4,637
Net increases (decreases) in cash and cash equivalents		**-10,736**	**20,266**
Effect of changes in foreign exchange rates on cash and cash equivalents denominated in foreign currencies			
Cash at the end of the period		**14,166**	**24,902**
including cash and cash equivalents with restricted availability		3,369	3,613

VII. Statement of changes in equity.

Changes in equity	Share capital	Retained profit attributable to the shareholders of the parent company	Write-offs from net profit during the financial year relating to the shareholders of the parent company	Other accumulated total income attributable to the shareholders of the parent company	Other capitals attributable to the shareholders of the parent company	Net profit (loss) attributable to the shareholders of the parent company	Foreign exchange differences on translation	Capital attributable to non-controlling shares	TOTAL
As at 01/01/2015	**8,249**	**114,130**			**106,120**				**228,499**
Impact of retrospective application of changes in accounting policy									
Impact of retrospective restatement									
Total profits (losses) for the period						10,214			10,214
Total other comprehensive income									
Owner contributions									
Payments for owners									
Changes in ownership interests in subsidiaries not resulting in a loss of control									
Other changes in equity									
As at 31/12/2015	**8,249**	**114,130**			**106,120**	**10,214**			**238,713**
Settlement of unpaid financial result		10,214				-10,214			

Changes in equity	Share capital	Retained profit attributable to the shareholders of the parent company	Write-offs from net profit during the financial year relating to the shareholders of the parent company	Other accumulated total income attributable to the shareholders of the parent company	Other capitals attributable to the shareholders of the parent company	Net profit (loss) attributable to the shareholders of the parent company	Foreign exchange differences on translation	Capital attributable to non-controlling shares	**TOTAL**
As at 01/01/2016	**8,249**	**124,343**			**106,120**				**238,713**
Impact of retrospective application of changes in accounting policy									
Impact of retrospective restatement									
Total profits (losses) for the period						5,593			5,593
Total other comprehensive income									
Owner contributions									
Payments for owners									
Changes in ownership interests in subsidiaries not resulting in a loss of control									
Other changes in equity									
As at 31/12/2016	**8,249**	**124,343**			**106,120**	**5,593**			**244,305**

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

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 on intangible assets are recognised on a straight-line basis using the following rates:

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 transport	10-20%
Investments in third-party fixed assets	in proportion to the period of use 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 carry-over takes place of substantially the entire risk and practically all benefits arising from the ownership of the subject of lease onto the lessee, are activated as at the date of the inception of lease according to the lower of the following two values: the fair value of the subject of lease, or the current value of minimum lease charges. The minimum lease charges are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.
Fixed assets used under finance lease agreements are depreciated according to the same rules as

those applied to own assets. However, if it is not reasonably certain that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and 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 rents 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 leased 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 finance lease agreement and any unguaranteed residual value attributed to the lessor discounted at the interest rate of the lease. Finance income arising from a finance lease of an asset is recognised in a manner that reflects a constant periodic rate of return on the net investment in the lease.

Non-renewable natural resources

Non-regenerative natural resources are initially recognised at cost.

The purchase 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-regenerative natural resources are carried at cost less any accumulated amortisation and any accumulated impairment losses. Depreciation 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-regenerative 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 will be 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 price 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 products 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:
loss of useful value of inventories (destruction, overdue inventories),
inventory levels exceed the Company's demand and ability to sell, low
turnover of inventories,
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,
- 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 prepayments, whereas accruals include amounts classified as costs of the current period, even though they will be covered in the future reporting period. Write-offs of prepayments and accruals expenses are made on the time basis or on the basis of the amount of benefits. The time and the method of accruals and prepayments should depend on the nature of the accrued costs 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:
- according to the method of depreciated cost, taking into account the effective percentage 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.
The commitments 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:

- Overheads.
- 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 in force 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 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 measured 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 combining entities are ultimately controlled by the same party or parties both before and after the combination, 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;

- 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 of 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 a prior 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 an understanding of the financial position and the results of the Compiler of financial statements. These are significant items of income or expense 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:

Building and constructio n activity	Real estate development activity	Activity relating to the lease of investment real property	Exhibition and trade fair activity	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 judgment

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 judgments 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 judgments 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 concerning the measurement method and the scope of disclosures, other than those required by law, mainly resulting from changes in IFRS approved for use by the European Union (significant changes, if any, described in a separate part of the statements - chapter X).

In order to present the financial and property situation better in the financial statements, the Compiler of financial statements changed the presentations:

- statement of asset situation;
- statement of total income;
- statement of cash flows;
- 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 recognised 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 equity method and cash and cash equivalents)
	4.	Other long-term investments	Long-term financial assets (excluding trading receivables, assets measured according to 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 elsewhere classified (including prepayments and 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.	Amounts due 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 equity method and cash and cash equivalents)
		b) in other entities	Short-term financial assets (excluding trading receivables, assets measured according to 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 equity method and cash and cash equivalents)
	IV	**Short-term accruals**	Other current assets not elsewhere classified (including prepayments and 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) under 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) under remuneration	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	disclosed in net amount divided into assets which will not be and will be subsequently reclassified to the profit or 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 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 2016:	Impact on financial statements / reference
Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment entities: application of the exemption from consolidation - approved in the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016)	had no significant impact on the financial statements

Amendments to IFRS 11 “Joint Contractual Arrangements” - Settlement of the acquisition of shares in joint operations - approved by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 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
Amendments to IAS 16 “Tangible Fixed Assets” and IAS 38 “Intangible Assets” - Explanations on acceptable depreciation methods - approved by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016)	had no significant impact on the financial statements
Amendments to IAS 16 “Tangible Fixed Assets” and IAS 41 “Agriculture” - Plant crops - approved by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016)	had no significant impact on the financial statements
Amendments to IAS 19 “Employee Benefits” - Defined benefit plans: employee contributions - approved by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)	had no significant impact on the financial statements
Amendments to IAS 27 “Individual Financial Statements” - Property rights method in separate financial statements - 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
Amendments to various standards “Improvements to IFRS (2010-2012 cycle)” - amendments made under the procedure of introducing annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at resolving inconsistencies and clarifying vocabulary - approved by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)	had no significant impact on the financial statements
Amendments to various standards “Improvements to IFRS (2012-2014 cycle)” - amendments made under the procedure of introducing annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at resolving inconsistencies and clarifying vocabulary - approved by the EU on 15 December 2015 (effective for annual periods beginning on or after 01 January 2016)	had no significant impact on the financial statements
As at 21 February 2017, the following new standards and amendments to standards were issued by the IASB and approved for use in the EU, but have not yet come into force	**Impact on financial statements / reference**

IFRS 9 "Financial Instruments" - approved by the EU on 22 November 2016 (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" and amendments to IFRS 15 "Effective Date of IFRS 15" - approved by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018)	will not have any significant impact on the financial statements
As at 21 February 2017, the following new standards and amendments to standards and new interpretations were issued by the IASB but have not yet been approved for use in the EU	**Impact on financial statements / reference**
IFRS 14 "Deferred balances from regulated activity" (effective for annual periods beginning on or after 1 January 2016) - the European Commission decided not to start the process of approving this temporary standard for use in the EU until the final version of IFRS 14 has been issued.	will not have any significant impact on the financial statements
IFRS 16 "Leasing" (effective for reporting periods commencing on or after 01 January 2019)	will not have any significant impact on the financial statements
Amendments to IFRS 2 "Financial Instruments" - Share-based payment classification and measurement (effective for annual periods beginning on or after 1 January 2018)	will not have any significant impact on the financial statements
Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Instruments" (effective for annual periods beginning on or after 1 January 2018 or at the moment of first application of IFRS 9 "Financial Instruments")	will not have any significant impact on the financial statements
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the effective date of the changes was postponed until the completion of research on the equity method)	will not have any significant impact on the financial statements
Amendments to IFRS 15 "Revenue from Contracts with Customers" - Explanations to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)	will not have any significant impact on the financial statements

Amendments to IAS 7 "Statement of Cash Flows" - Initiative with respect to disclosures (effective for annual periods beginning on or after 1 January 2017)	will not have any significant impact on the financial statements
Amendments to IFRS 12 "Income Tax" - Recognition of deferred income tax assets from unrealised losses (effective for annual periods beginning on or after 01 January 2017)	will not have any significant impact on the financial statements
Amendments to IFRS 40 "Investment Real Property" - Carry-over of investment real property (effective for reporting periods commencing on or after 01 January 2018)	will not have any significant impact on the financial statements
Amendments to various standards "Improvements to IFRSs (2014-2016 cycle)" - changes made within the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mainly at resolving inconsistencies and clarifying vocabulary (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and amendments to 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
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 and explanations to the financial statements.

Note 1 Tangible fixed assets

Ownership structure of fixed assets

Specification	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Own tangible fixed assets	46,985	48,451
Tangible fixed assets used under operating lease, rent, hire or similar	381	1,225
Total	**47,366**	**49,676**

	in PLN

Costs of external financing capitalised in the value of fixed assets	thousand	
	As at: 31/12/2016	As at: 31/12/2015
Interest		
Foreign exchange differences		
Other borrowing costs		
Total		

There were no borrowing costs activated in tangible fixed assets.

Fixed assets used under financial lease contracts	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Costs	26,934	25,167
Depreciation	-11,034	-9,540
Total	**15,900**	**15,626**

Changes in fixed assets (by type groups) - for the period of 01/01/2015 - 31/12/2016

Fixed assets by type	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Fixed assets held for sale	TOTAL
As at 01/01/2015								
Costs	2,163	30,358	19,630	12,809	1,178			66,137
Depreciation and revaluation write-offs		-4,241	-11,976	-6,886	-970			-24,072
<u>**Net book value**</u>	<u>**2,163**</u>	<u>**26,116**</u>	<u>**7,654**</u>	<u>**5,923**</u>	<u>**208**</u>	-	-	<u>**42,065**</u>
Increases			8,951	752	37			9,740
including revaluation surplus								
Decreases		-802	1,549	882	121			1,751
including amortisation		-802	1,515	865	121			1,699
Foreign exchange differences								
As at 31/12/2015								
<u>**Net book value**</u>	<u>**2,163**</u>	<u>**25,315**</u>	<u>**15,056**</u>	<u>**5,793**</u>	<u>**125**</u>			<u>**48,451**</u>
As at 01/01/2016								
Costs	**2,163**	**30,358**	**28,182**	**12,424**	**1,192**			**74,317**
Depreciation		-5,043	-13,126	-6,631	-1,067			-25,866
Revaluation write-offs								
Net book value	2,163	25,315	15,056	5,793	125			48,451
As at 31/12/2016								
Costs	2,163	30,358	29,304	12,606	1,174			75,604
Increases, including:			1,962	297	15			2,274
-acquisition			1,962	297	15			2,274
-acquisition subsidiaries								
-revaluation surplus								
-carry-over								
-other								
Decreases, including:			-840	-115	-32			-987
- sale			-840	-115	-32			-987

-reallocation to the group held for sale								
-other								
Depreciation		**-5,844**	**-14,187**	**-7,486**	**-1,102**			**-28,619**
Increases, including:		-802	-1,698	-909	-67			-3,476
-amortisation		-802	-1,698	-909	-67			-3,476
-acquisition subsidiaries								
-other								
Decreases			637	54	32			723
-sale			637	-54	-32			551
-reallocation to the group held for sale								
-carry-over								
-other								
Revaluation write-offs								
-revaluation write-offs								
-revaluation write-off recalls								
Foreign exchange differences								
Net value	**2,163**	**24,513**	**15,117**	**5,120**	**72**			**46,985**
Fixed, by type	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Fixed assets held for sale	TOTAL

In the period from 01/01/2016 to 31/12/2016, no revaluation write-offs under impairment losses occurred

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

Note 2 Investment real property

Neither in the current nor in the previous reporting period, the entity did not have any investments in real property.

However, the company has a capital commitment in subsidiaries for which real property investment is a significant part of the activities.

Estimated cash flows from these properties were part of the impairment test for capital investments in subsidiaries.

The Consolidated Financial Statements of the JHM Development S.A. Group provide more detailed information on this item. JHM Development is a company listed on the Warsaw Stock Exchange and the financial statements of the Group are published on the website of the parent company:

http://jhmdevelopment.pl/

Note 3 Intangible assets

Intangible asset ownership structure	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Own intangible assets	2,481	2,848
Intangible assets used under operating lease, rent, hire or similar		
Total	**2,481**	**2,848**

Costs of external financing capitalised in the value of intangible assets	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Interest		
Foreign exchange differences		
Other borrowing costs		
Total		

Intangible assets used under financial lease contracts	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Costs	2,885	2,885
Depreciation	-412	-59
Total	**2,473**	**2,826**

Changes in intangible assets (by type groups) - for the period from 01/01/2015 to 31/12/2016

	Costs of research and development	Goodwill	Plans and licenses	Other intangible assets	Advance payments for intangible assets	TOTAL
As at 01/01/2015						
Costs			5,254			5,254
Depreciation and revaluation write-offs			-803			-803
Net book value			6,057			6,057
Increases			2,909			2,909
including revaluation surplus						
Decreases			-4,512			-4,512
including amortisation			-333			-333
Foreign exchange differences						
As at 31/12/2015						
Net book value			**4,455**			**4,455**
as at 01/01/2016						
Costs			3,224			3,224
Depreciation			-376			-376
Revaluation write-offs						
Net book value			**2,848**			**2,848**
as at 31/12/2016						
Costs			**3,222**			**3,222**
Increases, including:						
-acquisition						
-acquisition subsidiaries						
-revaluation surplus						
-carry-over						
-other						
Decreases, including:			-3			-3
-sale			-3			-3
-reallocation to the group held for sale						
-other						
Depreciation			**-741**			**-741**
Increases, including:			-365			-365
-amortisation			-365			-365
-acquisition subsidiaries						
-other						

Decreases						
-sale						
-reallocation to the group held for sale						
-carry-over						
-other						
Revaluation write-offs						
-revaluation write-offs						
-reversals of revaluation write-offs						
Foreign exchange differences						
Net value			**2,481**			**2,481**

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

In the period from 01/01/2015 to 31/12/2016, no revaluation write-offs under impairment losses occurred.

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

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Capital investments in subsidiaries	311,219	318,511
Other	9,617	7,721
Total	**320,835**	**326,232**

Capital investments in subsidiaries	JHM Development S.A	PBDiM Kobylarnia S.A.	Expo Mazury S.A.	Mirbud Kazachstan Sp . z o.o.	**TOTAL**
As at 01/01/2015				**632**	**632**
Increases					
Decreases				-632	**-632**
Foreign exchange differences					
As at 31/12/2015	**196,365**	**49,554**	**72,592**		**318,511**
Increase under increase of shares in share capital					
Subsidies to capitals			11,300		**11,300**

Reversals of revaluation write-offs					
Re-qualification under obtaining control					
Re-qualification from other categories					
Other increases					
Sale of shares in subsidiaries			-18,592		**-18,592**
Revaluation write-offs					
Re-qualification under loss of control					
Connections with subsidiaries					
Re-qualification to other categories					
Other reductions					
as at 31/12/2016	**196,365**	**49,554**	**65,300**		**311,219**

Other financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand			
	As at: 31/12/2016	Increases from 01/01/2016 to 31/12/2016	Decreases from 01/01/2015 to 31/12/2015	As at: 31/12/2015
Long-term financial assets	**6,117**	**1,739**	**-143**	**7,721**
in related entities				
- other securities (bonds)				
- loans granted				
- other long-term financial assets				
in other entities	**6,117**	**1,739**	**-143**	**7,721**
- shares				
- financial assets available for sale				
- financial assets held to maturity				
- assets under derivative instruments				
- loans granted				
- other long-term financial assets	6,117	1,739	-143	7,721
Short-term financial assets	**3,500**	**5,100**	**-4,800**	**3,200**
in subsidiaries and jointly controlled entities				
- shares available for trade				

- other securities				
- loans granted				
- other short-term financial assets				
in associates				
- shares available for trade				
- other securities				
- loans granted				
- other short-term financial assets				
in other entities	**3,500**	**5,100**	**-4,800**	**3,200**
- shares (listed)				
- other shares				
- financial assets measured at fair value through financial result				
- financial assets available for sale				
- financial assets held to maturity				
- assets under derivative instruments				
- loans granted	3,500	5,100	-4,800	3,200
- other short-term financial assets				
Total	**9,617**	**6,839**	**-4,943**	**-2,165**

Basic financial data of main, directly controlled subsidiaries	JHM Development S.A	PBDiM Kobylarnia S.A.	Expo Mazury S.A.	Mirbud Kazachstan Sp . z o.o.
Total assets	337.873	131,595	187,342	
Long-term liabilities	50,792	6,647	29,533	
Short-term liabilities	9,890	64,610	5,089	
Equity	270,932	50,664	75,418	
Direct share in capital	86.28%	100.00%	55.71%	100.00%
Share in own capital (direct and indirect)	86.28%	100.00%	99.50%	100.00%
Revenue from sales	42,274	253,371	13,471	
Net profit (loss)	2,507	27,920	-1,715	
Net comprehensive income for the financial year	2,507	27,920	-1,715	

Basic financial data of 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.
Total assets	143,491	19,029	13,698	5

Long-term liabilities	5,584	9,783	5	
Short-term liabilities	13,405	684	455	
Equity	117,869	8,464	8,612	5
Share in own capital (direct and indirect)	**86.28%**	**86.28%**	**86.28%**	**86.28%**
Revenue from sales	36,443	982	571	
Net profit (loss)	20,896	-2,697	-5,435	
Net comprehensive income for the financial year	20,896	-2,697	-5,435	
Total net cash flows	-2	-88	-3,481	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: 31/12/2016	As at: 31/12/2015
Long-term receivables		
trade receivables from related entities		
trade receivables from other entities		
other receivables from related entities		
other receivables from other entities		
Short-term receivables	**214,070**	**233,317**
trade receivables from related entities	5,698	8,077
trade receivables from other entities	68,522	84,933
retained amounts under execution of contracts from related entities	4,715	5,473
retained amounts under execution of contracts from other entities	14,794	15,181
other receivables from related entities	8,728	
other receivables from other entities	12	82
amounts transferred for deliveries	263	452

budget receivables except for corporate income tax settlements		
disputed receivables brought before the court	26,072	20,272
accrual of receivables under settlement of long-term contracts	85,266	98,846
Total	**214,070**	**233,317**

Age structure of short-term receivables	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Gross trade receivables	**215,366**	**237,083**
not overdue	180,284	190,047
overdue up to 3 months	12,612	17,346
overdue from 3 to 6 months	1,390	1,424
overdue from 6 to 12 months	808	
overdue over 12 months	20,272	28,266
receivables revaluation write-off	-1,296	-3,766
Net trade receivables	**214,070**	**233,317**

Receivables revaluation write-offs	Trade receivables	Disputed receivables	Other	Total
As at 01/01/2015	**-3,766**			**-3,766**
Increases				
Solutions				
Utilisations				
As at 31/12/2015	**-3,766**			**-3,766**
Increases	1,350			1,350
Solutions	-2,646			-2,646
Utilisations	3,766			3,766
as at 31/12/2016	**-1,296**			**-1,296**

Note 7 Biological assets.

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

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

Other assets	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Other long-term assets		**1,872**
Long-term cost prepayments		1,872
Other long-term assets not elsewhere classified		
Other short-term assets	**1,897**	**2,523**
Short-term cost prepayments	1,897	2,523
Other short-term assets not elsewhere classified		
Total	**1,897**	**4,396**

Note 9 Inventories.

Inventories	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Materials	3,601	1,991
Semi-finished products and work in progress		
Finished products	82	60
Goods	145	
Total	**3,828**	**2,050**

Inventory revaluation write-offs	Materials	Semi-finished products and work in progress	Finished products	Goods	Developer contracts
As at 01/01/2015					
Increases					
Solutions					
Utilisations					
As at 31/12/2015					
Increases					
Solutions					
Utilisations					
as at 31/12/2016					

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: 31/12/2016	As at: 31/12/2015
Cash on hand and with banks	10,798	21,289
Term deposits	3,369	3,613
Other monetary assets		
Total	**14,166**	**24,902**

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: 31/12/2016	As at: 31/12/2015
Issued share capital	8,249	8,249
Retained profit attributable to the shareholders of the parent company	106,120	95,906
Write-offs from net profit during the financial year relating to the shareholders of the parent company		
Other accumulated income attributable to the shareholders of the parent company		
Other capitals attributable to the shareholders of the parent company	124,343	124,343
Net profit (loss) attributable to the shareholders of the parent company	5,593	10,214
Foreign exchange differences on translation		
Capital attributable to non-controlling shares		
Total	**244,305**	**238,713**

Share capital structure	Number of shares PLN Pieces	Value of capital in PLN thousand	share nominal value in PLN	Registration date dd/mm/yyyy	Method of coverage
Ordinary A series shares	19,500	1,950	0.10	22/12/2006	Contribution in cash
Ordinary B series shares	14,625	1,463	0.10	22/12/2006	Contribution in cash
Ordinary C series shares	2,264	226	0.10	22/12/2006	Contribution in cash
Ordinary D series shares	3,611	361	0.10	22/12/2006	Contribution in cash
Ordinary E series shares	5,000	500	0.10	11/12/2019	Contribution in cash
Ordinary F series shares	10,000	1,000	0.10	03/03/2010	Contribution in cash
Ordinary G series shares	10,000	1,000	0.10	19/05/2010	Contribution in cash
Ordinary H series shares	10,000	1,000	0.10	18/08/2010	Contribution in cash
Ordinary I series shares	7,493	749	0.10	25/06/2014	Contribution in cash
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**	-	-	-

Shares of all series are equally preferred as to dividend and return on capital.

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other Shareholders
As at 31/12/2015			
Owned ordinary shares	32,590,594	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 31/12/2016			
Owned ordinary shares	33,057,350	10,193,049	39,242,101
Preference shares held			
Share in capital	40.07%	12.36%	47.57%
Share in profit	40.07%	12.36%	47.57%
Share in voting	40.07%	12.36%	47.57%
Balance as at the date of approval of financial statements for publication			
Owned ordinary shares	33,057,350	10,193,049	39,242,101
Preference shares held			
Share in capital	40.07%	12.36%	47.57%
Share in profit	40.07%	12.36%	47.57%
Share in voting	40.07%	12.36%	47.57%

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 31/12/2015		
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 31/12/2016		
Owned ordinary shares	33,057,350	39
Preference shares held		
Share in capital	40.07%	0.00%
Share in profit	40.07%	0.00%
Share in voting	40.07%	0.00%
Balance as at the date of approval of financial statements for publication		
Owned ordinary shares	33,057,350	39
Preference shares held		
Share in capital	40.07%	0.00%
Share in profit	40.07%	0.00%
Share in voting	40.07%	0.00%

Note 13 Provisions.

Provisions	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Long-term provisions	**150**	**150**
provisions for retirement benefits	150	150
other long-term provisions		
Short-term provisions	**1,301**	**1,257**
provisions for retirement benefits	270	226
provisions for warranty repairs	1,000	1,000
provisions for losses under settlements of long-term contracts		
other short-term provisions	31	31
Total	**1,451**	**1,407**

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

Bank loans and credits and other debt instruments	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	**102,081**	**131,883**
Financial liabilities due to related entities		
Loans and credits from other entities	97,344	126,302
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	4,737	5,581
Other		
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	**49,734**	**44,340**
Financial liabilities due to related entities		9,760
Loans and credits from other entities	46,741	30,081
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	2,993	4,498
Other		
Total	**151,815**	**176,223**

Debt instruments structure	in PLN thousand					
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	Total
As at 01/01/2015	**124,468**		**26,386**	**4,493**		**155,346**
Accrued interest	9,936			267		10,203
Interest paid	-9,652		-986	-267		-10,904
Drawdown	88,386			11,827		100,213
Repayment	-46,995		-25,400	-6,240		-78,635
Average liability level	145,306		13,193	7,286		165,785
Real interest rate	6.84%		0.00%	3.66%		6.15%
As at 31/12/2015	**166,143**			**10,080**		**176,223**
minimum payments within 1 year	39,841			4,498		44,340
minimum payments within 1 to 5 years	122,642			5,581		128,223
minimum payments over 5 years	3,660					3,660
interest due within 1 year	11,361			369		11,730
interest due within 1 to 5 years	34,547			817		35,364
interest due over 5 years	250					250
Approximate fair value	174,823			9,789		184,612
as at 01/01/2016	**166,143**			**10,080**		**176,223**
Accrued interest	8,706			304		9,010
Interest paid	-8,596			-304		-8,899
Drawdown	44,588			2,094		46,682
Repayment	-66,757			-4,443		-71,200
Average liability level	155,114			8,905		164,019

Real interest rate	5.61%			3.41%		5.49%
As at 31/12/2016	**144,085**			**7,730**		**151,815**
minimum payments within 1 year	46,741			2,993		49,734
minimum payments within 1 to 5 years	95,514			239		95,753
minimum payments over 5 years	1,830			4,498		6,328
interest due within 1 year	8,087			264		8,351
interest due within 1 to 5 years	21,854			646		22,501
interest due over 5 years	103					103
Approximate fair value	146,452			7,031		153,483

Note 15 Trading liabilities and other liabilities.

Trading and other liabilities	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Long-term liabilities	**20,968**	**25,009**
Trade liabilities to related entities		
retained amounts to related entities		8,524
Other liabilities due to related entities		
Trade liabilities to other entities		
Retained amounts to other entities	20,968	16,485
Other liabilities due to other entities		
Short-term liabilities	**176,476**	**191,295**
Trade liabilities to related entities	16,671	19,595
retained amounts to related entities		
Other liabilities due to related entities		
Trade liabilities to other entities	112,400	130,430
Liabilities under settlement of long-term contracts		
Advance payments received	3,089	10,135
Bills of exchange liabilities		
Budget liabilities except for corporate income tax settlements	13,354	16,803
Remuneration settlements	1,105	1,139
Retained amounts to other entities	29,200	10,240
Other liabilities due to other entities	657	2,952
Total	**197,444**	**216,305**

Age structure of liabilities	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Trade liabilities	**197,444**	**216,305**
not overdue	174,503	189,693
overdue up to 3 months	17,028	19,752
overdue from 3 to 6 months	4,625	5,365
overdue from 6 to 12 months	1,288	1,494
overdue over 12 months		
Total overdue	**22,941**	**26,612**

Note 16 Other current liabilities and reserves not elsewhere classified (including accruals and prepayments)

Other accruals and prepayments and non-classified provisions, including accruals and prepayments	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Long-term		
Revenue settled in time		
Cost prepayments		
Other items		
Short-term	**2,765**	
Revenue settled in time	620	
Cost prepayments	2,146	
Other items		
Total	**2,765**	

Note 17 Revenue from sales

The Company's sales revenue and total revenue is as follows:

Structure of revenues on sales	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Net revenue from sales of products and services	**634,809**	**596,847**
- to related entities	51,632	24,307
- to other entities	583,178	572,540
Net revenues from sales of goods		
- to related entities		
- to other entities		
Net revenues from sales of materials	**25,010**	**3,934**
- to related entities	6	
- to other entities	25,003	3,934
Total	**659,819**	**600,782**

Geographical structure of sales revenues

Specification	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Net revenue from sales of products and services	**634,809**	**596,847**
- domestic sales	634,809	596,847
- export sale		
Net revenues from sales of goods		
- domestic sales		
- export sale		
Net revenues from sales of materials	**25,010**	**3,934**
- domestic sales	25,010	3,934
- export sale		
Total	**659,819**	**600,782**

Settlement of profits or losses on long-term services in progress	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Revenues invoiced for services in progress	966,422	600,136
Adjustment of revenues under the settlement of the progress of construction services	85,266	98,846
Total	**1,051,688**	**698,982**
Costs incurred for services in progress	-999,160	-618,528
Adjustment of costs under the settlement of the progress of construction services		
Total	**-999,160**	**-618,528**
Losses on contracts in progress		
Impact on the current financial result	**85,266**	**98,846**
Impact on the accumulated results of contracts unfinished as at the balance-sheet date	**52,528**	**80,454**

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 costs of sales	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Production cost of products sold	**-627,870**	**-558,400**
- to related entities	-44,774	-14,810
- to other entities	-583,096	-543,590
Value of sold goods		
- to related entities		
- to other entities		
Value of sold materials	**-24,887**	**-3,934**
- to related entities	-6	
- to other entities	-24,880	-3,934
Total	**-652,757**	**-562,334**

Own costs of sales	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Production cost of products sold	**-627,870**	**-558,400**
- own costs of domestic sales	-627,870	-558,400
- own costs of export sales		
Value of sold goods		
- own costs of domestic sales		
- own costs of export sales		
Value of sold materials	**-24,887**	**-3,934**
- own costs of domestic sales	-24,887	-3,934
- own costs of export sales		
Total	**-652,757**	**-562,334**

Cost structure by types	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Amortisation	-3,841	-3,634
Consumption of materials and energy	-32,141	-42,880
Outsourcing	-581,494	-497,662
Taxes and fees, including:	-429	-549
Remunerations	-18,185	-18,483
Social insurance and other benefits	-4,040	-3,320
Other costs by type	-845	-6,795
Value of goods and materials sold	-24,887	-3,934
Manufacturing cost of products for internal purposes		
Total	**-665,861**	**-577,257**

Recognition of costs by type in the financial statements	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
In own costs of sales	-652,757	-562,334
In the change of balance of assets	-23	-1,667
In costs of sales		
In general overheads	-13,082	-13,256
In other items		
Total:	**-665,861**	**-577,257**

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 revenue and costs of operating and investment activities	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Costs of sales		
Overheads	-13,082	-13,256
Revaluation write-offs of non-investment assets	-1,299	-1,630
Reversal of revaluation write-offs of non-investment assets		
Restructuring costs		
Court proceedings settlement result		
Result of sale of non-investment fixed assets	256	711
Revenues under revaluation of investment real property		
Costs under revaluation of investment real property		
Result of sale of investment real property		
Result of sale of all or part of subordinate entities	12,836	
Result of sale of other financial investments		
Dividends	11,791	
Interest	486	6,461
Result of revaluation of other financial investments measured at fair value through financial result		
Result of measurement of investments recognised using the equity method		
Revaluation write-offs of other financial assets		-632
Reversal of revaluation write-offs of other financial assets		
Foreign exchange differences of operating and investment activities	1,966	-193
Other revenue	4,271	4,943
Other costs	-9,561	-9,204
Total revenues	**31,606**	**12,114**
Total costs	**-23,942**	**-24,914**

Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Revenues under increase in the value of investments measured under the equity method		
Costs under decrease in the value of investments measured under 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: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Tangible fixed assets		
-revaluation write-off created		
-revaluation write-off reversal		
Intangible assets		
-revaluation write-off created		
-revaluation write-off reversal		
Receivables		
-revaluation write-off created	-1,299	-1,630
-revaluation write-off reversal		
Inventories		
-revaluation write-off created		
-revaluation write-off reversal		
Fixed assets held for sale		
-revaluation write-off created		
-revaluation write-off reversal		
Other		
-revaluation write-off created		
-revaluation write-off reversal		
Total asset revaluation write-offs	**-1,299**	**-1,630**
Total reversal of revaluation write-offs		

Revenue and costs of investment real property	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Revenues from sales for related entities		
Revenues from sales for other entities		
Own costs of sales for related entities		
Own costs of sales for other entities		
Increase of fair value of investment real property		
Decrease of fair value of investment real property		
Result on investments in real property		

The above items did not occur.

Revenue and costs of financial investments	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Dividends to related entities	11,791	
Dividends to other entities		
Interest to related entities	26	
Interest to other entities	461	6,461
Revenues from sales of all or part of subordinate entities	31,428	
Own cost of sales of all or part of subordinate entities	-18,592	
Revenues under increase of value of derivative instruments		
Costs under decrease of value of derivative instruments		
Revenues from ineffective hedging instruments		
Costs from ineffective hedging instruments		
Reversal of revaluation write-offs of other financial assets		
Revaluation write-offs of other financial assets		-632
Revenues under increase of investments measured at fair value through financial result		
Costs under decrease of investments measured at fair value through financial result		
Foreign exchange profits	1,966	
Foreign exchange losses		-193
Results of financial investment activities	**27,080**	**5,636**

On 14/01/2016, the notarial deed (Rep. A no. 374/2016) covered the resolution on increasing the share capital of EXPO MAZURY S.A. by the amount of PLN 11,500 thousand, through the issue of new ordinary registered "C" series shares with the issue price equal to the nominal value, i.e. PLN 1.00 each. The shares were offered by way of private subscription to the following entities: MARYWILSKA 44 Sp. z o.o. and PBDiM KOBYLARNIA S.A. With the issuance of "C" series shares, PBDiM KOBYLARNIA S.A. acquired and paid for
8.00 thousand of shares, while Marywilska 44 sp. z o.o. acquired and paid for 3,500 shares.

On 27 June 2016, a share sale contract was concluded between MIRBUD S.A. and PBDiM KOBYLARNIA S.A. Under this contract, MIRBUD S.A. sold to PBDiM KOBYLARNIA S.A. 10,000,000 ordinary registered "B" series shares with a nominal value of PLN 1.00 and a total value of PLN 10,000,000 in the share capital of EXPO MAZURY S.A. By 31/12/2016, PBDiM KOBYLARNIA S.A. paid the entire amount of PLN 10,000,000.

On 03/10/2016 the District Court in Olsztyn registered the capital increase.

On 02/11/2016 by notarial deed (Rep. A no. 4198/2016), a resolution of the Extraordinary General Meeting of Shareholders was adopted on increasing the share capital by PLN 20,000,000 through the issue of new registered shares of series "D" with the issue price equal to the nominal value, i.e. PLN 1 each. The shares will be offered by way of private subscription to entities indicated by the Management Board of the Company. Contracts with entities indicated by the Management Board will be concluded not earlier than 27/11/2016 and not later than 30/04/2017.

As at 31.12.2016, the amount of the payment made by MIRBUD was PLN 11,300,000.

On 09/12/2016 a contract between Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [The KOBYLARNIA S.A. Road and Bridge Construction Enterprise] (Buyer) and MIRBUD S.A. (the Seller) was concluded for the sale of registered "A" series shares of EXPO MAZURY S.A. with a nominal value of PLN 1.00 each, fully paid-up, with a total nominal value of PLN 21,427,900.00, in the share capital of EXPO MAZURY S.A. The contract provides for the payment deadline until 30/06/2017. As at the balance sheet date of 31/12/2017 the Buyer paid the total amount of PLN 12,700 thousand. The remaining liability under the aforementioned contract amounts to PLN 8,728 thousand.

By virtue of Resolution No. 9/2016 of the Ordinary General Meeting of Shareholders of 17 June 2016, the net profit of JHM DEVELOPMENT S.A. for 2015 in the amount of PLN 3,043,660.17 was allocated to the payment of dividend in the amount of PLN 2,076,000.00, i.e. 0.03 gross (in words: three grosz) per share (of which PLN 1,791,000 is allocated to the parent company MIRBUD S.A.), and the remaining part of the profit amounting to PLN 976,660.17 shall be excluded from distribution and be allocated to the Company's reserve capital. The number of shares covered by the dividend is 69,200,000. The Ordinary General Meeting of the Issuer set the dividend day (D) at 30 June 2016 and the dividend payment date (P) at 30 September 2016.

Pursuant to the Resolution of the Management Board No. 22/2016 of 29/11/2016 adopted with the consent of the Supervisory Board of PBDiM KOBYLARNIA S.A. made an advance payment towards the expected dividend to MIRBUD S.A. for the financial year from 01/01/2016 to 31/12/2016 in the total amount of PLN 10,000,000.

Other revenue	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Subsidies received	137	156
Other revenues from related entities	1,412	1,239
Other revenues from other entities	2,722	3,548
Total	**4,271**	**4,943**

Other costs	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Donations	-116	-93
Other costs from related entities	-2,874	-2,704
Other costs from other entities	-6,571	-6,407
Total	**-9,561**	**-9,204**

Note 20 Financial costs.

Financial costs	Note No.	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Interest on credits		-7,882	-9,107
Interest on loans from related entities			
Interest on loans from other entities			
Interest on bonds from related entities			
Interest on bonds from other entities			-1,770
Interest on liabilities under financial lease contracts from related entities			
Interest on liabilities under financial lease contracts from other entities		-304	-267
Other interest for related entities		-176	-6
Other interest for other entities		-414	-699
Measurement of capital instruments			

Interest under factoring contracts		-824	-829
Foreign exchange differences from financial liabilities			
Other financial costs for related entities			
Other financial costs for other entities		-91	-91
Total financial costs		**-9,690**	**-12,769**

Note 21 Income tax and deferred income tax.

Income tax	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Income tax current part	-799	-1,529
Income tax deferred part	1,355	-1,136
Other tax charges on the financial result		
Adjustments for previous years		
Total income tax	**556**	**-2,665**

Agreement on effective tax rate	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Pre-tax profit (loss)	5,037	12,879
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-957	-2,447
Tax effect of the received dividend	2,240	
Tax exemptions		
Assets under tax loss for the reporting period not recognised in deferred tax		
Tax effect of other revenues and costs permanently not constituting revenues and tax costs	-728	-218
Other		
Income tax in the result account	**556**	**-2,665**

Deferred tax	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Deferred tax assets	**2,373**	**3,246**
- under provisions for employee benefits	80	113
- under other provisions	1,824	2,797
- under accrued interest	26	7
- under revaluation write-offs of current assets		
- under investment measurement		
- under construction contract settlement		
- under losses from previous years		
- under tax and balance sheet differences in the value of fixed assets and lease contracts		
- under foreign exchange differences		
- other	443	329
Deferred tax liability	**8,224**	**10,453**
- under accrued interest	43	1,193
- under investment measurement		
- under construction contract settlement	3,744	5,554
- under tax and balance sheet differences in the value of fixed assets and lease contracts	3,853	3,039
- under foreign exchange differences		
- under goodwill		
- other	583	667
Deferred net income tax assets (provisions)	**-5,852**	**-7,207**

Deferred net income tax assets (provisions)	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Deferred net income tax assets (provisions) at the beginning of the period	**-7,207**	**-6,071**
Reference to financial result	1,355	-1,136
Reference to other total income		
Other reference to equity		
Subsidiaries		
Deferred net income tax assets (provisions) at the end of the period	**-5,852**	**-7,207**

Receivables (liabilities under deferred income tax)	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Receivables (liabilities under deferred income tax) at the beginning of the period	**-1,529**	**-2,342**
Payment (repayment) of income tax	1,700	2,342
Current income tax accrual	-799	-1,529
Receivables (liabilities under deferred income tax) at the end of the period	**-628**	**-1,529**

Note 21 Other comprehensive income.

Other total income	in PLN thousand For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Assets which are not subsequently reclassified to the profit and loss account		
Exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on items not be carried forward in later periods		
Assets to be reclassified to profit or loss under specified conditions		
Effects of measurement of financial instruments by other comprehensive income		
Effective part of hedge accounting		
Effects of revaluation of fixed assets		
Carry-over to the statement of profit and loss account		
Income tax related to the 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: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Profit (loss) on continuing activities attributable to owners of the parent company	5,593	10,214
Profit (loss) on discontinued activities attributable to owners of the parent company		
Total	**5,593**	**10,214**
Weighted average number of ordinary shares in thousands of pieces	**82,493**	**82,493**
Basic profit per share	**0.07**	**0.12**
Costs of interest on convertible bonds (net of tax)		
Profit (loss) to determine the diluted profit per share	**5,593**	**10,214**
Share options issued in thousands		
Theoretical conversion of convertible bonds in thousands		
Weighted average number of ordinary shares for diluted profit per share in thousands	**82,493**	**82,493**
Diluted profit per share	**0.07**	**0.12**

No other transactions involving ordinary shares or potential ordinary shares occurred in the period between the balance sheet date and the date of preparation of these financial statements

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. The Issuer's activity focuses on the provision of construction and assembly services, therefore, for the purposes of these financial statements, operating segments are not 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.

Selected items of the profit and loss account for segments in PLN thousand in the reporting period	Building and constructio n activity For the period: from 01/01/2016 to 31/12/2016	Real estate development activity For the period: from 01/01/2016 to 31/12/2016	Activity connected with lease of investment real property For the period: from 01/01/2016 to 31/12/2016	Exhibition and trade fair activity For the period: from 01/01/2016 to 31/12/2016	Other For the period: from 01/01/2016 to 31/12/2016	Total For the period: from 01/01/2016 to 31/12/2016	Exclusions For the period: from 01/01/2016 to 31/12/2016	Total after interlinking For the period: from 01/01/2016 to 31/12/2016
Continued activities	-	-	-	-	-	-	-	-
Revenue from sales	**658,097**				**1,722**	**659,819**		
Own cost of sales	-650,450				-2,306	-652,757		
Gross profit from sales	**7,647**				**-584**	**7,062**		
EBIT	15,311				-584	14,727		
Pre-tax activity profit (loss)	**5,621**				**-584**	**5,037**		
Income tax attributable to continuing activities	445				111	556		
Profit (loss) on continuing activities	**6,066**				**-473**	**5,593**		
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	-	-	-	-	**-473**	**-473**	-	-
Assigned to the owners of the parent company	**6,066**	-	-	-	**-473**	**5,593**	-	-

Concentration of recipients by business activity segments	Building and construction activity For the period: from 01/01/2016 to 31/12/2016	Real estate development activity For the period: from 01/01/2016 to 31/12/2016	Activity relating to the lease of investment real property For the period: from 01/01/2016 to 31/12/2016	Exhibition and trade fair activity For the period: from 01/01/2016 to 31/12/2016	Other For the period: from 01/01/2016 to 31/12/2016	Total For the period: from 01/01/2016 to 31/12/2016	Exclusions For the period: from 01/01/2016 to 31/12/2016	Total after interlinking For the period: 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	**420,089**					**420,089**		**420,089**

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Building and construction activity As at: 31/12/2016	Real estate development activity As at: 31/12/2016	Activity relating to the lease of investment real property As at: 31/12/2016	Exhibition and trade fair activity As at: 31/12/2016	Other As at: 31/12/2016	Total As at: 31/12/2016	Exclusions As at: 31/12/2016	Total after interlinking As at: 31/12/2016
Fixed assets	369,174							
Current assets	237,460							
Total assets	**606,634**	-	-	-	-	-	-	-
Equity	**244,305**							
Long-term liabilities and provisions for liabilities	131,424							
Short-term liabilities and provisions for liabilities	**230,904**							
Total capitals and liabilities	**606,634**	-	-	-	-	-	-	-

Other segment data in the reporting period	Building and construction activity As at: 31/12/2016	Real estate development activity As at: 31/12/2016	Activity connected with lease of investment real property As at: 31/12/2016	Exhibition and trade fair activity As at: 31/12/2016	Other As at: 31/12/2016	Total As at: 31/12/2016	Exclusions As at: 31/12/2016	Total after interlinking As at: 31/12/2016
Goodwill allocated to a segment								
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%**

Selected items of the profit and loss account for segments in PLN thousand in the comparative period	Building and construction activity For the period: from 01/01/2015 to 31/12/2015	Real estate development activity For the period: from 01/01/2015 to 31/12/2015	Activities connected with lease of investment real property For the period: from 01/01/2015 to 31/12/2015	Exhibition and trade fair activity For the period: from 01/01/2015 to 31/12/2015	Other For the period: from 01/01/2015 to 31/12/2015	Total For the period: from 01/01/2015 to 31/12/2015	Exclusions For the period: from 01/01/2015 to 31/12/2015	Total after interlinking For the period: from 01/01/2015 to 31/12/2015
Continued activities	-	-	-	-	-	-	-	-
Revenue from sales	**599,160**				**1,622**			**600,782**
Own cost of sales	-560,070				-2,264			-562,334
Gross profit from sales	**39,089**				**-642**			**38,448**
EBIT	26,289				-642			25,648
Pre-tax activity profit (loss)	**13,521**				**-642**			**12,879**
Income tax attributable to continuing activities	-2,787				122			-2,665
Profit (loss) on continuing activities	**10,734**				**-520**			**10,214**
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities	-	-	-	-	-	-	-	-
NET PROFIT (LOSS)								
Assigned to the owners of the parent company	**10,734**	-	-	-	**-520**	-	-	**10,214**

Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period	Building and construction activity As at: 31/12/2015	Real estate development activity As at: 31/12/2015	Activities connected with lease of investment real property As at: 31/12/2015	Exhibition and trade fair activity As at: 31/12/2015	Other As at: 31/12/2015	Total As at: 31/12/2015	Exclusions As at: 31/12/2015	Total after interlinking As at: 31/12/2015
Fixed assets	379,449							
Current assets	**265,992**							
Total assets	**645,442**	-	-	-	-	-	-	-
Equity	**238,713**							
Long-term liabilities and provisions for liabilities	167,495							
Short-term liabilities and provisions for liabilities	**239,234**							
Total capitals and liabilities	**645,442**	-	-	-	-	-	-	-

Other segment data in PLN thousand in the comparative period	Building and construction activity As at: 31/12/2015	Real estate development activity As at: 31/12/2015	Activities connected with lease of investment real property As at: 31/12/2015	Exhibition and trade fair activity As at: 31/12/2015	Other As at: 31/12/2015	Total As at: 31/12/2015	Exclusions As at: 31/12/2015	Total after interlinking As at: 31/12/2015
Goodwill allocated to a segment								
Risk-free rate	3.10%	3.10%	3.10%	3.10%	3.10%			
General risk acc. to Damodoran	7.03%	7.03%	7.03%	7.03%	7.03%			
beta coefficient for the industry acc. to Damodoran	0.80	0.45	0.39	0.70	0.37			
Individual risks	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	**10.10%**	**6.56%**	**5.95%**	**9.09%**	**5.75%**			

Note 24 Transactions with related entities.

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital connections		Members of the Management Board and Supervisory Board and key personnel	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Revenue from sales	54,273	23,068						
Revenues from the sale of fixed assets								
Revenues from interest	26							
Other revenues	26,039	1,239						
Acquisition of inventories and other costs capitalised at the value of current assets								
Acquisition of services and other operating costs	-224,636	-100,069						
Acquisition of fixed assets								
Interest costs	-176	-6						
Other costs	-2,874	-2,704					-541	-440
Loans received								
Loans granted								
Costs of remuneration								

Loan receivables									
Trading and other receivables									
Liabilities under loans		-9,760							
Trading and other liabilities	-16,671	-28,119							

Remuneration of key personnel	Entity	Position	Remunerations in PLN thousand		Loans granted to key personnel in PLN thousand		Additional information
			31/12/2016	31/12/2015	31/12/2016	31/12/2015	
Jerzy Mirgos	Mirbud S.A.	President of the Management Board	1,573	1,040			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	300			
Paweł Korzeniowski	Mirbud S.A.	Member of the Management Board	540	324			
Tomasz Sałata	Mirbud S.A.	Member of the Management Board	514	120			
Hubert Bojdo	Mirbud S.A.	Member of the Supervisory Board	30	27			
Agnieszka Bujnowska	Mirbud S.A.	Secretary of the Supervisory Board	36	33			
Andrzej Zakrzewski	Mirbud S.A.	Member of the Supervisory Board	30	27			
Waldemar Borzykowski	Mirbud S.A.	Member of the Supervisory Board	36	33			
Dariusz Jankowski	Mirbud S.A.	Chairman of the Supervisory Board	54	47			
Krystyna Byczkowska	Mirbud S.A.	Member of the Supervisory Board	17	27			

Krystyna Lachowicz	Mirbud S.A.	Member of the Supervisory Board	13				
Total			**3,743**	**1,976**			

Note 25 The auditor's remuneration.

The auditor's remuneration	in PLN thousand	
	For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Remuneration for the audit of the individual and consolidated financial statements	31	31
Remuneration for the interim review of individual and consolidated financial statements	19	19
Other services		
Total	**50**	**50**

Note 26 Financial instruments.

Financial assets acc. to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Loans granted	-	-	-	-	3,500	3,200	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trading and other receivables					214,070	233,317		
Cash and cash equivalents					14,166	24,902		
Other financial assets					6,117	1,739		
Total financial assets	-	-	-	-	**237,853**	**263,158**	-	-
Dividend revenues								
Revenues from interest	-	-	-	-	486	6,461	-	-
Foreign exchange profits (losses)					1,966	-193		
Reversal (creation) of write-offs	-	-	-	-	-1,299	-1,630	-	-
Profits (losses) under measurement and realisation								
Profits (losses) under derivative instruments	-	-	-	-			-	-
Total impact on the profit or loss account of financial assets					**1,154**	**4,638**		

Financial liabilities acc. to IAS 39	Capital instruments		Measured at fair value by financial result		Measured at amortised cost		Hedging instruments	
	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Credits	-	-	-	-	310,228	166,143	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trading and other receivables					197,444	216,305		
Other financial liabilities								
Total financial liabilities	-	-	-	-	**507,672**	**382,448**	-	-
Interest	-	-	-	-	-7,882	-9,107	-	-
Foreign exchange profits (losses)								
Profits (losses) under measurement and realisation								
Profits (losses) under derivative instruments								
Total impact on the profit or loss account of financial liabilities	-	-	-	-	**-7,882**	**-9,107**	-	-

Financial instruments acc. to fair value hierarchy	Level I		Level II		Level III	
	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Assets	-	-	-	-	-	-
Derivative financial instruments for assets	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial assets						
Liabilities	-	-	-	-	-	-
Derivative financial instruments						
Other financial instruments 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	in full-time equivalents	
	For the period: from 01/01/2016 to 31/12/2016	For the period: from 01/01/2015 to 31/12/2015
Non-site employees	115	110
Site employees	144	163
Total	**259**	**273**
Employees under contractual agreements	**68**	**68**

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.

Collateral title	Collateral type	Debt value	Collateral value in PLN thousand		Balance sheet value of the subject of collateral in PLN thousand		date of expiry
		As at: 31/12/2016	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	dd/mm/yyyy
Collateral for the 202-129/3/II/2/2008 credit	mortgage	21,000	26,700	26,700	26,676	27,477	01/03/2023
Total	-	**21,000**	**26,700**	**26,700**	**26,676**	**27,477**	

Assets constituting liability collaterals	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Tangible fixed assets	26,676	27,477
Investment real property		
Financial assets		
Intangible assets		
Other assets		
Total	**26,676**	**27,477**

Note 35 Judicial cases.

Cases brought against the person compiling the financial statements	Value of the dispute subject in PLN thousand	Party to the proceedings	Description and position 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 of 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, - Investor's failure to obtain by 31 December 2013 the decision to change the building permit - the Investor's failure to prepare and submit by 31 December 2013 the documentation 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, - the Investor's failure to perform the acceptance obligations resulting from the schedule for the execution of works constituting Annex No. 4b to Annex No. 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 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).	low
regarding payment	12,189	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	21,521		Other proceedings of low individual value	low
Total	**51,242**	-		

Cases brought by the person compiling the financial statements	Value of the dispute subject	Party to the proceedings	Description and position 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	7,749	Othe r	Other proceedings of low individual value	low
Total	26,072			

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 sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		surety expiry date
		As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	dd/mm/yyyy
To related entities						
MARYWILSKA 44 Sp. z o.o	Collateral for the DEUTSCHE BANK S.A. credit	26 930	26 930	6 902	11 256	27/12/2017
MARYWILSKA 44 Sp. z o.o	Collateral for the DEUTSCHE BANK S.A. credit	7,000	7,000	1,368	1,069	09/12/2017
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit	26 200	26 200	3 355	2 000	30/11/2021
JHM 1 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	10,396		10,398		30/09/2031
PBDiM KOBYLARNIA S.A.	Collateral for BGK S.A	30 000	20 000			02/08/2017
EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	75,000	28,562	31,737	27/03/2026
JHM 1 Sp. z o.o.	Collateral for the Raiffeisen S.A. credit.		17 563		10 777	20/10/2021
To other entities	-					
Total	-	175,526	172,693	50,585	56,839	

Other contingent liabilities	in PLN thousand As at: 31/12/2016	As at: 31/12/2015
Under proper performance guarantee	158,778	88,437
Under rectifying faults and defects	88,021	100,237
Under payment of receivables	1,800	17,643
Total	**248,599**	**188,674**

Note 37 Objectives and principles of risk management.

Risk of significant 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 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: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Liabilities under credits and loans	151,815	176,223		
Loans granted	3,500	3,200		
Other financial assets				
Other financial liabilities				
Total	**155,315**	**179,423**		

Risk of changes in foreign exchange rates

In 2016, MIRBUD S.A. generated approx. 12 % 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, the Company hedged the exchange rate level by entering into FORWARD-type transactions.

Items exposed to change in foreign exchange rates	EUR		USD		Other	
	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015	As at: 31/12/2016	As at: 31/12/2015
Liabilities under loans Loans and receivables						
Loans granted						
Trade receivables other	18,843	8,687				
Trading and other liabilities						
Cash	3,352	7				
Other financial assets						
Total	**22,195**	**8,694**				

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

Revenues of MIRBUD S.A. are earned in full 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 industry: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, 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

Stagnation and slowdown of economic growth in many European Union countries cause an increase in the number of competing entities on the Polish market, which, with the slowdown of Polish economic growth and the number of investments carried out in the country, translates into an increase in competition and pressure to reduce margins on construction contracts.
Further intensification of competition in the markets in which the Companies operate may have a material adverse effect on their operations, results, financial position or prospects for development.
The Management Board of the Company, based on its long experience, tries to build a portfolio of contracts which would enable it to achieve an appropriate financial result.

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 provision 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, as well as a number of specific factors, 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 authorities 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 authorities 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

The 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 contracts, 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 2005-2015, 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 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 contract 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.

Calculation of the debt ratio	in PLN thousand	
	As at: 31/12/2016	As at: 31/12/2015
Total credits	151,815	176,223
Cash and cash equivalents	-14,166	-24,902
Net debt	**137,649**	**151,321**
Equity	244,305	238,713
Total capital	**381,954**	**390,033**
Debt ratio	**36%**	**39%**

XII. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 03/04/2017

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