MANAGEMENT BOARD REPORT FOR THE FIRST QUARTER OF 2013

1. Description of the organization of the ERBUD Group and changes in the structure

1.1 Parent Company

Erbud S.A. is a parent company of the Erbud Group [the "Parent Company or the "Parent"]

The core business of the Group activities are broadly understood construction, erection and assembly services performed in general contracting and subcontracting in the country and abroad. ERBUD S.A. is the dominant entity of the Group.

1.2 Consolidated entities

As at 31 March 2013 the structure of Erbud Group was as follows.

The Group consists of the ERBUD Parent Company with seated in Warsaw and its subsidiaries:

			Percentage of the Parent's shareholding and voting rights at AGM as of			
Subsidiary	**Seat**	**Business range**	**31.03.2013**	**31.12.2012**	**30.09.2012**	**30.06.2012**
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
ER Services Sp. z o.o. (forrmerly TOPLUX Sp. z o.o.)	Toruń	Construction	0%	0%	0%	100%
GWI GmbH	Germany	Construction	85%	85%	85%	85%
Ersteel Sp. z o.o.	Toruń	Steel structures	100%	100%	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and entertainment	39%	39%	39%	39%
Grupa Budlex	Warszawa	Housing development	90%	90%	90%	90%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%	94.27%	94.27%
Erbud Energetyka Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
Erbud Construction	Toruń	Construction	100%	100%	100%	100%
Engorem Sp. z o.o.	Łódź	Services for power sector	0%	80.22%	0	0

a) Subsidiaries included in the consolidated financial statements of the Group by full method:

- Erbud International Sp. z o.o.
- GWI GmbH
- The Budlex Group
- PBDI S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.
- Delta Sp. z o.o. (Engorem Sp. z o.o.

b) Subsidiaries excluded from the consolidated financial statements:

- Erbud Rzeszów Sp. z o.o.
- Erbud Construction Sp. z o.o.

On **22.11.2012,** Erbud SA signed an agreement to purchase from Dalkia Lodz SA shares, representing 57.56% of the capital of ENGOREM Sp. z o.o. in Łódź that entitled to 57.56% votes at the shareholders' meeting, what was announced in Current Report No. 50/2012 dated 22.11.2012.
At the same time, the Management Board of Erbud SA acquired shares from minority investors – a group of a few dozen of employees, representing 22.66% of the capital of ENGOREM Sp. z o.o. in Łódź and giving 22.66% votes at the shareholders' meeting. The price was set at PLN 8 million. The transaction was financed with own funds of Erbud SA. As a result of the transaction, Erbud SA became the owner of 80.22% of shares in ENGOREM Sp. z o.o.
In the coming months, Erbud SA plans to hold ultimately shares representing 100% of the capital of ENGOREM Sp. z o.o. seated in Łódź.

ENGOREM Sp. z o.o. was established in 1994 and operates in the field of comprehensive investment services, repair and diagnostics for the power industry, mainly in the region of city of Łódź.

Due diligence conducted prior to the purchase of shares, confirmed the good economic position of the company. End October, ENGOREM Sp. z o.o achieved revenues of PLN 35m and operating profit of around PLN 1.0m. It has no liabilities. The company employs 270 people.

The Management Board of ERBUD S.A. believes the new entity is a foundation for further expansion of the Group's competence in the energy sector.

To optimize the transaction in terms of Cash Flow, ERBUD SA sold on 4 January all shares in Engorem Sp. z o.o., a subsidiary of Delta Sp. z o.o.
For the purchase of shares Delta sp. z o.o. received a loan from Polski Bank Przedsiębiorczości S.A. As a result of such financing structure, the transaction will be neutral for Erbud S.A. as regards cash.

After buying out the remaining shares in Engorem Sp. z o.o. by Delta, it is planned to make a merger of the two companies.

2. Opinion of the Erbud's S.A. Management Board regarding the implementation of forecasts published in the prospectus in light of the results presented in this report

The Management Board of Erbud S.A. did not publish any projections or estimates for 2013.

3. Shareholders of the Parent

According to information held by ERBUD S.A. there were following changes in the shareholding of the Issuer by the report publication date:

On **31 January 2013** the Issuer's Management Board was notified of buying the Issuer's shares by a proxy of Erbud S.A. The person related acquired 6.000 shares.

As of 31 March 2013 the share capital of the Issuer consists of the following series of shares:

Series	Number of shares	Price in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.50
D	2 500 000	0.10	250 000.00
E	31 686	0.10	3 168.60
F	41 458	0.10	4 145.80
G	33 787	0.10	3 378.70
Total	**12 677 956**	0.10	**1 267 795.60**

On **15 April 2013**, the Issuer's Management Board adopted Resolution on increasing the share capital within the authorized capital through the issuance of Series H shares and deprivation existing shareholders of the pre-emptive right to acquire shares of Series H.
The share capital of the Company shall be increased from the amount of PLN 1,267,795.60 (one million, two hundred and sixty-seven thousand, seven hundred and ninety-five, point six zero) by no more than PLN 5,000.00 (five thousand), that is, to an amount not exceeding PLN 1,272,795.60 (one million, two hundred and seventy-two thousand, seven hundred and ninety-five, point six zero).
The capital increase will be effected by issuing up to 50,000 (fifty thousand) ordinary bearer shares of Series H with a nominal value of PLN 0.10 (ten Groszy) each one.

Therefore, the shareholding (shareholders having more than 5%) as at 31 March 2013 was as follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.03.2012

Aggregate number of Erbud shares: 12 677 956

No.	Shareholder	Class of shares	Number of shares held	Equity percentage	Voting power	% of voting rights at GMS
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.76%	4 152 865	32.76%
2	Juladal Investment Limited	ordinary	2 848 347	22.47%	2 848 347	22.47%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.33%	1 183 146	9.33%
4	ING OFE	ordinary	1 269 709	10.02%	1 269 709	10.02%
5	Dariusz Grzeszczak, of which a subsiadry monitoring by Dariusz Grzeszczak	ordinary	773 900	6.10%	773 900	6.10%
6	Free Float	ordinary	2 449 989	19.32%	2 449 989	19.32%
	Total		12 677 956	100.00%	12 677 956	100.00%

4. The Erbuds S.A. shares or rights to them (options) held by the managing and supervising staff as at the date of the report submission, including changes in ownership in IQ 2013

As of 31 March 2013, the members of managing and supervising staff held the following number of shares:

Persons related holding shares of ERBUD SA as at 15.05.2012

Aggregate number of Erbud shares: **12 677 956**

No.	Person related	Relationship	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at the GM
1	Dariusz Grzeszczak	Management Board member of Erbud SA	ordinary	773 900	6.10%	773 900	6.10%
2	Józef Adam Zubelewicz	Management Board member of Erbud SA	ordinary	259 500	2.05%	259 500	2.05%
3	Walenty Twardy	Proxy of Erbud S.A.	ordinary	19 852	0.16%	19 852	0.16%
4	Piotr Augustyniak	Proxy of Erbud S.A.	ordinary	9 811	0.08%	9 811	0.08%
5	Bogdan Dürr	President of Erbud International Sp. zo. o. / Proxy of Erbud S.A.	ordinary	6 712	0.05%	6 712	0.05%
6	Beata Krzywicka	Proxy's of Erbud S.A. spouse	ordinary	3 636	0.03%	3 636	0.03%
7	Tomasz Krzywicki	Proxy of Erbud S.A.	ordinary	3 950	0.03%	3 950	0.03%
8	Agnieszka Głowacka	Proxy of Erbud S.A.	ordinary	5 836	0.05%	5 836	0.05%
9	Włodzimierz Czystowski	Proxy of Erbud S.A.	ordinary	10 525	0.08%	10 525	0.08%
10	Mariola Zielińska	Chief Accountant of ERBUD S.A.	ordinary	4 018	0.03%	4 018	0.03%
11	Grzegorz Krzywicki	Proxy of Erbud S.A.	ordinary	3 033	0.02%	3 033	0.02%
12	Radosław Kałamaga	Proxy of Erbud S.A.	ordinary	5 494	0.04%	5 494	0.04%
13	Waldemar Kozłowski	Proxy of Erbud S.A.	ordinary	0	0.00%	0	0.00%
14	Maciej Wyrzykowski	Proxy of Erbud S.A.	ordinary	1 200	0.01%	1 200	0.01%
15	Mirosław Młynarski	Proxy of Erbud S.A.	ordinary	6 778	0.05%	6 778	0.05%
16	Albert Dürr	Supervisory Board member of Erbud SA	ordinary	14 500	0.11%	14 500	0.11%
TOTAL				**1 128 745**	**8.90%**	**1 128 745**	**8,90%**

The Board members and holders of a commercial power of attorney did not have any Erbud's shares options.

5. Information about the proceedings pending before a court, authority responsible for arbitration or public administration as at 31 March 2013

On **22 December 2010**, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496.
The respondent: Bank Millennium S.A. in Warsaw.
In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer resulted from the Issuer's need to adequate secure its situation.
The product was presented by the Bank as an instrument optimally adapted to the requirements of Erbud S.A.

In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.
During many talks, the Issuer presented its position to the Bank, which required execution of the transaction, including action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options.
The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

By the date of publication of the report there were held four trials, on which four witnesses have been heard.

Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska, which is a debtor to Erbud S.A., filed on **10.01.2013** a letter titled "Application of the creditor for bankruptcy" to the District Court for the Capital City of Warsaw - Commercial Division for Bankruptcy and Relief.

In 2011, the Issuer commissioned Danuta Kurpiewska leading business under the name WEG BET Danuta Kurpiewska to lay a foundation for one of the projects. The contract value amounted to PLN 4.4 million, of which the disputed amount is PLN 0.6 thousand.

In view of the long delay in execution of works, the Issuer was forced to commission the contract completion by substitute contractor and to bear costs of this construction. According to the agreement provisions, the Issuer charged WEG BET Danuta Kurpiewska penalties and claimed for damages. In connection with a number of failures in settlement of work by the debtor, the Issuer noticed on 07.02.2013 the Public Prosecutions Office of a crime.

In the Issuer's opinion, steps taken by Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska are unfounded and the debtor attempt to evade the law and use the fact that Erbud is a public company in order to exert pressure in order to obtain financial benefits. The Issuer has already taken appropriate measures to enforce the claim.

6. Information about transactions of a non-routine and unusual nature with a value exceeding EUR 500,000.00 concluded by the Issuer and its subsidiaries with parties related

There were transactions with related parties In IQ 2013, that value in the period from the beginning of the fiscal year exceeded the PLN equivalent of EUR 500,000. Most transactions were of a routine nature and resulted from the statutory activities of the companies of the Group.

7. Information about loan sureties, loans or guarantees provided by the Issuer or its subsidiaries during the four quarters of 2012

Guarantees and loans granted by the Issuer are summarized below:

Description	31.03.2013	31.12.2012	30.09.2012	30.06.2012	31.03.2012
Credit repayment guarantee for Erbud International Sp. z o.	0	0	0	4 000	4 000
GWI GmbH – loan repayment guarantee	8 355	8 176	8 228	8 523	10 557
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	8 355	11 038	11 107	11 505	10 750

GWI GmbH – loan repayment guarantee	0.00	4 088	4 114	4 261	4 000
Budlex Sp. z o.o. - loan	24 974	24 974	24 974	24 974	24 974
Budlex Pestalozziego Sp. z o.o. - guarantee	12 286	12 286	12 286	12 286	12 286
GWI GmbH, Erbud International – surety for financial guarantee lines	30 662	30 662	30 853	31 960	
Total contingent liabilities	**84 632**	**91 224**	**91 562**	**97 509**	**65 567**

Guarantees in the Budlex Group:

Type of liability	Loan amount	The Guarantor	The Borrower	Bank
Guarantee to the loan amount, incl. interest and other payables to the bank	1 000.00	Budlex Winnica sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill of exchange guarantee	26 000.00	Budlex S.A.	Budlex Glinki A3 Sp. z o.o.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	11 400.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA
Bill of exchange guarantee	1 000.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA
Bill of exchange guarantee	8 081.00	Budlex S.A.	Budlex Zbożowa 1 sp. z o.o. s.k.	Bank PKO BP S.A.
Bill of exchange guarantee	15 231.00	Budlex S.A.	Budlex Pestaalozziego 1 sp.z o.o.	Bank PKO BP S.A.

Off-balance sheet liabilities in the form of financial guarantees (bank and insurance ones) provided by the Issuer:

Item	31.03.2013	31.12.2012	30.09.2012	30.06.2012	31.03.2012
Liabilities payment guarantee	40 181	48 196	65 331	57 944	64 783
Performance bond	130 984	156 615	131 765	112 154	130 428
Defects remedying guarantee	108 880	107 835	105 194	102 996	98 705
Total contingent liabilities	**280 045**	**312 646**	**302 291**	**273 094**	**293 916**

8. Key events occurred in the IQ 2013 and the significant events after 31.03.2013

Contracts concluded by:

Erbud S.A. - in Poland

Investor	Contract value in PLN '000
GLI Sp. z o.o. Komandytowa , Warszawa, Domaniewska	25 499
Szpital Specjalistyczny im. Ludwika Rydygiera Sp. z o.o. w Krakowie, Krakowski Szpital Specjalistyczny	34 951

im. Jana Pawła II w Krakowie, Szpital Wojewódzki im. Św. Łukasza w Tarnowie (Hospitals in Kraków and Tarnów)	
MO-BRUK S.A.	950
Rockwell Automation Sp. z o.o.	440
Powiat Wadowicki - Starostwo Powiatowe w Wadowicach (Wadowice District Local Government)	2 619
Dekada Grójec Sp. z o.o., Al. Niepodległości 124, 02-577 Warszawa	15 800
Puławska 113 Sp. z o.o. Spółka Komandytowo-Akcyjna, Marynarska 11, 02-674 Warszawa	19 097

ERBUD S.A. – abroad

Investor	Contract value in PLN '000
Prefaco	2 219

PBDI S.A.

Investor	Contract value in PLN '000
ZDW w Bydgoszczy	595
PROKON New Energy Poland sp. z o.o.	7 000
Starke Wind Rzepin sp. z o.o.	391
BUDIMEX S.A.	293

Engorem Sp. z o.o.

Investor	Contract value in PLN '000
KSB Piompy i Armatura	873
Hydropomp S.A.	978
Dalkia Łódź S.A.	851
Dalkia Łódź S.A.	580
Dalkia Łódź S.A.	558
Dalkia Łódź S.A.	317

GWI GmbH

Investor	Contract value in PLN '000
Haus Aegi GmbH & Co ,Oststeinbek	10 992
Haus Aegi GmbH & Co , Oststeinbek	16 113
E&S Planbau GmbH Recklinghausen	8 074
Pomona Prime Property GmbH	11 924
Oberkasseler Tor, Dusseldorf	49 276
Conesta Consulting	18 343

Erbud International Sp. z o.o.

Investor	Contract value in PLN '000
MBG	2 295

9. Other information, which in the Issuer's opinion is important for assessing its personnel situation, the asset and financial position, financial results and their changes and information that is relevant to assess the feasibility of the Issuer's obligations

9.1.1 List of signed loan agreements and agreements for multi-purpose guarantee lines

Potential debts of the Erbud SA under the contracts signed as at the day of preparing the financial statements were as follows:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
BNP Paribas Bank Polska S.A.	Overdraft credit	2 663	PLN	WIBOR 1M + margin	2013-09-14	In one amount	Erbud S.A.
BRE Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2013-12-31	In one amount	ERBUD S.A.
PKO BP S.A.	Overdraft credit	20 000	PLN	reference rate of PKO BP + margin	2013-06-30	In one amount	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2013-08-20	In one amount	ERBUD S.A./ PBDI S.A./ Budlex S.A.
Deutsche Bank A.G.	Investment loan	59,3	EUR	2.99% fixed	2017-05-30	Equal monthly instalments	GWI
Alior Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2013-09-20	In one amount	ERBUD S.A.
KBC	Overdraft credit	1 000	EUR	EONIA + margin	2013-10-25	In one amount	GWI
BNP Paribas Bank Polska S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2013-08-30	In one amount	PBDI S.A.
Commerzbank	Overdraft credit	2 000	EUR	5.50 % fixed	2013-05-30	In one amount	GWI
PBP S.A.	Investment loan	7 500	PLN	WIBOR 3M + margin	2019-12-18	In one amount	Delta Sp. z o.o.

Moreover, the Company can obtain contractual guarantees in the above said banks.

Bank name	Type of liability	Amount in PLN '000	CU	Company
Fortis Bank S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	27 000	PLN	Erbud S.A.
BRE Bank S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	70 000	PLN/USD/USD	Erbud S.A
PKO BP	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	30 000	PLN	Erbud S.A
Kredyt Bank S.A.	Performance bond, payment guarantee, repair works guarantee	34 000	PLN	Erbud S.A
Alior Bank S.A.	Performance bond, payment guarantee, repair works guarantee	40 000	PLN	Erbud S.A
ING S.A.	Performance bond, payment guarantee, repair works guarantee	48 000	PLN	Erbud S.A; PBDI S.A.
Fortis Bank S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	4 000	PLN	PBDI S.A.
KBC Bank	Performance bond, payment guarantee, repair works guarantee	1 000	EUR	GWI GmbH

9.1.2 Credit agreements signed by the companies of the Budlex Group

No.	Borrower	Creditor	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
1	Budlex S.A.	Bank PKO BP SA	Overdraft credit	1 000	WIBOR 1M +margin	2013-01-24
2	Budlex S.A.	ING Bank Śląski	Revolving credit	12 000	WIBOR 1M +margin	2013-08-20
3	Budlex Pestalozziego sp. z o.o.	BOŚ BANK SA	Non- renewable revolving credit	12 286	WIBOR 3M +margin	2014-11-30
4	Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+marża	2015-09-15
5	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA	Non- renewable revolving credit	11 400	WIBOR 1M +margin	2013-08-13
6	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA	Revolving credit	1 000	WIBOR 1M +margin	2013-03-29
7	Budlex Zbożowa 1 sp. z o.o. s.k.	PKO BP SA	Investment loan	8 081	WIBOR 3M +margin	2013-11-30
8	Budlex Pestaalozziego 1 sp.z o.o.	PKO BP SA	Investment loan	15 231	WIBOR 3M +margin	2014-07-31

9.2. Significant financial agreements

On **17.04.2013,** the Company signed with Powszechny Zakład Ubezpieczeń Spółka Akcyjna headquartered in Warsaw a mandate agreement for periodic establishment of insurance guarantees.
The agreement includes granting of contractual guarantees on behalf of ERBUD SA. The maximum exposure limit is PLN 50,000,000.00, provided that the exposure limit for advance amount repayment shall not exceed PLN 6,000,000.00.
These limits have been set out by 25.03.2014. An extension for a further period is possible.

9.3. Important information about subsidiaries

9.3.1. General information

Till 31.03.2013 and by the date of report publication, there were no events that could affect the situation in the Group Erbud.

9.3.2 Information about the transactions concluded with related parties in the Issuer's Group

Till 31 March 2013 and by the date of report publication, the Issuer and its subsidiaries did not conclude any transactions with its affiliates under conditions other than market conditions.

9.4. Other relevant information, which in the Issuer's opinion can influence the future performance of the Group

9.4.1 Modlin Airport: Facts - Basic information about the contract and its completion

The contract for the construction of the Warsaw-Modlin Airport was signed on September 14, 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA (“Contractor”) was obliged, inter alia, to upgrade the runway. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.

The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1,421 meters. The net value of the concrete thresholds constructed is about PLN 10m.
DSH – Dospravni stavby a.s.("DSH"), a subsidiary of the construction group Metrostav, was a subcontractor responsible for the construction of the concrete pavement of runway thresholds. The company specializes in such kind of works. The Employer has been informed of the choice of the subcontractor and did not oppose (January 2011).
DSH commissioned the following entities a number of works:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]:
The commission included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;
- CEMEX and LAFARGE – two worldwide known suppliers of aggregate:
The commission included the supply of aggregate for concrete used to complete the runway thresholds.
The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

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

The runway was carried out by DSH over the period of June - November 2011, according to the mix design prepared by the Instytut Inżynierii Lądowej Politechniki Wrocławskiej. The company used aggregate supplied by CEMEX and Lafarge.
All design solutions, concrete mix formulas, certificates of compliance and land surveying were supervised by the staff of the General Contractor and the Employer, and the works were executed under direct supervision of Client's Engineer.

The concrete mix production samples were taken by the laboratory of TPA Instytut Badań Technicznych (Technical Research Institute). The samples were collected pursuant to Polish standards, i.e. from each batch of concrete produced. Tests have shown that the strength and frost resistance of concrete is at least equal to or higher than designed one.

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

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

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

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

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

By the date, the Customer addressed to the General Contractor a request for payment due to "indemnification" of for a the total amount of PLN 10,496,180.48. The Customer did not documented factual and legal claims. The General Contractor shall not acknowledge the Customer's claim.

Standpoint of the Management Board on financial claims

Based on a preliminary analysis of the construction investment process and results of the internal audit, as well as the evaluation of technical research and works performed (including their compatibility with the mix design and Polish standards), it was confirmed that it can be concluded, that all materials used meet the standards specified and required by Polish law.
During conducting the project works, all design solutions, material formulas and land surveying were supervised by the relevant services of the General Contractor and the Employer, and the works were executed under the direct supervision of the General Contractor and the Client's Engineer.
By order of the General Contractor, material samples were collected and then it has been commissioned to make external investigations and technological reports that should show what caused the cavities in concrete surface. This makes it possible to determine the liability of the various parties involved in the project.
In late December and early January 2013, the cost of work executed amounted to about PLN 450 thousand. The General Contractor charged DSH with the above costs and offset claims. The cost of works carried out at the airport is estimated at about PLN12.5m. Following the outsourced expertise all of the costs will be charged to the indicated entity (-ies) as a result of outsourced expertise.
As of 31.12.2012, the General Contractor created a reserve of PLN 2,8m for costs associated with Modlin project, such as expert assessments, legal and consulting services.

Despite the dissenting opinion of DSH, the General Contractor, having regard to the public interest, started works associated with the replacement of the runway concrete pavement (as substitute contractor) without waiting for the final explanation of the cause of damage and without having confirmation for the time being, that he is obliged to repair under the warranty.

9.5. The Issuer's Supervisory Board

On 31 May 2012, the General Meeting of Shareholders of ERBUD SA appointed by Resolutions No. 14-20 / 2012 the Supervisory Board as follows:

Name and surname	Position/Function	Term beginning	Term ending
Udo Berner	President of the Supervisory Board	31.05.2012	31.05.2015
Józef Olszyński	Vice-President of the Supervisory Board	31.05.2012	31.05.2015
Albert Dürr	Member of the Supervisory Board	31.05.2012	31.05.2015
Gabriel Główka	Member of the Supervisory Board	31.05.2012	31.05.2015
Lech Wysokiński	Member of the Supervisory Board	31.05.2012	31.05.2015
Zofia Dzik	Member of the Supervisory Board	31.05.2012	31.05.2015
Michał Otto	Member of the Supervisory Board	31.05.2012	31.05.2015

There are two committees of the Supervisory Board, being the Audit and the Remuneration Committees.

Till the publication of the report, the composition of the Supervisory Board has not changed.

9.6. The Issuer's Management Board

On 31 May 2012, the Supervisory Board appointed for a new three-year joint term the Management Board of ERBUD SA composed of:

Name and surname	Position/Function	Term beginning	Term ending
Dariusz Grzeszczak	Member of the Management Board	31.05.2012	31.05.2015
Józef Adam Zubelewicz	Member of the Management Board	31.05.2012	31.05.2015

Till the publication of the report, the composition of the Management Board has not changed.

Signatures of Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 15 May 2013