Translation from Polish

ERBUD GROUP

INTERIM REPORT
ON OPERATIONS
OF THE ISSUER'S CAPITAL GROUP
AS AT 30.06.2013

WARSAW, 2013.08.26

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1. Overview of economic and financial highlights

The financial position of Erbud SA in the first half of 2013 is characterized by selected economic and financial figures recognized in the consolidated statement of financial position, statement of comprehensive income, consolidated cash flow statement and the notes, together with the auditor's opinion and report.

a) ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

BALANCE SHEET	30.06.2013	30.06.2012	Change	Change in %
I. Fixed assets	**122 307**	**138 317**	**-16 010**	**-11.57**
1. Intangible fixed assets	32 850	29 649	3 201	10.80
2. Investment real property	5 506	5 536	-30	-0.54
3. Goodwill	20 102	20 102	0	0.00
4. Tangible fixed assets	1 906	588	1 318	224.15
5. Non-current financial assets	19 700	31 780	-12 080	-38.01
6. Long-term receivables	0	770	-770	-100.00
7. Long-term prepayments	0	0	0	0.00
8. Deferred tax assets	42 243	49 892	-7 649	-15.33
II. Current assets	**564 641**	**620 231**	**-55 590**	**-8.96**
1. Inventory	104 584	128 806	-24 222	-18.81
2. Current receivables	234 184	259 271	-25 087	-9.68
3. Financial assets	342	792	-450	-56.82
4. Short-term investments	79 901	70 232	9 669	13.77
5. Construction contracts	97 140	122 164	-25 024	-20.48
6. Short-term prepayments	4 493	1 975	2 518	127.49
8. Building securities	43 997	36 991	7 006	18.94
Total assets	**686 948**	**758 548**	**-71 600**	**-9.44**
I. Total equity	**252 822**	**238 277**	**14 545**	**6.10**
1. Equity attributable to shareholders of the Parent	**241 412**	**228 148**	**13 264**	**5.81**
2. Minority interests	**11 410**	**10 129**	**1 281**	**12.65**
II. Long-term liabilities, incl.	**106 075**	**113 555**	**-7 480**	**-6.59**
Credits and loans	55 132	61 870	-6 738	-10.89
III. Short-term liabilities, incl.	**328 051**	**406 716**	**-78 665**	**-19.34**
Credits and loans	53 004	55 414	-2 410	-4.35
Trade liabilities	147 711	211 422	-63 711	-30.13
Building securities	78 225	78 549	-324	-0.41
Building contracts	18 004	17 418	586	3.36
Total liabilities	**686 948**	**758 548**	**-71 600**	**-9.44**

The carrying value of the Group year has reduced by 9.44% as compared to the same period of the previous year.

The decrease in assets is primarily attributable to lower sales in comparison with 2012. Counteracting the expected decline in sales, the Budlex SA Group did not begin new investments and sold off inventories. The drop in inventories in the comparable periods amounted almost to19%. Receivables and liabilities have decreased as well and this was due to lower sales by the individual companies within the p ERBUD Group.

b) ANALYSIS OF THE STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2013

(Classification by nature)

ITEM	30.06.2013	30.06.2012	Change	Change in %
A. Revenue from core business	**523 597**	**579 983**	**-56 386**	**-9.72**
B. Operating expenses	**513 968**	**566 533**	**-52 565**	**-9.28**
Amortisation and depreciation	3 697	3 669	28	0.76
Consumption of materials and energy	73 851	112 184	-38 333	-34.17
External services	350 783	362 357	-11 574	-3.19
Taxes and charges	4 629	3 896	733	18.81
Payroll	60 759	51 341	9 418	18.34
Social security and other benefits	12 471	11 544	927	8.03
Other costs by type	6 961	5 495	1 466	26.68
Value of goods and materials sold	817	16 047	-15 230	
C. Profit (loss) on sales	**9 629**	**13 450**	**-3 821**	**-28.41**
D. Other operating revenues	1 412	2 374	-962	-40.52
E. Other operating expenses	2 881	1 641	1 240	75.56
F. Profit (loss) on operating activities	**8 160**	**14 183**	**-6 023**	**-42.47**
G. Financial revenues	3 581	3 265	316	9.68
H. Financial costs	6 591	6 635	-44	-0.66
I. Profit (loss) on business activities	**5 150**	**10 813**	**-5 663**	**-52.37**
J. Profit (loss) before tax	**5 150**	**10 813**	**-5 663**	**-52.37**
K. Income tax	2 511	2 479	32	1.29
L. Other statutory reductions in profit	0	0	0	0.00
N. Net profit	**2 639**	**8 334**	**-5 695**	**-68.33**

As at 30 June 2013 revenues from the core business amounted to PLN 523,597 thousand which represents a decline by 9.72% as compared to the corresponding period.
Profit on sales was PLN 9,629 thousand, EBIT – 8,160 thousand and net profit PLN – 2,639 thousand.

c) KEY ECONOMIC RATIOS

KEY FINANCIAL RATIOS*

Item	*As of 30.06.2013*	*As of 30.06.2012*
ROE[1]	1.04%	3.50%
ROA[2]	0.38%	1.10 %
EBIT[3]	1.55%	2.35%
EBITDA[4]	2.25%	2.96%
Return on sales[5]	6.94%	6.65%
Return on sales before tax[6]	0.98%	1.79%
Return on net sales[7]	0.50%	1.38%
Current liquidity ratio[8]	1.72	1.52
Quick liquidity ratio[9]	1.40	1.21
Overall debt ratio[10]	63.2%	69%
Debt to equity ratio[11]	1.72	2.18

* Financial ratios calculated on the basis of data from the statement of comprehensive income for the period from 1 January 2013 to 30 June 2013 (Functional Classification).

1 Net income / Equity
2 Net income / Total assets
3 Operating profit / Net income on sales
4 Operating profit + Amortization / Net income on sales
5 Gross income on sales / Net income on sales

6 Gross income / Net income on sales
7 Net income / Net income on sales
8 Current assets / Current liabilities
9 Current assets – Inventories / Current liabilities
10 Liabilities and provisions for liabilities / Total assets
11 Liabilities and provisions for liabilities / Equity

1. In this index and its trend are particularly interested shareholders of the company (investors). A high ROE (Return on Equity) shows them whether the capital has been allocated properly. It suggests that the company is developing what creates opportunities for higher dividends.
2. The value of ROE is usually compared with the bank interest rate on long-term deposits. The level of this ratio should exceed the rate of long-term bank deposits.
3. ROA (Return on Assets) informs about the company's ability (and more strictly - its assets) to generate a profit. It shows how effectively a company manages its assets. The higher value of ROA, the better the company's financial situation. The ROA ratio is of particular interest of the company's lenders, since it is a valuable source of information about the ability of assets to raise revenue, which is the source of instalments and interest on loans. Western banks expect this index to reach a level of 2-6 per cent, while in small firms it should be higher than in large ones. Low ratio as compared to the index level of companies operating in the same business usually means under-utilization of company's capacity.
4. EBIT shows the sales profitability achieved by the company. So calculated profitability is "cleansed" of influences which interest on capital, taxes and extraordinary events have on the profit gained.
5. EBITDA shows the profitability of the company without taking into account interest, taxes, extraordinary events and depreciation.
6. The three presented profitability ratios inform about return on sales at different levels of the company's operations. Despite a reduction in the profitability of sales, the ratios achieve a satisfactory value as regards the construction industry.
7. Debt ratios indicate a company's ability to repay liabilities. The rates are expected to be ranged between 1 and 2.
8. The Overall Debt Ratio shows the structure of financing company's assets. It indicates the percentage of debt in sources of financing assets. The higher the ratio, the higher the debt, and the higher the financial risk. Too high level of overall debt ratio may arouse reservations as to the financial credibility of the company. According to the standards, the index should be in the range of 0.57 - 0.67.
9. The growth of the Debt to Equity Ratio means that borrowing sources are involved in a greater scale than the own sources of the company, and thus indicates an increase in the debt value. This directly affects the level of financial risk due to higher repayments of instalments and interest. A limit value for small businesses is the ratio of 3:1. For medium and large firms requirements are more strictly - 1:1 ratio.

The analysis of ratios presented above shows the situation the Capital Group. Long lasting winter resulting in significant drop in sales caused, that the Group was unable to reach the planned indicators at different levels of income.

Solvency ratios increased against the comparable period and keep a safe level.

D) ANALYSIS OF THE CONSOLIDATED CASH FLOW STATEMENT

The Capital Group began the year 2013 with cash amounting to PLN 201,769 thousand and cash balance of PLN 79,901 thousand as at 30 June 2013. Flows from operating activities showed the balance of PLN -122,640 thousand which was mainly due to a change in payables and receivables. The Group paid off their obligations more quickly than rotated active debts. Balance of investment flows was PLN -349 thousand and of financial flows PLN 1,218 thousand. Cash decreased by PLN 121.868 in overall, including foreign exchange differences of PLN 97 thousand.

2. Organization of the Issuer's Capital Group, indicating the consolidated companies

Erbud SA is a parent company of the Erbud Group [the "Parent"]. The core business of the Group is performance of construction services as general contractor and subcontractor in the country and abroad, housing development and specialized construction for the power industry as well as earth, road and engineering works. ERBUD SA functions as the dominant entity of the Group.

As of 30 June 2013, in comparison to the state on the publication date of the report for the first quarter there were no significant movements in the amount of shares held by the Parent Company in the subsidiaries as well as a significant change in the structure of its subsidiaries.

Composition of the Group

The Group consists of ERBUD SA which is the dominant entity, seated in Warsaw, and the following subsidiaries:

Name	***Registered office***	***Core business***	***Percentage sharing of the Parent in the equity and voting rights at the AGM***		
			30.06.2013	**31.12.2012**	**30.06.2012**
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%
Engorem Sp. z o.o	Łódź	Services for power sector	98.41%	80.22%	-
GWI GmbH	Niemcy	Construction	85%	85%	85%
Ersteel Sp. z o.o.	Toruń	Property management	100%	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and shows	39%	39%	39%
Grupa Budlex	Warszawa	Housing development	89.96%	89.96%	90%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%	94.27%
Erbud Energetyka Sp. z o.o.	Toruń	Construction	100%	100%	100%
Erbud Construction	Toruń	Construction	100%	100%	100%
Erbud Ireland	Irlandia	Construction	100%	100%	100%

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

- Erbud International Sp. z o.o.
- GWI GmbH
- Grupa Budlex
- 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.
- Erbud Ireland LTD.

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.

As at the date of publication of the Interim Financial Statements, Delta Sp. z o.o. ownes 98,41 percent of the equity share capital.

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.

3. Indication of the effects of changes in the structure of the enterprise, including results from business combination, acquisition or sale of companies comprising the Issuer's Capital Group, long-term investment, division, restructuring and discontinuing operations

The above changes involving the sale of shares in ENGOREM Sp. z o.o. to the subsidiary company Delta Sp. z o.o. do not and will not result in any changes in the structure, policies and activities of the Erbud Group.

4. Standpoint of the Management Board of Erbud SA regarding the feasibility of implementation of the previously published estimates

Due to the rapidly changing economic circumstances throughout the world since September 2008, the Board of Erbud SA decided not to publish forecasts.

5. List of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at a general meeting of shareholders as at the date of report release

As at 30 June 2013 the share capital amounts to PLN 1,267,795.60 and is divided into 12,677,956 shares with a nominal value of PLN 0.10 each one.

Shares have been acquired in the following manner:

Series	Number	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.

As of the date of the report release, 36,590 H Series shares of series H have been acquired.

As at the date of this report, shares of Series H have not been registered.

The shareholding by the market participants as 30.06.2013 was as follows:

Shareholders of ERBUD SA holding more than 5 per cent as at 30.06.2013

No.	*Shareholder*	*Class of shares*	*Number of shares held*	*% of shareholders' equity*	*Number of votes*	% of voting rights at the AGM
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, incl. Wolff & Müller Holding GmbH & Co. KG	Common	4 152 865	32.76%	4 152 865	32.76%
2	Juladal Investment Limited	Common	2 848 347	22.47%	2 848 347	22.47%
3	Aviva OFE Aviva BZ WBK	Common	1 183 146	9.33%	1 183 146	9.33%
4	ING OFE	Common	1 269 709	10.02%	1 269 709	10.02%
5	Dariusz Grzeszczak , incl. a subsidiary controlled by Dariusz Grzeszczak	Common	773 900	6.10%	773 900	6.10%
6	Free Float	Common	2 449 989	19.32%	2 449 989	19.32%
	TOTAL		**12 677 956**	**100.00%**	**12 677 956**	**100.00%**

Shareholders of ERBUD SA holding more than 5 per cent as at 30.06.2012

No.	*Shareholder*	*Class of shares*	*Number of shares held*	*% of shareholders' equity*	*Number of votes*	% of voting rights at the AGM
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, incl. Wolff & Müller Holding GmbH & Co. KG	Common	4 152 865	32.84%	4 152 865	32.84%
2	Juladal Investment Limited	Common	2 818 174	22.29%	2 818 174	22.29%
3	Aviva OFE Aviva BZ WBK	Common	1 183 146	9.36%	1 183 146	9.36%
4	ING OFE	Common	1 269 709	10.04%	1 269 709	10.04%
5	Dariusz Grzeszczak, incl. a subsidiary controlled by Dariusz Grzeszczak	Common	773 900	6.12%	773 900	6.12%
6	Free Float	Common	2 446 375	19.35%	2 446 375	19.35%
	TOTAL		**12 644 169**	**100.00%**	**12 644 169**	**100.00%**

According to information held by ERBUD SA, the following changes in the shareholding of the Issuer have occurred by the date of report release:

On **31 January 2013**, the Issuer's Management Board has been notified of the purchase of shares by a member of the Supervisory Board of Erbud SA. The person related bought 6,000 shares.
On **6 June 2013,** the Issuer's Management Board has been notified of the sale of shares by a proxy of Erbud SA. The person related sold 2,000 shares.
On **17 June 2013,** the Issuer's Management Board has been notified of the sale of shares by a proxy of Erbud SA. The person related sold 4,921 shares.
On **17 June 2013,** the Issuer's Management Board has been notified of the sale of shares by a proxy of Erbud SA. The person related sold 3,000 shares.

Moreover, on **19 August 2013,** ING Otwarty Fundusz Emerytalny („the Fund") sold a pert of shares held. After the settlement of the transaction the Fund holds 1,266,900 (one million two hundred sixty-six thousand nine hundred) shares, representing 9.99% of the share capital and is entitled to 1,266,900 votes at the AGM of Shareholders, which constitutes 9.99% of total number of votes.

In addition to the powers arising from directly held shares of Erbud SA, the major shareholders have no other voting rights at the General Meeting.

Shares of Erbud SA held by the above mentioned persons are not preferred ones.

The Company's Statute does not give any personal rights in relation to Erbud SA, Company's to the shareholders referred to above, in particular, does not give the right to appoint members of the Management Board or members of the Supervisory Board of the Company.

6. Breakdown of number of the Issuer's shares holding by the managing and supervising persons as at the date of publication of the interim report, including changes in ownership

As at 30 June 2013, the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
	Juladal Investments Ltd.	(Company controlled by the members of Erbud's SA Management Board)	ordinary	22.47%	22.47%	2 848 347	22,47%
1	Dariusz Grzeszczak	Erbud S.A Management Board member	ordinary	6.10%	6.10%	773 900	6,10%
2	Józef Adam Zubelewicz	Erbud S.A Management Board member	ordinary	2.05%	2.05%	259 500	2,05%
3	Walenty Twardy	Proxy of Erbud S.A.	ordinary	0.16%	0.16%	19 852	0,16%
4	Piotr Augustyniak	Proxy of Erbud S.A.	ordinary	0.01%	0.01%	890	0,01%
5	Bogdan Dürr	President of Erbud International Sp. z o. o. / Proxy of Erbud S.A.	ordinary	0.05%	0.05%	6 712	0,05%
6	Beata Krzywicka	Spouse of Proxy of Erbud S.A.	ordinary	0.03%	0.03%	3 636	0,03%
7	Tomasz Krzywicki	Proxy of Erbud S.A.	ordinary	0.03%	0.03%	3 950	0,03%
8	Agnieszka Głowacka	Proxy of Erbud S.A.	ordinary	0.02%	0.02%	2 836	0,02%
9	Włodzimierz Czystowski	Proxy of Erbud S.A.	ordinary	0.08%	0.08%	10 525	0,08%
10	Mariola Zielińska	Chief Accountant of ERBUD S.A.	ordinary	0.03%	0.03%	4 018	0,03%
11	Grzegorz Krzywicki	Proxy of Erbud S.A.	ordinary	0.02%	0.02%	3 033	0,02%
12	Radosław Kałamaga	Proxy of Erbud S.A.	ordinary	0.04%	0.04%	5 494	0,04%
13	Waldemar Kozłowski	Proxy of Erbud S.A.	ordinary	0.00%	0.00%	0	0,00%
14	Maciej Wyrzykowski	Proxy of Erbud S.A.	ordinary	0.01%	0.01%	1 200	0,01%
15	Mirosław Młynarski	Proxy of Erbud S.A.	ordinary	0.05%	0.05%	6 778	0,05%
16	Albert Dürr	Erbud S.A Supervisory Board member	ordinary	0.11%	0.11%	14 500	0,11%
TOTAL				**3 965 171**	**31.26%**	**3 965 171**	**31.26%**

By the date on which the review has been completed, the Management Board members and holders of a commercial power of attorney do not have any Erbud's shares options.
The following number of shares of series H has been granted to the managing staff within the Staff Incentive Scheme:

Shareholder	Class of shares	Number of shares
Walenty Twardy – Proxy of Erbud S.A.	Ordinary	4 000
Maciej Wyrzykowski – Proxy of Erbud S.A.	Ordinary	1 000
Agnieszka Głowacka – Proxy of Erbud S.A.	Ordinary	4 000
Tomasz Krzywicki – Proxy of Erbud S.A.	Ordinary	700
Włodzimierz Czystowski – Proxy of Erbud S.A.A.	Ordinary	1 000
Mariola Zielińska – Chief Accountant of ERBUD S.A.	Ordinary	800
Mirosław Młynarski – Proxy of Erbud S.A.	Ordinary	4 648

Due to the fact that until the publication of the report, the authorized capital has not yet been registered following the issue of Series H shares, the Board does not specify the share percentage at the Annual General Meeting of the Issuer.

7. Information about the proceedings pending before a court, authority responsible for arbitration or public administration in accordance with paragraph 87 item 7 point 7 sub-points a) and b) of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent to information required by the law of a non-member state [the "Decree"]

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.
Until the publication of financial statements, not any decision has been issued on this case.

Submission of an application for bankruptcy of ERRBUD S.A. by Danuta Kurpiewska conducting business activity under the name WEG BET Danuta Kurpiewska

The Management Board of Erbud S.A. informs that 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.

Dispute with the Municipality of the City of Szczecin - Zakład Usług Komunalnych [Public Utilities Company]

Erbud has sued the Municipality of the City of Szczecin - Public Utilities Company for the payment of 5.2 million due to the construction works completed. Erbud is awaiting a response to the lawsuit. In the pleading, the other party requests a reduction in remuneration by PLN 5 million.

8. Information about one or more transactions concluded by the Issuer or its subsidiary with related parties in accordance with Section 87 item 7 point 8 of the Decree

In the first half of 2013 and until the report publication, the Issuer and its subsidiaries did not enter into any transactions that deviated from the market principles.

The Issuer and its subsidiaries conclude contracts based only on the margins applicable to each type of agreements in the market. This is consistent with the transfer pricing policy binding in the Group.

Contracts on construction works, on project management and financial agreements on providing loans and guarantees are those, which are usually concluded within the Group.

Agreements with related parties

In the first half of 2013 and until the report publication, the Issuer and its subsidiaries did not enter into any transactions with related parties.

9. Information about credit or loan guarantees provided by the Issuer or its subsidiary to an entity or a company controlled by this entity, if the total value of the guarantee is equal to at least 10% of the equity of the Issuer

No.	Date of granting the guarantee	Guarantor	Entity	Value in PLN '000	Subject	For	Guarantee expiry date	Guarantee type
1	2009-09-28	Erbud S.A.	GWI GmbH	8 523	overdraft	KBC	2013-12-31	civil law guarantee
2	2011-05-25	Erbud S.A.	GWI GmbH	8 523	overdraft	Commerzbank	2014-07-04	guarantee provided by BRE at request of Erbud S.A
3	2011-07-26	Erbud S.A.	Budlex Pestalozziego Sp. z o.o.	12 286	loan for purchase of a property	BOŚ	2013-06-30	aval
4	2012-05-30	Erbud S.A.	GWI GmbH, erbud International	31 960	insurance guarantee line	Euler Hermes	2013-05-29	civil law guarantee

The aggregate value of guarantees to parties related is PLN 61,292 thousand.

As at the date of report publication, the amount of all sureties to related parties **is PLN 49,006 thousand** and this is because the guarantee for Budlex Pestalozzi was cancelled following the repayment of the loan taken by the company.

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

a) MANAGING THE ISSUER'S FINANCIAL ASSETS

In the first half of 2013, the Issuer funded its activities by partly using overdrafts and its own assets.

Possible debts of the Erbud Group under the contracts signed were as follows:

Bank name	Type of liability	Amount in CU '000	Currency	Interest rate	Maturity date	Payment	Borrower
BNP Paribas Bank Polska S.A.	Overdraft	2 600	PLN	WIBOR 1M+margin	2013-09-29	In one amount	Erbud S.A.
BRE Bank S.A.	Overdraft	10 000	PLN	WIBOR 1M+magin	2013-12-31	In one amount	Erbud S.A.
PKO BP	Overdraft	5 000	PLN	Call rate of PKO BP+margin	2013-12-31	In one amount	Erbud S.A.
ING bank Śląski S.A.	Overdraft	32 000	PLN	WIBOR 1M+margin	2013-10-20	In one amount	Erbud S.A.; Budlex S.A.; PBDI S.A.
Alior Bank S.A.	Overdraft	10 000	PLN	WIBOR 1M+margin	2013-09-20	In one amount	Erbud S.A.
BNP Paribas Bank Polska S.A.	Multi-purpose credit line	3 000	PLN	WIBOR 3M+margin	2013-08-30	In one amount	PBDI S.A.
KBC	Overdraft	1 000	EUR	EONIA+2,5% margin	2013-10-21	In one amount	GWI GmbH
Commerzbank	Overdraft	2 000	EUR	Fixed interest rate	2014-05-31	In one amount	GWI GmbH

Deutche Bank	Mortgage loan	53	EUR	Fixed interest rate	2017-05-31	By installments	GWI GmbH
	Total **PLN '000**	62 600					
	Total **EUR '000**	3 053					

Information about the limits under bank guarantees by 30 June 2013 in companies of Erbud S.A., PBDI SA, GWI GmbH and Delta Sp. z o.o.

Bank name	**Type of liability**	**Amount in CU '000**	**Currency**	**Borrower**
Alior Bank	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	40 000	PLN	Erbud S.A
BNP Paribas Bank Polska S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	27 400	PLN	Erbud S.A
BGŻ S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	32 522	PLN	Erbud S.A
BRE Bank S.A.	Bid bonds, contract performance bonds, guarantee under repair works	70 000	PLN	Erbud S.A
PKO BP	Bid bonds, contract performance bonds, guarantee under repair works	9 529	PLN	Erbud S.A
Kredyt Bank S.A.	Bid bonds, contract performance bonds, guarantee under repair works	34 000	PLN	Erbud S.A
ING Bank Śląski S.A.	Bid bonds, contract performance bonds, guarantee under repair works	48 000	PLN	Erbud S.A
ING Bank Śląski S.A.	Bid bonds, contract performance bonds, guarantee under repair works	8 000	PLN	PBDI S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, contract performance bonds, guarantee under repair works	2 000	PLN	PBDI S.A.
KBC	Bid bonds, contract performance bonds, guarantee under repair works	1 000	EUR	GWI GmbH
HERMES	Bid bonds, contract performance bonds, guarantee under repair works	7 500	EUR	GWI GmbH; Erbud S.A. Erbud International
ZURICH	Bid bonds, contract performance bonds, guarantee under repair works	3 500	EUR	GWI GmbH
BARKLEY	Bid bonds, contract performance bonds, guarantee under repair works	1 500	EUR	GWI GmbH
AXA	Bid bonds, contract performance bonds, guarantee under repair works	800	EUR	GWI GmbH
VHV	Bid bonds, contract performance bonds, guarantee under repair works	100	EUR	GWI GmbH
R+V	Bid bonds, contract performance bonds, guarantee under repair works	135	EUR	GWI GmbH
	Total **PLN '000**	263 600		
	Total **EUR '000**	8 515		

Information about the loan and credit collaterals or guarantees provided within the Budlex Group by 30 June 2013:

Collateral	**Loan amount in PLN '000**	**Guarantor**	**Borrower**	**Bank**
Guarantee to the amount of the loan, incl. interest and other receivables against the bank	1 000	Budlex Properties sp. z o.o.	Budlex S.A.	PKO BP S.A.
Promissory note	26 000	Budlex S.A.	Budlex Glinki A3 sp. z o.o.	BRE Bank Hipoteczny S.A
Promissory note	8 081	Budlex S.A.	Budlex Zbożowa 1 sp. z o.o. s.k.	Bank PKO BP S.A.
Promissory note	15 231	Budlex S.A.	Budlex Pestaalozziego 1 sp.z o.o.	Bank PKO BP S.A.
Promissory note	11 000	Budlex S.A.	Budlex Winnica L6-7 sp. z o.o. s.k.	BRE Bank Hipoteczny S.A

List of loan agreements signed by the companies of the Budlex Group

No.	Borrower	Bank name	Kind of liability	Amount in PLN '000	Interest rate	Maturity date
1	Budlex S.A.	Bank PKO BP SA	Overdraft	1 000	WIBOR 1M+margin	2014-01-24
2	Budlex S.A.	ING Bank Śląski	Working capital loan	12 000	WIBOR 1M+margin	2013-08-20
3	Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+margin	2015-09-15
4	Budlex Zbożowa 1 sp. z o.o. s.k.	PKO BP SA	Development loan	8 081	WIBOR 3M+margin	2013-11-30
5	Budlex Pestaalozziego 1 sp.z o.o.	PKO BP SA	Development loan	15 231	WIBOR 3M+margin	2014-07-31
6	Budlex Winnica l6-7 sp. z o.o. s.k.	BRE BANK HIPOTECZNY SA	Investment loan	11 000	WIBOR 6M+margin	2017-04-15

b) THE ISSUER'S OFF-BALANCE SHEET ITEMS

As at 30.06.2013 the Parent had the following contingent liabilities:

- Liabilities arising from guarantees provided to third parties

Item	30.06.2013	30.06.2012
Liabilities payment guarantee	54 492	57 944
Performance bond	142 305	112 154
Guarantee under repair works	134 840	102 996
Total contingent liabilities	**331 637**	**273 094**

- Contingent liabilities associated with foreign operations

As at 30.06.2013 in EUR '000	Erbud SA
Liabilities payment guarantee	0
Performance bond	0
Guarantee under repair works	143
Total contingent liabilities	**143**

Off-balance sheet liabilities of the subsidiary **PBDI SA** as of 30.06.2013 amounted to PLN 6,486 thousand:

As at 30.06.2013 in EUR '000	PBDI S.A.
Performance bond	6 324
Other guarantees	162
Total contingent liabilities	**6 486**

Off-balance sheet liabilities of the subsidiary **GWI GmbH** as of 30.06.2013 amounted to € 7,339 thousand:

As at 30.06.2013 in EUR '000	GWI GmbH
Liabilities payment guarantee	750
Performance bond	2 958
Guarantee under repair works	3 631
Total contingent liabilities	**7 339**

Off-balance sheet liabilities of the subsidiary **Erbud International** as of 30.06.2013 amounted to € 1,262 thousand:

As at 30.06.2013 in EUR '000	Erbud International
Liabilities payment guarantee	0
Performance bond	
Guarantee under repair works	1 262
Total contingent liabilities	**1 262**

Off-balance sheet liabilities of the subsidiary **Engorem Sp. z o.o.** as of 30.06.2013 amounted to PLN 1,779 thousand:

As at 30.06.2013 in EUR '000	Engorem Sp. z o.o.
Liabilities payment guarantee	0
Performance bond	
Guarantee under repair works	1 779
Total contingent liabilities	**1 779**

c) INSURANCE AGREEMENTS

In the reporting period, the Parent entered into the following insurance agreements:

Policy number	**Insurer**	**From**	**To**	**Insurance subject**	**Insurance value**
2361000337	Chartis Europe S.A.	01-03-2013	28-02-2014	Indemnity insurance of the Management Board members	PLN 20,000,000.00
901006650989	STU Ergo Hestia S.A.	01-01-2013	31-12-2013	Construction risks	Open car
901006650986	STU Ergo Hestia S.A.	01-01-2013	31-12-2013	Business liability insurance	PLN 50,000,000 for one event, and PLN 100,000,000 for all events

d) ASSET-BACKED SECURITIES

Possessory lien on assets of substantial value i.e. on 5,059 shares in the company Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A with its registered seat in Toruń

1) Inventory value of the above shares in the books of the Issuer:

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship	Method of consolidation	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%

2) Relationship type between Erbud SA and persons managing or supervising Erbud SA and the pledgee (the Seller):
None.

3) Percentage of the pledged shares in the nominal capital of PBDI S.A. and the value at par of shares and their character as non-current or current capital investment of Erbud:
Pledged shares represent 29% of the nominal capital of PBDI S.A The Issuer considers the investment in PBDI S.A shares as a long-term one.

As at the date of publishing the Financial Statements, all claims secured by assets owned by ERBUD SA have been repaid in full and the process of withdrawal of securities has been launched.

Possessory lien on assets – shares in Delta Sp. z o.o. based in Toruń

1) Inventory value of the shares in the books of the Issuer:

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship	Method of consolidation	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Delta Sp. z o.o.	Toruń	construction	subsidiary	full method	0	3 532	100%	100%

2) Relationship type between Erbud and persons managing or supervising Erbud and the pledgee (Polski Bank Przedsiębiorczości S.A.):
None.

3) Percentage of the pledged shares in the nominal capital of Delta Sp. z o.o. and the value at par of shares and their character as non-current or current capital investment of Erbud:
Pledged shares represent 30% of the nominal capital of Delta Sp. z o.o. The Issuer considers the investment in Delta Sp. z o.o. shares as a long-term one.

Collaterals for repayment of borrowings and loans incurred by the Capital Group with banks:

1) Conventional real estate mortgages and capped mortgages on assets of the Group
2) Assignment of rights from construction contracts
3) Clauses on deductions from bank accounts receivables
4) Blank promissory notes
5) Transfer of title to cash deposits which are a percentage of secured debt stipulated in a contract.

A breakdown of the above collaterals is presented in the Condensed Consolidated Financial Statements of the Erbud Capital Group for the period from 1 January to 30 June 2013 in Note 12.

11. Bodies of the Issuer

I. SUPERVISORY BOARD

On 31 May 2013, the General Meeting of Shareholders of Erbud SA appointed by resolutions No. 14-20/2012 the following members of the Supervisory Board:

Full name	Post/Function	Term beginning	Term ending
Udo Berner	Chairman of the Supervisory Board	31.05.2012	31.05.2015
Józef Olszyński	Vice-Chairman 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	Chairman of the Supervisory Board	31.05.2012	31.05.2015

There are two committees working within the Supervisory Board of Erbud SA: Remuneration Committee and Audit Committee.

II. MANAGEMENT BOARD OF ERBUD S.A.

On 31 May 2012, the Supervisory Board appointed the Management Board of Erbud SA for a new three-year joint term of office in the following composition:

Full name	Post/Function	Term beginning	Term ending
Dariusz Grzeszczak	Członek Zarządu	31.05.2012	31.05.2015
Józef Adam Zubelewicz	Członek Zarządu	31.05.2012	31.05.2015

The aggregate remuneration of persons having a seat in the Issuer's bodies paid in the 1 half of 2013.

Body	Aggregate remuneration in PLN
Supervisory Board	187 185.00
Management Board	937 307.45
Procura holders	1 782 240.47
TOTAL	**2 906 732.92**

12. Factors which in the Issuer's opinion will have an impact on the results achieved over at least next quarter

Currently, the Issuer does not identify any factors that would affect the results achieved by the Issuer. The portfolio consists of stable orders and there is no threat of "suspension" of any ongoing contracts. The Issuer does not foresee any acquisitions in the next quarter.

13. Description of the business outlook in the reporting period and the market environment in which the Issuer operates

A) General characteristics of the market

According to the Gdansk Institute for Market Economics (IBnGR), the GDP growth in 2Q 2013 amounted to 0.7%. The second quarter of 2013 was therefore the first quarter after the previous five ones, where the downward trend of GDP has been recorded.

The main driver of GDP growth both the first and second quarter of 2013 was domestic demand and particularly the private consumption.

The same as in the first quarter of this year, the service market was the fastest developing business among the industry sectors.

Value added in construction fell by 17.2% and the value of industrial output by 23%. This was mainly due to a slowdown in large domestic investments and poor weather conditions.

The unemployment rate at the end of the first half was 13.2%. Compared to the 1H 2013 there was a fall of 1.1 percentage point.

Annual and quarterly macroeconomic forecasts of the Institute for Market Economics

		I	II	III	IV	2012	2013	2014
GDP	% y/y	0.5	*0.7*	*1.5*	*1.9*	**1.9**	***1.2***	***2.6***
GDP	%	0.1	*0.2*	*0.4*	*0.4*	**X**	***x***	***X***
Value added								
- in industry	% y/y	-0.3	*0.3*	*1.5*	*2.0*	**1.1**	***1.0***	***2.2***
- in construction	% y/y	-12.4	*-17.2*	*-7.1*	*-2.7*	**-0.7**	***-7.4***	***4.6***
- in services	% y/y	*2.2*	*2.3*	*2.6*	*3.0*	**3.0**	***2.6***	***3.0***
Domestic demand	% y/y	-0.9	*0.5*	*0.9*	*1.0*	**-0.2**	***0.4***	***1.6***
Total consumption	% y/y	-0.1	*0.5*	*0.8*	*1.4*	**0.6**	***0.6***	***1.8***
of which individual	% y/y	0.0	*0.8*	*1.1*	*1.8*	**0.8**	***0.9***	***2.2***
Gross expenditures on fixed assets	% y/y	-2.0	*-1.8*	*-1.7*	*-1.0*	**-0.8**	***-1.5***	***2.6***
Production sold								
- industry	% y/y	-2.0	-0.4	*1.1*	*1.8*	**0.9**	***0.2***	***2.0***
- construction	% y/y	-15.1	*-23.1*	*-8.0*	*-3.5*	**-1.8**	***-9.0***	***4.1***
Inflation (CPI; in average)	%	1.3	0.5	*0.8*	*1.3*	**3.7**	***0.9***	***1.6***
Inflation (CPI; period end)	%	1.0	0.2	*1.2*	*1.8*	**2.4**	***1.8***	***2.2***
Money supply (M3, period end)	%	6.6	*5.4*	*5.7*	*5.8*	**4.5**	***5.8***	***8.0***
Real gross salary	% y/y	1.3	*1.5*	*1.8*	*2.0*	**0.1**	***1.6***	***2.1***
Average Employment in National Economy	% y/y	-0.7	*0.1*	*0.4*	*0.6*	**0.0**	***0.1***	***1.1***
Registered unemployment rate (period end)	%	14.3	13.2	*13.2*	*14.1*	**13.4**	***14.1***	***13.0***

Export (GUS/RN)	%	1.3	*0.7*	*1.1*	*2.5*	**2.8**	***1.3***	***3.6***
Import (GUS/RN)	%	-1.7	*-0.5*	*0.2*	*0.4*	**-1.8**	***-0.4***	***1.6***
Current account balance BP (cumulative)	% of GDP	-2.8	-2.1	-2.2	-2.3	**-2.3**	**-2.3**	**-2.6**
Average exchange rate by NBP	PLN/ USD	3.15	3.22	*3.2*	*3.1*	**3.26**	***3.2***	***3.0***

According to the Institute's forecast GDP growth in 2013 will be 1.2%, which means that it will be weaker than in 2012.

Coming quarters of 2013 should bring a recovery in the industrial sector. Unfortunately, on the contrary will be in the construction industry, where the value added is likely to fall by 7.4% in 2013. There is consolation in knowing that decline in the construction industry in the next quarters should not be greater than a single digit.

In 2Q 2013 there was a slight increase in the economic outlook in the construction sector (45 points). To some extent it should be attributed to the effect of seasonality, however, a similar trend was observed at the turn of the year 2002/2003 when the construction was getting out of the trough phase. The visible improvement will take place no earlier than 2015, when the EU funds will be launched.

The most promising building sectors according to large construction companies:[1)]

Power engineering	38%
Railway	21%
Housing	12%
Road-engineering	12%
Industry	11%
Environmental protection	10%
Retail	8%
Offices	3%
Public buildings	2%
Warehouses	2%
Specialist construction	1%

14. Main threats and risks

Year of 2013 is characterized by a further downturn in the construction sector. Bankruptcy of large construction companies operating in our country (but also in Europe) makes, the industry is perceived negatively by external stakeholders. Large construction companies encounter difficulties, particularly at financial institutions when rolling credit and guarantee lines and acquiring such products.

Materials of the Central Statistical Office (GUS) show that large construction companies consider too high labour costs, drastic competition and insufficient demand as the biggest barrier to doing business.

Very important for the activities of the Issuer is cash flow. Disturbing is the risk arising from gridlock, particularly the reducing of public investments during their implementation due to lack of funds to financing them. At present, neither the Issuer nor any entity from the ERBUD Group did face the problem of gridlock but the market observation shows that the problem exists. Therefore, the Management Board focuses on a very precise identification of a potential business partner. Unfortunately, it is difficult to identify or even impossible to assess whether the public investor has

1) Source: PMR 2012

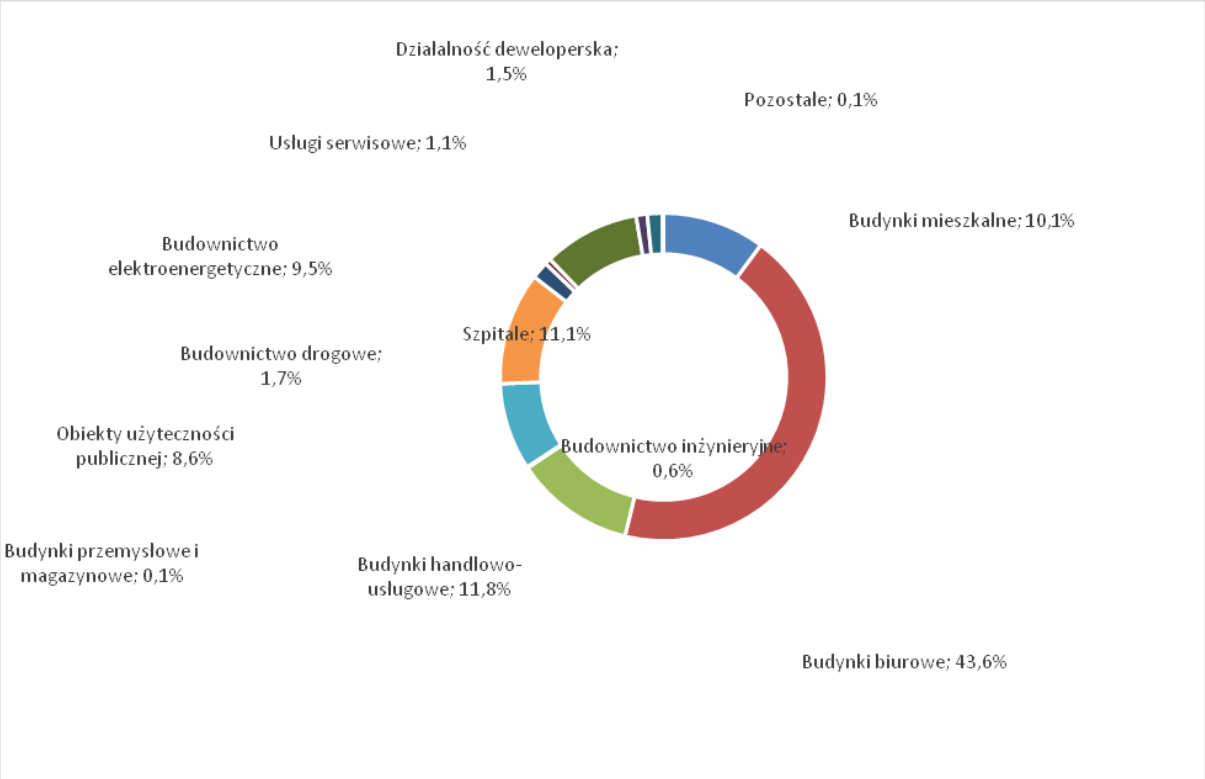
funds for the completion of the whole project. And here it is important, that there is good cooperation between the awarding entity and the contractor, based on a fair basis.

The Management Board has strengthened the internal audit in technical and financial terms. Each construction project is considered through the prism of the map of risks already identified in the bidding phase.
After strengthening the Issuer's Group risk assessment, the Board does not see any risks arising from the processes over which it has influence.

The Management Board positively appreciates the Group's order backlog which at the date of report release was approximately PLN 1,560 thousand.

Until the date of publication of this report the Group had the following portfolio:

Residential buildings	10.1%
Offices	43.6%
Commercial projects	11.8%
Industrial and storage facilities	0.1%
Public buildings	8.6%
Hospitals	11.1%
Road-engineering	1.7%
Civil engineering	0.6%
Power sector	9.5%
Services	1.1%
Real estate development	1.5%
Other	0.1%
TOTAL	100%



Verification of contracts comprising the portfolio shows that margins are stable. Board evaluates positively the backlog held.

The Issuer's Group does not identify significant risks associated with foreign exchange rate. Only one ongoing contract is denominated in foreign currency where a significant part of the cash flow derived from it is converted at a fixed exchange rate.

Revenues in foreign currencies due to projects performed outside Poland are natural hedged by costs incurred in the same currency. The Group uses debt financing, but the low volatility of interest rates and the previous decisions of the Monetary Policy Council allow classifying the risk as a low one.

The standpoint of the Management Board regarding the situation associated with the Modlin airport is presented below.

Facts

I. Basic information about the contract and its completion.

1. 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.
2. Under the contract, ERBUD SA (**General Contractor**) was obliged, inter alia, to upgrade the runway
3. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.
4. 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.
5. Company 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).
6. DSH commissioned the following entities a number of works:
    a) 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.
    b) CEMEX and LAFARGE – two worldwide known suppliers of aggregate:
        - The commission included the supply of aggregate for concrete used to complete the runway thresholds.
        - All suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.
7. On 10 June 2011, DSH submitted the mix design to the Employer.
8. The Employer approved the mix design on 20 June 2011.
9. 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 and aggregate supplied by CEMEX and Lafarge.
10. 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.
11. 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.
12. By Decision No. 919/2012 of 6 June 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Building Control Office) authorized the use of the project.
13. The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:

a) developing guidelines on using the civil structure, including the airport pavement maintenance manual
b) regular technical inspections of the airport pavement,
c) continuous monitoring of the civil structure.

14. By Decision No. 1980/2012 dated 28 December 2012 the Mazovian Building Control Office prohibited to use of the part of the runway (the decision announced verbally on 22 December 2012).
15. 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 (…)".
16. 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
    a) The Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage.
    b) 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.
17. 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.
18. On 6 March 2013, the General Contractor took over the site from the Contractor and began to carry out the work.
19. On 22 April 2013, the Contractor approved a new formula of concrete.
20. On 17 June 2013 the Mazovian Building Control Officer issued Decision No. 846/2013 which repealed Decision No. 1980/2012.
21. By the date of this information, the Customer addressed to the General Contractor requests for payment for "indemnification" for the total amount of PLN 22,372,842.80. The Customer did not document the factual and legal basis of claims; the General Contractor does not recognize claims of the Customer.
22. On 12 August 2013, the Issuer received the decision by District Court for Warsaw-Mokotów on the establishment of security of debts of Przedsiębiorstwo Wielobranżowege Ploh Sp. z o.o. that claims the amount of PLN 74,204.84 for loss of profits related to a break in the activity of PLM. The court has established a security in the form of a compulsory mortgage on the vacant plot owned by the Issuer, located in Toruń. On 19 August 2013, the Issuer made a complaint against the above said decision.
23. On 17 July 2013, the Issuer received a request for payment of PLN 1,844,412.03 for the LS Airport Services SA due to loss of profits associated with a break in the activity on of the airport in Modlin. Law office representing the Issuer has sent a response to the request, proving that it is groundless.

II. Standpoint of the Management Board on financial claims

1. 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.
2. 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.
3. 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. As at the date of preparing this information, commissioned expert assessments have been completed (several hundred of different types of loading tests, a few hundred times of freezing / de-icing, etc.). General Contractor is waiting for final conclusions and reports which are prepared by experts. Reports are expected to be ready in September 2013.

4. 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.
5. The General Contractor has sued DSH for PLN 3,998,040. Up to date, no trial date has been set. If the expert assessments prove fault of subcontractors, they will be charged by the whole of any costs related to the work carried out as well as claims by the Employer.
6. Expenses for work conducted at the airport in 2013 and concerning the exchange of the runway surface amounted to about PLN 14.5 million. On the basis of responsibility assigned by the independent technical expertise, all the costs will be charged to any other entity involved in the investment process.
7. Despite the dissenting opinion of DSH, the General Contractor as substitute contractor acting in the public interest, started works associated with the replacement of the runway concrete pavement 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.

Except the risk factors reported in this section, the Management Board does not see any other risks which may affect the Company's financial position.

Management Board Member	Management Board Member
Józef Adam Zubelewicz	Dariusz Grzeszczak