ERBUD CAPITAL GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY TO 30 JUNE 2013

PREPARED PURSUANT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6-month period ended 30 June 2013 (in thousands of PLN)

	Note	6- month period ended 30.06.2013	6- month period ended 30.06.2012
CONTINUING OPERATIONS	6		
Revenues from sales of products and services and of goods and materials		525 902	603 412
Cost of sold products and services and of goods and materials		489 390	563 293
Profit (loss) from sales before tax		**36 512**	**40 119**
Cost of sales		1 936	1 205
General and administrative costs		24 947	25 464
Other operating income		1 412	2 374
Other operating expenses		2 881	1 641
Profit (loss) on operating activities		**8 160**	**14 183**
Financial income		3 581	3 265
Financial expenses		6 591	6 635
Profit (loss) on continuing operations before tax		**5 150**	**10 813**
Income tax	15	2 511	2 479
Net profit (loss) on continuing operations		**2 639**	**8 334**
Net profit (loss) on discontinued operations		0	0
Net profit (loss)		**2 639**	**8 334**
attributable to:			
- Shareholders of the Parent Company		2 351	7 945
- Minority shareholders		288	389
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares (in units)		12 694 849/ 12 741 627	12 644 169/ 12 745 653
Earnings (loss) per share (in PLN) / Diluted earnings (loss) per share (in PLN) on continuing operations		0.208/ 0.207	0.659/ 0.654

Consolidated net profit (loss)		**2 639**	**8 334**
Foreign exchange differences from translation of foreign branches and entities*)		451	-408
Deferred income tax due to items of other total incomes		0	0
Other total net incomes		**451**	**-408**
Total revenue for the period		**3 090**	**7 926**
attributable to:			
Shareholders of the Parent Company		2 820	7 588
Minority shareholders		270	338

*) Position from the comprehensive income has not been reclassified to profit or loss

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013 (in thousands of PLN)

	Note	30.06. 2013	31.12.2012	30.12.2012
ASSETS		**686 948**	**819 693**	**758 548**
Fixed assets		**122 307**	**123 826**	**138 317**
Intangibles		32 850	34 968	29 649
Investment property		5 506	5 519	5 536
Goodwill		20 102	20 102	20 102
Tangible fixed assets		1 906	2 067	588
Other non-current financial assets	11	19 700	25 066	31 780
Non-current receivables	9	0	1 550	770
Deferred tax assets		42 243	34 554	49 892
Current assets		**564 641**	**695 867**	**620 231**
Inventory	8	104 584	115 293	128 806
Delivery, services and other receivables	9	229 654	267 500	255 941
Income tax receivables	9	4 530	6 593	3 330
Financial assets		342	389	792
Cash and cash equivalents	10	79 901	201 769	70 232
Construction contracts		97 140	59 021	122 164
Short-term prepayments and accruals		4 493	3 068	1 975
Building securities		43 997	42 234	36 991
LIABILITIES		**686 948**	**819 693**	**758 548**
Equity attributable to shareholders of the Parent Company		**241 412**	**237 652**	**228 148**
Share capital		1 268	1 268	1 264
Exchange rate differences on translation of foreign entities		738	455	657
Capital reserves		222 200	215 669	215 067
Undistributed profits		17 206	20 260	11 160
Minority interests		**11 410**	**13 791**	**10 129**
Total shareholders' equity		**252 822**	**251 443**	**238 277**
Long-term liabilities		**106 075**	**103 597**	**113 555**
Bank loans and borrowings	12	5 132	12 616	11 870
Other financial liabilities		2 266	2 699	3 820
Provision for retirement and similar benefits	13	7 398	6 900	1 346
Other provisions	13	2 772	2 750	1 910
Other liabilities		596	12	820
Liabilities due to bonds issue	19	50 000	50 000	50 000
Deferred tax provision		37 911	28 620	43 789
Short-term liabilities		**328 051**	**464 653**	**406 716**
Credits and loans	12	53 004	37 987	55 414
Trade and other liabilities	14	147 711	296 163	211 422
Current tax liabilities	14	264	201	205
Provision for retirement and similar benefits	13	5 072	5 802	4 221
Other provisions	13	14 459	16 901	10 433
Building securities	14	78 225	79 814	78 549
Construction contracts		18 004	11 931	17 418
Other accruals		11 312	15 854	29 054

Signature of person preparing the Financial Statement

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/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2013

CONSOLIDATED STATEMENT OF CASH FLOW

for the 6-month period ended 30 June 2013 (in thousands of PLN)

	Note	6- month period ended 30.06.2013	6- month period ended 30.06.2012
Cash flow from operating activities			
Profit (loss) before tax		**5 150**	**10 813**
Total adjustments:		**-127 790**	**-68 028**
Depreciation and amortization		3 697	3 669
Profit / loss from exchange rate differences		362	-410
Interest and share in profit (dividends)		1 821	2 477
Profit / loss on investment activities		-316	48
Change in provisions		-2 651	-1 013
Change in inventory	**10**	10 913	-19 729
Change in receivables		37 633	-5 557
Change in short-term liabilities, excluding loans and borrowings	**10**	-144 097	-16 876
Change in prepayments and accruals		-38 011	-32 909
Income tax paid		2 490	1 763
Other adjustments		369	509
Net cash used in operating activities		**-122 640**	**-57 215**
Cash flow from investment activities			
Inflows		**8 352**	**1 235**
Disposal of intangible and tangible fixed assets		594	502
Disposal of investments in real property		0	81
Disposal of financial assets		79	20
Repayment of loans		6 949	48
Dividends and interest received		722	584
Other		8	0
Outflows		**8 701**	**16 000**
Acquisition of intangible and tangible fixed assets		927	1 177
Acquisition of financial assets		7 620	14 004
Loans granted		17	819
Other		137	0
Net cash flow from investment activities		**-349**	**-14 765**
Cash flow from financial activities			
Inflows		**40 577**	**44 312**
Credits and loans		40 577	44 312
Outflows		**39 359**	**63 391**
Repayment of credits and loans		33 064	55 976
Payment of liabilities arising from financial leases		2 009	2 506
Interest paid		4 142	4 743
Other		144	166
Net cash flow from financial activities		**1 218**	**-19 079**
Total net cash flow		**-121 771**	**-91 059**
Balance sheet change in cash, including:		**-121 868**	**-91 059**
- change in cash due to exchange differences		-97	0
Cash opening balance		**201 769**	**161 291**
Closing balance of cash, including:		**79 901**	**70 232**
- restricted cash		37 055	41 711

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Dariusz Grzeszczak
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Warsaw, 30 August 2013

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 30 June 2013 (in thousands of PLN)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net earnings / net loss	Total	Non-controlling interests	Total shareholders' equity
As at 1 January 2013	**1 268**	**0**	**215 669**	**455**	**20 260**	**0**	**237 652**	**13 791**	**251 443**
Profit/loss for the period	0	0	0	0	0	2 351	**2 351**	288	**2 639**
Other total incomes	0	0	0	283	186	0	**469**	-18	**451**
Total revenue	**0**	**0**	**0**	**283**	**186**	**2 351**	**2 820**	**270**	**3 090**
Payment in form of shares (Management Stock Option Scheme)	0	0	128	0	0	0	**128**	0	**128**
Parent's profit distribution	0	0	5 591	0	-5 591	0	**0**	0	**0**
Acquisition of shares in Engorem Sp. z o.o	0	0	812	0	0	0	**812**	-2 651	**-1 839**
As at 30 June 2013	**1 268**	**0**	**222 200**	**738**	**14 855**	**2 351**	**241 412**	**11 410**	**252 822**

Signature of person preparing the Financial Statement

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/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2013

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2012 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Non-controlling interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2012	**1 264**	**0**	**240 255**	**1 014**	**-22 069**	**0**	**220 464**	**9 983**	**230 447**
Profit / loss for the period	0	0	0	0	0	17 223	**17 223**	1 304	**18 527**
Other total income	0	0	0	-559	-178	0	**-737**	-108	**-845**
Total income for the period	**0**	**0**	**0**	**-559**	**-178**	**17 223**	**16 486**	**1 196**	**17 682**
Taking control over Engorem Spółka z o.o.	0	0	0	0	0	0	**0**	2 804	**2 804**
Dividend to minority shareholders (GWI)	0	0	0	0	0	0	**0**	-132	**-132**
Buyout of shares in Energetyka Sp.z o.o.	0	0	58	0	0	0	**58**	-60	**-2**
Shares-based payment (Management Options Scheme)	4	0	538	0	0	0	**542**	0	**542**
Coverage of losses from the previous year by supplementary capital	0	0	-25 284	0	25 284	0	**0**	0	**0**
Consolidation of a subsidiary	0	0	102	0	0	0	**102**	0	**102**
As at December 2012	**1 268**	**0**	**215 669**	**455**	**3 037**	**17 223**	**237 652**	**13 791**	**251 443**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 30 June 2012 (in thousands of PLN)

	Capital attributable to shareholders of the Parent Company								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Non-controlling interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net earnings / net loss			
As at 1 January 2012	**1 264**	**0**	**240 255**	**1 014**	**-22 069**	**0**	**220 464**	**9 983**	**230 447**
Profit/loss for the period	0	0	0	0	0	7 945	**7 945**	389	**8 334**
Other total incomes	0	0	0	-357	0	0	**-357**	-51	**-408**
Total revenue	**0**	**0**	**0**	**-357**	**0**	**7 945**	**7 588**	**338**	**7 926**
Dividend to minority interests	0	0	0	0	0	0	**0**	-132	**-132**
Payment in form of shares in subsidiaries	0	0	38	0	0	0	**38**	0	**38**
Covering of loss of the Parent from the capital reserve	0	0	-25 284	0	25 284	0	**0**	0	**0**
Acquisition of shares in Erbud Energetyka	0	0	58	0	0	0	**58**	-60	**-2**
As at 30 June 2012	**1 264**	**0**	**215 067**	**657**	**3 215**	**7 945**	**228 148**	**10 129**	**238 277**

KEY ITEMS CONVERTED TO THE EURO

	30.12.2013		31.12.2012		30.06.2012	
	PLN	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Fixed assets	122 307	28 252	123 826	30 289	138 317	32 459
Current assets	564 641	130 426	695 867	170 214	620 231	145 550
Shareholders' equity	252 822	58 399	251 443	61 505	238 277	55 917
Liabilities and provisions for liabilities	434 126	100 279	568 250	138 998	520 271	122 092

Items of the balance sheet data as at 30 June 2013 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.3292 PLN/EUR.

Items of the balance sheet data as at 31 December 2012 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.0882 PLN/EUR.

Items of the balance sheet data as at 30 June 2012 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.2613 PLN/EUR.

	6- month period ended 30.06.2013		6- month period ended 30.06.2012	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	525 902	124 799	603 412	142 833
Cost of products, services, goods and materials sold	489 390	116 134	563 293	133 336
Profit on sales before tax	36 512	8 665	40 119	9 497
Profit on operating activities	8 160	1 936	14 183	3 357
Profit (loss) before tax	5 150	1 222	10 813	2 560
Net profit (loss)	2 639	626	8 334	1 973

Items of the profit and loss statement for the period from 1.01.2013 to 30.06.2013 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4,2140 PLN/EUR.

Items of the profit and loss statement for the period from 1.01.2012 to 30.06.2012 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2246 PLN/EUR.

	6- month period ended 30.06.2013		6- month period ended 30.06.2012	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	-122 640	-29 103	-57 215	-13 543
Cash flows from investment activities	-349	-83	-14 765	-3 495
Cash flows from financial activities	1 218	289	-19 079	-4 516
Net cash flows	-121 771	-28 897	-91 059	-21 554
Cash opening balance	201 769	49 354	161 291	36 518
Cash closing balance	79 901	18 456	70 232	16 481

Items of the cash flow for the period from 1.01.2013 to 30.06.2013 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4,2140 PLN/EUR.

Items of the cash flow for the period from 1.01.2012 to 30.06.2012 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2246 PLN/EUR.

For translating cash as at 30 June 2013, the exchange rate set by the NBP as of that day, i.e. 4.3292 PLN/EUR, was applied.

For translating cash as at 30 June 2012, the exchange rate set by the NBP as of that day, i.e. 4.2613 PLN/EUR, was applied.

NOTES AND EXPLANATIONS

1 General information

The ERBUD Joint Stock Company [ERBUD S.A. is the Parent Company (the "Parent", the “Company”) of the ERBUD Group (the "Group"). ERBUD SA registered on 29 November in the National Court Register under the KRS number 0000268667 (District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register), based in Warsaw, 300 Puławska St. and established in way of conversion of the Erbud limited liability company.

The Erbud Limited Liability Company [ERBUD Sp. z o.o.] was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

The Parent’s main activity are services in the field of large scale civil engineering (PKD 4521A).

The core businesses of the Group are widely understood construction and assembly works performed as general contractor in Poland and abroad. Erbud S.A. is the management, financial and advisory centre of the Group.

The duration of the Parent and entities of the Group is not definite.

These consolidated financial statements have been approved for publication by the Management Board on 26 August 2013.

These consolidated financial statements have been prepared as of 30 June 2013 and for the six month period ended 30 June 2013, and the comparative figures as of 30 June 2012 and for the six month period ended 30 June 2012, and as of 31 December 2012.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard applicable to interim financial reporting (IAS 34), which was approved by the European Union.

The items of consolidated financial statement are presented in Polish currency ("PLN") and all figures are given in thousands of PLN.

1.1 Composition of the Group

The Group consists of the Parent Company ERBUD S.A. based in Warsaw and the following subsidiaries:

Entity’s Name	Registered office	Activity range	Percentage share of the Parent in the share capital and voting rights at the AGM as at	
			30.06.2013	31.12.2012
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%
GWI GmbH	Germany	Construction	85%	85%
Ersteel Sp. z o.o.	Toruń	Property management	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%
Toruńska Sportowa Sp. z o.o.	Toruń	Construction	39%	39%
Erbud Ireland	Ireland	Construction	100%	100%
Grupa Budlex	Warszawa	Housing development	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%
Erbud Energetyka sp. z o.o.	Katowice	Construction	100%	100%
Engorem Sp. z o.o.	Łódź	Services for power sector	98.41%	80.22%

The Parent

The Parent Company ERBUD S.A is not controlled by any other unit.

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

- Erbud International Sp. z o.o.
- GWI GmbH
- Grupa Budlex
- Przedsiębiorswo Budownictwa Drogowo Inżynieryjnego S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.
- Delta Sp. z o.o.
- Engorem Sp. z o.o.

Subsidiaries excluded from the consolidated financial statements:

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

The above subsidiaries were not consolidated in view of the immateriality.

1.2 Joint controlled entities

The Group did not include jointly controlled entities, where the recognition in the consolidated financial statements would result in a significant change in the financial result or financial position of the Group.

1.3 Membership of the Management Board of the Parent

During the period from 1 January 2013 up to the date of preparing this financial statements, the composition of the Management Board of the Company was constant.

As at 30 June 2013 the Management Board of the Parent consisted of:

Dariusz Grzeszczak	-	Board Member
Józef Zubelewicz	-	Board Member

1.4 Shareholders of the Parent

The share capital of the Parent Company as at 30 June 2013 consists of 12,677,956 shares with a total value of PLN 1,267,795.60. The structure of the share capital of the Parent as at 30 June 2013 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Percentage in equity	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.23%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.66%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.87%	None
	Total				**4 152 865**	**32.76%**	
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.47%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.10%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.33%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 269 709	10.02%	None
D,E,C,F	Free Float	Ordinary	None	None	2 449 989	19.32%	None
	Total				**12 677 956**	**100%**	
	Nominal value of shares of all series	PLN 0.10		Share capital value	PLN 1 267 795.60		

Moreover, on 19 August 2013, ING Otwarty Fundusz Emerytalny (Pension Fund) sold a part of shares hold. 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.

Detailed information on the shareholding as at 31 December 2012 is included in the Annual Financial Statements for the year ended 31 December 2012.
This table presents the shareholders holding over 5% of the equity.
Number of shares comprising the authorized capital is equal to the number of shares issued. The nominal value of each share is PLN 0.10. Subsidiaries do not hold any shares of the Parent.
No shares have been reserved for the purpose of issuance under options of sale contracts.
In addition to the powers arising from directly held shares of Erbud S.A., the major shareholders have no other voting rights at a General Meeting.
Shares of Erbud S.A. held by the above mentioned persons are not preferred ones.
The Company's Statute does not give any personal rights in relation to Erbud S.A., 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.

1.5 Going-concern assumption

The Consolidated Financial Statements of the Capital Group as at 31 June 2013 were prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

2 Basis of preparing the statements and accounting policy (principles)

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and in line with relevant International Financial Reporting Standards ("IFRS") as well as with IFRS as adopted by the EU for financial statements beginning on 1 January 2008. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

Taking into account the approval process for IFRS by the European Union, as at the day of publication of this consolidated financial report, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

The detailed accounting policies adopted by the Group have been described in the Group's consolidated financial statements for the year ended 31 December 2012 and published on 26 April 2013. In this report, it has been observed the same rules (policies) and methods of computation that were used in the last annual financial statements.

New and revised standards and interpretations

Principles (policy) applied for the preparation of these condensed consolidated financial statements for the first half of 2013 are consistent with those applied when preparing the annual consolidated financial statements for 2012, except as described below.

- **Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates**

An amendment to IFRS 1 was issued on 20 December 2010 and is applicable to for annual periods beginning on or after 1 July 2011. The amendment relates to the reference to fixed day of "1 January 2004" as the IFRS first-time-adoption day and changes it to "First-Time-Adoption of IFRS" in order to eliminate the necessity to transform the transactions, which took place before the day of adopting the IFRS by the entity. In addition, a guidance on application of IFRS in the periods that follow periods of severe hyperinflation, what prevents full compliance with IFRS, has been added to the standard .

The Group will apply the revised IFRS 1 from the date of entry into force adopted by the European Commission. The revised IFRS 1 does not affect the Group’s financial statements..

- **Amendments to IFRS 12: Deferred Tax: Recovery of Underlying Assets**

An amendment to IAS 12 was issued on 20 December 2010 and is applicable to for annual periods beginning on or after 1 January 2012. The amendment clarifies, among other items, method of valuation of assets and provisions due to deferred tax for investment properties measured under the fair value in accordance with the model specified by IAS 40 Investment Property. The entry into force of the revised standard will result in a withdrawal of SIC - 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets.

The Group will apply the revised IAS 12 from the date of entry into force adopted by the European Commission. The revised IAS 12 does not affect the Group’s financial statements.

- **IFRS 13 Fair Value Measurement**

IFRS 13 Fair Value Measurement effective for annual periods beginning on or after 1 January 2013.

- **Improvements to IAS 19 Employee Benefits**

The amendments to IAS 19 were published on 16 June 2011 and are effective for annual periods beginning on 1 January 2013 or later. The amendments eliminate the option of recognition of gains and losses on a delayed basis known as the corridor method. Moreover, they improve the presentation of changes in the balance sheet

due to the employee benefit schemes and the necessary estimates as recognised in other comprehensive income, as well as they expand the scope of required disclosures thereof.

- **Improvements to IAS 1 Presentation of Items of Other Comprehensive Income**

An amendment to IAS 1 was issued on 16 June 2011 and is effective for annual periods beginning on 1 July 2012 or later. The amendment concerns the classification of items of other comprehensive income that can be transferred to the profit or loss account. The amendment also confirms the possibility of presentation of items of other comprehensive income and profit or loss as a single or as two separate statements.

- **IFRIC 20 Interpretation Stripping Costs in the Production Phase of a Surface Mine**

The IFRIC 20 Interpretation was issued on 19 October 2011 and is effective for annual periods beginning on or after 1 January 2013. This interpretation provides guidance on recognizing stripping costs of a surface mine in order to gain access to mineral ore deposits.

- **Improvements to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities**

An amendment to IFRS 7 was issued on 16 December 2011 and is applicable for annual periods beginning on 1 January 2013 or later. The general rules for offsetting financial assets and liabilities remain the same, but the scope of disclosures regarding the amounts offsetted has been extended. The improvement also requires enhancing the disclosures (higher transparency) related to credit risk management with use collaterals (pledges) received or granted.

- **Improvements to IFRS 1**

The amendments to IFRS 1 were issued on 13 March 2012 and are applicable for annual periods beginning on 1 January 2013 or later. The aim of the changes is to allow entities applying IFRS for the first time to be exempt from a full retrospective application of IFRSs when such entities benefit from the government loans with interest rates are below market ones.

- **Improvements to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011)**

On 17 May 2012 were published subsequent amendments to seven standards resulting from the draft improvements to International Financial Reporting Standards, issued in June 2011. Mainly, they are effective for annual periods beginning on or after 1 January 2013 (depending on the standard).

The implementation of these amendments did not affect the results of operations and financial position of the Group, and only resulted in changes in accounting policies and possible extension of the required disclosures or changes in terminology used.

Published standards that are not yet effective

Below are presented new accounting standards, amendments and interpretations to existing standards that were published but are not applicable in 2013:

- **IFRS 9 Financial Instruments**

The new standard was published on 12 November 2009 and is the first step in the IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. Following the publication, the new standard was further developed and partially changed. The new standard will come into force on 1 January 2015.

- **IFRS 10 Consolidated Financial Statements**

The new standard was published on 12 May 2011 and will replace the SIC 12 Consolidation - Special Purpose Entities, and certain provisions of IAS 27 Consolidated and Separate Financial Statements. The standard defines

the concept of control as a factor which determinates whether an entity should be included in the consolidated financial statements and provides guidance to help determine whether an entity exercises control or not.

- **IFRS 11 Joint Arrangements**

A new standard was published on 12 May 2011 and will replace SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers and IAS 31 Interests in Joint Ventures. The standard focuses on the rights and obligations arising from the common agreement, regardless of its legal status and eliminates inconsistencies in reporting by identifying the method of accounting for interests in jointly controlled entities.

- **IFRS 12 Disclosure of Interests in Other Entities**

The new standard was published on 12 May 2011 and includes requirements for disclosure of information on the relationship between the parties.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

Guidelines were published on 28 June 2012 and contain additional information on the application about IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data for the first application of the above Standards.

- **IAS 27 Separate Financial Statements**

A new standard was published on 12 May 2011, primarily due to the transfer of certain provisions of the existing IAS 27 and IFRS 10 and the new IFRS 11. The standard contains requirements for the presentations and disclosures in the financial statements of investments in associates, subsidiaries and joint ventures. The standard replaces the previous IAS 27 Consolidated and Separate Financial Statements.

The Group is in the course of assessing the impact of these standards and interpretations on the Group's reporting.

3 Seasonality

Sale of civil and engineering services in Poland is characterized by some seasonality related primarily to weather conditions. Typically, the highest revenues are achieved in the third quarter, while the lowest - in the first quarter. However, construction works cannot be regarded as typical seasonal activities.

4 Rules applied to convert selected financial data to the Euro

The selected financial data were converted into the Euro according to the following principles:

Items of assets and liabilities - at the average exchange rate prevailing as at 30 June 2013, i.e. 4.3292 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2013 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2013, i.e. 4.2140 PLN/Euro.

Items of assets and liabilities of comparable financial data in 2012 - at the average exchange rate prevailing on 31 December 2012, i.e. – 4.0882 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2012 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2012, i.e. 4.2246 PLN/Euro.

5 Changes in accounting policy applied

5.1 Error adjustment

No error adjustment that would impact on the current or next periods was recognised during the reporting period ended 30 June 2013.

5.2 Changes in estimates

During the reporting period ended 30 June 2013 there were no changes in the methodology for making estimates.

5.3 Discontinued operations

There were no discontinued operations under provisions of IFRS 5 during the reporting period ended 30 June 2013.

6 Information on operating segments

During the reporting period ended 30 June 2013, the Group has conducted business under the following business segments:

- civil engineering - large scale construction
- housing development
- road-engineering
- construction for the power industry

During the reporting period ended 30 June 2013, the Group has conducted business in the following geographical segments:

- domestic
- abroad (Germany, Belgium, Luxembourg, Holland).

The segmentation was made on the basis of statutory activities of the individual entities. The Group applies a uniform accounting policy for all segments.

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Business segments

The following table presents figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2013:

Income and expenses by business segments

Period from 1 January to 30 June 2013	Large scale construction	Housing development	Road engineering	Construction for power industry	Other segments	Exclusions	Total
Sale to external clients	449 755	26 579	26 888	22 616	64	0	**525 902**
Sale between segments	0	0	2 881	0	0	-2 881	**0**
Total income	**449 755**	**26 579**	**29 769**	**22 616**	**64**	**-2 881**	**525 902**
Cost of products, goods and materials sold to external clients	418 966	22 107	26 341	21 191	785	0	**489 390**
Cost of products, goods and materials sold to other segments	0	0	2 881	0	0	-2 881	**0**
Total cost of products, goods and materials sold	**418 966**	**22 107**	**29 222**	**21 191**	**785**	**-2 881**	**489 390**
Total gross sales	**30 789**	**4 472**	**547**	**1 425**	**-721**	**0**	**36 512**
Cost of sales	0	1 018	918	0	0	0	**1 936**
General and administrative costs	16 092	1 067	3 640	3 701	447	0	**24 947**
Profit (loss) on other operating activity	-1 587	-88	4	206	-4	0	**-1 469**
Segment profit (loss)	**13 110**	**2 299**	**-4 007**	**-2 070**	**-1 172**	**0**	**8 160**
Profit (loss) on other financing activity	-3 096	37	0	46	3	0	**-3 010**
Income tax	1 451	967	-21	109	5	0	**2 511**
Net profit	**8 563**	**1 369**	**-3 986**	**-2 133**	**-1 174**	**0**	**2 639**

Business segments

The following table presents figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2012:

Income and expenses by business segments

Period from 1 January to 30 June 2012	Large scale construction	Housing development	Road engineering	Construction for power industry	Other segments	Exclusions	Total
Sale to external clients	518 413	17 962	53 361	13 625	51	0	**603 412**
Sale between segments	0	0	61 915	0	0	-61 915	**0**
Total income	**518 413**	**17 962**	**115 276**	**13 625**	**51**	**-61 915**	**603 412**
Cost of products, goods and materials sold to external clients	503 652	14 529	33 098	11 994	20	0	**563 293**
Cost of products, goods and materials sold to other segments	0	0	61 915	0	0	-61 915	**0**
Total cost of products, goods and materials sold	**503 652**	**14 529**	**95 013**	**11 994**	**20**	**-61 915**	**563 293**
Total gross sales	**14 761**	**3 433**	**20 263**	**1 631**	**31**	**0**	**40 119**
Cost of sales	0	1 109	96	0	0	0	**1 205**
General and administrative costs	18 189	1 398	4 385	809	683	0	**25 464**
Profit (loss) on other operating activity	-511	1 295	-115	97	-33	0	**733**
Segment profit (loss)	**-3 939**	**2 221**	**15 667**	**919**	**-685**	**0**	**14 183**
Profit (loss) on other financing activity	-3 848	542	-24	-6	-34	0	**-3 370**
Income tax	2 261	-13	283	18	-70	0	**2 479**
Net profit	**-10 048**	**2 776**	**15 360**	**895**	**-649**	**0**	**8 334**

Geographical segments

The table below presents figures on income and profit of particular geographical segments of the Group as of 30 June 2013:

Income and expenses by geographical segments

Period ended 30 June 2013	Domestic market	Abroad	Total
Sale to external clients	425 842	100 060	**525 902**
Total income	**425 842**	**100 060**	**525 902**
Cost of products, goods and materials sold to external clients	397 024	92 366	**489 390**
Total cost of products, goods and materials sold	**397 024**	**92 366**	**489 390**
Total gross sales	**28 818**	**7 694**	**36 512**
Sales costs	1 936	0	**1 936**
General and administrative costs	20 197	4 750	**24 947**
Result on other operating activity	-1 642	173	**-1 469**
Segment result	**5 043**	**3 117**	**8 160**
Result on financing activity	-3 663	653	**-3 010**
Income tax	1 641	870	**2 511**
Net profit	**-261**	**2 900**	**2 639**

The table below presents figures on income and profit of particular geographical segments of the Group as of 30 June 2012:

Income and expenses by geographical segments

Period ended 30 June 2012	Domestic market	Abroad	Total
Sale to external clients	539 489	63 923	**603 412**
Total income	**539 489**	**63 923**	**603 412**
Cost of products, goods and materials sold to external clients	504 949	58 344	**563 293**
Total cost of products, goods and materials sold	**504 949**	**58 344**	**563 293**
Total gross sales	**34 540**	**5 579**	**40 119**
Sales costs	1 205	0	**1 205**
General and administrative costs	21 889	3 575	**25 464**
Result on other operating activity	434	299	**733**
Segment result	**11 880**	**2 303**	**14 183**
Result on financing activity	-3 038	-332	**-3 370**
Income tax	1 687	792	**2 479**
Net profit	**7 155**	**1 179**	**8 334**

In the period from 1 January to 30 June 2013, the Group did not achieve from any customer an income exceeding 10% of total revenue.

7 Information on significant transactions related to acquisition or disposal of tangible fixed assets and other material liabilities in respect of tangible fixed assets acquisition

There were no significant acquisitions and disposals of tangible fixed assets during the reporting period.
As of 30 June 2013, the Group had no material liabilities due to the acquisition of tangible fixed assets.

8 Inventories

	30.06.2013	31.12.2012	30.06.2012
Materials	4 620	6 625	5 950
Semi-products and unfinished products	37 397	39 886	38 953
Finished products	29 652	34 989	47 277
Goods	34 195	34 813	36 885
Advances for deliveries	1 595	1 595	1 390
Gross book value of inventories at the end of the period	**107 459**	**117 908**	**130 455**
Write-offs of inventories at the beginning of the period	**2 615**	**1 939**	**1 939**
Created in other operating costs	260	1 241	0
Created in production cost of products sold	0	0	0
Reversed into other operating costs	0	0	0
Used	0	802	290
Impairment allowances taken from ENGOREM	0	237	0
Write-offs of inventories at the end of the period	**2 875**	**2 615**	**1 649**
Net book value of inventories at end of the period	**104 584**	**115 293**	**128 806**

9 Trade receivables and other receivables, income tax receivables and performance securities

	30.06.2013	31.12.2012	30.06.2012
Short-term receivables before tax			
Due to deliveries and services	244 949	265 483	265 934
From associates	17	863	110
From other entities	244 932	264 620	265 824
From the public sector	12 009	11 614	18 980
Other	27 912	49 192	18 141
Impairment of receivables	**6 689**	**9 962**	**6 793**
Short-term net receivables	**278 181**	**316 327**	**296 262**
Presented in the balance sheet:			
Trade receivables and other receivables	229 654	267 500	255 941
Income tax receivables	4 530	6 593	3 330
Performance securities	43 997	42 234	36 991

The fair value of trade receivables and other receivables is nearly equal to their carrying amount.

The Group creates impairment on receivables, when there is objective evidence that the Group will not receive all amounts due under the original terms of receivables.

The following table presents the value of write-offs from trade receivables and other receivables:

	30.06.2013	31.12.2012	30.06.2012
Write-offs at the beginning of the period	**9 962**	**6 786**	**6 786**
Created in other operating costs	1 193	1 935	234
Reversed into other operating costs	90	412	110
Used	4 516	0	0
Currency translation differences	140	-276	-117
Impairment allowances taken from ENGOREM	0	1 929	0
Write-offs at the end of the period	**6 689**	**9 962**	**6 793**

Because the Group has a large number of customers both on domestic and foreign market, there is no concentration of credit risk for trade receivables.

10 Cash and cash equivalents

	30.06.2013	31.12.2012	30.06.2012
Cash in hand	65	82	56
Cash at bank	62 564	183 922	48 496
- current accounts	28 994	113 300	18 194
- overnight deposits	14 837	16 250	23 331
- other deposits	7 408	7 541	6 952
- term investments	11 325	46 831	19
Other cash	17 272	17 765	21 680
Cash total	**79 901**	**201 769**	**70 232**
Restricted cash and cash equivalents	37 055	41 709	41 711
Cash for cash flow markets	**79 901**	**201 769**	**70 232**

As restricted cash and cash equivalents the Group classified:

	30.06.2013	31.12.2012	30.06.2012
Cash deposits to secure bank guarantees	24 329	24 911	26 765
Works Staff Welfare Fund	250	213	202
Other	593	596	0
Funds accumulated on trust accounts	11 883	15 989	14 744
Total	**37 055**	**41 709**	**41 711**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the first half of 2013 is presented below:

	30.06.2013
Change in balance inventories	**10 708**
Capitalised financing costs	205
Change in inventories in the cash flow account	**10 913**

	30.06.2013
Change in balance liabilities	**-150 042**
Liabilities discount	209
Obligations arising from the acquisition of shares in Budlex	5 667
Liability due to the asset acquisition	69
Change in liabilities in the cash flow account	**-144 097**

11 Impairment of other financial assets (long term)

In the reporting period, there were no write-downs due to other long-term financial assets. The item „Non-current financial assets" includes mainly loans granted to the special purpose company Deptak Projekt P2 Sp. z o.o.

12 Bank credits and loans

	30.06.2013	31.12.2012	30.06.2012
Long-term	**5 132**	**12 616**	**11 870**
Bank credits	5 132	12 616	11 870
Short-term	**53 004**	**37 987**	**55 414**
Overdrafts	32 987	15 021	24 565
Bank credits and loans	20 017	22 966	30 849
Total bank credits and loans	**58 136**	**50 603**	**67 284**

The maturity structure of long-term credits and loans was as follows:

	30.06.2013	31.12.2012	30.06.2012
a) up to 1 year	53 004	37 987	55 414
b) between 1 and 3 years	0	12 374	5 898
c) between 3 and 5 years	5 132	242	5 972
d) over 5 years	0	0	0
Total	**58 136**	**50 603**	**67 284**

The carrying amount of long-term loans approximates their fair value because contract conditions of interest rates of credit are based on the variable rate of interest.

Liabilities due to loans and credits as at 30 June 2013

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	12 000	PLN	PLN	8 467	PLN	Wibor 1M+2.00%	2013-12-31	ING Bank Śląski SA
Collaterals for / guarantees of repayment of loan granted to Budlex S.A.								
Final collaterals:								
Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA								
Security deposit established by ERBUD SA								
Temporary collateral:								
Statement on submission to execution up to PLN 60,000,000 expired on 20.03.2022								

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	1 000	PLN	PLN	0	PLN	Wibor 1M+1.86%	2014-01-24	Bank PKO BP SA
Collaterals for / guarantees of repayment of loan granted to Budlex S.A.								
Final collaterals:								
Blank promissory note together with bill declaration								
Aggregate mortgage of up to PLN 1,500,000								
Civil law guarantee by Budlex Properties Sp. z o.o.								
Receivables deduction clause from the Borrower's bank account maintained at the PKO BP S.A.								
Statement on submission to the enforcement up to PLN 2,000,000								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex Glinki A3 Sp. zo.o.	26 000	PLN	PLN	0	PLN	Wibor 3M+2.95%	2015-09-15	BRE BANK HIPOTECZNY SA

Collaterals for / guarantees of repayment of loan granted to Budlex Glinki A3

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

Blank promissory note issued by the Borrower, incl. bill declaration issued by the Borrower and guaranteed by the Shareholder until the effective establishment of deposit mortgage and registered pledge for the benefit of the Bank

Assignment of rights from sales agreements and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Attorney for the Bank to operate the escrow accounts

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to enforcement up to PLN 52,000,000

Statement by the owner of shares in the Borrower’s company to submit to the enforcement of the shares up to PLN 26,000,000 issued under Article. 97 of Banking Law, authorizing the Bank to apply for granting a writ of execution to the bank enforcement title

Authorisation to dispose of the account in BRE Bank Hipoteczny S.A. and all accounts of the Borrower in other banks

Agreement on splitting the mortgage

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex Winica L6-7 Sp. zo.o. S.K.	11 000	PLN	PLN	0	PLN	Wibor 6M+3.20%	15.04.2017	BRE BANK HIPOTECZNY SA

Collaterals for / guarantees of repayment of loan granted to Budlex Winnica L6-7 Spóka z o.o.S.K.

Final collaterals:

Mortgage up to PLN 22,000,000

Registered pledge on all shares in a Limited Partnership Company

Blank promissory note issued by the Borrower, incl. bill declaration issued by the Borrower and guaranteed by the Shareholders until the effective establishment of deposit mortgage and registered pledge on shares in the Limited Partnership Company for the benefit of the Bank

Security deposit against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Agreement on the transfer of receivables for the benefit of the Bank due to current receivables and Sale Contracts which will be signed

Registered pledge to the Bank on future receivables of the Developer for payment of funds from the Trust Account held for the investment purpose

Escrow account agreement, including a power of attorney for the Bank to dispose of the balance of bank account

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks; does not apply to the Trust Account

Transfer to the Bank receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and their security

Support Agreement providing the subordination of payments, and including the Shareholders statement, incl. their obligation to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans, not to adopt resolutions on advance payments due to the profit in the financial year, not to assign the rights and obligations of the Shareholders of the Borrower's Company without the consent of the Bank, to supply the Escrow Account balance in the event the balance is less by 10% than planned one for 2 subsequent quarters and not to act as General Partner in other projects

Statement by the Borrower to submit to the enforcement up to PLN 22,000,000.00, incl. authorization for the Bank to apply for obtaining a writ of execution to the bank enforcement title by 15.04.2019

Agreement on splitting the mortgage

Temporary collateral:

None

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex Zbożowa 1 spółka z ograniczoną odpowiedzialnością sp.k.	8 081	PLN	PLN	6 086	PLN	Wibor 3M+2.40%	28.02.2014	Bank PKO BP S.A.

Collaterals for / guarantees of repayment of loan granted to Budlex Zbożowa 1 spółka z ograniczoną odpowiedzialnością sp.k.

Under the agreement, the amount of debt as of 31.12.2012 will be repaid in installments by the end of 2013

Final collaterals:

Mortgage up to PLN 13,737,513 PLN

Blank promissory note and bill declaration guaranteed by Budlex S.A.

Claim deductions clause from the accounts held at PKO BP

Authorisation to operate the account held at ING Bank Śląski S.A.

Transfer of cash receivables under the contract construction insurance and then after completion - from the building insurance in the amount not less than the amount of exposure under this loan

Transfer of cash receivables to the Bank under development agreements / agreements with purchasers regarding the construction and sale of residential / parking places constructed as credited project (already signed and to be entered in the future)

Statement of the Borrower and the Guarantor on submission to execution up to PLN 16,161,780 due to the loan and promissory note

Temporary collateral:

None

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex Pestalozziego 1 Sp.zo.o.	15 231	PLN	PLN	4 683	PLN	Wibor 3M+2.40%	31.07.2014	Bank PKO BP S.A.
Collaterals for / guarantees of repayment of loan granted to Budlex Pestalozziego 1 Sp.zo.o. **Final collaterals:** Mortgage up to PLN 25,892,402.50 Blank promissory note and bill declaration guaranteed by Budlex S.A. Claim deductions clause from the accounts held at PKO BP Authorisation to operate the account held at ING Bank Śląski S.A. Transfer of cash receivables under the contract construction insurance and then after completion - from the building insurance in the amount not less than the amount of exposure under this loan Transfer of cash receivables to the Bank under development agreements / agreements with purchasers regarding the construction and sale of residential / parking places constructed as credited project (already signed and to be entered into in the future) Statement of the Borrower and the Guarantor on submission to execution up to PLN 30,461,650 due to the loan and promissory note **Temporary collateral:** None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex Powstania Listopadowego Spółka z o.o.	11 400	PLN	PLN	2 574	PLN	Wibor 1M+2.55%	2013-08-31	Bank Pocztowy S.A.
Collaterals for / guarantees of repayment of loan granted to Budlex Powstania Listopadowego **Final collaterals:** Mortgage up to PLN 18,240,000								

Security deposit against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to current account and other ones managed by the Bank

Assignment of rights to sale agreements

Assignment of rights from engineering documentation for the project

Assignment of receivables from construction contracts entered into by the Borrower and the General Contractor

Renewable deposit in the amount of PLN 420,000

Statement on submission to the enforcement up to PLN 17,100,000

Statement by the Borrower to submit to enforcement to the delivery of a real estate

Agreement on splitting the mortgage

Temporary collateral:

None

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to DELTA	7 500			5 794		Wibor 3M+3.25%	18.12.2019	PBK Bank Polski

Final collaterals:

Agreement on pledge on Sponsor's shares in the Merged Company after the Merger and the authority to exercise the rights from shares and personal rights under the Articles of Association of the Merged Company

Agreement on pledge on Movable Assets and Rights of the Merged Company

Agreement on pledge on Bank Accounts of the Merged Company

Agreement on Security Assignment by the Merged Company

Mortgage

Submission to execution by the Merged Company

Temporary collateral:
Agreement on pledge on the Borrower's shares and the authority to exercise the rights from hares and personal rights under the Borrower's Partnership Agreement
Agreement on pledge on shares in the Company Acquired and the authority to exercise the rights from hares and personal rights under the Partnership Agreement of the Company Acquired
Agreement on pledge on Movable Assets and Rights of the Borrower provided that in addition to the shares of the Company Acquired there are another assets in the Borrower's balance sheet amounting to at least PLN 100,000.00
Agreement on pledge on Movable Assets and Rights of the Company Acquired
Agreement on pledge on the Borrower's bank accounts held at the Bank
Agreement on pledge on Bank Accounts of the Company Acquired held at the Bank
Submission to execution by the Borrower
Submission to execution by the Company Acquired
Mortgage on real property owned by the Company Acquired
Corporate guarantee provided by Company Acquired
Agreement on Security Assignment by the Merged Company

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to Erbud S.A.	5 000		PLN	4 551		PKO BP's call rate + margin	2014-06-30	PKO BP
Final collaterals:								
Capped mortgage up to PLN 65m the property consisting of vacant plots No. 275/3, 288/10, 288/17 registered under number TO1T/00003133/2 in the land register conducted by the District Court in Torun								
Assignment of debts from construction contracts								
Blank promissory note and bill declaration guaranteed by ERBUD SA								
Claim deductions clause from the accounts held at PKO BP								
Temporary collateral:								
None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to Erbud S.A.	10 000		PLN	6 471		WIBOR for overnight deposits + margin	2013-12-31	BRE Bank S.A.
Final collaterals: Blank promissory note Assignment of debt claims covering the value of the loan granted **Temporary collateral:** None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to Erbud S.A.	15 000		PLN	6 101		arithmetic average for WIBOR 1M in given calendar month set as at the last business day of the calendar month plus margin	2013-12-31	ING Bank Śląski S.A.
Final collaterals: Assignment of debt claims from contracts concluded by ERBUD SA in the course of business, in each case approved by the Bank and transferred to the Bank under the agreement on transfer of receivables form the Trade Contract Conventional mortgage established by PBDI SA (a subsidiary of the Borrower) up to PLN 96m for perpetual usufruct of land and ownership of buildings and plant on property located in Torun, 1113 Polna St., plots No. 128/1, 131/3, 1/3, 658/2 registered under number TO1T/00040713/3 in the land register conducted by the District Court in Torun								

Temporary collateral:
None

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to Erbud S.A.	26			13		1 M Wibor		Orix Polska S.A.
Final collaterals:								
Blank promissory note								
Temporary collateral:								
None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to Erbud S.A.	10 000			7 397		1 M Wibor + margin	2013-09-20	Alior
Final collaterals:								
Assignment of debts from construction contracts								
Blank promissory note and bill declaration guaranteed by ERBUD SA								
Temporary collateral:								
None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to GWI	346	80	EUR	229	53	2.99%	05.2017	Deutsche Bank
Final collaterals:								
Property mortgage								
Temporary collateral:								
None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to GWI	4 329	1 000	EUR	4 329	1 000	4.39%	31.05.2014	Commerzbank
Final collaterals:								
Guarantee issued by BRE Bank in the amount of EUR 2,000,000								
Temporary collateral:								
None								

Bank loans:	**Credit / loan amount under agreement**		**Credit /loan currency**	**Credit / loan amount outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing loan**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Collaterals for / guarantees of repayment of loan granted to GWI	1 429	330	EUR	1 441	333	4.00%	for an unlimited period	PDI Beuth
Final collaterals: Payment of dividends to shareholders **Temporary collateral:** None								

TOTAL		**58 136**	

As described in Note 18 to the Consolidated Financial Statements for the year ended 31.12.2012, the Parent Company failed to meet certain financial ratios (covenants) under loan agreements. During the six months period ended 30.06.2013 the Parent Company also violated ratios some financial ratios.
Here is a list of these ratios:

Bank ING

Ratio	*Level required*	*Level achieved*	*Comment*
Debt / EBITDA	not more than 3	3.7	not achieved

Alior Bank

Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	min. of 1%	0.1%	not achieved

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

Total liabilities due to overdrafts were presented as current liabilities.

13 Provisions for liabilities and other debts

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2013	**17 724**	**1 399**	**12 702**	**528**	**32 353**
Increase	816	30	2 199	559	**3 604**
Transfers	0	0	0	0	**0**
Released	3 216	84	413	373	**4 086**
Used	24	40	2 018	88	**2 170**
As at 30 June 2013	**15 300**	**1 305**	**12 470**	**626**	**29 701**

The Group has recognized the balance provision for guarantee repairs in the amount of PLN 15,300 thousand as at 30 June 2013 and PLN 17,724 thousand as at 31 December 2012. The Group creates a provision for anticipated guarantee repair costs based on the level of repair works recorded in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2009-2013.

The provisions as at 31 December 2012 consist mainly of the reserve created in 2007 related to proceedings at law brought by Euroconstruction Sp. z o.o., seated in Poznań. The legal status as of the balance sheet date: first instance, the value of dispute: PLN 451 thousand. The Court of Appeal in the Szczecin quashed the sentence issued by the Regional Court and refereed the case to reheard. The final is difficult to predict because of its complicated nature.

14 Trade and other liabilities, income tax liabilities

Short-term liabilities	**30.06.2013**	**31.12.2012**	**30.06.2012**
a) Deliveries and services	194 053	308 342	252 072
- From associates	341	1 233	818
- From other entities	193 712	307 109	251 254

b) From the public sector	10 318	14 132	9 595
- Corporate income tax	264	201	205
- Value Added Tax	2 619	7 400	2 115
- Income tax on natural persons	1 282	1 246	1 335
- Other	6 153	5 285	5 940
c) Financial liabilities, incl.	4 851	5 372	6 105
- Interest	48	69	84
- Bond interest	1 680	1 889	1 889
- Leases	3 123	3 414	4 132
d) Other	16 978	48 332	22 404
- Payroll	5 647	4 552	4 302
- Advance payments received	8 434	34 009	11 707
- Liabilities due to shares	0	5 553	5 403
- Other	2 897	4 218	992
Total as presented in the balance sheet:	**226 200**	**376 178**	**290 176**
Trade liabilities and other liabilities	147 711	296 163	211 422
Current income tax liabilities	264	201	205
Construction deposits	78 225	79 814	78 549

15 Current and deferred income tax

The main tax items as at 30 June 2013 and 30 June 2012 were as follows:

	6-month period ended 30.06.2013	6-month period ended 30.06.2012
Tax in profit or loss	**2 511**	**2 479**
Deferred tax related to the origination and reversal of temporary differences	1 786	1 323
Current tax	725	1 156

Reconciliation of the income tax on profit before tax of tax calculated at an effective tax rate for the year ended 30 June 2013 and as at 30 June 20121 is summarized in the following table:

Profit before tax	**5 150**	**10 813**
Tax at the statutory tax rate applicable in Poland which was 19% in 2011 and 2012	**979**	**2 054**
Additional tax arising from the rate exceeding 19% in Germany	150	158
Tax on dividends paid by a foreign company	0	198
Tax on unrecognised tax losses	240	-261
Adjustments to current income tax from previous years	-87	0
Excess costs which are not tax deductibles over income not recognized as taxable income	1 229	330
Current income tax	**2 511**	**2 479**

As at 30 June 2013 and in the year ended 31 December 2012, the applicable tax rate has not been changed as compared to the previous financial period.

As at 30 June 2013 and in the year ended 31 December 2011 there were no temporary differences for which neither deferred tax assets was recognized in the balance sheet nor provision for deferred tax was established.

Deferred tax provision	6-month period ended 30.06.2013	6-month period ended 30.06.2012
Valuation of long-term contracts	28 430	34 739
Revaluation of assets	6 433	6 094
Balance valuation of accounts	211	387
Lease	0	0
Financial expenses capitalized	265	409
Interest accrued	1 608	1 333
Other	964	827
Total	**37 911**	**43 789**

Deferred tax assets	6-month period ended 30.06.2013	6-month period ended 30.06.2012
Valuation of construction contracts	13 358	15 966
Provisions	5 430	3 938
Tax loss to be deducted in next years	15 606	21 394
Profit margin on intra-Group sales	0	3 219
Other fees charged statistically	233	216
Claims capitalization	1 092	528
Investment revaluation	609	562
Other financial liabilities	1 303	518
Accrued expenses	1 973	2 115
Consolidation adjustment	1 301	0
Other	1 338	1 436
Total	**42 243**	**49 892**

The assets and liabilities for deferred taxes are offset when there is a legal title for admission to offset the tax and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods. Margin gained on intra-Group sales results from the higher tax charge on assets sold to the companies forming the Group in relation to their carrying amount due to the exclusion of gains recognized in the assets in consolidation.

16 Transactions with associates

The following tables summarize the total amount of transactions entered into by the Parent and subsidiaries with associates that are not subject to consolidation for the period of six months ended 30 June 2013 and 30 June 2012.

	Receivables/assets	Liabilities	Income	Expenses
	As at 30.06.2013		6-month period ended 30.06.2013	
Deliveries and services	17	341	8	1 131
Disposal of fixed assets	0	0	0	0
Other	0	228	0	0
Inventory	0	0	0	0
Loans	18 104	0	696	0

	Receivables/assets	Liabilities	Income	Expenses
	As at 30.06.2012		**6-month period ended 30.06.2012**	
Deliveries and services	110	818	185	1 599
Disposal of fixed assets	0	0	0	0
Other	0	0	0	0
Inventory				
Loans	30 216	0	1 080	0

Transactions with associates are concluded on market conditions.

17 Transactions with key members of the Company's management

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:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the GM
Juladal Investments Ltd. a company controlled by members of the Board of Erbud SA)	Common	2 848 347	22.47%	2 848 347	22.47%
Dariusz Grzeszczak	Common	773 900	6.10%	773 900	6.10%
Józef Adam Zubelewicz	Common	259 500	2.05%	259 500	2.05%
Albert Duerr- Member of the Supervisory Board	Common	14 500	0.11%	14 500	0.11%
Walenty Twardy – Procurist of Erbud S.A.	Common	19 852	0.16%	19 852	0.16%
Piotr Augustyniak – Procurist of Erbud S.A.	Common	890	0.01%	890	0.01%
Agnieszka Głowacka Procurist of Erbud S.A.	Common	2 836	0.02%	2 836	0.02%
Grzegorz Krzywicki Procurist of Erbud S.A..	Common	3 033	0.02%	3 033	0.02%
Bogdan Duerr Procurist of Erbud S.A.	Common	6 712	0.05%	6 712	0.05%
Włodzimierz Czystowski Procurist of Erbud S.A.	Common	10 525	0.08%	10 525	0.08%
Beata Krzywicka (wife of a procurist)	Common	3 636	0.03%	3 636	0.03%
Mirosław Młynarski Procurist	Common	6 778	0.05%	6 778	0.05%
Radosław Kałamaga Procurist	Common	5 494	0.04%	5 494	0.04%
Tomasz Krzywicki Procurist of Erbud S.A.	Common	3 950	0.03%	3 950	0.03%
Maciej Wyrzykowski Procurist of Erbud S.A	Common	1 200	0.01%	1 200	0.01%
Mariola Zielińska Chief Account of Erbud	Common	4 018	0.03%	4 018	0.03%

Both as at 31 June 2013 and as at 31 December 2012, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 31 June 2013 and as at 31 December 2012, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel were not a party to the contract obliging to provide services to the companies of the Erbud Group.

18 Dividends paid and proposed, dividend per share

In the reporting period, the Parent Company neither declared nor paid any dividends.

19 Liabilities arising from issuance of debt and equity securities

In the period ended 30 June 2013, companies incorporated in the Group did not issue any debt securities or equity financial instruments.

On 14 July 2011, the Parent issued 50,000 unsecured three-year bearer bonds with a total par value of PLN 50,000,000. The issue price of bonds equals the nominal value and the interest rate was set based on WIBOR 6M plus a margin of 3.4% per year. 15 July 2014 is the Redemption Day. Interest is payable every six months. Bearer bonds of Series A issued by the Parent were introduced on 2 August 2011 to the BondSpot alternative trading system on the Catalyst market. The first day of trading fell on 9 August 2011.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorised capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

On 15 April 2013, the Management Board adopted Resolution No. 4/2013 on the share capital increase under the authorised capital by the issue of shares of series H and depraving the existing shareholders of pre-emptive rights to acquire series H shares. The issue will be addressed to employees entitled in connection with the third tranche of the Staff Incentive Scheme, and the number of shares that would be granted to persons entitled cannot exceed 50 000 shares.

20 Changes in the composition of the Capital Group

During the period ended 30 June 2013, there were no changes in the composition of the Capital Group.

21 Contingent liabilities and receivables

The off-balance sheet items of the Group due to contingent debts and liabilities, and other off-balance sheet items were as follows:

	6-month period ended 30.06.2013	Year ended 31.12.2012	6-month period ended 30.06.2012
Contingent receivables	**13 230**	**24 008**	**25 342**
From associated	**8 659**	**16 353**	**22 159**
Guarantees received	8 659	16 353	22 159

Litigation and claims	0	0	0
Bills of exchange received as collateral	0	0	0
From other entities	**4 571**	**7 655**	**3 183**
Guarantees received	4 571	7 655	3 183
Litigation and claims	0	0	0
Bills of exchange received as collateral	0	0	0
Total contingent receivables	**13 230**	**24 008**	**25 342**
Contingent liabilities	**438 536**	**421 969**	**352 269**
To associated	**61 292**	**66 250**	**79 068**
Guarantees granted	61 292	66 250	79 068
Litigation and claims	0	0	0
Promissory notes	0	0	0
To other entities	**377 244**	**355 719**	**297 068**
Guarantees granted	377 244	355 719	297 068
Litigation and claims	0	0	0
Promissory notes	0	0	0
Total contingent liabilities	**438 536**	**421 969**	**376 136**
Total off-balance sheet items	**425 306**	**397 961**	**401 478**

22 Objectives and principles of financial risk management

In the course of conducting its business, the ERBUD Group is exposed to various types of financial risks: currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and lays down the management principles of each of these risks.

Currency risk

As a part of the key operating area, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (primarily in the Euro). The currency risk management policy adopted by the Management Board is to match the contract currency to the currency of expenses incurred in connection with this contract. Contracts which are performed in Poland are concluded in Polish currency (PLN) and those executed by foreign companies and units are signed in Euros.

The companies of the Group do not apply hedge accounting.

Interest rates risk

The risk of interest rates is mainly due to the use by companies of the bank credits, borrowings and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows.

The interest rates risk associated with existing debts was considered to be irrelevant from the point of view of impacting the results of the Group, therefore the currently management by interest rate risk is limited to monitoring the present market situation. In case of growth of debts due to bank loans, means will be taken in order to prevent a change in interest rates.

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. Opening of the European labour markets results in the outflow abroad of skilled construction workforce and its reduced supply causes a rise in wage costs. Following the increase in material prices and labour costs, prices of services provided for the Group by the subcontracting companies can rise as well. Prices in the agreements concluded with the builders are usually fixed for the contract performance duration - usually between 6 and 36 months, while contracts with subcontractors are signed at a later date, according to work progress.

In order to reduce price risks, the Erbud Group monitors the prices of most building materials purchased and the contracts are signed with the observance of parameters in respect to the market situation, inter alia, duration and value of contracts.

Credit risk

Trade receivables are the financial assets of the Group that are exposed to the increased credit risk. The Erbud Group applies the policy of evaluation and verification of credit risk connected with all contracts, whether on the before-offer stage as well as during the execution of contracts.

Before signing a contract, each contracting partner is appraised for the possibility of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the establishment of appropriate financial or property guarantees decided whether the agreement is entered into. Moreover, the conditions of agreements with builders provide for the right to suspend the performance of works, in case of any delay in payment for services rendered.

If possible, agreements include provisions which are conditioning payments to the subcontractors from the inflow of funds from the builder.

Liquidity risk

In order to reduce the liquidity risk, the Group's companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which are an additional security measure of liquidity. To finance investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

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

The liquidity management is supported by the current system of reporting liquidity forecasts by the companies of the Group.

23 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) The basic characteristics of assets (type and number votes at the GM), on which the pledge was established: In order to secure an agreement with the Seller (Rison Limited seated in Cyprus, Nicosia), the Issuer has entered into an lien agreement (possessory and registered), under which the Buyer established to the Seller an possessory lien and upon entry in pledge register will establish an registered lien on 5,059 shares representing

29% stake in Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A headquartered in Toruń. The possessory lien shall expire upon entry of the registered lien in the register of pledges.

2) 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
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%

3) Relationship type between Erbud and persons managing or supervising Erbud and the pledgee (Rison Limited, based in Nicosia, Cyprus):
None

4) 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

The secure of repayment of borrowings and loans incurred by the Capital Group with banks has been described in Note 12.

24 Litigation and claims

The claim against the Bank Millennium SA

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.

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 followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.

During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options.
The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered

The Issuer's standpoint regarding the situation connected with the execution of the project: extension of the Airport Modlin

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 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., 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 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 Mazovian Building Control Office 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.

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

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.

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.

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.

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.

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.

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 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.

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.

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.

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.

25 Events subsequent to the balance sheet date

After the balance sheet date, by the date of preparing financial statements, there were no events that were not but should be included in the accounting books for the fiscal year.

26 Information on changes in economic and business conducting conditions, which have a significant impact on the fair value of financial assets and financial liabilities of the company

As compared to the financial year ended 31 December 2012 there were no significant changes.

27 Information on changing in measurement of value of financial instruments valued at their fair value

In the period ended 30 June 2013, the Group did not change the method of measurement of value of financial instruments valued at fair value.

28 Information on changes in the classification of financial assets as a result of changes in goal or use of the assets

In the period ended 30 June 2013, the Group did not change the classification of financial assets as a result of changes in goal or use of these assets.

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2013