Translation from Polish

STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE CODE BY ERBUD S.A. IN 2013

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1. INTRODUCTION

According to § 1 of Resolution No. 1013/2007 of the Management Board of Warsaw Stock Exchange dated 11 December 2007 Erbud SA includes in its annual reports information about the Corporate Governance introduced to apply by the Resolution of the Extraordinary General Meeting of the Company in December 2006.

In the current report No. 5/2007 of 27 April 2007, the Management Board of Erbud S.A. made available to the public a statement on complying with the rules of corporate governance in the Company and attached a detailed list of these rules.

The Corporate Governance rules applied by Erbud SA have been identified in the "Code of Best Practice for WSE Listed Companies" approved by the Stock Exchange Council in Resolution No. 12/1170/2007 dated 4 July 2007, as amended. These rules are available on the website of the Warsaw Stock Exchange SA and on Erbud's website under "Corporate Governance".

2. INDICATION OF CORPORATE GOVERNANCE RULES, WHICH WERE NOT OBSERVED BY THE COMPANY

In 2013, the Company applied the principles of the "Code of Best Practice for WSE Listed Companies" with the permanent exception of the rule IV.10 saying that "A company should enable its shareholders to participate in a General Meeting using electronic communication means".

As justification for non-compliance to this rule, the Management Board of ERBUD S.A. explains that it considers enabling the shareholders to participate in a meeting by using electronic communication means and providing mutual communication, including voting, may cause legal uncertainties (secret ballot). With this regard we prefer the traditional way of organizing meetings of shareholders that is not questioned by our shareholders.

In 2013, the Company did not apply the rule No.II.1.9a about publishing on the corporate website recording of the proceedings of the General Meeting in audio or video format. The Meeting is recorded in the form of a notarial deed and then published on the Company's website, which meets the requirement of making public the course of the General Meeting and is much cheaper.

3. SPECIAL INSPECTION POWERS

All issued shares are ordinary ones and not associated with special powers of inspection.

4. RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS

There were no restrictions on voting rights in 2013.

5. RESTRICTIONS ON TRANSFER OF OWNERSHIP OF SHARES

Restrictions on transfer of ownership of shares are included only in contracts with employees acquiring the shares under the Management Stock Options Scheme. These restrictions are limited to a period of 6 months from the acquisition date.

6. RULES OF APPOINTMENT AND DISMISSAL OF THE MANAGEMENT BOARD MEMBERS AND THEIR POWERS

According to section 8 of the statutes of Erbud S.A., members of the Management Board are appointed and dismissed by the Supervisory Board of the Company.

The Management Board consists of 2 to 5 members. A common office term of Board members lasts three years.
In May 2012, the Supervisory Board appointed for the next three years term the Management Board composed of Dariusz Grzeszczak and Józef Zubelewicz.

The Management Board manages Company's affairs and represents it outside. Two members of the Management Board acting jointly or one member of the Board acting together with the proxy are authorized to make a declaration of will on behalf of the Company.

When making decisions, the Management Board is guided by the interest of the Company and acts within the limits of reasonable economic risk, after consideration of all information, relevant analysis and opinions.

When determining the Company's interest, into account are taken long-term reasonable interests of shareholders, creditors, employees and other entities and individuals which cooperate with the Company on the field of its economic activity, as well as interests of local communities.

The powers of the Board include all matters relating to conduct of the Company's affairs not reserved by provisions of the Commercial Companies Code or Statutes of ERBUD to the competence of the Supervisory Board and the General Meeting.

The authority to conduct specified affairs may be delegated by the Management Board to the individual Board members or employees of the Company, subject to matters that:

1. have been assigned to the exclusive competence of the Board by law in force or provisions of the Statute
2. have been entrusted by the General Meeting or the Management Board to the Supervisory Board.

In accordance with the Rules, the Management Board makes decisions in form of written resolutions taken at a meeting. Resolutions of the Management Board are required to make decisions on matters exceeding normal management, such as:

1. outlining the strategy and main objectives of the Company's activity;
2. adopting projects of the Company's long-term strategic plans, projects of annual plans of works and financial schedule and investment projects plans;
3. setting up corporate chart of accounts;
4. convening the General Meeting;
5. adopting Rules of the Management Board;
6. adopting Work Rules;
7. Adopting Rules for Salaries;

8. setting up principles of creating and using the social benefits fund;
9. making obligations on loans, credits, guarantees or securities;
10. acquiring and selling real estate, perpetual usufruct right or share in real estate;
11. establishing a pledge and transferring the ownership as security of all kinds of movables
12. shifting the production, launching/opening plants and subsidiaries and its closing down, buying new enterprises, disposing or leasing the whole or a part of the company, acquiring shares in other companies, buying, selling or pledging shares, and changing the percentage rate of shares, participating in capital increases and exercising voting rights in corporations;
13. disposing, pledging or splitting shares, concluding company agreements, in particular agreements on transfer of profits;
14. appointing and disappointing executive boards in subsidiaries;
15. employing a staff with an annual remuneration exceeding the equivalent amount of Euro 100,000, unless the employment of staff is included in the investment plan, which has been approved by the General Meeting;
16. applying and revoking proxy;
17. commencing legal proceedings with a value of the object of issue over the equivalent of amount of Euro 500,000, excepting claim proceedings for the recovery of uncontested claims;
18. making entries to the Stock-Book of the Company;
19. other matters for which consideration by the Board requests Board member.

The Board meeting may be attended by other persons invited by the Management Board. Minutes of the Management Board meeting are drawn up and signed by all Board members present at the meeting and by the minuter. Minutes of the meetings of the Board are kept at the seat of the Company.

7. COMPOSITION AND POWERS OF THE SUPERVISORY BOARD

According to section 11 item 2 of the Statutes of ERBUD S.A. the term of office of the Supervisory Board is common and lasts 3 years. Members of the Supervisory Board are appointed on the basis of a decision made by the General Meeting.

The Extraordinary General Meeting Resolution appointed by Resolution No. 3/2009 of 8 December 2009 a new Supervisory Board in the following composition:

Udo Berner	Supervisory Board
Józef Olszyński	Vice-Chairman of the Supervisory Board
Albert Dürr	Member of the Supervisory Board
Gabriel Główka	Member of the Supervisory Board
Lech Wysokiński	Member of the Supervisory Board

On 21 June 2011, the Annual General Meeting appointed Ms. Zofia Dzik as a new Supervisory Board member. On 31 May 2012, the AGM re-expanded the Supervisory Board appointing Mr Michał Otto and at the same time appointed the Supervisory Board for another common 3-year term of office.

Due to the expiration of the mandate following the death of Professor Lech Wysokiński on 03.12.2013 the current composition of the Supervisory Board ERBUD SA is as follows:

Udo Berner	Chairman of the Supervisory Board
Józef Olszyński	Vice-Chairman of the Supervisory Board
Zofia Dzik	Member of the Supervisory Board
Albert Dürr	Member of the Supervisory Board
Gabriel Główka	Member of the Supervisory Board
Michał Otto	Member of the Supervisory Board

The Supervisory Board has established Audit Committee consisting of:

Gabriel Główka - Chairman of the Committee
Albert Dürr - Committee member
Józef Olszyński - Committee member.

On 31 May 2012, the Audit Committee has been appointed by Resolution No. 41/2012 for another 3-year term of office in the same composition.

The members of the Supervisory Board have proper education and professional experience, including the construction industry.

At least one person of the Audit Committee meets requirement for an independent member with appropriate qualifications in the field of finance.

In accordance with the Statute of the Company the competences of the Supervisory Board include:

1. acceptance of projects of the Company's long-term strategic plans;
2. acceptance of projects of annual plans of material and financial schedule;
3. acceptance of projects of Company's investment plans;
4. granting approvals for the acquisition, disposal and charging real estate and other similar rights;
5. granting approvals for shift of production, foundation and dissolution of plants and subsidiaries, acquisition of new enterprises;
6. giving consent to grant by the Company guarantees, property securities and to issue promissory notes, to assume guarantees, open letters of credit with a value exceeding each time the equivalent of amount of Euro 2,000,000.00;

7. giving consent for capital investments exceeding the equivalent of amount of Euro 100,000.00, excluding equity investments, treasury bills and bonds issued in Poland or the countries on the territory of which the Company operates;
8. granting approval to acquire, sale and burden shares in other entities;
9. determination of the method of voting by the Company representatives in the bodies of the Company subsidiaries and associates regarding the appointment and recall of members of the subsidiaries and associates, dissolution or liquidation of these companies, change of the subject of enterprises, and mode of division or merger of subsidiaries and associates;
10. granting permission to engage in any activity unrelated to the objects of the company's operations and extraordinary acts which value exceeds the equivalent of amount of Euro 100,000.00;
11. authorization to enter into arrangements with:
    a) employees of the shareholders;
    b) dominant companies with relation to the Company, the sub-units to the parent or the spouse or person remaining with him/her in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management;
    c) other shareholders having more than 5% of votes at the General Meeting of the Company, as well as their subsidiaries or entities in which are managers;
    d) sub-units to the Company;
    e) persons managing or supervising the Company, their spouses or persons remaining with them in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management.
12. granting permission for investments exceeding the equivalent of amount of Euro 100,000.00, except that these investments are included in the investment plan approved by the General Meeting;
13. authorization for the lease, rental and license agreements with the duration of over 36 months;
14. granting approval to submit tenders and sign construction contracts with a value exceeding the equivalent of amount of Euro 15,000,000.00; in the case of joint tenders, authoritative is the sum of the net bid and not the Company's participation in the tender;
15. authorization to dispose of rights or incur liabilities with a value exceeding the equivalent of amount of Euro 2,000,000.00;
16. employing a staff person with an annual remuneration exceeding the equivalent of amount of Euro 100,000.00.

The manner of performance of operations by the Supervisory Board of Erbud S.A. is defined by Rules of the Supervisory Board available on the website of the Company.

8. MANNER OF OPERATION OF THE GENERAL MEETING

General meetings are held at place and time to enable the widest circle of the shareholders to participate at a meeting.

Mode of operating and powers of the General Meeting are regulated by the Statute and Rules of the General Meeting. In accordance with the Statute mentioned above, the powers of the General Meeting are as follows:

1. examination and approval of the Management Board report on the Company's operations and financial statement for the previous financial year;
2. taking the resolution on the distribution of profits or covering losses;
3. acknowledgement of the fulfilment of duties by the members of the Company;
4. adopting the Company's long-term strategic plans, annual plans of work and financial schedule and investment plans;
5. adopting the Rules of the Supervisory Board and the arrangements for remuneration of members of the Supervisory Board;
6. increase or reduction of share capital;
7. revision of the Statute of the Company;
8. merger of the Company with another commercial company;
9. dissolution and liquidation of the Company;
10. issuance of convertible bonds, pre-emption bonds or subscription warrants;
11. disposal and lease of the enterprise or its organized part and establishment of restricted property law on them;
12. deciding on other matters which in accordance with the provisions of the Code of Commercial Companies or the Statutes fall within competence of the General Meeting.

The General Meeting of Shareholders is convened by an announcement on the Company's website and in the manner specified for publishing of current reports according to the Act on Public Offering and conditions governing the introduction of financial instruments to the market trading system, and public companies.

The above said announcement is done at least 26 days before the General Meeting. The Company publishes on its Website as follows:

a) information on convening the AGM,

b) information about the total number of company’s shares the number of voting rights from the shares as of the announcement day,

c) draft resolutions and other documentation to be submitted to the General Meeting,

d) forms enabling the exercise of voting rights by a proxy.

In accordance with current regulations, only persons who are shareholders of the Company within sixteen days before the General Meeting (the record day for participation in the meeting) are entitled to participate in the General Meeting.

List of persons entitled to attend the General Meeting, the Company draws up upon a register prepared and provided to the Company by an operator maintaining the securities account (NDS). The basis for preparation of such a register are certificates confirming the right to attend the General Meeting issued by an operator maintaining the securities account at the request of the shareholder.

Regulations of the General Meeting specify course of the meeting, election of the Chairman and Scrutiny Committee, participation of members of the Management Board and the Supervisory Board of the Company in the General Meeting and adoption of resolutions.

Each shareholder has the right to make proposals for changes and additions to the draft resolutions covered by the agenda of the Meeting. Ballot is done through a computer system for casting and counting of votes to ensure voting in the correspondence to the number of shares held. Resolution not to deal with the matter placed on the agenda could be taken only in the event if there are any essential, motivated reasons. In order to pass such a resolution is required a support of 75% votes of the General Meeting.

A notarial deed of the General Meeting is prepared, and then issued to the shareholders and published on the Website of the Company.

9. PRINCIPLES OF MAKING CHANGES IN THE STATUTES OF THE COMPANY

As described above, only the General Meeting of Shareholders is entitled to change the Company's Statutes. Resolutions of the General Meeting are to be passed by a majority of vote, provided that the provisions of the Code of Commercial Companies Code provides otherwise.

10. INFORMATION POLICY

The Company maintains a transparent and open information policy and provides efficient access to information necessary to evaluate the situation and prospects of the Company and how it acts.

Such information policy is implemented through the use of traditional methods of information as timely submitting of reports and statements, making available to the public of interim reports, organization and participation in conferences and meetings, giving information and explanations in the media.

In addition, the Company conducts a corporate website, which includes basic corporate documents, professional CV's of the Board members, current and periodic reports, information on general meetings, as well as other important information on corporate events.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION ON THE FINANCIAL STATEMENTS

Separate financial statements are drawn up by a qualified staff of financial and accounting departments in companies forming the Erbud Group and audited by independent certified auditors.

Consolidated financial statements of the Erbud Group are prepared by trained and experienced personnel of Erbud SA. Both the separated and consolidated statements are subject to the internal control made by the Financial Director, Management Board and Audit Committee, prior to audit them by auditors selected by the Supervisory Board.

The risk management in relation to the valuation of assets and liabilities, including valuation of ongoing projects and in relation to the reserves created consists in current monitoring of their value and making adjustments in the interim and annual reports adequately to changes in the fair value of these items.

Determination of physical and financial progress is based on a system of "Evaluation of the effectiveness of projects executed as General Contractor" which is implemented directly on specific projects (construction sites) and verified by the Branch Offices management, Internal Audit staff and Controlling Office personal.

Warsaw, 29 April 2014

Board Member	Board Member
Dariusz Grzeszczak	Józef Zubelewicz