MANAGEMENT BOARD REPORT
ON BUSINESS OPERATIONS OF THE ERBUD CAPITAL GROUP
IN 2013

1. Presentation of the Capital Group - introduction

The Capital Group ERBUD S.A. consists of the following consolidated business entities:

- The Parent company (Issuer):
  Erbud S.A. headquartered in Warszawa
- Subsidiaries:
  - Erbud International Sp. z o.o. seated in Toruń
  - GWI GmbH seated in Düsseldorf, Germany
  - Budlex S.A. seated in Warszawa
  - PBDI S.A. seated in Toruń
  - Erbud Energetyka Sp. z o.o. seated in Katowice
  - Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.) seated in Toruń;
  - Delta Sp. z o.o.
  - Engorem Sp. z o.o. seated in Łódź

As at 31.12.2013 the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Erbud International Sp. z o.o.

As at 31.12.2013, the Parent company Erbud S.A. held 85 per cent of share capital in the subsidiary GWI GmbH, after disposal of 15 per cent of the shares to the President of GWI GmbH on 5 March 2009. The shares were sold at face value, i.e. EUR 15 thousand.

As at 31.12.2013, the Parent company Erbud S.A. held 89.96 per cent of share capital in the subsidiary Budlex Sp. z o.o.

As at 31.12.2013, the Parent company Erbud S.A. held 94.27 per cent of share capital in the subsidiary PBDI S.A.

As at 31.12.2013, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Erbud Energetyka Sp. z o.o.

As at 31.12.2013, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.)

As at 31.12.2013, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Delta Sp. z o.o.

As at 31.12.2013, the Parent company Erbud S.A. held 98.62 per cent of share capital in the subsidiary Engorem Sp. z o.o.

Erbud SA as the Parent and Erbud International Sp. z o.o., Budlex S.A., GWI GmbH, PBDI S.A., Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.); Erbud Energetyka Sp. z o.o.; Delta Sp. z o.o. oraz Engorem Sp. z o.o. o as subsidiaries compose affiliated units within the meaning of IAS/ IFRS.

Audit of the consolidated financial statements has been conducted by Horodko TPA Horwath Audit Sp. z o.o., based in Poznan.

The consolidated financial statements have been prepared taking into account that the units included in the Capital Group will continue their activity.

After the balance sheet date 31.12.2013 by the date of preparation of the consolidated financial statements for 2013 not any events has occurred in the opinion of the Management Board that could significant impact on the financial standing and assets of the Group, except as disclosed in this report.

As at 31 December 2013, the ERBUD's Group structure is as follows.

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

			Percentage of the Parent's shareholding and voting rights at AGM as of			
Subsidiary	**Seat**	**Business range**	**31.12.2013**	**30.09.2013**	**30.06.2013**	**31.12.2012**
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
GWI GmbH	Germany	Construction	85%	85%	85%	85%
Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.)	Toruń	Steel structures	100%	100%	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and	39%	39%	39%	39%
Grupa Budlex	Warszawa	Housing development	89.96%	89.96%	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%	94.27%	94.27%
Erbud Energetyka Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
Erbud Construction	Toruń	Construction	100%	100%	100%	100%
Engorem Sp. z o.o.	Łódź	Services for power sector	98.62%	98.58%	98.41%	80.22%

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

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

b) Subsidiaries excluded from the consolidated financial statements:

- Erbud Rzeszów Sp. z o.o.
- Erbud Construction Sp. z o.o.
- Toruńska Sportowa S.A. w likwidacji

The following table presents the shares of subsidiaries excluded from consolidation due to their immateriality

No.	Subsidiary	Seat	Kind of relationship	Consolidation method	Shareholding by ERBUD S.A. Parent Company
1	Erbud Construction Sp. z o.o.	Toruń	Subsidiary	not consolidated due to immateriality	100%
2	Toruńska Sportowa S A w likwidacji	Toruń	Associated company	not consolidated due to immateriality	39%
3	Erbud Rzeszów Sp. z o.o.	Rzeszów	Subsidiary	not consolidated due to immateriality	79%
4	Erbud Ireland Limited*	Dublin, Ireland	Indirect subsidiary	not consolidated due to immateriality	100%

* Erbud S.A. is an indirect owner of Erbud Ireland Limited

1.1 ERBUD S.A. – The Parent Company

The Parent company operates under the name of Erbud SA. Its registered office is in Warsaw.

The Parent company operates as a joint stock company established as a result of legal form conversion of Erbud Spółka z ograniczoną odpowiedzialnością [Erbud Limited Liability Company] by a notarial deed before the notary public Krystyna Krystek in the State Notarial Office in Torun (Index A 10071/1190) on 17.08.1990.

The conversion of the legal form took place on 15 November 2006 at the Extraordinary Meeting of Shareholders in the Notary Office managing by Dorota Kałowska in Warsaw at Grzybowska Street 12/14 room B-2 (Index A 13158/2006). Decree of the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register, file No. WA.XIII NS-REJ.KRS/036772/06/221.

The company has been registered by the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register under the KRS number 0000268667.
The Company is a holder of Tax Identification Number (NIP) 879-017-22-53 granted by the II Mazowiecki Urząd Skarbowy in Warsaw (the II Mazovian Tax Office).

The Statistical Office has granted to the Company a National Business Register Number (REGON) 005728373.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

As at 31 December 2013, the registered share capital amounted to PLN 1.271.454,60 (say: one million, two hundred and seventy-one, four hundred and fifty-four, point six zero) and was divided into 12.714.546 shares at face-value of PLN 0.10 each one.

The shares were acquired as follows:

Series	Number of shares	Price in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.50
D	2 500 000	0.10	250 000.00
E	31.686	0.10	3 168.60
F	41.458	0.10	4 145.80
G	33.787	0.10	3 378.70
H	36.590	0.10	3 659.00
Total	**12 714 546**	**0.10**	**1 271 454.60**

Accordingly, the shareholding (shareholders having more than 5%) as of 31 December 2013 was follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.12.2013

Aggregate number of Erbud shares: 12 714 546

No.	Shareholder	Class of shares	Number of shares held	Equity percentage	Voting power	% of voting rights at GMS
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.66%	4 152 865	32.66%
2	Juladal Investment Limited	ordinary	2 848 347	22.40%	2 848 347	22.40%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.31%	1 183 146	9.31%
4	ING OFE	ordinary	1 266 900	9.96%	1 266 900	9.96%
5	Dariusz Grzeszczak, of which a subsiadry monitoring by Dariusz Grzeszczak	ordinary	773 900	6.09%	773 900	6.09%
6	Free Float	ordinary	2 489 388	19.58%	2 489 388	19.58%
		Total	**12 714 546**	**100.00%**	**12 714 546**	**100.00%**

Shares of ERBUD SA owned by the above shareholders are not preferred ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

During the reporting period, the Management Board of the Company was acting without any personal changes and consisted of two persons:
- Management Board Member – Dariusz Grzeszczak
- Management Board Member – Józef Adam Zubelewicz.

1.2 Erbud International Sp. z o. o. – a subsidiary

The company operates under the name of Erbud International Sp. z o.o. and is based in Toruń.

The company operates in the form of a company with limited liability that has been established by a notarial deed on 7 January 2000, before the notary public Mirosława Syczewska in Torun (Index No. 95/2000).

The company has been registered in the District Court in Torun, VII Economic Division under the KRS number 0000268667.

The company is a holder of Tax Identification Number (NIP) PL 956-200-55-85 granted by Kujawsko-Pomorski Tax Office in Bydgoszcz.

The Statistical Office granted a National Business Register Number (REGON) 871222476.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

The share capital of the Company as at 31 December 2013 amounted to PLN 4,250,000 and was divided into 85,000 shares with a nominal value of PLN 50.00 each one.

No.	Shareholder	Number of votes (in units)	Nominal share value (in PLN)	Percentage of capital/votes
1.	Erbud S.A.	85 000	50.00	100%
	Total	**85 000**	**50.00**	**100%**

During the period 01.01.2000 - 20.02.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Dariusz Grzeszczak.

During the period 20.02.2003 – 31.12.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Jacek Pięta.

During the period 01.01.2004 – 31.12.2004, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

During the period 01.01.2005 – 31.12.2006, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

Over the period from 01.01.2007 until the date of report publication, Bogdan Durr served the position of President of the Management Board of Erbud International Sp. z o.o.

The company has a Branch in Düsseldorf, Germany registered on 10 April 2000 and entered in the Commercial Register under the number HRB 713.

Employment structure in Erbud International Sp. z o.o.

The average annual number of people in employment in the Company in 2013 amounted to 368.

In 2032, the Company employed an average of 368 persons, of which in the country an average of 145 persons (97% of total employment), while employment in export area amounted to an average of 223 persons (61% of employees in total).

Occupational groups

Item	Number of Employees
White-collar workers	70
Other, blue-collar workers	298
TOTAL	**368**

Volume and kind of production and services

In 2013, the Company's activity included:

1. Civil construction
2. Export services

Key sale markets of Erbud International and Erbud SA

In 2013, the company’s main operating area was the export of construction services to Belgium.

The home operations of the company cover shall and core building.

Projects executed by Erbud International in 2013

Customer	Project	Contract value in €
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Jette, BE1103	1 207 000.00
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Eeklo, BE1205	5 753 000.00
THV Kanaal, Gemeenschappenlaan 100, B-1200 Brussel	Kanaal Wijnegem, BE1206	3 897 000.00
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Antwerpen Parktoren, BE1210	2 041 000.00
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Geel, BE1302	1 408 000.00
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Aveve, BE1303	197 000.00
THV VAN LAERE – JAN DE NUL, Tragel 60, B-9308 Hofstade-Aalst	Roeselare, BE1306	8 242 000.00
THV VANHOUT - A C H BOUW, Lammerdries 12, B-2440 Geel	Brugge, BE1307	300 000.00
Van Laere N.V., Antwerpsesteenweg 320, B-2070 Zwijndrecht (Bucht)	Regatta II, BE1308	416 000.00
	Total	**23 461 000.00**

Projects executed by Erbud SA in 2013

Customer	Project	Contract value in €
Prefaco, Hoeksken 5a, B-9280 Lebbeke (Wieze)	Prefaco II, BE1301	65 000.00
THV JDN - CEI, Tragel 60, B-9308 Hofstade (Aalst)	Kortrijk, BE1208	5 796 000.00
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Tooren Spoort II, BE1304	972 000.00
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Gent Appartament II, BE1209	2 267 000.00
	Total	**9 100 000.00**

Plans for 2014-2017

1. The policy for export activity of Erbud International and Erbud S.A. is still focused on projects which would bring a marginal return of min. 10%.
2. Taking advantage of current economic situation in Belgium in the field of public buildings projects (mainly hospitals and schools) ERBUD International and ERBUD SA were involved in 2013 in the execution of such investments in 47%. This trend will be maintained also in the years 2014-2017.

1.3 GWI GmbH – a subsidiary

The company operates under the name GWI GmbH and is based in Düsseldorf, Germany.

The company operates in the form of a company with limited liability that has been established on 3 August 1993 by a notarial deed in the presence of a notary Dr. Manfred Lamers in Krefeld (Index No. 1239/1993).

The company has been registered in the Krefeld District Court (Amtsgericht Krefeld) under HRB 55624.

The company is a holder of Tax Identification Number DE 158567149 granted by Tax Office in Saarlouis, Germany.

The key business of the company is general construction.

The share capital of the Company as at 31 December 2013 amounted to EUR 250,000.00, what converted at balance sheet exchange rate as of 31.12.2013 gives a value of PLN 1,036,800.00.

As at the date of preparing the report, Erbud S.A. held 85 percent of share capital in GWI GmbH, after disposal of 15% stake to the President of GWI GmbH on 5 March 2009. The shares were sold at its face value, i.e. EUR 15 thousand.

During the period 01.01.2006 - 31.12.2006, the Board of GWI GmbH acted as two-member management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2007, the Board of GWI GmbH acted as two-member management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2013, the Board of GWI GmbH acted as one-man management
- President of the Board – Axel Wahl

In 2013, GWI GmbH acquired the following construction contracts:

Customer	**Project**	**Contract value in €**
Haus Aegi GmbH & Co. KG	Aegi Hannover Baugrube – earhworks	2 713 742
Haus Aegi GmbH & Co. KG	Aegi Hannover - shell and core	3 864 000
E&S Planbau GmbH	Kühlturm, Frankfurt Höchst – residential building	2 099 000
Pomona Prime Property GmbH	Cecilienallee 36, Düsseldorf	2 868 480
Projekt Oberkasseler Tor GmbH	Construction of the Silizium Office Building in Düsseldorf on a turnkey basis	11 853 826
Conesta Projekt	APH Bonn - care home	4 810 000
NÄV	KWS 253 – office building	1 480 000
GBG	APH Alsdorf - care home	1 911 760
	TOTAL	**31 600 808**

The year 2032 was a good contracting period. Year-round, GWI GmbH was signing construction contracts regularly. The company expanded in 2013 its technical potential through employing new project managers, site managers and the other personnel. At the end of 2013, the Company is staffed by 49 people.

As of the publication date of this report, the company has a backlog of PLN 116 million. The company's goal for 2014 is the further development of its fleet and staff and the achievement of planned financial results.

1.4. Budlex S.A. – a subsidiary

Presentation of the Capital Group – introduction

BUDLEX S.A. – the Dominant Entity

Name: **Budlex S.A.**
Address: 02-676 Warszawa, ul. Postępu 21

Management Board: two-member
President - Igor Pawłowski
Vice President - Małgorzata Mellem

Supervisory Board:
President - Dariusz Grzeszczak
Vice-President - Agnieszka Głowacka
Secretary - Włodzimierz Czystowski

Register of Entrepreneurs - KRS number: 397843, District Court in Warsaw, XII Economic Department
The company operates under the name of Budlex Sp. z o.o. and is headquartered in Warsaw.

The company was established in result of the transformation of Budlex Limited Liability Company, which was on the market since 1987. The transformation, registered in the District Court in Warsaw on 30 September 2011, has been done pursuant to Art. 551 et seq. and 575-576 of the Code of Commercial Companies.

On 17 July 2013, the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register registered the capital increase to the amount of PLN 10,000,000. On 31 December 2013, the share capital of the Company amounted to PLN 10,000,000 and was divided into 100,000,000 shares with a value of PLN 0.10 per share.
As at 31 December 2012 the share capital amounted to PLN 1,116,000 and was divided into 11,160,000 shares with a nominal value of PLN 0.10 each one.

(in PLN)	Number of shares	Number of votes	Nominal value per share	Percentage of share capital held	Equity value
Erbud S.A.	89 964 158	96 992 158	0.10	89.96%	8 996 415.80
Igor Pawłowski	10 035 842	10 819 842	0.10	10.04%	1 003 584.20
Total	**100 000 000**	**107 812 000**	**0.10**	**100.00%**	**10 000 000.00**

In the fiscal year ended 31 December 2013, the composition of the Group has not changed.

On 28 November 2013, Budlex S.A. merged pursuant to Art. 492 § 1 item 1 of the CCC by transferring all assets of Budlex Bratek sp. z o.o. seated in Torun, Budlex Koszarowa sp. z o.o. seated in Torun, Budlex Powstania Listopadowego sp. z o.o. seated in Torun (acquired companies) to Budlex S.A. seated in Warszawa (acquiring company). Following the business combination the share capital has been changed.

Budlex S.A. established 7 special purpose companies to carry out housing development projects: Budlex Irys sp. z o.o., Budlex Magnolia sp. z o.o.; Budlex Wininica L6 spółka z ograniczoną odpowiedzialnością spółka komandytowa; Calypso Office sp. z o.o.; Residential Lease sp. z o.o.; Residential Rental sp. z o.o.; Residential Properties Holding sp. z o.o.

At the end of the accounting period of the Group consisted of 28 companies.

Composition of Budlex S.A. Capital Group as of 31 December 2013:

Company business name	Registered office
PB Budlex Nova sp. z o.o.	02-676 Warszawa ul. Postępu 21
Budlex Construction sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Partner sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Azalia sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Brzoskwiniowa sp. z o.o.	87-100 Toruń ul. Wapienna 10

Budlex Properties sp. z o.o.	02-676 Warszawa ul. Postępu 21
Domator Łódź sp. z o. o.	02-676 Warszawa ul. Postępu 21
Deptak Projekt P2 sp .z o.o.	61-829 Poznań, ul. Podgórna 5a
Budlex Pestalozziego sp. z o.o. w likwidacji	87-100 Toruń ul. Wapienna 10
Budlex Glinki A3 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Glinki A3/3 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Pestalozziego 1 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Strzałowa 1 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Strzałowa 2 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Zbożowa 1 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Zbożowa 1 sp. z o.o. s.k.	87-100 Toruń ul. Wapienna 10
Budlex Winnica L6-7 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Winnica L6-7 sp. z o.o. s.k.	87-100 Toruń ul. Wapienna 10
Budlex Rubinowy Dom sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Winnica L6 sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Irys sp. z o.o.s.k.	87-100 Toruń ul. Wapienna 10
Budlex Irys sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Magnolia sp. z o.o.	87-100 Toruń ul. Wapienna 10
Budlex Winnica L6 sp. z o.o.s.k.	87-100 Toruń ul. Wapienna 10
Calypso Office sp. z o.o.	87-100 Toruń ul. Wapienna 10
Residential Lease sp. z o.o.	02-676 Warszawa ul. Postępu 21
Residential Rental sp. z o.o.	02-676 Warszawa ul. Postępu 21
Residential Properties Holding sp. z o.o.	02-676 Warszawa ul. Postępu 21

Description of individual companies

Subsidiaries of Budlex sp o.o. are established to implement specific development projects. They do not employ any workers. The projects are performed under the following agreements:

- Agreement on substitute project management with Budlex SA
Under the agreement Budlex SA conducts the process of preparing the project: coordinates the designing, obtaining permits and administrative decisions, runs promotions, marketing and sales the premises, coordinates and supervises the execution of contracts;

- Contract for construction work with companies acting as a general contractor
Under the agreement there is carried out comprehensively the construction process (preparation of building site, including demolition, erection of building and development of yards and parking spaces);

- Loan agreement with the bank financing the development project

After completion, the project is settled within the company. The company may be dissolved or may start another development project. In the practice of the Budlex Group, the company that completed the project is taken over by the merger of shares.

Employment structure

Employment as at 31 December 2013	
White-collar workers:	24
Blue-collar workers:	3
Total:	**27**

Employment as at 31 December 2012	
White-collar workers:	25
Blue-collar workers:	3
Total:	**28**

Development projected

The Group will continue its activity as housing builder, both residential and commercial. It is planned to start new residential projects in Torun and Bydgoszcz. In 2014, the Group plans to prepare for housing development projects in Warsaw. A commercial project in Poznań is under execution.

Significant events affecting the development as at 31 December 2013 and by the date of preparing the report

The following development projects in which the company carries out contracts as project manager were completed in 2013:

- Toruń, „Osiedle Sielanka" Z1, residential building
- Bydgoszcz, „Osiedle Paryskie" P1, residential building
- Bydgoszcz, Powstania Listopadowego, residential building.

The following development projects in which the company carries out contracts as project manager were commenced and continued in 2013:

- Toruń, Broniewskiego, office building
- Toruń, „Osiedle Winnica" L6, residential building
- Toruń, „Osiedle Sielanka" – Ba Bb, residential building
- Bydgoszcz, „Zielone Tarasy" A3/2, residential building
- Deptak Projekt P2 in Poznań.

On 22 October 2013, Residential Lease sp. z o.o. signed a preliminary agreement to purchase a real property located in Warszawa. The purchase of the property is expected in 4.Q 2014. The Budlex Group plans to complete a multi-family housing project.

On 7 January 2014, Residential Rental sp. z o.o. signed a preliminary agreement to purchase a real property located in Warszawa. The purchase of the property is expected in 2Q 2015. The Budlex Group plans to complete a multi-family housing project.

On 27 February 2014, Budlex Sadowa spółka z ograniczoną odpowiedzialnością s.k. entered into an agreement to buy a real property in Toruń. The Budlex Group intends to carry out a multi-family residential project located on the plot - as a continuation of Sielanka Estate in Toruń.

Key markets of development activities

The development activity of the Group focused on the market of Torun and Bydgoszcz. In these two cities were carried out development projects. The company has there its sales offices, and the Budlex brand is the most recognizable developer's brand.
The Deptak Projekt P2 sp. z o.o. started a new housing and commercial project: construction of a retail and office building in Poznan. The opening will be in 2015.

Information about legal proceedings pending before court, an authority competent to conduct arbitration or a public administration authority as of 31 December 2013 and by the date of publishing the report

No proceedings are held before a court, appropriate arbitration authority or state administration authority concerning liabilities or receivables of the Issuer and its subsidiaries, the value of which would individually constitute at least 10 per cent of the Issuer's equity. There are no proceedings as well, where the jointly value amounted respectively to at least 10% of the equity.

Brief market and competitors' description

The development offer of the Budlex Group covers flats in varying standards in Bydgoszcz and Torun. Usually, apartments are purchased from mortgage credits funds.

In 2013, the developers in Bydgoszcz and Torun continued projects in progress and started new ones, mainly small and medium-sized flats.

The largest rival companies in Toruń are: Marbud Grupa Budowlana S.A., Apro sp. z o.o., Pomorski Dom sp. z o.o., Calor Developer.

The largest rival companies in Bydgoszcz are: Nordic Residence sp. z o.o., Pres Invest sp. z o.o., Ogbud sp. z o.o.

1.5. Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. (PBDI) – a subsidiary

The company operates as a joint stock company and has been established by a notarial deed on 25.09.1998 before a notary public Krystyna Krystek (Index No. 6271/1998).

The company operates under name of Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. with its registered office in Torun, at 10 Wapienna St.

The company is entered into the Register of Entrepreneurs of the National Court kept by the District Court in Toruń, VII Commercial Division of the National Court Register under the KRS number 0000028071.

The company was granted a National Business Register Number (REGON) 871098102 and Tax Identification Number (NIP) 8792070054.

The key business of the company is construction of roads and streets and earthworks. A significant part of the company's revenue comes from construction works executed on wind farms.

The share capital of the company as of 01 January 2013 amounted to PLN 872,100 and by 31 December 2013 there were no changes.

By the Resolution No. 1/2011 of 4 January 2011, the following Management Board was appointed to a three-year common term:
President of the Board - Jacek Leczkowski
Vice-President of the Board - Roman Rubach
Vice-President of the Board - Grzegorz Ślesiński

On 31 March 2014, Grzegorz Ślesiński resigned from the position of Vice President of the Board, thus as of the date of report preparing, the Management Board consists of two members:
President of the Board - Jacek Leczkowski
Vice-President of the Board - Roman Rubach

Employment structure

Average annual employment in 2013 was 211.39 persons, which corresponds to reduction by 12% in comparison with 2012.

As at 31 December 2013 the company employed 224 people of which:

Board members - 3
Blue-collar workers - 76
White-collar workers - 145.

Structure of employment by occupational groups in 2013

Item	Average employment	Structure (in %)
Board	3.00	1.4
Blue-collar workers	71.02	33.6
White-collar workers	137.37	65.0
Total	211.39	100.0

Market in 2013

In 2013, the company's activity focused on construction and electrical works for wind farms (51% of revenue generated from construction). 40% of the Company's revenue was generated from road projects (including bituminous works). Other income came from carrying out works connected with the construction of shopping malls.

Operations of the Company depend to a large extent on weather conditions that allow or not allow the execution of works. Unfavourable weather conditions at the beginning of 2013 caused that the Company ended the first quarter of last year with sales amounting to PLN 7.9m (for comparison, in 1Q 2012 the company generated revenues of PLN 33.9m).
Because there is for several years a trend in the road-engineering segment of limiting investment spending both by the central and local authorities that causes an increased competition among road contractors as well as the policy conducted by the Company, according to which the tenders are based on price to guarantee obtaining a positive level of margins, the Company failed to award contracts that would allow to achieve in 2013 revenues similar to the previous year.
This also resulted from the stagnation in the wind park business observed in the first half of 2013 and caused by uncertainty about the rules of supporting wind energy in Poland.
Following the effective Company's acquisition, mainly in the second half of the year, it entered 2014 with a portfolio of orders of over PLN 95m. Currently, the Company has an order book that guarantees the volume of works for 2014 of more than PLN 120m.

Contracts signed by PBDI S.A. from 01.01.2013 to the report publishing date
(with a separate value of more than PLN 500,000)

No.	Customer	Agreement subject	Contract concluded on	Net contract value (in PLN)
1	PROKON New Energy Poland sp. z o.o.	Construction of the Subkowy II Wind Farm	15.02.2013	7 000
2	Zarząd Dróg Wojewódzkich w Bydgoszczy	Partial repair of district asphalt roads managed by RDW – Toruń	25.02.2013	595
3	Konsorcjum Salini Polska sp. z o.o., Impregilo S.p.A, Przedsiębiorstwo Budowy Dróg i Mostów Kobylarnia	Comprehensive road works - MOP Otłoczyn and MOP Kałęczynek (construction of A1 motorway)	14.05.2013	11 639
4	Molen Wind II sp. z o.o.	MV electrical works for Iłża Wind Farm	15.05.2013	8 572
5	Erbud S.A.	Construction of the connection between the streets Jedności Narodowej and Trzebnicka in Wrocław	10.06.2013	2 036
6	Miejski Zarząd Dróg w Toruniu	Reconstruction of Łokietka St. in Torun - Stage I	18.06.2013	688
7	VER LS-36 sp. z o.o.	Construction of Rusiec Transformer Station and 110 kV cable line + fibre-optic cable between existing and new Station Rusiec	01.07.2013	8 200
8	Budimex S.A.	Bituminous road surface, pavement and bike path with for the project f "Tram route to the University of Nicolaus Copernicus"	10.07.2013	2 195
9	Powiat Chełmiński	Reconstruction of district road No. 1604C Brzozowo - Nawra	25.07.2013	1 899
10	GDDKiA*	Repair of pavement and markings on national roads managed by GDDKiA Branch Bydgoszcz in 2014-2017. Stage 5, Toruń Region	06.08.2013	11 319
11	GDDKiA**	Renoovation of national roads in 2013-2015 managed by GDDKiA Branch Bydgoszcz - Part 1, Nakło Region, Świecie Region, Toruń Region	06.08.2013	18 747
12	Grupa PEP – Farma Wiatrowa 6 sp. z o.o.***	Comprehensive construction works for Rajgród Wind Farm	23.08.2013	18 967
13	Grupa PEP – Farma Wiatrowa 1 sp. z o.o.***	Comprehensive construction works for Gawłowice Wind Farm	23.08.2013	29 711
14	Erbud S.A.	Preparatory earthworks - macrolevelling	02.10.2013	800

15	Gmina Łysomice	Renovation of municipal roads in the Commune Łysomice	02.10.2013	1116
16	VER LS-36 sp. z o.o.	Construction works for Rusiec Wind Farm	15.10.2013	23 400
17	Real Management Construction sp. z o.o.	Construction works for Tolkowiec Wind Farm	16.10.2013	16 662
18	Polwar S.A.	Road works, traffic arrangement and additional earth works (bridge) connected with the construction of the grade-separated crossing of Pilsudskiego St. in Plock and railway line	29.10.2013	7 870
19	Grupa PEP – Farma Wiatrowa 1 sp. z o.o.***	Annex to the agreement of 23.08.2013 for comprehensive construction works connected with the construction of Gawłowice Wind Farm	11.03.2014	3 264
20	Ren Power Investment Poland sp. z o.o.	Construction of Sierzchowo Wind Farm	11.03.2014	20 728

* Project carried out in consortium with PDB Brodnica, PRD Lipno, PRD Drobud Wąbrzeźno
** Project carried out in consortium with PBDIM Świecie
*** Project carried out in consortium with z ERBUD S.A.

1.6. Erbud Industry Sp. z o.o. (Ersteel Sp. z o.o.) – a subsidiary

The company operates as a limited liability company and has been established by a notarial deed on 11.12.2000 before a notary public Teresa Tuszyńska (Index No. A NR 5774/2000).

The company is registered by the District Court in Toruń, VII Economic Department of the National Court Register under the KRS number 0000042078.

The company is a holder of Tax Identification Number (NIP) 879-229-45-52 granted by the II Tax Office in Toruń.

The share capital of the company as at 31 December 2014 amounted to PLN 7,878,800.

In connection with the consolidating the industrial field of activities of the Group ERBUD within the project ERBUD Industry, the Company is in the process of business combination with Erbud Energetyka Sp. z o.o. based in Katowice, in which ERBUD SA is the sole shareholder. The merger will take place pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code through the acquisition of Erbud Energetyka by Erbud Industry, i.e. by transferring all assets of Erbud Energetyka to Erbud Industry against shares which ERBUD Energetyka will transfer to ERBUD SA - the sole shareholder of ERBUD Energetyka. The fusion will be effected by share capital increase of ERBUD Energetyka by the amount of PLN 112,500.00 and issue of 1,125 new shares within the increased share capital of the Acquiring Company for the sole shareholder of ERBUD Energetyka, i.e. ERBUD SA. Announcement on the merger scheme was published on 4 April 2014 in the Monitor Sądowy i Gospodarczy No. 66/2014. On 9 April 2014, the District Court in Toruń, VII Commercial Division of the National Court Register issued a decision on the acceptance and submission of the merger scheme to the registration file.

On 31.12.2013, the District Court in Toruń issued a decision to entry the change of the Company's name from Ersteel Sp. z o.o. to ERBUD Industry Sp. z o.o.

During the period from 01.01.2012 to 31.12.2012 and as of the report publication date, the Management Board was acting as one-person board:

President of the Board - Jerzy Polaszek

On the day of publication of the report the Management Board acts as two-member board and is composed of:

- President of the Board - Zygmunt Artwik
- Vice President - Jerzy Polaszek

Employment structure

In the period from 1 January 2013 to 31 December 2013, the average number of persons employed was 9,67, while FTE was 8,86.

Employment as at 31.12.2013 amounted to 10 persons and as of the report preparation date 48 people.

Occupational groups

Structure of employment by occupational groups as at 31.12.2013

Item	Employment	Structure
Blue-collar workers	4	40%
White-collar workers	6	60%
Total	10	100%

The scope of the company's activity

In 2013, the company conducted business in the field of real estate maintenance, consulting and business planning for the company from the Maintaining Production Continuity segment that was acquired by the Capital Group and kept on market research for the further acquisitions of businesses entities which are planned by Erbud SA. The company also intensified the process of adaptation of the new entity (Engorem Sp. z o.o.) to the organizational structure of the Group. The company assisted the acquired entity through a technical advisory and participation in the activity of the Commercial, Purchasing and Logistics Departments.
Moreover, the Company's activities were focused on the construction of a new brand in the ERBUD Group - ERBUD INDUSTRY, consolidating in its offer services in the field of design, construction and maintenance for power sector and industry. The measures taken were associated with the acquisition and organization of the team, organization of an office in Warsaw, and preparation of administrative, process and management tools necessary for the functioning and development of the Company according to the new strategy. The culmination of the organizational work was changing the name of the Company from Ersteel Sp. z o.o. to ERBUD Industry Sp. z o.o. and the decision of 31.12.2013 issued by the District Court in Torun to entry the change.

ERBUD Industry is both the name of the company and the name of the project which is a separate from the ERBUD Group part of entities focusing on work in energy sector and industry. The project was based on the experiences of Engorem Sp. z o.o. and Branch Katowice of ERBUD SA, and ERBUD Energetyka (the company is in the merger process with ERBUD Energetyka Sp. z o.o). ERBUD Industry has been designated as the organizational leader. An important step in consolidating the activities of the company was the formal inclusion of Branch Katowice of ERBUD SA in its organizational structure and signing in 2014 agreements with ERBUD SA related to the completion of the following projects which were executed in 2013 by Branch Katowice of ERBUD SA operating within ERBUD SA:

Customer	Contract subject	Value in PLN	Completion period
Dalkia Łódź S.A.	Refurbishment of the EC3 cool handling plant	37 780 905	01.01.2014 – 01.10.2015
Przedsiębiorstwo Produkcyjno-Usługowo-Handlowe „ELEKTROMONT” Leszek Gorol spółka jawna	Construction of service premises in an office building located in Tarnowskie Góry at Kopalniana St.	2 945 000	01.01.2014 -30.05.2014
RAFAKO S.A.	Foundations construction, utilities connections for and alterations and relocation of water supply and drainage systems and plant for WFGD installation of steam boilers OP-380, OP-430, K1, K2, K3, K4 and hot water boiler WP-120 KW4 / KW6, in the companies of EDF Polska Group for EDF Krakow SA	8 163 913	01.01.2014 -15.07.2014

Mo-BRUK S.A.	Construction of production and storage facilities and office building for the waste treatment and recycling plant, located on plots Nos. 92/32 and 92/4 in Skarbimierz Estate on Smaków St.	2 430 000	01.01.2014 -30.04.2014
Mo-BRUK S.A.	Construction of a non-hazardous waste collection and recycling facility in Zabrze	4 330 000	01.01.2014 -30.04.2014

Development projected

The main strategic fields of activity of Erbud Industry as a company and as a separate organizational group are design, construction, repair, upgrade, renewal, permanent service of facilities, installations and equipment in the power, gas and mining industries, as well as in the chemical and paper industries and municipal infrastructure.

Consolidation and development of the new energy/industry direction will take place in Erbud Industry.
For this purpose will be created two separate divisions within Erbud Industry:

- Service,
- Engineering.

Service Division will be focused on offering such works as:

- construction, renovation, modernization of industrial and energy plants;
- machines and industrial equipment diagnostics;
- organizational and technical advice;
- technical research.

Engineering Division will be focused on offering such works as:

- upgrading of industry and energy facilities;
- production lines construction;
- preparation of large-scale projects.

Development of Erbud Industry as a company and as widely understood project will take place both through organic growth and acquisitions.

The following table present contracts signed by Erbud Industry (Ersteel) in 2013.

Contracts signed during the period from 01.01.2013 to 31.12.2013

No.	Project	Customer	Completion period	Net value in PLN
1	Administrative service	Delta	for an indefinite time	500 (per month)
2	Sales and technical support	Engorem	for an indefinite time	32 000 (per month)
3	Fleet management	Engorem	for an indefinite time	800 (per month)
4	Cleaning the office space in the property located in Toruń, at 10 Wapienna St.	Budlex Properties	for an indefinite time	10 900 (per month)
5	Bronowice Shopping Mall - parking lot cleaning	PBDI	01.08.2013 - 31.08.2013	37 200
6	Technical supervision over the execution of works carried out by Engorem and its subcontractors in Łaziska Power Plant and Opole Power Plant	Engorem	30.07.2013 - 31.12.2013	95 000
7	Housekeeping service on construction sites	Erbud SA	for an indefinite time	14.50 (per man-hour)

1.7. Erbud Energetyka Sp. z o.o. – a subsidiary

The company operates under the name ERBUD ENERGETYKA Spółka z ograniczoną odpowiedzialnością and is seated in Katowice. Since 2009, the company conducts business in the form of a company with limited liability.

The company is entered in the register of the National Court Register kept by the District Court in Katowice, VIII Commercial Division of the National Court Register under the number KRS 0000324222. The company is a holder of Business Statistical Number (REGON) 241112620 and Tax Identification Number (NIP) 6342705959.

The company deals with repairs in power plants and building works related to construction of residential and non-residential buildings, wiring, plumbing, heating, gas and air installations, demolition of buildings, etc.

The company owns a 14.14% stake in Tauron Wytwarzanie Serwis Sp. z o.o. seated in Jaworzno.

Shareholding

The share capital of the company amounts to PLN 16,500.00 and is divided into 330 shares with a nominal value of PLN 50.00 each one.
As of 31 December 2013 the company had one shareholder - ERBUD SA with its registered office in Warsaw.

Management Board

In the period from 1 January to 31 December 2013, Włodzimierz Czystowski was the President of the Board. He has been appointed to this office on 4 April 2012 by the Extraordinary General Meeting of Shareholders of the company, following the resignation of former President Mr. Ryborz.

Employment structure

In 2013, the company did not staffed persons on the basis of the contract of employment.

Development projected

In connection with the consolidation of ERBUD Group activities in the industry and power segment, the company is in the process of business combination with ERBUD Industry Sp. z o.o, in which ERBUD SA is the sole shareholder. The merger will take place pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code through the acquisition of Erbud Energetyka by Erbud Industry, i.e. by transferring all assets of Erbud Energetyka to Erbud Industry against shares which ERBUD Energetyka will transfer to ERBUD SA - the sole shareholder of ERBUD Energetyka.

Announcement of the merger plan was published on 4 April 2014 in Monitor Sądowy i Gospodarczy No. 66/2014. On 9 April 2014 the District Court in Toruń, VII Commercial Division of the National Court Register issued a decision on the adoption and submission of the merger plan to the registration file.

1.8. Engorem Sp. z o.o.

The company operates as a limited liability company and has been incorporated by a notarial deed on 26 October 1994 before a notary public M. Badowska (Index No. 8436/94)

The company is registered by the Łódź Śródmieście District Court, XX Economic Department of the National Court Register under the KRS number 67522.

The company is a holder of Tax Identification Number (NIP) 728-10-03-292 granted by the Łódź-Widzew Tax Office in Łódź.

The share capital of the company as at 31 December 2013 amounted to PLN 1,165,142.

In the period from 01.01.2013 to 31.12.2013 the Board composition remained unchanged and was acting as two-member management:

Jerzy Polaszek – President of the Board since 31.01.2013
Ryszard Mirys – President of the Board by 31.01.2013, Vice-President and CEO by 20.05.2013
Michał Bursa – Vice-President, Director of Technology

Mirosław Buciak – Vice-President, CEO since 20.05.2013

As at the date of this report the Management Board was composed of three members:
Jerzy Polaszek – President of the Board
Michał Bursa – Vice-President
Mirosław Buciak – Vice-President

Employment structure

In the period from 1 January 2013 to 31 December 2013, the average number of persons employed was 264, while FTE was 266.56. Employment as at 31.12.2013 amounted to 260 people.

Occupational groups

Structure of employment by occupational groups as at 31.12.2013

Item	Employment	Structure
Blue-collar workers	199	75.7%
White-collar workers	64	24.3%
Total	**260**	**100.0%**

The scope of the company's activity

ENGOREM Sp. z o.o.is a service company specialised in repair and maintenance of energy facilities, heating and electrical equipment, Control and Measurement Instruments and Automation as well as industrial and municipal networks.

Przewidywany rozwój oraz rynek

Because of decreasing range of repair works in Dalkia Łódź SA, the development of Engorem requires to acquire new customers and expand the business profile on new technologies (gas plants, biogas, biomass, incineration plants, and wind farms). As regards the strategy for next years, the Company attaches great importance to enter the energy markets located in different regions of Poland. In the first quarter of 2014, the Company opened a branch office in Poznan and laid the foundations for the development of a branch in Warsaw and Katowice.

The company is part of a group of entities from the Erbud Group that within the project Erbud Industry are dedicated to operate in energy and industry. The organizational leader in this project is Erbud Industry. In order to consolidate and develop the industrial and power activity will be created within Erbud Industry two independent departments: Service and Engineering. Service Division, based on Engorem, will be focusing on offering throughout the Poland such works as: construction, renovation, modernization of industrial and energy plants, machines and industrial equipment diagnostics, organizational and technical advice, technical research.

Most important contracts signed during the period from 01.01.2013 to 31.12.2013

Customer	Project	Value in PLN
DALKIA	Reconstruction of heat distribution network from K-164 to K-193 and from PS-803 to K-3305 Żeromskiego - Włókniarz - Drewnowska. Phase I: Reconstruction of the main network form K-175 Żeromskiego to K-184 Pogonowskiego , incl. services. Section A Konsortium Engorem-Ziem-Bud-Dedal-Amster.	4 301 718.69
DALKIA	Reconstruction of heat distribution network from K-164 to K-193 and from PS-803 to K-3305 Żeromskiego - Włókniarz - Drewnowska. Phase I: Reconstruction of the main network form K-175 Żeromskiego to K-184 Pogonowskiego , incl. services. Section B Konsorcjum Engorem-Ziem-Bud-Dedal-Amster.	2 788 281.31
ENEA	Modernization and repair of boiler unit 9 in Enea Wytwarzanie S.A. – Part A of the contract, Phase III. Świerże Górne – Kozienice Power Plant.	1 847 387.72

ELWO	Modernization and overhaul of the electrostatic air cleaner in power unit No. 10 in TAURON Wytwarzanie S.A. – Łaziska Power Plant - completion of installation and insulation works.	1 545 000.00
ENEA	Modernization and repair of boiler unit 9 in Enea Wytwarzanie S.A. – Part A of the contract, phase II. Świerże Górne – Kozienice Power Plant.	1 309 713.08
EDF TORUŃ	Reconstruction of heat distribution network, incl. services for buildings connected to Heating Unit CC7, Rubinkowo II in Toruń and dismantling of Heating Unit CC7	1 121 066.62
ELWO	Retrofitting the electrostatic air cleaner No. 4 in PGE GiEK S.A. Opole.	1 015 000.00
KSB Pompy i Armatura	Replacing the feedwater pump unit "B" Block 3 in EC-3	873 000.00
ELWO	Modernization and overhaul of the electrostatic air cleaner in power unit No. 10 in TAURON Wytwarzanie S.A. – Łaziska Power Plant - completion of dismantling works	772 500.00
MPO WARSZAWA	Delivery and replacement of superheater III ^{o} for the steam boiler ISTROENERGO. Konsortium Engorem - Erbud.	725 000.00
DALKIA	Maintenance works in Power Plants EC-2, EC-3 i EC-4 - electrical package 123.	560 785.66
DALKIA	Connection to the heating network of a building at 25 Techniczna St., incl. working design.	560 000.00
KSB Pompy i Armatura	Replacing the feedwater pump "A" Block 2 in EC-3 - complete documentation and delivery of temperature and pressure sensors, pressure transducers and. temperature transmitters.	555 000.00
DALKIA	Service and unscheduled works connected with cool handling plant in EC-4 - 2013, 2014, 2015.	540 000.00 (approx. value)
DALKIA	Modernization of supplementary water pipelines for heating network in EC-4.	540 000.00

2. Financial highlights of the Group – 2013 economic and financial position of the Capital Group (in PLN '000)

Item		**Value in PLN as of 31.12.2013**	**Value in PLN as of 31.12.2012**	**Change in PLN**	**Change in %**
A	Sales income	1 223 609	1 384 454	-160 845	-11.62%
B	Cost of products, goods and materials sold	1 132 699	1 300 356	-167 657	-12.89%
C	Gross profit from sales	90 911	84 098	6 813	8.10%
D	Gross profit	**25 094**	**23 499**	**1 595**	**6.79%**
E	Net profit	**18 079**	**18 527**	**-448**	**-2.42%**
E1	*of which attributable to the majority shareholder*	17 217	*17 223*	-6	-0.04%
ROS (C/A)		0.07	0.06	-0.04	-
Gross ROR (D/A)		0.02	0.02	-0.01	-
Net ROR (E/A)		0.01	0.01	0.00	-

In 2013, the Group achieved revenue of PLN 1,223,609 thousand. In comparison to the previous period there was a decline in revenue by 11.62%. The decrease was due to a deliberate policy of the Management Board of the Parent Company, which current period priority is to protect the earnings, inter alia through a more selective attitude to the works offered.

Information on basic products, goods and services, incl. their value and volume, as well as information about sales markets, both domestic and export ones, can be found in Note 5 to the Consolidated Financial Statements.

Financial position

The Group assets structure as at the end of 2013 was as follows (in PLN '000):

ASSETS		
Item	**Value in PLN as at 31.12.2013**	**Percentage**
Fixed assets	117 754	15%
Current assets	678 176	85%
Total assets	**795 930**	**100%**
LIABILITIES		
Item	**Value in PLN as at 31.12.2013**	**Percentage**
Equity, incl.	266 966	34%
Minority interests	*11 748*	*1%*
Long-term liabilities	61 308	8%
Short-term liabilities	467 656	58%
Total liabilities	**795 930**	**100**

ASSETS				
Item	**Value in PLN as at 31.12.2013**	**Value in PLN as at 31.12.2012**	**Change in PLN 2013-2012**	**Change in % 2013/2012**
Fixed assets	117 755	123 826	-6 071	-4.90%
Current assets	678 175	695 867	-17 692	-2.54%
Total assets	**795 930**	**819 693**	**-23 763**	**-2.90%**
LIABILITIES				
Item	**Value in PLN as at 31.12.2013**	**Value in PLN as at 31.12.2012**	**Change in PLN 2013-2012**	**Change in % 2013/2012**
Equity, incl.	266 966	251 443	15 523	6.17%
Minority interests	*11 748*	*13 791*	*-2 043*	*-14.81%*
Long-term liabilities	61 308	103 597	-42 289	-40.82%
Short-term liabilities	467 656	464 653	3 003	0.65%
Total liabilities	**795 930**	**819 693**	**-23 763**	**-2.90%**

The Group's assets in 2013 fall by 2.90%, which was the result of a drop in sales in almost all businesses conducted by the Group, particularly in large-volume building in the country, road-engineering and development.
The decline in sales in large-volume building was due to the margins policy and not signing contracts, which gave about zero in the calculation.
Civil engineering decreased its sale primarily due to prolonged adverse weather conditions. Unfortunately, delay in the execution of contracts was not possible to catch up during the year.
Drop in the construction sector sales was the consequence of the crisis, changes in the method of calculating the creditworthiness of potential buyers, lack of aid programs and the risk of job loss by potential buyers.

Cash flows

The Erbud Group began the fiscal year 2013 with cash amounted to PLN 201,769 thousand and ended with closing balance of PLN 124,590 thousand.

From operating activities, the Group generated negative cash flows amounting to PLN -54,591 thousand. Cash flows from investing activities were positive and amounted to PLN 367 thousand, while from financing activities amounted to PLN -22,955 thousand. The total of net cash flows in 2013 amounted to PLN -77,179 thousand.

The negative cash flows from operating were mainly caused by:
- adverse opening between the receivables and liabilities rotation cycle;
- Negative change in accruals;
- Negative change in reserves.

3. Expected development of the companies belonging to the Capital Group:

Boards of the companies constituting the Group will continue measures taken in previous years, designed to:

- further strengthening of all players in construction markets home and abroad, and in particular protection of profits on large-volume contracts
- further diversification of operations by geographical region and by business segments, especially by the extension of service activities for the broad understanding industry through entities such as ENGOREM Sp. z o.o. and ERBUD Industry Sp. z o.o.
- intensification of development project executed in 50% by the Budlex Group in Poznan;
- active steps against the effects of the current situation in the construction industry - a selective approach to the contracts, monitoring of investors, tightening procedures in the risk assessment of ongoing contracts and those offered ones ZAOSTRZENIE PROCEDUR
- improvement in cash flow, in particular at the operational level.

The task of the boards of subsidiaries, as well as the Parent company is to strengthen the market position of all entities acquired.

During the financial year ended 31 December 2013, the Company did not carry out research and development activities.

4. Significant events affecting the operations of the entities of the Capital Group in 2013 and until the report approval

4.1. Internal factors

In 2013, the Group was strengthening its market position and led the process of assimilation of ENGOREM Sp. z o.o. Through this process Engorem has expanded by a new branch in Poznan and increased customer base.

4.2. External factors

4.2.1. Characteristics of sales market

According to the Economic Development Institute of the Warsaw School of Economics (IRG SGH) - the development by Professor Maria Podgórska - the first quarter of 2013 was the last quarter of negative growth in the construction industry.

Construction companies that have not been swept by a wave of bankruptcy initiated in 2012 show growing forecast optimism which refers both to the portfolio of orders, employment and financial situation.

However, it is not covered by the investment outlay forecasts. 2013 was another year in respect of reduced capital expenditures.

Quoting the IBnGR, 2014 will bring the growth in GDP of 2.8% which is significantly more than in 2013. The Institute expects the further GDP growth in 2015 by 3.5%.

According to the Institute's forecast, there will be a significantly improvement in the business outlook in the construction sector, where the added value will increase by 3.0%, after falling by 9.0% in the previous year.

Annual and quarterly macroeconomic forecasts of the Institute for Market Economics 2013										
		2013		2014				2013	2014	2015
		III	IV	I	II	III	IV			
GDP	% y/y	1.9	*2.7*	*2.7*	*2.7*	*2.9*	*3*	**1.6**	***2.8***	***3.5***
GDP	%	0.6	*0.9*	*0.7*	*0.8*	*0.8*	*0,9*	**x**	***x***	***x***
Value added in										
- industry	% y/y	4.4	*4*	*4*	*4.9*	*5.1*	*4.7*	**2.9**	***4.7***	***5.4***
- construction	% y/y	-4.2	*-3.2*	*-0.6*	*2.3*	*3.8*	*4.5*	**-9**	***3***	***6.5***
-market services	% y/y	2.3	*2.9*	*2.2*	*2.4*	*2.5*	*2.5*	**2.5**	***2.4***	***3.2***
Domestic demand	% y/y	0.5	*1.2*	*2*	*2.5*	*3.1*	*3.9*	**-0.2**	***2.9***	***3.3***
Total consumption	% y/y	1.2	*2.1*	*2.1*	*2.4*	*2.7*	*2.9*	**1.1**	***2.5***	***3.2***
- of which individual	% y/y	1	*1.9*	*1.9*	*2.4*	*2.7*	*3*	**0.8**	***2.5***	***3.3***
Gross outlays on fixed assets	% y/y	0.6	*1.3*	*1.6*	*3.1*	*4.9*	*6.8*	**-0.4**	***4.7***	***5.5***
Sold production of										
- industry	% y/y	5	4.5	*3.7*	*4.4*	*5.3*	*5.8*	**2.2**	***4.8***	***5.5***
- construction	% y/y	-7.1	*-7.3*	*-2.4*	*1.5*	*3.6*	*4.5*	**-12**	***2.6***	***6***
Inflation (CPI; in average)	%	1.1	0.7	*1.6*	*1.7*	*2*	*2.1*	**0.9**	***1.9***	***2***
Inflation (CPI; period end)	%	1	0.7	*1.6*	*1.8*	*2.1*	*2.2*	**0.7**	***2.2***	***2.1***
Cash supply (M3, period end)	%	6.1	6.1	*7.8*	*8.4*	*8.4*	*8.5*	**6.1**	***8.5***	***8.7***
Real gross salary	% y/y	*3*	*3.2*	*3*	*2.8*	*2.9*	*2.9*	***2.6***	***2.9***	***3.1***
Average Employment in National Economy	% y/y	*-1.2*	*0.2*	*1.2*	*1.4*	*1.6*	*1.8*	***-0.7***	***1.5***	***2***
Registered unemployment rate (period end)	%	13	13.4	*13.8*	*12.4*	*12.3*	*12.6*	**13.4**	***12.6***	***11.8***
Export (GUS/RN)	%	6.4	*4.9*	*3.3*	*4.2*	*4.7*	*3.7*	***4***	***4***	***7.2***
Import (GUS/RN)	%	3.4	*2.6*	*2.6*	*3.9*	*5.2*	*6*	***0.7***	***4.5***	***6.8***
C/A Balance	GDP %	-1.9	*-1.4*	*-1*	*-.,5*	*-1.7*	*-2*	***-1.4***	***-2***	***-2.4***

The European construction market

As analyzed by Ernst & Young and Oxford Economics EUR zone will grow by only 1% in 2014 and by 1.4% in 2015.

5. The organizational structure in conjunction with the structure of sales and information about contracts signed

Erbud SA., t**he parent entity** – in 2013 ERBUD SA changed its structure in terms of loss of independence by the Branch Szczecin, which became an entity subordinate to Branch Torun. This was primarily designed at optimizing the fixed costs and communication.

Erbud International Sp. z o.o., **a subsidiary -** operates through a Branch Düsseldorf and directly provides exports of construction services in France, Belgium and Luxembourg.

GWI GmbH, a subsidiary - a company under German law that operates in the construction business in Germany and Belgium.

Budlex S.A., a subsidiary - operates on the development market through target companies owned in 100% by the dominant entity Budlex Sp. z o.o. In the opinion of the Management Board, it is a common mode of developers' operating created by institutions funding such entities.

PBDI S.A., a subsidiary - operates in the road -engineering segment and in particular specializes in civil engineering for wind farms.

Erbud Energetyka Sp. z o.o., a subsidiary - operates in the broadly understood construction for the power sector. The task of the board of the new entity in the EERBUD Group is acquisition and expansion in new business.

Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.), a subsidiary – provides outsourcing services for maintaining production continuity.

Engorem Sp. z o.o., a subsidiary – provides services for the heating industry.

Detailed description of entities forming the ERBUD Group is in points 1.1 - 1.8 of this Report.

The value of agreements signed in 2013 in Poland by the Parent is as follows (figures in thousands of PLN)

CONTRACTS SIGNED IN 2013

No.	Branch	Project	Customer	Contract concluded on	Net contract value
ERBUD S.A. - DOMESTIC					
1	Warszawa	Nowe Bielany IV	GLI Sp. z o.o. Komandytowa , Warszawa Domaniewska	2013-02-27	25 499
2	Rzeszów	Comprehensive execution of construction works and delivery, installation and commissioning of equipment and devices in three hospitals: Szpital Specjalistyczny im. Ludwika Rydygiera Sp. z o.o. in Kraków, Krakowski Szpital Specjalistyczny im. Jana Pawła II in Kraków, Szpital Wojewódzki im. Św. Łukasza in Tarnów	Szpital Specjalistyczny im. Ludwika Rydygiera Sp. z o.o. w Krakowie, Krakowski Szpital Specjalistyczny im. Jana Pawła II w Krakowie, Szpital Wojewódzki im. Św. Łukasza w Tarnowie	2013-02-28	34 951
3	Katowice	Construction of a waste treatment and recycling facility, plot No. 92/32 in Skarbimierz Estate	MO-BRUK S.A.	2013-02-28	950
4	Katowice	Construction of a powder coating workshop with welfare facilities in the Rockwell Automation production hall in Katowice	Rockwell Automation Sp. z o.o.	2013-02-28	701
5	Rzeszów	Extension of the District Hospital in Wadowice – Construction of Building „E”	Powiat Wadowicki - Starostwo Powiatowe w Wadowicach	2013-03-25	2 619
6	Warszawa	Dekada Centre	Dekada Grójec Sp. z o.o., Al. Niepodległości 124, 02-577 Warszawa	2013-03-25	15 800
7	Warszawa	Building office at 111 Puławska St.	Puławska 113 Sp. z o.o. Spółka Komandytowo-Akcyjna, Marynarska 11, 02-674 Warszawa	2013-04-05	20 322
8	Rzeszów	Detailed design and extension of the Clinical Hospital of the Wrocław Medical University	Uniwersytet Medyczny im. Piastów Śląskich we Wrocławiu	2013-05-10	51 800
9	Rzeszów	Civil engineering design and alteration of the Delivery Suite at the Św. Łukasz Regional Hospital in Tarnów at 178a Lwowska St.ul. Lwowska 178 a	Szpital Wojewódzki im. Św. Łukasza SPZOZ w Tarnowie, ul. Lwowska 178a, 33-100 Tarnów	2013-05-21	2 385
10	Wrocław	Construction of the POGODNE CENTRUM Shopping Gallery in Oleśnica	E.F. Progress XI Sp. z o.o. Spółka	2013-06-03	15 500

			Komandytowo-Akcyjna ul. Konopnicka 3 lok 5a, 00-491 Warszawa		
11	Toruń	Construction of Kosciuszko Business Point (office building) in Toruń	Rywal RHC Sp. z o.o. w Toruniu	2013-06-11	25 800
12	Warszawa	Construction of an office and retail building with underground car park on Czerska St.	Facinelli 1 Sp. z o.o., ul. Fabryczna 5 , 00-446 Warszawa	2013-06-17	45 000
13	Warszawa	,,Royal Wilanów " - Comprehensive construction of a multi-use office and retail building , incl. basement car park and on-site infrastructure and site development works	Hazel Investments Sp. z o.o., ul. Marynarska 11 , 02-674 Warszawa	2013-06-18	212 477
14	Wrocław	Connecting road in Wrocław	PRW Sp. z o.o., ul. św. Mikołaja 12, Wrocław	2013-06-10	6 316
15	Katowice	Dalkia - Refurbishment of the cool handling plant	Dalkia Łódź S.A.	2013-06-27	42 789
16	Toruń	Mangalia office and retail building - relocations	Arkady Sobieskiego Sp. z o.o.	2013-06-28	1 764
17	Katowice	Elektromont – Office building in Tarnowskie Góry	PPUH ELEKTROMONT Leszek Gorol Spółka Jawna, ul. Asfaltowa 103, 42-289 Woźniki	2013-07-01	1 225
18	Katowice	Rafako Power Plant Kraków – foundation	Rafako S.A., ul. Łąkowa 33, Racibórz	2013-07-04	10 912
19	Kraków	Multidisciplinary hospital in Katowice on Ceglana St.	CMC „Geo Projekt 2 „ Sp. z o. o., Sp. k.	2013-07-18	54 933
20	Warszawa	Lipsk Office Building	Polskie Inwestycji Sp. z o.o.	2013-08-02	11 700
21	Toruń	Alteration of the District Health Centre in Brzeziny	Powiatowe Centrum Zdrowia w Brzezinach Sp. z o.o., ul. M.Sklodowskiej-Curi 6, 95-060 Brzeziny	2013-08-08	1 650
22	Toruń	Retail and Entertainment Centre GALERIA PILSKA, Zygmunta Starego St. / Zakopiańska St. / 14-lutego St.	Progress XX Sp. z o.o.	2013-09-13	58 400
23	Rzeszów	Construction of the A4 Motorway Operation and Maintenance Centre - Wierzbna interchange	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Rzeszowie 35-959 Rzeszów, ul. Legionów nr 20	2013-09-20	10 367
24	Katowice	Mo-Bruk - Zabrze	Mo-BRUK SA, 33-322 Korzenna, Niecew 68	2013-09-05	4 760
25	Rzeszów	Construction of the Psychiatric Centre together with the Consulting Clinic, incl. office area and technical facilities for the Psychiatric Centre at the Św. Łukasz Regional Hospital in Tarnów	Szpital Wojewódzki im. Św. Łukasza SPZOZ w Tarnowie ul. Lwowska 178a 33-100 Tarnów	2013-10-02	17 475
26	Katowice	Construction of a waste treatment and recycling facility in Skarbimierz Estate, phase II	Mo-BRUK SA, 33-322 Korzenna, Niecew 68	2013-10-03	6 250
27	Wrocław	Promenady Wrocławskie II	Promenady II VD Sp. z o.o.	2013-10-08	31 600
28	Wrocław	ZITA Office Building, Phase B	Promenady Zita Sp. z o.o.	2013-10-08	24 700

29	Rzeszów	Conversion of the historic fortress Twierdza Przemyśl for cultural tourism purpose -Stage I	Związek Gmin Fortecznych Twierdzy Przemyśl ul. Kościuszki 7, 37-700 Przemyśl	2013-10-22	9 674
30	Toruń	Mangalia - preliminary contract	Arkady Sobieskiego Sp. z o.o.	2013-11-27	31 700
31	Wrocław	Nowy Rynek Retail Mall in Jelenia Góra	Euro Mall Polska XXIII Sp. z o.o.	2013-12-20	133 700
32	Kraków	Perla Verona residential building in Kraków	Perla Verona Building Sp. z o.o. Sp. k z siedzibą w Krakowie	2013-12-18	15 700

Projects carried out abroad by ERBUD SA in 2013

Lp.	Project	Customer	Contract concluded on	Net contract value in PLN '000
1	Prefaco BE1301	Prefaco	2013-01-02	270
2	Tooren II BE1304	MBG	2013-03-01	3 921
3	Cezanne II BE1305	Vanhout	2013-06-01	310

According to the Management Board, neither subsidiaries nor related entities are dependent on one supplier and one customer. Companies associated pursue a common policy which is identical with the Parent's policy, i.e. at least there should be four qualified suppliers or contractors from any range of goods and services. In addition, the geographical diversification within the Group and the Parent and the relevant technical conditions forces a broad circle of suppliers and subcontractors.

As of the day of the report publication, the Issuer has the following insurance agreements

Policy number	Insuring company	Valid from	Valid to	Subject of Insurance	Covering value
2361000337	Chartis Europe S.A.	01-04-2013	31-03-2014	D&O insurance	PLN 20,000,000
2361000337	Chartis Europe S.A.	01-04-2014	31-03-2015	D&O insurance	PLN 30,000,000
901006650989	STU Ergo Hestia S.A.	01-01-2014	31-12-2014	Construction risk insurance	Open car
901006650986	STU Ergo Hestia S.A.	01-01-2014	31-12-2014	Liability for business conducting insurance	PLN 50,000,000.00 for one event PLN 100,000,000.00 for all events

6. The Group ERBUD related party transactions

In 2013, there were concluded the following agreements with related parties.

List of contracts concluded by Erbud SA with related parties in 2013 and by the report publication date

Erbud International

Contracts concluded with Erbud S.A. in 2013					
No.	**Company contracting**	**Contract subject matter**	**Contract value in in PLN**	**Contract concluded on**	**Comments**
1	Erbud International	Contract No. Sz/E02/2013/1 - Supervision and assistance in carrying out the construction of Municipal Waste Thermal Incineration Plant in Konin	250	2013-01-02	
2	Erbud International	Contract No. 01/EI/S-1230/2013 - Civil engineering works - Waste incineration plant in Konin	70 000	2013-01-04	
3	Erbud International	Contract No. 03/EI/W-1308/2013 - Civil works - Office building in Warszawa on Puławska St.	5 000	2013-04-01	
4	Erbud International	Contract No. 01/EI/W-1304/2013 - Civil works - NOWE BIELANY Estate, Warszaw	10 000	2013-02-04	
5	Erbud International	Contract No. 02/EI/W-1307/2013 - Civil works - DEKADA Shopping Centre, Grójec	5 000	2013-02-04	
6	Erbud International	Contract No. 01/EI/R-1309/2013 - Civil works - Wrocław Medical University	250	2013-04-23	
7	Erbud International	Contract No. 01/EI/T-1312/2013 - Civil works - KOŚCIUSZKO POINT Office Building, Toruń	18 000	2013-06-11	
8	Erbud International	Annex No. 1 to the contract No. /EI/W-1207/2013 - Civil works - EUROCENTRUM	8 500	2013-06-30	postponing the deadline from 30.06.2013 to 30.10.2014 and value from PLN 20 000 000 to PLN 8 500 000
9	Erbud International	Contract No. 04/EI/W-1321/2013 - Civil works - LIPSK, Warszawa	5 000	2013-08-01	
10	Erbud International	Contract No. 03/EI/T-1322/2013 - Civil works - Alteration and upper storey addition - District Health Centre in Brzeziny	13 000	2013-08-19	
11	Erbud International	Contract No. 05/EI/W-1317/2013 - Civil works - ROYAL WILANÓW, Warszawa	30 000	2013-09-01	
12	Erbud International	Contract No. 06/EI/W-1315/2013 - Civil works – CZERSKA Residential, Warszawa	30 000	2013-09-01	
13	Erbud International	Contract No. 02/EI/T-1324/2013 - Civil works - GALERIA PILSKA Shopping Centre, Piła	18 000	2013-09-13	

In 2013, the Issuer and its subsidiaries did not enter into any contracts on non-market terms.

7. Description of risk factors

As shown by historical data related to the construction industry, the sector is exposed to market fluctuations same like automotive industry but is not so protected.

A wave of bankruptcy destabilizing construction branch, which started in 2012, was directly connected with large Euro 2012 projects. Such situation caused a considerable mistrust of financial institutions against the industry. This raises a fundamental threat to the construction companies which is manifested by a lack of availability of capital and financial guarantee lines without which the construction sector does not exists. Short-term financing and access to guarantee lines have been provided and are available to the Issuer and that gives a high margin of safety. However, it requires constant monitoring and searching for alternatives, because the situation is very unstable as regards to attitude of financial institutions against the companies in the construction business.

It is known that the reduction in construction output will intensify the price war, which already devastates industry. It is hard to say whether the spectre of bankruptcy will slow the tendency of companies to build portfolios. The Management Board of the Issuer clearly indicates through its policy that ERBUD will be not a participant in the price war. The relatively low margins in the construction do not allow executing contracts where the calculation shows a profit nearly zero margin.

The Issuer's Management Board will continue a policy on margins obtained and diversification of activities by strengthening the field of services to the industry.

In addition to the above mentioned Issuer's Management Board does not see other threat sources.

8. Evaluation of forecasts performance and investment projects

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

9. Financial resources management and information on borrowings, loans and guarantees

In 2013, the dominant company financed out its business exclusively of its own means from operating activities, short-term bank loans and bonds issued.

Multi-target credit lines with several banks are available to the Company.
The subsidiaries PBDI S.A and GWI GmbH were using borrowings in the reported period. Loans contracted were needed to pre-finance ongoing operations.
Similarly, the companies of the Budlex Group were using loans, what according to the Management Board belongs to this type of business.
The Parent's Board does not recognize any risks associated with the liquidity in the Budlex Group due to received loans.

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

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
BNP Paribas S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2014-09-29	In one amount	Erbud S.A.
mBank S.A	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2014-12-31	In one amount	Erbud S.A.
PKO BP S.A.	Overdraft credit	10 000	PLN	reference rate of PKO BP + margin	2014-06-30	In one amount	Erbud S.A.
Alior Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2014-09-04	In one amount	Erbud S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2014-08-20	In one amount	Erbud S.A.; Budlex S.A.; PBDI S.A.
KBC Bank	Overdraft credit	2 000	EUR	EURIBOR + 2,5%	2014-12-31	In one amount	GWI
BNP Paribas SA	Overdraft credit	2 000	PLN	WIBOR 3M+ margin	2014-11-02	In one amount	PBDI S.A.

Commerz bank	Overdraft credit	2.000	EUR	5.50% p.a. fixed	31.07.2014	In one amount	GWI GmbH
PBP S.A.	Investment loan	7 500	PLN	WIBOR 3M + margin	2019-12-18	Quarterly installments	Delta Sp. z o.o.

Furthermore, the Group is able to obtain contract performance bonds in the following banks:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Company
BNP Paribas S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, payment guarantee, re-guarantee	37.000	PLN	Erbud S.A.
mBank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee	70.000	PLN/USD/USD	Erbud S.A
PKO BP	Bid bond, performance bond, repair works and remedying defects guarantee	25.000	PLN	Erbud S.A
Kredyt Bank S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	34.000	PLN	Erbud S.A
Alior Bank S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	70.000	PLN	Erbud S.A
ING S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	80.000	PLN	Erbud S.A; PBDI S.A.
BNP Paribas S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, payment guarantee, re-guarantee	3.000	PLN	PBDI S.A.
KBC Bank	Performance bond, payment guarantee, repair works and remedying defects guarantee	1.000	EUR	GWI GmbH

Loan agreements concluded by the companies of the Budlex Group:

No.	Borrower	Lender	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
1	Budlex S.A.	Bank PKO BP SA	Overdraft credit	1 000	WIBOR 1M+margin	2014-01-24
2	Budlex S.A.	ING Bank Śląski	Revolving credit	12 000	WIBOR 1M+margin	2014-12-31
3	Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+margin	2015-09-15
5	Budlex Pestaalozziego 1 sp.z o.o.	PKO BP SA	Investment loan	15 231	WIBOR 3M+margin	2014-07-31
6	Budlex Winnica l6-7 sp. z o.o. s.k.	BRE BANK HIPOTECZNY SA	Investment loan	11 000	WIBOR 6M+margin	2017-04-15
7	Budlex Brzoskwiniowa sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	11 500	WIBOR 6M+margin	2017-01-15

As at 31.12.2013, the following obligations of the Group due to guarantees have been reported:

- Liabilities due to guarantees provided in thousands of PLN

Item	31.12.2013	Company
Performance bonds, repair works and remedying defects guarantees	PLN 284 190	Erbud S.A.

Performance bonds, repair works and remedying defects guarantees	PLN 13 525	PBDI S.A.
Performance bonds, repair works and remedying defects guarantees	EUR 2 374	Erbud International Sp. z o.o.
Performance bonds, repair works and remedying defects guarantees	EUR 7 612	GWI GmbH
Performance bonds, repair works and remedying defects guarantees	PLN 1 487	Engorem Sp. z o.o.

- Guarantees and borrowings provided to subsidiaries in thousands of PLN

Item	**31.12.2013**	**31.12.2012**
Budlex Sp. z o.o. – borrowing	23 974	23 974
Budlex Pestalozziego Sp. z o.o. – surety	12 286	12 286
Erbud International Sp. z o.o. – borrowing	9 206	0
Total sureties	**12 286**	**12 286**
Total borrowings	**33 180**	**23 974**

- Guarantees and borrowings provided to subsidiaries in thousands of EUR

Item	**31.12.2013**	**31.12.2012**
GWI GmbH – loan repayment guarantee	3 000	2 000
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	2 000	2 700
GWI GmbH, Erbud International – civil surety for EULER Hermes	0	7 500
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	0	1 000
Total contingent liabilities	**5 000**	**13 200**

List of sureties in the Group Budlex:

Type of liability	**Loan amount**	**Guarantor**	**Creditor**	**Bank**
Guarantee to the loan amount, incl. interest and other payables to the bank	1 000	Budlex Properties sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill of exchange guarantee	26 000	Budlex S.A.	Budlex Glinki A3 sp. z o.o.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	15 231	Budlex S.A.	Budlex Pestaalozziego 1 sp.z o.o.	Bank PKO BP S.A.
Bill of exchange guarantee	11 000	Budlex S.A.	Budlex Winnica L6-7 sp. z o.o. s.k.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	11 500	Budlex S.A.	Budlex Brzoskwiniowa sp. z o.o.	BRE Bank Hipoteczny S.A

Interest rate risk – The Erbud Capital Group has a debt based on WIBOR reference rates. In case of bank loans it is a short-term debt. In case of bonds, the debt is a long-term one - with a maturity of 4 years. This observed variability in the reference rates, current NBP Monetary Council policy as well as prices for guarantees obtained on the interbank market causes that the Group does not see the need to secure the risk.

Currency risk – The Erbud Capital Group does not execute contracts which are denominated in foreign currencies. The foreign activity is naturally protected through purchases of materials and services in the currency of contracts. In addition, on 31 December 2013 the Capital Group granted two loans in Euros to affiliated and non-consolidated target companies. One of the loans was secured by a future contract denominated in Euro and secured from exchange rate risk for a period of 3 years.

The companies of the Group do not apply hedge accounting.

10. Use of proceeds from the issue by the Parent

In 2012 the Issuer did not issue any securities.

On 18 March 2014, the Management Board of the Issuer adopted a resolution resolved to issue up to 5,200 bearer bonds, dematerialized, unsecured, (the "Bonds") with a total nominal value of not more than PLN 52 million (say: fifty-two million Zlotys). The par value of one Bond will be PLN 10,000 (say: ten thousand). The issue price will be 9,587 PLN (say: nine thousand five hundred eighty-seven Zlotys). The bond issue date was set for 26 March 2014 and the date of redemption for 26 March 2018. The interest rate on bonds will be variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. The Bonds will be issued as per Art. 9 sec. 3 of the Act of 29 June 1995 on bonds (Journal of Laws of 2001 No. 120, item. 1300 as amended). The Issuer will apply for placing bonds on the trading platform for debt financial instruments carried by the Stock Exchange in Warsaw SA in the form of alternative trading system.

10.1 Purpose of the issue

Assuming that all Bonds will be purchased by investors, it is expected that the gross proceeds from Bonds issued will amount to PLN 49,852,400 (say: forty-nine million eight hundred fifty-two thousand four hundred Zlotys). However, the Issuer's Management Board does not preclude, that a part of the Bonds will be paid by way of offsetting claims relating to Series A bonds against the payment for Bonds. In case that all or part of the Bonds issued will be settled in the above manner gross proceeds from the issue will be correspondingly lower.

The Issuer intends to use the financial means for:

(1) Redemption of Series A bonds issued by the Issuer. The Issuer does not preclude that some of investors holding bonds of Series A bonds will be interested in further supporting the development of the Issuer and may participate in the issuance of new Bonds. It cannot be ruled out that some of the investors will be willing to pay for the Bonds by offsetting claims due to Series A bonds against the payment for Bonds.

(2) Financing an increased demand for working capital associated with a record backlog of the ERBUD Capital Group. At the end of 2013, the Group had a record order portfolio in its history ever equal to PLN 1.6 billion, which represents an increase of approximately 26% as compared to 2012. Acquiring new asstes or extending the maturity for series A bonds will provide funds for the further development of the Group in subsequent years.

The Issuer reserves the right to change the above-mentioned manner of use of proceeds from the Bonds, if there are unforeseen circumstances that may have an adverse effect on the Issuer's Capital Group. Information regarding any changes in the way the use of proceeds from the issuance of Bonds will be made public in the form prescribed by applicable law, immediately after the relevant decisions has been made.

10.2 Type of bonds issued

Bearer Bonds, dematerialized, unsecured with a nominal value of PLN 10,000 (say: ten thousand Zlotys) each, 4-year maturity.

10.3 Issue size

The Issuer intends to issue up to 5,200 bearer bonds, dematerialized, unsecured, with a total nominal value of not more than PLN 52,000,000 (say: fifty-two million Zlotys).

10.4 Nominal value and issue price

The Issuer intends to issue bonds with a nominal value of PLN 10,000 (say: ten thousand Zlotys) and the issue price of PLN 9,587 (in words: nine thousand five hundred eighty-seven Zlotys) each.

10.5 Terms and conditions for redemption and interest payment

The Bonds will be redeemed by the payment of money equal to the par value plus the interest due effected to the bondholders on the Maturity Day and calculated in the manner indicated in the conditions of the Bonds issuance. The bondholders will have the right to require an early redemption of the Bonds in the event of breaches as referred to in terms and conditions of the issue of the Bonds, on terms specified in the conditions of the Bonds issue.

The interest rate on Bonds will be variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. Interest on the nominal Bonds value will accrue from the issue date (inclusive) and payable on each day of interest payment in accordance with the terms of issue of the Bonds. The last date for accrual of interest will be the day preceding the Bonds redemption date.

10.6 Amount and form of security and identification of the entity providing the security

The bonds will be unsecured ones.

10.7 Value of commitments as at the last day of the quarter preceding the publication of the acquisition offer and the prospects for the future Issuer's liabilities until the whole bonds offered for the purchase has been redeemed

Liabilities as at 31 December 2013.

As of 31 December 2013, the total balance of liabilities of the Issuer's parent company amounted to PLN 280.0m, of which PLN 0.3m was attributed to long-term liabilities and PLN 279.7m to current liabilities.
Within the liabilities of the parent of the Issuer, the most important items were: (i) trade liabilities of PLN 211.6m (ii) liabilities due to Series A bonds of PLN 50m and (iii) other financial liabilities (financial leasing) of PLN 2.6m.
Furthermore, the balance of cash and cash equivalents of the Issuer's parent as at 31 December 2013 amounted to PLN 58.1m. Cash surplus over interest-bearing liabilities reached PLN 5.5m.
Contingent off-balance liabilities (banking and insurance) of the parent of the Issuer in the form of guarantees provided as at 31 December 2013 were as follows: (i) guarantees to pay liabilities equal to PLN 15.2m, (ii) performance bonds equal to PLN 145.5m and (iii) remedial works guarantees of PLN 127.0m.
The total balance of liabilities in the form of guarantees granted at the end of the 4Q 2013 mounted to PLN 287.7m.
In addition, the parent company of the Issuer has provided to the subsidiaries of the Issuer's Capital Group loans and guarantees. The balances of loans granted to the subsidiaries as at 31 December 2013 were as follows: (i) loans granted to Budlex SA - PLN 24.0m and (ii) loans granted to ERBUD International Sp. o.o. - PLN 11.0m.
Guarantees and sureties granted by the Issuer to the companies included in the Issuer's Capital Group as at 31 December 2013 were as follows: (i) civil surety granted on 28 September 2009 by GWI GmbH to KBC with a value of € 2m related to overdrafts (guarantee expires on 31 July 2014), (ii) guarantee of EUR 2m provided on 25 May 2011 by BRE on behalf of ERBUD SA given by GWI GmbH to Commerzbank due to overdrafts (guarantee expires on 1 July 2014), (iii) civil surety granted on 30 May 2012 by GWI GmbH, Erbud International to Euler Hermes amounted to € 7.5m due to the insurance guarantees line (expiration date: 29 May 2014), (iv) civil surety of € 3.5m granted on 27 April 2012 by GWI GmbH to Zurich (guarantee expiration date: continuing).
As of 31 December 2013, the total balance of liabilities of the Issuer's Capital Group, excluding provisions for liabilities, construction contracts and accruals amounted to PLN 368.5m, of which PLN 19.9m were long-term liabilities and PLN 348.6m short-term liabilities.
Within the liabilities of the Issuer, the most important items were: (i) trade liabilities and other liabilities - PLN 193.6m, (ii) Series A bonds in the amount of PLN 50m, (iii) long-term bank loans and borrowings: PLN 14.5m, (iv) short-term bank loans and borrowings: PLN 24.5m and (v) other financial liabilities (financial lease): PLN 5.4m.
The consolidated balance of cash and cash equivalents as of 31 December amounted to PLN 124.6m.

Prospects for the Issuer's obligations and commitments until full redemption of the Bonds.

The business sector, in which the Issuer's Capital Group is operating, is characterized by high variability in terms of demand for working capital. This is due to seasonal factors and the current situation in the construction market.
At the end of 2013, the Group had a record order portfolio in its history ever equal to PLN 1.6bn.
After the issuance of the Bonds, the Issuer's parent company does not anticipate any further increase due to loans, borrowings or debt instruments. Additional debt may still be incurred by the subsidiaries of the Issuer's Capital Group, primarily by the development company Budlex SA, whose operations are capital intensive.
The Issuer will lead a conservative policy of funding to maintain Net Financial Debt-To-Separate Equity Rate below 0.6, and Net Financial Debt-To-Consolidated Equity Rate below 1.

On 25 March 2014, the Issuer has been notified that the Board of the National Depository for Securities adopted Resolution No. 332/14 on the registration with the NDS of 5,200 bearer bonds of series B. The bonds were issued pursuant to the Resolution of the Management Board of ERBUD SA No. 1/2014 dated 18 March 2014. The nominal value of bonds – PLN 10,000 each. Maturity date – 26 March 2018. Code: PLERBUD00053.

On 26 March 2014, the Management Board of Erbud SA passed a resolution on purchasing 40,000 (say: forty thousand zlotys) own Bonds of series A, issued following the resolution of the Company's Management Board dated 29 June 2011, with a par value of PLN 1,000.00 (say: one thousand zlotys) each, placed on the market on trading platform of debt financial instruments managed by BondSpot in the form of an alternative trading system ("Bonds"), and the Company bought back the Bonds on the same day, i.e. on 26 March 2014. The Bonds were purchased in order to redeem them. The aggregate nominal value of own Bonds bought back by the Company amounted to PLN 40,000,000.00 (say: forty million zlotys), and the total purchase price was PLN 40,462,800.00 (say: forty million four hundred and sixty-two thousand eight hundred zlotys).

On 26 March 2014, the Company completed the issue process of series "B" Bonds.

On 9 April 2014, the Company filed an application to the Board of the Warsaw Stock Exchange on the introduction of debt instruments to the alternative trading system on the Catalyst.

11. Explanation of differences between the financial result shown in the annual report and previously published forecasts

The Management Board of the Parent company did not publish forecasts or estimates for 2013.

12. Information on the share capital of the Parent, changes in equity and the bodies of the Issuer

12.1. Shareholding of the Company, including a description of changes in equity during 2013 and after the balance sheet date

As at 31 December 2013, the registered share capital amounted to PLN 1,271,454.60 (one million, two hundred and seventy-one thousand, two hundred and fifty-four, point six zero) and was divided into 12,714,546 shares with a nominal value of PLN 0.10 per share.

Shares have been acquired in the following manner:

Series	Number of shares	Price in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.50
D	2 500 000	0.10	250 000.00
E	31 686	0.10	3 168.60
F	41 458	0.10	4 145.80
G	33 787	0.10	3 378.70
H	36 590	0.10	3 659.00
Total	**12 714 546**	**0.10**	**1 271 454.60**

In 2013 and by the report publication, there were following movements in the equity structure.

According to information held by ERBUD SA, by the date of publication of the report took place the following movements:

On **31 January 2013**, the Issuer's Management Board has been notified of the purchase of shares by a member of the Supervisory Board of Erbud SA. The person related bought 6,000 shares.

On **6 June 2013,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 2,000 shares.

On **17 June 2013,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 4,921 shares.

On **17 June 2013,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 3,000 shares.

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

On **5 September 2013,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 2,750 shares.

On **13 September 2013,** the Issuer's Management Board has been notified of the sale of shares by a person having access to Erbud's confidential information and a person related to him. The person related sold 1,800 shares.

On **17 September 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 1,245 shares.

On **17 September 2013,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 3,000 shares.

On **17 September 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 1,791 shares.

On **19 November 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 4,000 shares.

On **9 December 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 6,604 shares.

On **23 December 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 1,951 shares.

On **27 December 2013,** the Issuer's Management Board has been notified of the sale of shares by a person related to the person having access to Erbud's confidential information. The person related sold 8,049 shares.

On **17 January 2014,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold1.000 shares.

On **21 January 2014,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 700 shares.

On **22 January 2014,** the Issuer's Management Board has been notified of the sale of shares by Erbud SA procuration holder. The person related sold 1.000 shares.

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

On **30.10.2013**, the Issuer's Management Board received information, that the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register, registered the increase of the Issuer's share capital to PLN 1,271,454.60.
The increase was a result of the issue of H shares under the Employee Incentive Scheme.

Series	Number of shares	Price per share in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.00
D	2 500 000	0.10	250 000.00
E	31 686	0.10	3 168.60
F	41 458	0.10	4 145.80
G	33 787	0.10	3 378.70
H	36 590	0.10	3 659.00
Total	**1 2714 546**	**0.10**	**1 271 454.60**

On 6 December 2013, shares of series H were introduced to trading on the WSE and finally registered with NDS.

Therefore, the shareholding (shareholders having more than 5%) as at 31 December 2013 and as of the date of submitting the report was as follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.12.2013

Aggregate number of Erbud shares: 12 714 546

No.	Shareholder	Class of shares	Number of shares held	Equity percentage	Voting power	% of voting rights at GMS
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.66%	4 152 865	32.66%
2	Juladal Investment Limited	ordinary	2 848 347	22.40%	2 848 347	22.40%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.31%	1 183 146	9.31%
4	ING OFE	ordinary	1 266 900	9.96%	1 266 900	9.96%
5	Dariusz Grzeszczak, of which a subsiadry monitoring by Dariusz Grzeszczak	ordinary	773 900	6.09%	773 900	6.09%
6	Free Float	ordinary	2 489 388	19.58%	2 489 388	19.58%
		Total	**12 714 546**	**100.00%**	**12 714 546**	**100.00%**

Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

12.2. Erbud's shares held or rights to them (options) by persons managing and supervising Erbud SA by the date of audit completion

Up to the date of preparing this report, the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Persons related holding shares of ERBUD SA as at 31.12.2013

Aggregate number of Erbud shares: **12 714 546**

No.	Person related	Relationship	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at GMS
1	Dariusz Grzeszczak	Erbud's SA Management Board member	ordinary	773 900	6.09 %	773 900	6.09 %
2	Józef Adam Zubelewicz	Erbud's SA Management Board member	ordinary	259 500	2.04%	259 500	2.04%
3	Walenty Twardy	ERBUD SA procuration holder	ordinary	6 852	0.05%	6 852	0.05%
4	Piotr Augustyniak	ERBUD SA procuration holder	ordinary	890	0.01%	890	0.01%
5	Bogdan Dürr	President of Erbud International Sp. z o. o. / ERBUD SA procuration holder	ordinary	6 712	0.05%	6 712	0.05%
6	Tomasz Krzywicki	ERBUD SA procuration holder	ordinary	700	0.01%	700	0.01%
7	Agnieszka Głowacka	ERBUD SA procuration holder	ordinary	6 336	0.05%	6 336	0.05%
8	Włodzimierz Czystowski	ERBUD SA procuration holder	ordinary	4 921	0.04%	4 921	0.04%
9	Mariola Zielińska	Chief Accountant of ERBUD S.A.	ordinary	4 818	0.04%	4 818	0.04%
10	Radosław Kałamaga	ERBUD SA procuration holder	ordinary	5 494	0.04%	5 494	0.04%
11	Maciej Wyrzykowski	ERBUD SA procuration holder	ordinary	2 200	0.02%	2 200	0.02%
12	Mirosław Młynarski	ERBUD SA procuration holder	ordinary	11 426	0.09%	11 426	0.09%

16	Albert Dürr	Supervisory Board member of Erbud SA	ordinary	14 500	0.11%	14 500	0.11%
TOTAL				**1 098 249**	**8.64%**	**1 098 249**	**8.64%**

Erbud SA implemented the Employee Incentive Program. The Program was introduced by the Resolution of Extraordinary General Meeting of Erbud SA on 8 December 2009 and concerned results generated over three years - 2008, 2009 and 2010.

Until the date of the report preparing, it has been released under the Program two tranches of shares - Series E, Series F, and G, respectively in 2008, 2009 and 2010, as well as Series H in 2013.

The implementation of the scheme program is the responsibility of the Management Board and the Supervisory Board.

By the date of preparing the report, the Management Board members and holders of a commercial power of attorney did not have any Erbud's shares options.

12.3. Description of any arrangements, the implementation of which may cause in the future changes in controlling Erbud S.A

No arrangements, which may result in capital movement, took place in 2013. There are no restrictions on the disposal of ownership rights to the shares of the Issuer.

12.4 Supervisory Board of Erbud S.A.

Pursuant to Article 11 item 2 of the ERBUD S.A. Statutes, the term of office of the Supervisory Board is common and lasts 3 years. Members of the Supervisory Board of the Issuer are appointed under a resolution passed by the General Meeting of the Issuer.

However, the first Supervisory Board of ERBUD was appointed due to conversion of the legal predecessor - Erbud Sp. z o.o. into ERBUD S.A. according to Resolution No. 1 of the Shareholders' Extraordinary Meeting of ERBUD Sp. z o.o. of 15 November 2006 on the conversion and acceptance of the Issuer's Statute.

The first Issuer's Supervisory Board consisted of the following members:

Name and surname	Position/Function	Term beginning	Term ending
Gerhard Kässmann	President of the Supervisory Board	15.11.2006	15.11.2009
Wojciech Rzepka	Vice-President of the Supervisory Board	15.11.2006	05.12.2008
Albert Dürr	Member of the Supervisory Board	15.11.2006	15.11.2009
Gabriel Główka	Member of the Supervisory Board	15.11.2006	15.11.2009
Lech Wysokiński	Member of the Supervisory Board	15.11.2006	15.11.2009
Józef Olszyński	Member of the Supervisory Board	05.12.2008	15.11.2009

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

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

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

On 3 December 2013, as a result of the death of Professor Lech Wysokiński,. his mandate has expired.

As of 31.12.2013 and the date of the report publication, the Supervisory Board ERBUD SA consisted of the following member:

Full name	Post/Function	Term beginning	Term ending
Udo Berner	Chairman of the Supervisory Board	31.05.2012	31.05.2015
Józef Olszyński	Vice-Chairman of the Supervisory Board	31.05.2012	31.05.2015
Albert Dürr	Member of the Supervisory Board	31.05.2012	31.05.2015
Gabriel Główka	Member of the Supervisory Board	31.05.2012	31.05.2015
Zofia Dzik	Member of the Supervisory Board	31.05.2012	31.05.2015
Michał Otto	Member of the Supervisory Board	31.05.2012	31.05.2015

Remuneration of the Supervisory Board members of ERBUD SA 2013 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid *
Berner Udo	President of the Supervisory Board	76 125.00
Albert Dürr	Member of the Supervisory Board	50 565.00
Gabriel Główka	Member of the Supervisory Board	50 565.00
Lech Wysokiński	Member of the Supervisory Board	45 565.00
Józef Olszyński	Vice-President of the Supervisory Board	59 235.00
Zofia Dzik	Member of the Supervisory Board	50 565.00
Michał Otto	Member of the Supervisory Board	50 565.00
Total	**Supervisory Board of the Issuer**	**383 185.00**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2013 (in PLN).*

12.5. Management Board of Erbud S.A.

In accordance with Resolution No. 1 of the Extraordinary General Meeting of the ERBUD Sp. z o.o. (the legal predecessor of ERBUD SA) dated 15 November 2006 on the conversion of ERBUD Sp. z o.o. into ERBUD S.A. and on acceptance of the ERBUD S.A. Statutes, the Management Board of ERBUD S.A. was appointed as follows:
- Dariusz Grzeszczak,
- Józef Adam Zubelewicz.

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

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

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

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries in 2013

Name and surname	Position/Function	Total value of remuneration paid *
Dariusz Grzeszczak	Member of the Management Board	1 122 227.15
Józef Adam Zubelewicz	Member of the Management Board	1 112 113.74
TOTAL:	**Management Board of the Issuer**	**2 234 340.89**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2013 (in PLN).*

Members of the Management Board of Erbud SA were appointed by the Supervisory Board of Erbud SA on 12 November 2009 for a new three-year term agreement.
Each member of the Board shall be entitled to terminate the contract at twelve-months' notice.

In the event that the contract is terminated by the Company with the observance of a notice period, where the dismissal of a Board member is a reason justifying the contract termination and which termination is effected before the expiry of the office term of the Company's Board, the Company shall be obliged to pay a compensation amounting to the product of the equivalent of EUR 14,000.00 and the number of months remaining by the end of term.

Moreover, members of the Management Board of Erbud SA shall be obliged to observe non-competition clauses during the employment period and for a period of 1 year from the date of termination of employment contract. Moreover, the Company shall agree to pay a person covered by the prohibition of competition compensation in the amount equal to EUR 14,000.00 for each month after the termination of the employment contract by the fixed non-competition period. The compensation will be paid in equal monthly instalments.

Upon request of the member, the Company may waive or reduce the competition ban and then depart from the payment of compensation.

The Issuer covers the costs of retirement severance of the Management Board members for a total of PLN 177,976.75.

Remuneration of the Senior Management Staff of ERBUD SA paid by ERBUD SA and its subsidiaries in 2013

Name and surname	Total value of remuneration paid *
Agnieszka Głowacka	312 196.00
Piotr Jan Augustyniak	430 655.65
Walenty Twardy	358 200.00
Maciej Piotr Wyrzykowski	210 697.75
Grzegorz Krzywicki	190 522.08
Bogdan Durr	467 421.00
Tomasz Krzywicki	446 366.00
Włodzimierz Czystowski	213 296.31
Waldemar Kozłowski	297 000.00
Radoslaw Kałamaga	427 150.00
Mirosław Młynarski	506 206.00
TOTAL	**3 859 710.79**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2013 (in PLN).*

13. Proceedings in progress before courts, competent arbitration bodies or public administration entities as at the date of preparing the financial statements

Currently, there are no proceedings in progress before the authorities of public administration (government and local), no litigations or arbitration proceedings which could essentially impact the financial position or profitability of the Group and which claim amount would have exceed 10% of the shareholders' equity of the Group or Erbud SA.

14. Information on the entity authorised to review and audit the financial statements

Based on the recommendation of the Audit Committee, the Supervisory Board of ERBUD SA appointed by resolution No. 21/2013 dated 18 June 2013 the company Horodko TPA Horwath Audit Sp. with o.o. with its registered office in Poznań, 12-18 Murawa St., entered on the list of entities authorized to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements.

The auditor conducted the review of the interim Separate Financial Statements of Erbud SA and the Consolidated Financial Statements prepared as at 30 June 2013 and audited the annual Separate Financial Statement of Erbud SA. for the FY 2013 and the Consolidated Report for the FY 2013.

The total fee for reviewing the statements as referred to above for the period from 1 January 2013 to 30 June 2013 amounted to PLN 153,000.00.
The total fee for auditing the annual statements as referred to above, for the year ended 31 December 2013 amounted to PLN 191,000.00.
The total remuneration due to the agreement was PLN 344,000.00.

In addition, the auditor will audit the financial statements of the subsidiaries for a fee of PLN 189,000.00.

Annotation on the entity authorized to audit financial statements in 2012

At the meeting on 31 May 2011, the Supervisory Board of the Company appointed the auditor.
After became acquainted with the recommendation and justification prepared by the Audit Committee, the Supervisory Board, has chosen Horodko TPA Horwath Audit Sp. z o.o., based in 61- 655 Poznań, 12-18 Murawa St., entered on the list of entities authorized to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements of the Company for 2012.

The auditor conducted the review of the interim Separate Financial Statements of Erbud SA and the Consolidated Financial Statements prepared as at 30 June 2012 and audited the annual Separate Financial Statement of Erbud SA. for the FY 2012 and the Consolidated Report for the FY 2012.
The total fee for reviewing the statements as referred to above for the period from 1 January 2012 to 30 June 2012 amounted to PLN 146,000.00.
The total fee for auditing the annual statements as referred to above, for the year ended 31 December 2012 amounted to PLN 182,000.00.
The total remuneration due to the agreement was PLN 328,000.00.

In addition, the auditor will audit the financial statements of the subsidiaries for a fee of PLN 161,000.00.

15. Other information that would have a significant impact on operations and profitability of the Erbud Group

15.1. 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 Provincial Building Control Office) authorized the use of the project. The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:
- developing guidelines on using the civil structure, including the airport pavement maintenance manual
- regular technical inspections of the airport pavement,
- continuous monitoring of the civil structure.

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

According to an interview on 23 January 2013 for the TVN CNBC by Mr. Marcin Danił - Vice President of the Management of Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o., the Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage. The Customer has a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.

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

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 concerning the prohibition of use of part of the runway.

By the date, the Customer addressed to the General Contractor financial demand due to "indemnification" of for a the total amount of PLN 21,642 thousand. The Customer did not documented factual and legal claims. The General Contractor does not acknowledge the Customer's claim.

Moreover, on 12 August 2013, the Issuer received the decision issued by the District Court for Warsaw-Mokotów on providing a security on debts of Przedsiębiorstwo Wielobranżowe Ploh Sp. z o.o. amounting to PLN 74,204.84 for loss of profits related to a break in the activity of the airport. The court has established the security in the form of a compulsory mortgage on the vacant plot owned by the Issuer, located in Toruń. On 19 August 2013, it has been brought a protest

against the decision on securing the claim. The District Court in Warsaw, due to recognition of a complaint changed the decision on providing the security and dismissed the application. On 26 August 2013, it has been filed an answer to the suit, in which - besides the application to dismiss the complaint in full as manifestly unfounded, it has been raised a plea of lack of jurisdiction. On 24 September 2013, on the ground of lack of jurisdiction, the case was referred for rehearing by the Economics Department of the District Court of the Capital City of Warsaw.

On 17 July 2013, the Issuer received from LS Airport Services SA demand for payment in the amount of PLN 1,844 thousand for loss of benefits associated with a break in the activity of Modlin Airport. Law office representing the Issuer filed the response to the request proving that it is unfounded.

Standpoint of the Management Board on financial claims
Pursuant to a contract dated 14 September 2010 that was executed for the Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o., ERBUD SA acted as the general contractor construction the Warsaw-Modlin airport runway. On 28 December 2012, due to the surface defects found Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) issued a decision prohibiting the use of a part of the runway at Modlin Airport. Hovever, having regard to the public interest, the Company (as substitute contractor) replaced the runway concrete pavement), without waiting for the explanation of the causes of damage and without confirmation that it is obliged to make repair works under the warranty. These works were completed in June 2013 and the airport was re-admitted to passenger traffic on 3 July 2013.

ERBUD SA does not recognize its responsibility for the defective condition of the runway surface, and commissioned independent technical reports indicate that the reasons for damage were independent of the Company. Therefore, in our opinion as well as evaluation by legal advisors of Erbud SA, all expenses incurred for the resurfacing of the runway in a total amount of PLN 20.1 million, recorded as of the balance sheet date as assets of the Company, finally will not be addressed to ERBUD SA. As at the date of preparation of these Financial Statements, the Company failed a claim to the entities responsible for the defective condition of the runway surface and their insurers to pay the compensation equal to the above said expenditures incurred. At the same time, the Company is preparing a suit against those responsible for the defective condition of the runway surface to be compensated for expenses incurred.

15.2 Claim against the Bank Millennium SA - description of the situation

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.

As at the report publishing date the litigation is in progress; hearings of witnesses are continued.

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

On 10.01.2013, Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska, which is a debtor to Erbud S.A., filed 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.

According to the information obtained on 23 April 2014 in the Bankruptcy Court, the creditor i.e. WEG BET filed on 4 April 2014 to the District Court for the Capital City of Warsaw, X Commercial Division for Bankruptcy and Relief a letter withdrawing the request for bankruptcy of ERBUD SA. The Company is waiting for the decision of the Court in this case.

Management Board Member of the Parent Company

Dariusz Grzeszczak

Management Board Member of the Parent Company

Józef Zubelewicz

Warsaw, 28 April 2014