

Warsaw, 30 April, 2014

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013 (in PLN thousands)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	26	1 223 609	1 384 454
Cost of sold products and services and of goods and materials	27	1 132 699	1 300 356
Profit (loss) on sales before tax		**90 910**	**84 098**
Cost of sales		3 518	4 039
General and administrative costs		54 474	46 357
Other operating income	28	7 401	3 071
Other operating expenses	28	7 530	7 360
Profit (loss) on operating activities		**32 789**	**29 413**
Financial income	29	3 580	9 104
Financial expenses	29	11 186	15 018
Share in losses of subsidiaries valued at equity method		-89	0
Profit (loss) on continuing operations before tax		**25 094**	**23 499**
Income tax	30	7 015	4 972
Net profit (loss) on continuing operations		**18 079**	**18 527**
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial year		**18 079**	**18 527**
attributable to:			
Shareholders of the parent company		17 217	17 223
Minority shareholders		862	1 304
Weighted average number of shares / Weighted average diluted number of shares (in units)		**12 696 251/ 12 744 407**	**12 661 062/ 12 710 858**
Earnings (loss) per share / Diluted earnings (loss) per share on continuing operations (in PLN)	32	**1.36/ 1.35**	**1.36/ 1.35**

Exchange rate differences on valuation of foreign branches and entities		**18 079**	**18 527**
Other total net income		-42	-845
Total net income for the period		**-42**	**-845**
attributable to:		**18 037**	**17 682**
Shareholders of the parent company			
Minority shareholders		17 157	16 486
Exchange rate differences on valuation of foreign branches and entities		880	1 196

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 28 April 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the year ended 31 December 2013 (in PLN thousands)

	Note	31.12.2013	31.12.2012
ASSETS		**795 930**	**819 693**
Fixed assets		**117 755**	**123 826**
Tangible fixed assets	0	35 335	34 968
Investment property	8	5 492	5 519
Goodwill	10	20 102	20 102
Intangibles	0	1 875	2 067
Non-current financial assets	12	17 604	25 066
Long-term receivables	14	0	1 550
Deferred tax assets	30	37 310	34 554
Prepayments		37	0
Current assets		**678 175**	**695 867**
Inventory	13	112 140	115 293
Trade and other receivables	14	223 305	267 500
Income tax receivables	14	7 336	6 593
Financial assets		220	389
Cash and cash equivalents	16	124 590	201 769
Construction contracts	24	156 102	59 021
Short-term prepayments	15	4 541	3 068
Construction securities	14, 25	49 941	42 234
LIABILITIES		**795 930**	**819 693**
Equity attributable to shareholders of the parent company		**255 218**	**237 652**
Share capital	17.1	1 271	1 268
Foreign exchange differences from translation of foreign entities		591	455
Supplementary capital	17.2	222 793	215 669
Undistributed profits		30 563	20 260
Minority interests		**11 748**	**13 791**
Total shareholders' equity		**266 966**	**251 443**
Long-term liabilities		**61 308**	**103 597**
Bank loans and borrowings	18	14 487	12 616
Other financial liabilities	20.1	5 426	2 699
Provision for retirement and similar benefits	21	1 751	6 900
Other provisions	21	3 433	2 750
Other liabilities	20.2	0	12
Provision for issuance of bonds	19	0	50 000
Provision for deferred income tax	30	36 211	28 620
Short-term liabilities		**467 656**	**464 653**
Bank loans and borrowings	18	24 488	37 987
Trade and other liabilities	22	194 148	296 163
Current tax liabilities	22	7	201
Liabilities due to bonds issue		50 000	0
Provision for retirement and similar benefits	21	5 588	5 802
Other provisions	21	16 573	16 901
Retention money	22, 25	80 535	79 814
Building contracts	24	82 244	11 931
Other accruals	15	14 073	15 854

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Warsaw, 28 April 2014

CONSOLIDATED STATEMENTS OF CASH FLOW
for the year ended 31 December 2013 (in PLN thousands)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Cash flow from operating activities			
Profit / (loss) before tax		**25 094**	**23 499**
Total adjustments:		**-79 685**	**65 428**
Depreciation and amortization		7 727	7 529
(Profit) loss from exchange rate differences		-488	-2 091
Interest and share in profit (dividends)		4 839	4 861
(Profit) loss on investment activities		-2 311	-1 227
Change in provisions		-5 008	5 905
Change in inventory	16	4 140	-4 513
Change in receivables	16	39 295	-9 712
Change in short-term liabilities, excluding loans and borrowings	16	-95 671	57 572
Change in prepayments and accruals		-30 058	9 967
Other adjustments		445	-224
Income tax paid		-2 595	-2 639
Net cash used in operating activities		**-54 591**	**88 927**
Cash flow from investment activities			
Inflow		**11 210**	**24 787**
Disposal of intangible and tangible fixed assets		2 090	748
Disposal of investment in real property and intangible assets		0	180
From financial assets, incl.		9 112	10 652
- Repayment of granted loans		8 139	9 587
- Dividends and interest received		973	1 055
- Disposal of financial assets		0	10
Other		8	13 207
Outflow		**10 843**	**30 224**
Acquisition of intangible and tangible fixed assets		1 923	3 923
Acquisition of financial assets		7 637	26 301
Long term loans granted		1 201	0
Other		82	0
Net cash flow from investment activities		**367**	**-5 437**
Cash flow from financial activities			
Inflow		**36 891**	**57 409**
Net inflows from shares and other capital instruments issued and from capital contributions		402	597
Borrowings and loans		35 896	56 812
Other		593	0
Outflow		**59 846**	**100 686**
Dividends and other payments to shareholders		6	129
Repayment of borrowings and loans		47 524	85 580
Payment of liabilities arising from financial leases		4 270	4 827
Interest paid		7 837	10 144
Other		209	6
Net cash flows from financial activities		**-22 955**	**-43 277**
Total net cash flows		**-77 179**	**40 213**
Balance sheet change in cash, including		**-77 179**	**40 478**
- Change in cash due to exchange differences		0	265
Cash opening balance		**201 769**	**161 291**
Closing balance of cash, including	**16**	**124 590**	**201 769**
- Restricted cash		35 989	41 709

Signature of person preparing the Financial Statement

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/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 28 April 2014

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Share capital
As at 1 January 2012	**1 268**	**0**	**215 669**	**455**	**20 260**	**0**	**237 652**	**13 791**	**251 443**
Profit / loss for the period	0	0	0	0	0	17 217	**17 217**	862	**18 079**
Other total income	0	0	0	136	-196	0	**-60**	18	**-42**
Total income for the period	**0**	**0**	**0**	**136**	**-196**	**17 217**	**17 157**	**880**	**18 037**
Buyout of shares in Engorem Spółka z o.o.	0	0	849	0	0	0	**849**	-2 689	**-1 840**
Increase of share capital within the authorized capital	3	0	399	0	0	0	**402**	0	**402**
Shares-based payment (Management Stock Option Scheme)	0	0	285	0	0	0	**285**	0	**285**
Transfer of net profit from the previous year to retained earnings	0	0	5 591	0	-5 591	0	**0**	0	**0**
First time consolidation of the jointly controlled entity	0	0	0	0	-1 127	0	**-1 127**	-125	**-1 252**
Dividend to minority shareholders (GWI)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-109**	**-109**
As at 31 December 2013	**1 271**	**0**	**222 793**	**591**	**13 346**	**17 217**	**255 218**	**11 748**	**266 966**

Signature of person preparing the Financial Statement

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Warsaw, 28 April 2014

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

attributable to shareholders of the Parent Company for the year ended 31 December 2012 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Share capital
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2012	**1 264**	**0**	**240 255**	**1 014**	**-22 069**	**0**	**220 464**	**9 983**	**230 447**
Profit / loss for the period	0	0	0	0	0	17 223	**17 223**	1 304	**18 527**
Other total income	0	0	0	-559	-178	0	**-737**	-108	**-845**
Total income for the period	**0**	**0**	**0**	**-559**	**-178**	**17 223**	**16 486**	**1 196**	**17 682**
Taking control over Engorem Spółka z o.o.	0	0	0	0	0	0	**0**	2 804	**2 804**
Dividend to minority shareholders (GWI)	0	0	0	0	0	0	**0**	-132	**-132**
Buyout of shares in Energetyka Sp.z o.o.	0	0	58	0	0	0	**58**	-60	**-2**
Shares-based payment (Management Stock Option Scheme)	4	0	538	0	0	0	**542**	0	**542**
Coverage of losses from the previous year by supplementary capital	0	0	-25 284	0	25 284	0	**0**	0	**0**
Consolidation of a subsidiary	0	0	102	0	0	0	**102**	0	**102**
As at 31 December 2012	**1 268**	**0**	**215 669**	**455**	**3 037**	**17 223**	**237 652**	**13 791**	**251 443**

KEY ITEMS CONVERTED TO THE EURO

	31.12.2013		31.12.2012	
	PLN	EUR	PLN	EUR
Fixed assets	117 755	28 394	123 826	30 289
Current assets	678 175	163 526	695 867	170 214
Shareholders' equity	266 966	64 373	251 443	61 505
Liabilities and provisions for liabilities	528 964	127 547	568 250	138 998

Items of the balance sheet as at 31 December 2013 were converted at the Euro rate which was set by the NBP on that date i.e. 4.1472 PLN/EUR.

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

	Year ended 31 December 2013		Year ended 31 December 2012	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	1 223 609	290 574	1 384 454	331 717
Cost of products, services, goods and materials sold	1 132 699	268 986	1 300 356	311 567
Profit on sales before tax	90 910	21 589	84 098	20 150
Profit on operating activities	32 789	7 787	29 413	7 047
Gross profit (loss)	25 094	5 959	23 499	5 630
Net profit (loss)	18 079	4 293	18 527	4 439

Items of the profit and loss statement for the year ended 31 December 2013 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.2110 PLN/EUR.

Items of the profit and loss statement for the year ended 31 December 2012 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1736 PLN/EUR.

	Year ended 31 December 2013		Year ended 31 December 2012	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	-54 591	-12 964	88 927	21 307
Cash flows from investment activities	367	87	-5 437	-1 303
Cash flows from financial activities	-22 955	-5 451	-43 277	-10 369
Net cash flows	-77 179	-18 328	40 213	9 635
Cash opening balance	201 769	49 354	161 291	36 518
Cash closing balance	124 590	30 042	201 769	49 354

Cash flow items for the year ended 31 December 2013 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.2110 PLN/EUR.

Cash flow items for the year ended 31 December 2012 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1736 PLN/EUR.

For translating cash as at 1 January 2013 it was applied the exchange rate set by the NBP as of that day, i.e. 4.0882 PLN/EUR.

For translating cash as at 1 January 2012 it was applied the exchange rate set by the NBP as of that day, i.e. 4.4168 PLN/EUR.

For translating cash as at 31 December 2013 it was applied the exchange rate set by the NBP as of that day, i.e. 4.1472 PLN/EUR.

For translating cash as at 31 December 2012 it was applied the exchange rate set by the NBP as of that day, i.e. 4.0882 PLN/EUR.

EXPLANATORY NOTES

1 General information

The ERBUD Joint Stock Company (Erbud S.A.), seated in Warsaw,300A Puławska Street, which was established in way of conversion of the Erbud Limited Lliability Company (Erbud Sp. z o.o) registered in the National Court Register on 29 November 2006 under the KRS number 0000268667, is the parent company (the "Parent Company" or "Parent") of the ERBUD Group (the "Group").

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

The subject of the Parent basic activity are large-volume civil construction works (PKD 4521A).

Widely understood construction works performed in general contracting in Poland and abroad are the subject of the Group operations. Erbud S.A. is the management, financial and advisory centre.

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

The Consolidated Financial Statements are presented in Polish currency (the "PLN") and all values are given in thousands of PLN.

1.1 Composition of the Group

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

Business unit	Seat	Activity range	Percentage share of the Group in equity as at	
			31.12.2013	31.12.2012
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%
GWI GmbH	Germany	Construction	85%	85%
Ersteel Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Steel structures	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%
Toruńska Sportowa Sp. z o.o.	Toruń	Construction	39%	39%
Erbud Ireland	Ireland	Construction	100%	100%
Grupa Budlex	Warszawa	Construction	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo -Inżynieryjnego S.A.	Toruń	Building development	94.27%	94.27%
Erbud Energetyka sp. z o.o.	Katowice	Road-engineering	100%	100%
		Construction		
Engorem Sp. z o.o.	Łódź	Energy services	98.62%	98.62%

Parent Company

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

Subsidiaries brought into the Consolidated Financial Statements of the Group using full consolidation:

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

- Przedsiębiorswo Budownictwa Drogowo Inżynieryjnego S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.
- Engorem Sp. z o.o.
- Delta Sp. z o.o.

Subsidiaries excluded from the Consolidated Financial Statements:

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

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

1.2 Jointly controlled entities

The Group includes a jointly controlled company - Projekt Deptak P2 Sp. z o.o. For the fiscal year 2013 ended 31December 2013 the entity reported a loss on equity method valuation of € 89 thousand.

1.3 Membership of the Management Board of the Parent

Over the period from 1 January 2013 to the date of preparing these Financial Statements the composition of the Management Board of the Company was constant.

As at 31 December 2013 the Management Board of the Parent was consisted of:

Dariusz Grzeszczak - Board Member
Józef Zubelewicz - Board Member

As at 31 December 2013 the Supervisory Board of the Parent was consisted of:

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

1.4 Going-concern assumption

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

1.5 Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2013 and include comparative data for the year ended 31 December 2012 and as at 31 December 2012.

1.6 Approval of Financial Statements

These Consolidated Financial Statements were approved by the Management Board for publication on 28 April 2014.

2 Significant accounting policies applied

The accounting policies applied when preparing the Consolidated Financial Statements are presented below and were applied in all periods presented on a continuous basis, unless otherwise stated.

2.1 Basis of preparing the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IFRS as adopted by the EU for in force at the balance sheet date. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

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

Standards and interpretations applied for the first time in 2013

The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board and approved by the EU came into force in 2013:

- Amendments to IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income, approved in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, approved by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 "Employee Benefits" - an amendment to the post-employment benefits accounting, endorsed in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to various standards "Improvements to IFRSs (2009-2011 cycle)" - changes in the procedures for annual improvements to IFRS (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) primarily focused on removing inconsistencies and clarifying wording approved by the EU on 27 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 "Determining the fair value" endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 "First-time Adopters" - Strong Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 "First-time Adopters" - Government Loans approved by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - offsetting financial assets and financial liabilities, approved in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013).

These amendments did not have a significant effect on the Accounting Policy used by the Group.

Standards and Interpretations adopted by the IASB, but not yet approved by the EU

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and amendments to standards which as of 15 March 2013 have not yet been approved to be applied:

- Amendments to various standards, "Improvements to IFRSs (2012)" - changes under the annual improvements to FRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) primarily focused on solving inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2013)

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after1 January 2015)
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Mandatory Effective Date and Transition Disclosures
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014)
- IFRS 14 "Deferred balance of regulated activity" (effective for annual periods beginning on or after 1 July 2016).

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

Standards and interpretations that have been issued but are not yet in force

When approving the Financial Statements the Group did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but are not yet effective:

- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

- Amendments to IAS 32 "Financial Instruments: Presentation" - offsetting financial assets and financial liabilities, approved in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 20140

- Amendments to IAS 36 "Impairment of Assets" - Disclosure of the recoverable value of non-financial assets, approved in the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014)

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of derivatives and continuation of hedge accounting, endorsed by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014)

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

- IFRS 12 "Disclosure of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - explanations on the transitional rules, approved in the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014)

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – investment units, approved in the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group decided not to use the option of an earlier adoption of these standards, amendments to standards and interpretations. According to the Group's opinion, the above standards, amendments to standards and interpretations have no material impact on the Consolidated Financial Statements, if adopted by the Group at the balance sheet date.

2.2 Consolidation principles

The Consolidated Financial Statements include the financial report of Erbud SA and financial reports of subsidiaries, each closed for the year ended 31 December 2013. The financial statements of subsidiaries are prepared for the same period as the statement of the Parent, on the basis of uniform accounting rules applied to transactions and economic events of a similar nature.

2.2.1 Subsidiaries

The undertakings of the Group keep their account books in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued on basis thereof ("National Accounting Standards").

Erbud International Sp. z o. o. had a foreign branch in 2013. The entity was subject to tax and accounting rules being in force in Germany i.e. the country where they operate. In accordance with section 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. According to section 264 paragraph 1 and in relation to section 242 paragraph 3 of the German Commercial Code (HGB), the annual balance consists of: balance sheet, profit and loss account, annex. Branches are treated as small capital companies in terms of section 267 paragraph 1 of the German Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

The Consolidated Financial Statements contain adjustments not included in the books of the Group undertakings made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

The subsidiaries are subject to consolidation for the period from the date of taking control of them by the Group and are not consolidated from the date of lose control. Controlling by the Parent Company is when it directly or indirectly, through its subsidiaries has more than half of the voting power in that company, except that it is possible to prove that this property does not constitute the control. The control also occurs when the Company has the option to decide on financial and operating policy of the entity.

Takeover of subsidiaries is accounted under the method of acquisition.

Financial results of companies acquired or sold during the year are included in the consolidated financial statements from / to the date of their purchase/sale.

The Parent and the subsidiaries have been consolidated under the full method subject to the following principles:

- all relevant items of assets and liabilities of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing,
- all relevant items of income and expenses of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing.

From the Consolidated Financial Statements have been excluded:

- equity of subsidiaries as on day of taking control over them,
- value of the shares held by the Parent and other consolidated entities in subsidiaries
- intra-group claims and commitments, and other settlements of similar nature of consolidated units,
- income and expenses relating to operations carried out between the consolidated units,
- profits from operations carried out between consolidated units, which were unrealized from the point of view of the Group, and included in consolidated assets and liabilities as well as unrealized losses,
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

2.2.2 Affiliated undertakings

A company is an associated one when the Parent has a significant impact on it and which is neither a subsidiary nor a joint venture. Investments in associates are accounted by using the equity method. The financial statements of associates are the basis for valuation under the equity method of shares owned by the Parent. The financial year of associates and the Parent is the same. The Group undertakings keep their accounting records in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 ("Act"), as amended and by regulations issued under them ("National Accounting Standards"). The Consolidated Financial Statements contain adjustments not included in the books of the Group undertakings made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

Investments in associates are reported in the balance sheet at acquisition cost, including subsequent changes in the Parent share in net assets of these undertakings, less any impairment losses. Profit and loss account reflects the share in the operating results of associates. In the event of a change recognized directly under equity of associates, the Parent Company recognizes its share in any adjustment, and if appropriate, reported it in the report on equity changes.

Gains and losses arising from transactions between the Group and the affiliated entity are subject to consolidation exclusion in accordance with the Capital Group share in the equity of the associate company.

2.2.3 Joint venture

The Group holds a stake in a joint venture which is jointly controlled entity, in which - in accordance with the agreement concluded - the partners established a common control over its business activity. In order to make financial and operational decisions, the agreement requires unanimous consent of the shareholders. The Group recognized its interests in jointly controlled entity by equity method. Financial statements of the joint venture are prepared as at the same reporting date as the financial statements of the Group. Any adjustments are intended to eliminate differences in the rules (policy) accounts applied.

2.2.4 Non-controlling shareholders

Transactions with minority shareholders are recorded in correspondence with the capital.

2.3 Currency of the measurement and currency of financial statements

Items reported in the financial statements are valued in the currency of the primary economic environment in which the entity operates (“functional currency").

The Consolidated Financial Statements of the Group is presented in PLN (Polish Zloty) which is the functional currency and presentation currency of the Parent.

Transactions in foreign currency are disclosed in the accounts at nominal value converted into PLN at the rate of average rates of Polish National Bank. At the time of execution, foreign exchange differences are recorded as income or expense.

As of the balance sheet date, cash assets and liabilities quoted in other currencies than the PLN are converted into PLN by using the current average rate for the given currency fixed by the Polish National Bank at the end of the reporting period. The exchange differences resulting from translation are included respectively in income (expense), or in the cases referred to the accounting rules (policy), are capitalized in the value of assets. The non-monetary assets and liabilities recognized at historical cost in foreign currency are recorded at the historical rate valid on the transaction date. The non-monetary assets and liabilities recognized at fair value in foreign currency are translated at the rate of the date of valuation to fair value.

Below are presented rates used for the valuation of balance sheet:

Currency	31 December 2013	31 December 2012
EUR	4.1472	4.0882

Assets, liabilities and results of foreign branches of subsidiaries and subsidiaries with different functional currency

The EURO is a functional currency of foreign subsidiaries. As at the balance sheet date, assets and liabilities of foreign entities were translated at the Group's presentation currency as follows:

- assets and liabilities of branches and any balance sheet presented here (i.e. taking into account comparable data) are translated at the closing rate on a given balance date,
- revenues and expenses are translated at average exchange rate (unless the conversion using the average exchange rate would be significantly different from the values obtained by using the exchange rates valid as at the date of transaction).

Exchange differences arising from the conversion are recognized as a separate component of equity under "Exchange differences on translation of foreign branches".

At the time of disposal of a foreign entity, accumulated deferred exchange differences recognized under the shareholders' equity are reported in profit and loss account.

2.4 Estimates and assumptions

The estimates and assumptions that arise from past experiences and predictions on future events are verified at each balance date.

2.4.1 Opinion of the Management Board in the process of implementing the accounting policy

In the process of applying the accounting policies (rules), the management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. The estimates of the Group relate mainly to provisions, depreciation on assets, valuation of construction contracts and depreciation rates applied.

2.4.1 Estimation uncertainty

Basic assumptions on the future events and other key sources of uncertainty occurring as at the balance sheet date, giving a significant risk of substantial adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows.

Provisions for legal claims

In case where undertakings are parties to legal proceedings, legal entities that support the units of the Group and the Boards of companies constituting the ERBUD Group estimate the amount of reserves to cover the effects of the ongoing proceedings.

Provisions for employee benefits

Provisions for employee benefits were estimated by the Company with regard to turnover ratio, the probability of granting and the discount rate as of the date of estimation.

Provisions for remedying defects

In case of construction works, the companies of the Erbud Group are obliged to provide warranties on their services. Methodology of creation of guarantee repair provisions has been described in section 2.18 below.

Depreciation rates

Depreciation rates are calculated on the basis of the anticipated period of economic usefulness of components of tangible fixed assets and intangible assets. Based on current estimates the Group verified every year the periods of economic utility.

Recognition of incomes from long-term contracts

The Group uses a method of percentage progress of works to settle the long-term contracts. Revenues and expenditures due the execution of building contracts from the contract conclusion to the balance date, are set in proportion to the construction stage according to the measurement report on work carried out, after adding incomes and costs which affected the financial results in previous years.

If the result of works may not be reliably set on the balance date, it is deemed that the income is equal to the costs incurred in the given period, but not higher than the costs, which will be probable covered by the customer in the future.

Deferred tax assets

The Group recognizes an item of deferred tax assets basing on the assumption that future tax profits will be achieved as to realize the assets.

Impairment of assets

The Group tests its assets for indications of impairment where such indications exist and at least once a year reviews additionally value of the Company. Recoverable value is estimated for each asset item, unless this item does not generate cash inflows that are considerably independent of cash inflows from other assets or groups of assets. If this occurs, the value recovered is determinated at level of the cash generating unit to which the asset item belongs. Estimation of the value-in-use consists in determination of future cash flows generated by the cash-generating unit and in establishing discount rate to apply in order to calculate the present value of these flows.

2.5 Property, plant and equipment

Tangible fixed assets are stated at purchase price / production cost less depreciation and impairment losses. Initial value of fixed assets includes the purchase price increased by all costs directly related to the purchase and adaptation of a property component to be capable to use. The cost of replacing parts of plant and equipment at the time they are incurred is included in expenses if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repairs charge the profit and loss account as incurred, except where it can be show that these costs caused an increase in expected future economic benefits from the ownership of a fixed asset. The expenses incurred increase then the initial value of the fixed asset.

Fixed assets, excluding land, are depreciated linearly over a period corresponding to the estimated duration of their economic usefulness. Amortization begins when the property, plant and equipment is available for use.

The period of use of property, plant and equipment is as follows:

	Annual depreciation rate
• Buildings and structures	2 – 4.5%
• Technical equipment and plant	6 - 30%
• Vehicles	12.5 - 20%
• Other	10 - 30%

Subsequent expenditures are included in the carrying amount of an fixed asset or recognized as a separate fixed asset only if probably is that an inflow of economic benefits to the Group from this item will take place and the cost of given item can be reliably measured. Other costs incurred after the initial recognition, such as the cost of repairs, maintenance and commission fees affect the financial results of the reporting period in which they are incurred, except of general service costs, which are included in the carrying amount of the relevant item of tangible fixed assets.

The final value and duration of use of fixed assets are verified at least once a year and, where appropriate, are revised. If there are indications that it may be impaired and the carrying amount exceeds the estimated recoverable amount, the value of the asset or cash-generating units which own those assets are reduced to the level of the recoverable amount. The recoverable amount is the higher one of the following two values: the fair value less costs of sell or the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of money value over time and risk associated with the given asset item. In the case where an asset item does not generate cash income in a manner substantially independent, the recoverable amount is establish for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account under "Cost of sales".

An item of tangible fixed assets may be derecognized after its disposal or where economic benefits resulting from the further use of the asset are not expected. Any gains or losses resulting from the derecognition of the given asset (calculated as the difference between any net incomes from the sale and the carrying amount of given item) are recognized in the profit and loss account during the period in which they were recognized.

Gains and losses on disposal of fixed assets are estimated by comparison of the incomes from the sale with their carrying amount and are recognized in profit and loss account.

The final value, duration of use and depreciation method of assets is verified and, if necessary revised, at the end of each financial year.

Investments on fixed assets under construction are measured at the amount of the total cost which is in direct relation to their acquisition or construction, including financing costs and less any impairment losses. Fixed assets under construction are not depreciated until the completion, i.e. until they are available for use.

Transfers under the item "Buildings and land" concern items transferred to the long-term investments; reduction under the item "Land" applies to the land value transferred to the long-term investments, and increase under the item "Buildings and structures" applies to changes in the proportion between the part of building used for own needs and the other one considered as a long-term investment.

2.6 Lease

Finance lease contracts which transfer all the risks and rewards incidental to ownership of assets under a lease, are capitalized at the day when the lease is coming into force at the lower of the following two values: the fair value of the lease subject or the present value of the minimum lease payments. Lease payments are divided between finance costs and payments of principal repayment, taking into account the fixed rate of interest with regard to the obligation.

Financial expenses are recognized immediately in profit or loss account. Fixed assets used under finance leases are subject to depreciation according to the rules applied to the assets that are owned.

In the absence of certainty, that after the end of the lease agreement the Company receives the right to property, assets are written off over a shorter of two following periods: the lease period or the period of economic usefulness.

Lease contracts under which the lessor retains substantially all the risks and rewards of ownership of assets under a lease are classified as operating lease contracts. Lease payments due to operating leases and the subsequent lease payments are recognized in the profit and loss account as expense using the line method over the duration of the lease.

2.7 Impairment of non-financial assets

At each balance sheet date the Group undertakings evaluate whether there is any objective indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and a write-off is made in an amount equal to the difference between the possible value to recover and the carrying amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For purposes of analysis in terms of impairment, assets are grouped at the lowest possible level in respect of which there are separately identifiable cash-generating units. The cash-generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Loss resulting from impairment is recognized in the profit and loss account.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In the event that such indication exists, the impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such case, the carrying amount of the asset item is increased to its recoverable amount. However, he increased carrying amount attributable to a reversal of an impairment loss cannot exceed the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss for an asset is recognized immediately as income in the profit or loss, unless the given item of asset is carried at revalued amount; in this case, the reversal is treated as an increase in revaluation capital.

2.8 Borrowing costs

As binding, the Group adopts the rule that allowed alternative approach clarified by IAS 23 Borrowing costs. According to this approach:

- borrowing costs are recognized as an expense in the period in which it incurs them, except costs capitalized in accordance with the principle set out below,
- borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset item are activated as part of the purchase or manufacturing cost of that asset item.

The amount of borrowing costs eligible for capitalisation is determined in accordance with the above-cited standard.

Inventories in development companies, fixed assets, investment properties and intangible assets are primarily qualifying assets of the Erbud Group.

2.9 Investment property

Investment property is real estate to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Real estate investment is initially valued at purchase price or cost of production. The initial valuation includes the transaction costs.

Subsequent expenditures on investment property increase its value if the future economic benefits that are associated with the investment property will flow to the entity will exceed costs incurred for the investment property.

To measure the property after the initial recognition, the Company has chosen a cost model, under which all of its investment properties are valued at purchase price or production cost less any accumulated depreciation and write-off due to permanent impairment.

The useful lives of investment properties of the Group are as follows:

- Buildings and structures 10-50 years
- Other investment property 2-10 years

Investment properties assets are derecognised when they have been disposed of or permanently withdrawn from use and when no future economic benefits are expected from its sale. Any gain or loss arising on derecognition of investment property are recognized in profit or loss account in the period in which such derecognition took place.

Transfers of assets to investment property are made only if there is a change in use, evidenced by the end of the asset by the owner, conclusion an operating lease contract or completion of the investment property construction.

In the event, the investment property is transferred by the owner to the assets used or to the inventories, the alleged cost of such asset item, which will be adopted for the purpose of its inclusion in another category, is equal to the fair value of the property at the date of modification of its use. If an asset used by the owner i.e. the Group becomes an investment property, the Group applies the principles set out in the section "Property, plant and equipment" up to the date of change in use. In case of transfer of assets from the inventories to the investment property, the difference between the fair value of the property determined as on the date of transfer and its previous carrying amount is recognized in the profit and loss account. When the Group finishes the building or execution of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit and loss account.

2.10 Intangible assets

Intangible assets are recognized if it is likely that in the future they will bring to the unit an inflow of economic benefits that can be directly related to those assets.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs on permanent impairment. Intangible assets are amortized linearly over a period corresponding to the duration of their estimated economic usefulness, which for the Group is as follows:

- Patents and licenses 5 -15 years
- Software 1-5 years

The Group determinates whether the useful life of intangible assets is finite or indefinite. Intangible assets with an finite useful life are amortized over the useful life and tested for impairment, whenever there is an indication of impairment. The period and method of amortization of intangible assets with an finite useful life reviewed at least at the end of each financial year. Changes in the expected useful life or the expected way of consumption of economic benefits from a given asset are recognized by changing the period or method of depreciation and treated as changes in estimates.

Intangible assets with an indefinite useful life and those that are not used, each year are subject to verification of the possible impairment of individual assets or at the level of cash-generating unit.

Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures incurred for development, are not capitalized and are included in the cost of the period in which they are incurred.

Gains or losses resulting from the derecognition of intangible assets are valued at the difference between the net sales income and the carrying amount of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

2.11 Goodwill

Goodwill on consolidation is recognized at cost which is the surplus of the costs of consolidation of business entities over the share of the acquiring entity in the fair value of identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is reported as an asset and is not subjected to depreciation, but at least once a year is subject to analysis in terms of impairment losses. Any impairment is recognized in the profit and loss, and is not subjected to reversal in subsequent reporting periods.

If the goodwill is a part of the cash-generating unit and a part of activity of that unit is sold then the goodwill related to the disposed business is taken into account when determining the gain or loss on disposal.

2.12 Financial instruments

Financial assets and liabilities are recognized on the balance sheet of the Group, when the Group becomes a binding party to a contract.
Instruments owned are recognized in the Group balance sheet by the following categories:

- financial assets, financial assets available for sale, financial assets held to maturity, loans and receivables, financial assets carried at fair value by profit and loss account (including financial derivatives);
- financial liabilities and equity instruments, bank credits and loans , trade payables, liabilities carried at fair value by profit and loss account (including financial derivatives).

The classification is based on the goal criterion of investment purchase or entering into the commitment. The Management Board determines the classification to each category of investments or liabilities by their initial recognition and then verifies as on each balance date.

Financial assets carried at fair value, with gains or losses accounted in the profit and loss account include two categories:

- financial assets held for trading and
- financial assets held at the time of initial recognition of fair value and gains or losses recognized in the profit and loss account

Financial assets are classified as current assets or liabilities held for trading if they:

- were purchased primarily for the purpose of sale or redemption in the short period
- are a derivative (except for hedging instruments).

Changes in the value of these financial instruments are included in income or financial costs. Assets valued at fair value through profit or are classified as current assets.

Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market and not included in the derivatives. They are included in current assets, unless their maturities not exceeding 12 months from the balance sheet date. Loans and receivables with maturity of over 12 months from the balance sheet date are classified as current assets.

Trade receivables for the ongoing construction contracts and due to advances are classified as short-term receivables, as it is expected that they will be settled in the normal unit operating cycle.

Claims arising from the deposit guarantees and the loan, the maturity of which is less than 12 months, are recorded as accounts receivable. Long-term receivables due to the deposit guarantees are subject to the discount of present value at the effective interest rates.

Loans and trade receivables are initially recognized at fair value and subsequently measured at amortized cost and reducing by the write-downs on permanent impairment. Impairment losses for the accounts receivable are created when there is objective evidence that the Group will not be able to receive all amounts owed under the original terms of receivables.

Investments held to maturity are financial assets not classified as financial assets held for trading or loans and receivables, with fixed or determinable payments and fixed maturity which the Group's Management Board intends and is able to hold to maturity.

Purchases and sales of investments are recognized on the transaction date, i.e. the date on which the Group commits itself to purchase or sell an asset. The investment is initially recorded at fair value plus transaction costs. In the next periods the investments held to maturity are valued according to the adjusted purchase price (amortized cost).

Financial assets available for sale are financial instruments not qualified for any of the other categories of financial instruments.

Financial assets available for sale are carried after the initial recognition at fair value. If it is not possible to determine the fair value of financial assets available for sale, and the maturity is fixed, they are measured at the amortized cost; if the assets have no fixed maturity date, the valuation is made at purchase cost.

Profits and losses of changes in fair value are carried in the period they arise. The occurred differences in the carrying amount are recognized directly in equity. Financial assets available for sale classified as non-monetary, where the fair value is impossible to determine, are valued at acquiring cost less any permanent impairment. In the event of sale of securities included in the "available for sale", the total adjustments to the level of the current fair value is recognized in equity, are carried in the profit and loss account as gains and losses on financial assets.

Financial instruments are derecognizerd from the balance sheet when the Group loses control over the contractual rights constituting the financial instrument. Generally it takes place when the instrument is sold or when all flows attributable to that instrument are transferred to the independent third party.

Purchase and sale of financial assets are recognized as of the date of transaction. At the time of initial recognition they are measured at purchase cost, i.e. at fair value, including transaction costs.

Exemption from the statement of financial position

The Group excludes the financial asset item (or part thereof or part of a group of similar financial assets) from the statement of financial position when:

- right to receive cash flows from the financial asset has expired;
- the Group has assign the right to receive cash flows from the asset, or pledged to transfer the cash received without undue delay to a third party dealing as a broker and either (a) the Group has transferred in substance all the risks and rewards of ownership of the asset, or (b) the Group has not retained nor transferred in substance all risks and rewards of the asset but has assigned the control of the financial asset.

If the Group has transferred its rights to receive cash flows from the asset, or pledged to intermediate in the transaction, but not transferred or retained in substance all the risks and rewards of ownership of an asset or the said transfer did not result in the assign of control of the asset, then the new asset is recognized to the extent to which the Group continues its involvement in the asset.

In such case, the Group recognizes the related liability. The transferred asset and associated liability is valued having regard to rights and obligations the Group has retained.

Involvement in the asset, which takes the form of guarantees, is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for this asset.

2.13 Impairment of financial assets

At each balance sheet date the Group assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

If there are objective indications that the loss has been suffered due to the impairment of loans and receivables measured at amortized cost, the amount of impairment loss is equal to the difference between the carrying amount of financial asset and the present value of estimated future cash flows (excluding not yet incurred future losses due to bad debts), discounted at original effective interest rate (i.e. the interest rate fixed at initial recognition). The carrying amount of the asset is reduced either directly or through the reserve. The amount of losses is recognized in the profit and loss account.

At first the Group assesses whether there are objective indications of impairment of individual components of financial assets that are individually significant, and an indications of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective indications of impairment of individually assessed financial asset, regardless of whether it is a significant one or not, the Group includes this component to financial assets with a similar credit risk characteristics and completely assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognized or was found that the current impairment will not change, are not taken into account when totally assessing assets for impairment.

If impairment loss has decreased in the next period, and that reduction can be objectively related to an event following the impairment recognition, the previously recognized impairment is to be reversed. Subsequent reversal of an impairment loss is recognized in the profit and loss account to the scope in which the carrying amount of asset does not exceed its amortized cost as at the reversal date.

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value cannot be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

If there are objective indications that an impairment of financial assets available for sale has occurred, the amount representing the difference between the cost of the asset (less any repayment of capital and depreciation) and its current fair value, less any impairment losses previously recognized in the profit or loss account, is derecognized from equity and transferred to the profit and loss account. Reversal of an impairment loss of equity instruments classified as available for sale cannot be recognized in the profit or loss account. If in a subsequent period the fair value of debt instruments available for sale increases, and this increase can be objectively related to an event following the recognition of impairment losses in the profit and loss account, the amount of reversed impairment is recognized in the profit or loss account.

2.14 Inventories

Materials, goods, work in progress and finished goods are current assets inventories.

The Group applies the following rules of inventory classification to the specific categories:

- **materials** – elements stored in the storage places for use in manufacturing processes, particularly for construction purposes;
- **work in progress** – includes costs of development projects under construction as well as materials of general-purpose stock and low-processing materials, which can easily and without incurring significant costs be used for other contracts or sold (if they are required for this contract);
- **goods** – the stock acquired in the purpose of their resale, including land for development projects in the implementation of development projects;
- **finished goods** – products of own production, which proceeding been fully completed, apartments, premises and buildings for sale.

Elements stored on construction sites to be used by the Company or a subcontractor for specific purposes on particular site only, which probably cannot be used by execution of other contracts or sold, are not are considered to be the inventory. These items are related directly to the cost of the contract and included in the valuation of the contract according to the stage.

Inventories are measured at the lower of the two values: purchase cost or net selling price.

Costs incurred to bring each item of inventories to its present location and value, both for the current and previous year, are recognized in the following manner:

- **materials** - at purchase cost determined by the using the FIFO method
- **work in progress and finished products** - cost of direct materials and labour and manufacturing overhead costs under the assumption of normal capacity utilization, excluding borrowing costs
- **goods** - at purchase cost determined by the using the FIFO method.

Net selling price is the available sale price without VAT and excise taxes, less discounts and other costs related to the adaptation of the item for sale and to selling it, achievable as at the balance sheet date.

2.15 Trade and other receivables

Claims due to supplies and services, whose maturity is usually between 30 and 180 days, are recorded and reported according to the amounts originally invoiced, including provision for bad debts. Provision for uncollectibles is assessed when it is improbable to recover receivables. Bad debts are written off in the profit and loss at the time of their loss.

Where the effect of money inflow over time is substantial, the value of accounts receivable is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time. In case the discounting method has been used, the increase in receivables on an accrual basis is recognised as financial income.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity not exceeding three months.

As cash restricted the Group classified, above all, measures

- which are a collateral for bank guarantees and liabilities due to derivatives
- collected on escrow accounts in the development companies

if their maturity does not exceed 3 months.

Cash at bank and in hand are valued at their nominal value.

The Group shows cash restricted in the balance sheet under cash and cash equivalents. For the purpose of cash flow statement, cash at the beginning and end of the period is reduced by cash restricted and it balance change is recognised in the flows from operating activities.

2.17 Capitals

Share capital comprises ordinary shares and is recognised at their nominal value (in accordance with the statutes of the Parent and the entry into the National Court Register).

The amount resulting from the difference between the premium price of shares covered by the Parent and their nominal value make a surplus from the sale of shares above their nominal value.

Minority interests are a part of equity of affiliates under full consolidation, which belongs to other shareholders than those included in the Group.

Profit (loss) of subsidiaries in part which belongs to other shareholders than those included in the Group is a profit (loss) on non-controlling interests.

Treasury shares

Redemption of own shares is recorded at cost and deducted from equity. Gains or losses occurred at the redemption, sale, issue or cancellation of treasury shares does not affect the profit and loss account. The difference between the carrying value and the purchase price in case of re-issue of shares is recorded in the surplus from the sale of shares above their nominal value. The rights attributable to treasury shares are cancelled and payment of dividends is not allocated to them.

2.18 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the influence of the money value over time is material, the provision is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time and the potential risks associated with the given liability. If the discount method has been used, the increase in reserves on an accrual basis is recognized as financial expense.

Provisions for liabilities include, but are not limited to:

- guarantee repair provision,

- provision for contract losses,
- provision for litigations,
- unused leave provision,
- retirement provision,
- provision for anniversary awards.

Guarantee repair provision

In the case of construction contracts the companies forming the Erbud Group are obliged to provide guarantees on their services.

The general rule is creation of provisions for guarantee costs based on the rate of guarantee costs calculated as the quotient of guarantee repair costs to the revenues from the given contract and charging costs of services sold. This value is subject to individual review and may increase or decrease in justified cases.

In some cases, the provision for guarantee repair is recognized as at balance sheet date in the amount established on the basis of past experience in the field of a guarantee repairs.

Provision for litigations

The legal divisions and boards of companies of the Group make detailed analysis of potential risks related to ongoing operations and on this basis decide if recognition of the effects of those proceedings in the books of the Group entities is necessary and state the amount of provision.

Unused leave provision

The basis for calculating the reserve for holiday leave provision is a list of unused leave days as at the given balance sheet date, divided by individual employees their daily gross salary plus social security overheads.

Provision for retirement benefits, disability pensions and anniversary awards

The Group entities are required to pay severance and pension allowances in accordance with relevant regulations. The Group also committed to running the awards program. Therefore, there are created provisions for the present value of liabilities arising from the above-mentioned benefits. Payments are written off in the profit and loss account so as to stagger the benefits for the entire period the persons are employed. The year 2011 was the last year of the awards program.

Group companies have adopted a policy of recognizing actuarial gains and losses in the period in which they occur. All actuarial gains and losses are recognized in profit or loss.

The Group does not create a special fund for collecting payments due to future benefits.

Cost of retirement and pension allowances as well as awards, and the present value of liabilities due to the fore-said titles is determined using actuarial techniques. Making an actuarial valuation requires assumptions: discount rates, projected ratios of return on assets and increases in salaries. Because of the complexity of valuation, assumptions made, and the long-term nature, the liabilities under the above benefits are very sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

2.19 Bank loans, borrowings and debt securities

Loans and bank credits and at their initial recognition are recorded at purchase price equal to the fair value of cash received, less any costs related to obtaining bank credits or loans.

In subsequent periods, credits and loans are valued at amortized cost using the effective interest rate. When determining the amortized cost all costs related to obtaining bank credits or loans and discounts or premiums to account for the settlement of liabilities.

In the profit and loss account are recognized all results of the adjusted purchase price and effects of the debt derecognition or it impairment.

2.20 Trade and other liabilities

Due to the characteristics, liabilities are divided into:

- provisions,
- contingent liabilities,
- financial liabilities,
- current liabilities,
- long-term liabilities.

Contingent liabilities are possible liabilities which depend on a possible event or situation to occur. These liabilities are disclosed in the notes and additional information.

Financial liabilities are obligations to deliver financial assets or to exchange financial instruments with another entity to adverse conditions.

Current liabilities are all liabilities for supplies and services as well as a whole or that part of the other debts that are due in less than 12 months from the balance sheet date. Liabilities are valued as of the balance sheet date in the amount payable.

Long-term liabilities are liabilities for any other items than supplies and services which are due for more than 12 months from the balance sheet date.

Liabilities for supplies and services due to ongoing building contracts and advance payments received are classified as current liabilities, as it is expected that they will be settled in the normal operating cycle of the unit.

Liabilities arising from performance bonds, which the maturity is less than 12 months, are recognized as current liabilities. Long-term debts under the guarantee deposit are to be discounted to present value on the effective interest rates.

2.21 Prepayments and accruals

The Company accounts for receivables and prepayments if they relate to future reporting periods.

The most important condition to recognize costs on an accrual basis is to meet the requirement of accounting them to the unit's assets i.e. to stocks with reliably determined value, which were generated as a result of past events that will impact the future economic benefits for the undertaking.

Impairment of deferred expenditures may be recognised pursuant to the laps of time or amount of benefits. Time and method of settlement must be justified by the nature of costs, observing precautions.

In the case of deferred expenditures those will not be accounted in the next 12 months from the balance sheet date, such settlement should be presented as a separate item on the balance of the long-term accruals.

2.22 Recognition of incomes and expenses

Revenue is recognized at that amount at which the Group will likely obtain economic benefits that are associated with a transaction and where the amount of revenue can be estimated reliably. Revenue is recognized at fair value after deduction of tax on goods and services (VAT) and excise duty as well as discounts.

Revenue from sales of products and goods is recognized when the significant risks and rewards of ownership of the goods and products were transferred to the buyer and the amount of revenue can be estimated reliably.

Income from construction contracts is recognized in accordance with Group's principles of accounting set out in the section "Long-term contracts".

Income from dividends is recognized when the shareholders' right to receive them is granted.

Income from interest is recognized gradually as they rise (taking into account the effective interest method i.e. the discount rate on future cash inflows over the estimated working life of financial instruments) in relation to the net carrying amount of the assets.

Income from rental of investment property in respect of open contracts is recognized on a line basis over a period of rental.

In accordance with the principle of accrual basis the Group recognized all costs for the reporting period, irrespective of the duration of its settlement, in the profit and loss account. The costs incurred but not related to this period are recognized as receivables and prepayments, and costs not incurred but related to the given period are recognised as accruals and deferred income.

2.23 Construction contracts

The Group's companies recognize revenue from contracts executed by reference to the stage of completion of the contract. The budgets of individual contracts are subject to a formal update procedure based on current information in the course of the year and are approved by the Management Board.

The method of the stage of completion can be applied when an entity can reliably measure the amount of outcome of its construction services.

In accordance with the above method, revenue from the contract are recognized in the profit and loss account as income of that period in which the relevant works covered by the contract were executed. Contract costs related to the given works are recognized in the profit and loss account as an expense attributable to that period in which such works were executed. When it is probable that total costs will exceed total income on contract, the expected loss is recognized as an expense in the period in which it was disclosed.

By determining the stage of completion, the unit uses the method that will reliably state the work already performed. These methods may, depending on the nature of the contract, include:

- measurement of works performed,
- proportion of contract costs incurred for works performed to date relative to the estimated total contract costs,
- comparison of works de facto carried out with the work under the contract.

When determining the state of progress on the basis of contract costs incurred to date, only those costs that reflect work performed are recognised.

If the result of the construction contract cannot be measured reliably, revenue is recognized only to the amount of the costs incurred, which are likely to be recovered, and contract costs are recognized as an expense in the period in which they were incurred.

The measurement results are recognized in assets and liabilities respectively in the consolidated statements of financial position under "Construction Contracts".

2.24 Housing development contracts

Revenue from sales of property development is recognized upon transfer of control, all the significant risks and rewards attributable to the ownership of the property to the final recipient. The Company considers that the transfer of risks, benefits and control occurs at the time of signing a notarial deed on transfer of ownership of real estate.

Until recognition of revenue from development business, costs incurred are recognized in assets under "Work in progress". At the time of recognition of income from the sale, the Group recognizes the cost of production of a specific area (in proportion to the area sold).

2.25 Profit/loss on sales before tax

Pre-tax profit (loss) on sales is a difference between:

- revenue from sales of basic production and other services rendered within the core business of the Group units and of goods and materials, and
- production costs of goods and services sold and the value of goods and materials sold.

2.26 Profit/loss on operating activity

Profit (loss) from operations includes revenues and expenses from operating activities without financial costs and incomes, to which primarily belong interests, foreign exchange differences and costs of bank commissions and guarantees.

2.27 Taxes

profit (loss) in connection with dercognicion of tax deductible costs which are tax deductibles in the following years and the items of costs and revenues, which will never be subject to tax. Taxes are calculated on the basis of tax rates in force during the financial year.

Income tax on income earned in the country is calculated in accordance with local tax law while the income of units operating abroad are subject to tax according to local regulations, having regard to the agreements on the avoidance of double taxation.

In view of the differences between the book value of the assets and liabilities and their tax base and the deductible tax loss in the future, the Group companies establish a provision and assets for deferred income taxes.

Provision for deferred tax liability is recognized in reference to all positive temporary differences in the amount of income tax, which requires payment in the future:

- except where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or associates and participation in joint ventures - except where the timing of the reversal of temporary differences is controlled by the building investor and it is probable that in the foreseeable future the temporary difference will not be reversed.

The **deferred tax assets** are recognised as an amount to be deducted in the future from income tax in respect of deductible temporary differences and tax loss deductions, observing precautions:

- except where the deferred tax due to temporary differences arises from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion does not affect neither the accounting profit nor taxable profit nor tax loss, and
- in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount, in which it is probable that in the foreseeable future, the above temporary differences will reversed and the taxable income will be achieved to deduct the negative temporary differences.

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and is reduced accordingly to the extent that it is no longer likely to achieve taxable income sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and provision for deferred tax are measured using tax rates that will apply during the period when the asset is realized or reserve resolved, based on tax regulations in force as at the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity and not in the profit and loss account.

Assets and provisions for deferred income tax are compensated within the individual entities composing the Group.

2.28 Assets held for sale and discontinued operations

Fixed assets available for sale and discontinued operations are assets or their groups classified it this category and are recognized in the financial statements at an amount lower than their carrying amount or fair value less costs of sell.

The condition to recognise assets to this group is an active search for buyers and a high probability of disposal of these assets within one year from the date of their classification and the availability of these assets for immediate sale.

2.29 Operating segments reporting

The breakdown of the Group's reporting is based on geographical segments (domestic and Western European countries) and business segments (as described in Note 5).

2.30 Earnings per share

Basic earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting the interest on the redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

2.31 Share-based payment

The Erbud Capital Group manages a program of share-based payments settled in equity instruments, under which employees receive equity instruments of Erbud SA and its subsidiaries. The fair value of employee services in exchange for equity instruments of the Group or its subsidiaries is accounted for as an increase in capital reserve for a period in which the acquisition conditions are met (the vesting period). The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted at the grant date of instruments. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the cost of services rendered should be based on the number of equity instruments that eventually will be vest.

3 Changes in accounting policies applied

3.1 Error adjustment

During the period ended 31 December 2013, there were no error adjustments, which would affect the current period or past periods.

3.2 Changes in estimates

During the reporting period ended 31 December 2013, there were no changes in the methodology of estimates.

3.3 Change in accounting policy

During the reporting period ended 31 December 2013, there were no changes in accounting policy.

4 Discontinued operations

In the year ended 31 December 2013 and the year ended 31 December 2012, there were no discontinued operations within the meaning of IFRS 5.

5 Information on segments of activity

In the year ended 31 December 2013, the Group conducted operations within the following business segments:

- large-volume building,
- housing development,
- road-engineering,
- construction for the energy sector,
- activities in other segments.

In the year ended 31 December 2013, the Group conducted operations within the following geographical segments:

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

The segmentation has been made by classification of the individual entities on basis of their statutory activities. The Group applies a uniform accounting policy for all segments.

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2013:

Revenue and costs by business segments

For the period from 1 January to 31 December 2013	Large-volume construction	Housing development	Road-engineering	Activities in energy sector	Activities in other segments	Total
Sale to external clients	998 102	48 485	96 219	79 658	1 145	**1 223 609**
Sale between segments	0	0	0	0	0	**0**
Total income	**998 102**	**48 485**	**96 219**	**79 658**	**1 145**	**1 223 609**
Cost of products, goods and materials sold to external clients	940 831	38 867	85 175	66 746	1 080	**1 132 699**
Total cost of products, goods and materials sold	**940 831**	**38 867**	**85 175**	**66 746**	**1 080**	**1 132 699**
Total gross sales	**57 271**	**9 618**	**11 044**	**12 912**	**65**	**90 910**
Sales costs	0	1 979	1 539	0	0	**3 518**
General and administrative costs	34 417	2 560	6 415	11 082	0	**54 474**
Result on other operating activity	-1 890	286	1 534	-64	5	**-129**
Segment result	**20 964**	**5 365**	**4 624**	**1 766**	**70**	**32 789**
Result on financing activity	-7 171	-170	-155	-195	-4	**-7 695**
Income tax	4 012	725	1 221	929	128	**7 015**
Net profit	**9 781**	**4 470**	**3 248**	**642**	**-62**	**18 079**

Other items by business segments

For the period from 1 January to 31 December 2013	Large-volume construction	Housing development	Road- engineering	Activities in energy sector	Activities in other segments	Total
Segment depreciation and amortisation	2 504	843	3 230	1 087	63	**7 727**
Interest income	1 628	842	186	245	6	**2 907**
Interest costs	6 223	877	486	383	11	**7 980**
Impairment of assets	2 654	371	37	0	9	**3 071**
Reversal of impairment losses on assets	321	0	52	203	19	**595**
Capital expenditure for:	1 063	303	8 222	1 937	482	**12 007**
- Tangible fixed assets	782	74	218	736	129	**1 939**
- Intangible fixed assets	93	6	26	171	8	**304**
- Increase due to acquisition	0	0	0	0	0	**0**
Other non-cash outlays	188	223	7 978	1 030	345	**9 764**

Assets and liabilities by business segments

As at 31 December 2013	Large-volume construction	Housing development	Road- engineering	Activities in energy sector	Activities in other segments	Total
Segment assets	499 990	159 832	60 974	35 929	1 895	**758 620**
Deferred tax assets	25 380	5 212	3 747	1 285	1 686	**37 310**
Total assets	**525 370**	**165 044**	**64 721**	**37 214**	**3 581**	**795 930**
Total liabilities	**407 386**	**60 599**	**34 017**	**26 148**	**814**	**528 964**

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2012:

For the period from 1 January to 31 December 2012	Large-volume construction	Housing development	Road-engineering	Activities in energy sector	Activities in other segments	Exemptions	Total
Sale to external clients	1 136 374	63 981	142 534	41 259	306	0	**1 384 454**
Sale between segments	0	0	120 723	0	0	-120 723	**0**
Total income	**1 136 374**	**63 981**	**263 257**	**41 259**	**306**	**-120 723**	**1 384 454**
Cost of products, goods and materials sold to external clients	1 089 313	50 490	124 875	35 280	398	0	**1 300 356**
Cost of products, goods and materials sold to other segments	0	0	120 723	0	0	-120 723	**0**
Total cost of products, goods and materials sold	**1 089 313**	**50 490**	**245 598**	**35 280**	**398**	**-120 723**	**1 300 356**
Total gross sales	**47 061**	**13 491**	**17 659**	**5 979**	**-92**	**0**	**84 098**
Sales costs	0	2 501	1 531	0	7	0	**4 039**
General and administrative costs	31 071	2 969	8 102	3 587	628	0	**46 357**
Result on other operating activity	-2 470	-869	-761	-4	-185	0	**-4 289**
Segment result	**13 520**	**7 152**	**7 265**	**2 388**	**-912**	**0**	**29 413**
Result on financing activity	-9 645	555	-122	3 384	-86	0	**-5 914**
Income tax	1 495	1 008	1 674	836	-41	0	**4 972**
Net profit	**2 380**	**6 699**	**5 469**	**4 936**	**-957**	**0**	**18 527**

Other items by business segments

For the period from 1 January to 31 December 2012	Large-volume construction	Housing development	Road- engineering	Activities in energy sector	Activities in other segments	Total
Segment depreciation and amortisation	2 634	838	3 792	114	151	**7 529**
Interest income	1 676	1 624	232	28	3	**3 563**
Interest costs	7 445	1 253	756	14	80	**9 548**
Impairment of assets	1 463	1 244	167	22	280	**3 176**
Reversal of impairment losses on assets	276	1	89	33	13	**412**
Capital expenditure for:						
- Tangible fixed assets	1 107	2 072	320	117	0	**3 616**
- Intangible fixed assets	153	8	32	11	0	**204**
- Increase due to acquisition	0	0	0	8 109	40	**8 149**
Other non-cash outlays	766	480	225	0	0	**1 471**

Other items by business segments

As at 31 December 2012	Large-volume construction	Housing development	Road- engineering	Activities in energy sector	Activities in other segments	Total
Segment assets	547 549	171 313	31 219	33 672	1 386	**785 139**
Investment in associates	23 610	4 949	2 271	1 900	1 824	**34 554**
Deferred tax assets	**571 159**	**176 262**	**33 490**	**35 572**	**3 210**	**819 693**
Total liabilities	**430 089**	**74 122**	**42 976**	**20 310**	**753**	**568 250**

Region segments

The following tables presents data on income, expenditure and certain assets regarding the Group's geographical segments as at 31 December 2013:

Incomes and expenditures by geographical segments

Year ended 31 December 2013	Domestic market	Abroad	Total
Sale to external clients	1 013 873	209 736	**1 223 609**
Total income	**1 013 873**	**209 736**	**1 223 609**
Cost of products, goods and materials sold to external clients	937 350	195 349	**1 132 699**
Total cost of products, goods and materials sold	**937 350**	**195 349**	**1 132 699**
Total gross sales	**76 523**	**14 387**	**90 910**
Sales costs	3 518	0	**3 518**
General and administrative costs	44 993	9 481	**54 474**
Result on other operating activity	-171	42	**-129**
Segment result	**27 841**	**4 948**	**32 789**
Result on financing activity	-7 652	-43	**-7 695**
Income tax	5 030	1 985	**7 015**
Net profit	**15 159**	**2 920**	**18 079**

Year ended 31 December 2013	Domestic market	Abroad	Total
Segment depreciation and amortisation	7 288	439	**7 727**
Interest income	2 777	130	**2 907**
Interest costs	7 750	230	**7 980**
Impairment of assets	2 742	329	**3 071**
Reversal of impairment losses on assets	595	0	**595**
Capital expenditure for:	**11 447**	**560**	**12 007**
- Tangible fixed assets	1 379	560	**1 939**
- Intangible fixed assets	304	0	**304**
- Increase due to acquisition			
Other non-cash outlays	0	0	**0**
Segment depreciation and amortisation	9 764	0	**9 764**

Assets and liabilities by geographical segments

Year ended 31 December 2013	Domestic market	Abroad	Total
Segment assets	701 489	57 131	**758 620**
Deferred tax assets	36 060	1 250	**37 310**
Total assets	**737 549**	**58 381**	**795 930**
Segment liabilities	500 557	28 407	**528 964**
Total liabilities	**500 557**	**28 407**	**528 964**

The following tables presents data on income, expenditure and certain assets regarding the Group's geographical segments as at 31 December 2012:

Incomes and expenditures by geographical segments

Year ended 31 December 2012	Domestic market	Abroad	Total
Sale to external clients	1 234 457	149 997	**1 384 454**
Total income	1 234 457	**149 997**	**1 384 454**

Cost of products, goods and materials sold to external clients	1 162 608	137 748	**1 300 356**
Total cost of products, goods and materials sold	**1 162 608**	**137 748**	**1 300 356**
Total gross sales	**71 849**	**12 249**	**84 098**
Sales costs	4 039	0	**4 039**
General and administrative costs	39 410	6 947	**46 357**
Result on other operating activity	-3 293	-996	**-4 289**
Segment result	**25 107**	**4 306**	**29 413**
Result on financing activity	-4 855	-1 059	**-5 914**
Income tax	4 196	776	**4 972**
Net profit	**16 056**	**2 471**	**18 527**

Year ended 31 December 2012	**Domestic market**	**Abroad**	**Total**
Segment depreciation and amortisation	7 122	407	**7 529**
Interest income	2 530	1 033	**3 563**
Interest costs	8 935	613	**9 548**
Impairment of assets	1 714	1 462	**3 176**
Reversal of impairment losses on assets	339	73	**412**
Capital expenditure for:			
- Tangible fixed assets	3 076	540	**3 616**
- Intangible fixed assets	204	0	**204**
- Increase due to acquisition			
Other non-cash outlays	8 149	0	**8 149**
Segment depreciation and amortisation	1 337	134	**1 471**

Assets and liabilities by geographical segments

Year ended 31 December 2012	**Domestic market**	**Abroad**	**Total**
Segment assets	726 198	58 941	**785 139**
Deferred tax assets	32 699	1 855	**34 554**
Total assets	**758 897**	**60 796**	**819 693**
Segment liabilities	535 983	32 267	**568 250**
Total liabilities	**535 983**	**32 267**	**568 250**

6 Tangible fixed assets

2013	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2013	**4 866**	**17 814**	**20 831**	**18 284**	**4 599**	**61**	**0**	**66 455**
Increases:	**0**	**18**	**8 195**	**2 677**	**648**	**62**	**0**	**11 600**
- Purchase	0	0	703	388	627	221	0	**1 939**
- Lease	0	0	7 487	2 277	0	0	0	**9 764**
- Foreign exchange differences	0	18	8	12	18	0	0	**56**
- Reclassification adjustments	0	0		0	0	0	0	**0**
- Transfers	0	0	-3	0	3	-159	0	-159
Decreases:	**69**	**261**	**8 511**	**1 097**	**68**	**0**	**0**	**10 006**
- Sale	69	261	8 241	1 097	4	0	0	**9 672**
- Liquidation	0	0	270	0	64	0	0	**334**
- Transfers	0	0	0	0	0	0	0	**0**
Gross book value as at 31 December 2013	**4 797**	**17 571**	**20 515**	**19 864**	**5 179**	**123**	**0**	**68 049**
Accumulated depreciation as at 1 January 2013	**19**	**5 712**	**11 793**	**11 092**	**2 871**	**0**	**0**	**31 487**
Accumulated depreciation for the period:								
Amortization	12	843	2 897	2 724	727	0	0	**7 203**
Decreases:	**0**	**-6**	**4 903**	**1 036**	**43**	**0**	**0**	**5 976**
- Sale	0	0	4 660	1 043	4	0	0	**5 707**
- Liquidation	0	6	233	0	60	0	0	**299**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	0	0	0	0	0	**0**
- Foreign exchange differences from translation of foreign entities	0	-12	10	-7	-21	0	0	**-30**
Accumulated depreciation as at 31 December 2013	**31**	**6 561**	**9 787**	**12 780**	**3 555**	**0**	**0**	**32 714**
Impairment as at 1 January 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31 December 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2013	**4 847**	**12 102**	**9 038**	**7 192**	**1 728**	**61**	**0**	**34 968**
Net book value as at 31 December 2013	**4 766**	**11 010**	**10 728**	**7 084**	**1 624**	**123**	**0**	**35 335**

2012	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2012	**4 218**	**10 685**	**20 433**	**16 544**	**3 524**	**34**	**24**	**55 462**
Increases:	**648**	**7 140**	**1 254**	**2 547**	**1 511**	**61**	**0**	**13 161**
- Purchase	0	2 031	177	556	791	61	0	**3 616**
- Lease	0	0	0	1 422	49	0	0	**1 471**
- Foreign exchange differences	-9	-71	-31	-64	-59	0	0	**-234**
- Acquisition of fixed assets under construction	657	5 180	1 108	633	571	0	0	**8 149**
- Reclassification adjustments	0	0	0	0	159	0	0	**159**
- Transfers	0	0	0	0	0	0	0	0
Decreases:	**0**	**11**	**856**	**807**	**436**	**34**	**24**	**2 168**
- Sale	0	11	599	330	131	0	0	**1 071**
- Liquidation	0	0	194	76	209	0	0	**479**
- Lease adjustment and other adjustments	0	0	63	401	96	34	24	**618**
Gross book value as at 31 December 2012	**4 866**	**17 814**	**20 831**	**18 284**	**4 599**	**61**	**0**	**66 455**
Accumulated depreciation as at 1 January 2012	**14**	**5 113**	**9 237**	**8 843**	**2 589**	**0**	**0**	**25 796**
Accumulated depreciation for the period:								
Amortization	5	671	3 129	2 849	590	0	0	**7 244**
Decreases:	**0**	**72**	**573**	**600**	**308**	**0**	**0**	**1 553**
- *S*ale	0	0	305	80	120	0	0	**505**
- Liquidation	0	0	186	76	202	0	0	**464**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	57	401	-57	0	0	**401**
- Foreign exchange differences from translation of foreign entities	0	72	25	43	43	0	0	**183**
Accumulated depreciation as at 31 December 2012	**19**	**5 712**	**11 793**	**11 092**	**2 871**	**0**	**0**	**31 487**
Impairment as at 1 January 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2012	**4 204**	**5 572**	**11 196**	**7 701**	**935**	**34**	**24**	**29 666**
Net book value as at 31 December 2012	**4 847**	**12 102**	**9 038**	**7 192**	**1 728**	**61**	**0**	**34 968**

6.1 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the period ended 31 December 2013 and 31 December 2012 was recognised in the following items:

	Year ended 31 December 2013	Year ended 31 December 2012
General and administrative expenses	3 053	2 938
Cost of manufacturing sold products and services	4 150	4 306
Total	**7 203**	**7 244**

6.2 Tangible fixed assets used under financial leasing contracts

The Group as a lessee uses the following tangible fixed assets under finance leases:

	31 December 2013		31 December 2012	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	11 165	7 766	11 644	5 522
Means of transport	14 274	4 803	13 210	5 331
Other fixed assets	0	0	0	0
Total	**25 439**	**12 569**	**24 854**	**10 853**

6.3 Fixed assets under construction

In the period ended 31 December 2013, there were no borrowing costs capitalized.

In the period ended 31 December 2012, there were no borrowing costs capitalized..

6.4 Tangible fixed assets collaterals

As at 31 December 2013, there were established securities on assets of entities belonging to the Group totalled of PLN 301,341 thousand.

As at 31 December 2012, there were established securities on assets of entities belonging to the Group totalled of PLN 181,668 thousand.

6.5 Amount of contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2013 and 31 December 2012, there were no contractual obligations of the companies incorporated in the Group due to the acquisition of property, plant and equipment.

6.6 Amount of compensation received from third parties for loss of value or loss of property, plant and equipment

In the period ended 31 December 2013 and in the period ended 31 December 2012, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7 Fixed assets held for sale

The Group did not classify any assets as held for sale as of 31 December 2013. The Group did not have any assets held for sale for the financial year ended 31 December 2012.

8 Investment property

	2013	2012
Gross book value as at 1 January	**6 033**	**6 204**
Increases:	**0**	**0**
- Purchase	0	0
Decreases:	**0**	**171**
- Sale	0	171
- Transfer to fixed assets available as held for sale	0	0
- Transfer to inventories	0	0
- Transfer to tangible fixed assets	0	
- Transfer	0	0
Gross book value as at 31 December	**6 033**	**6 033**
Accumulated depreciation as at 1 January	**514**	**511**
- Amortization for the period	27	32
- Sale	0	0
- Transfer	0	0
- Other	0	-29
Accumulated depreciation as at 31 December	**541**	**514**
Impairment as at 1 January	**0**	**0**
- Increases	0	0
- Decreases	0	0
Impairment as at 31 December	**0**	**0**
Net book value as at 1 January	**5 519**	**5 693**
Net book value as at 31 December	**5 492**	**5 519**

8.1 Restrictions on the benefits from investment property

As at 31 December 2013 and 31 December 2012, there were no loans on real estate investments held by the units of the Group which would limit the benefits of investment property or a transfer of income and profit arising from this title.

8.2 Recognition in profit or loss

Depreciation of investment property for the year ended 31 December 2013 and 31 December 2012 was recognized in the statement of comprehensive income under the item "Cost of sold products and services".

The companies of the Group have recognized in the profit and loss account the following amounts of revenues and expenses with respect to investment property:

	Year ended 31 December 2013	Year ended 31 December 2012
Rental income	14	16
Direct operating costs (including repairs and maintenance) of an investment property that brought income from rentals during the reported period	14	12
Direct operating costs (including repairs and maintenance) of an investment property that did not bring income from rentals during the reported period	18	22

9 Intangible fixed assets

2013	Other	Total
Gross book value as at 1 January 2013	**3 510**	**3 510**
Increases:	**306**	**306**
- Purchase	304	304
- Acquisition of fixed assets under construction	0	0
- Reclassification adjustments	2	2
Decreases:	**65**	**65**
- Sale	0	0
- Liquidation	65	65
- Foreign exchange differences	0	0
Gross book value as at 31 December 2013	**3 751**	**3 751**
Accumulated depreciation as at 1 January 2013	**1 443**	**1 443**
- Amortization for the period	497	497
- Foreign exchange differences	**64**	64
Accumulated depreciation as at 31 December 2013	65	65
Gross book value as at 31 December 2013	-1	-1
Accumulated depreciation as at 1 January 2013	**1 876**	**1 876**
Net book value as at 1 January 2013	**2 067**	**2 067**
Net book value as at 31 December 2013	**1 875**	**1 875**

2012	Other	Total
Gross book value as at 1 January 2012	**1 797**	**1 797**
Increases:	**1 719**	**1 719**
- Purchase	214	214
- Acquisition of fixed assets under construction	1 505	1 505
- Reclassification adjustments	0	0
Decreases:	**6**	**6**
- Sale	0	0
- Liquidation	0	0
- Foreign exchange differences	6	6
Gross book value as at 31 December 2012	**3 510**	**3 510**
Accumulated depreciation as at 1 January 2012	**1 195**	**1 195**
- Amortization for the period	253	253
- Foreign exchange differences	-5	-5
Accumulated depreciation as at 31 December 2012	**1 443**	**1 443**
Net book value as at 1 January 2012	**602**	**602**
Net book value as at 31 December 2012	**2 067**	**2 067**

9.1 Recognition in profit or loss

Depreciation and amortization of intangible assets has been recognized in the following items of the profit and loss account:

	Year ended 31 December 2013	Year ended 31 December 2012
Production costs of goods and services sold	4	0
General and administrative expenses	493	253
Total	**497**	**253**

9.2 Legal restrictions

As at 31 December 2013 and 31 December 2012, there were no loans on intangible assets held by the Group's entities which would limit the legal title and secured the liabilities.

10 Consolidated goodwill

	31 December 2013	31 December 2012
Gross book value at the beginning of the period	**20 102**	**20 102**
Increases	0	0
Decreases	0	0
Gross book value at the end of the period	**20 102**	**20 102**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**20 102**	**20 102**

The goodwill recognized in the balance sheet as at 31 December 2013 and 31 December 2012 refers to:

- Erbud International Sp. z o.o. amounted to PLN 1,420 thousand
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA amounted to PLN 18,274 thousand
- Erbud Energetyka Sp. z o.o. amounted to PLN 408 thousand.

Based on the test for impairment of goodwill, which was carried out as of 31 December 2013, the Management Board stated that there is no need to make write-downs.

11 Shares or stocks in subsidiaries

Shares or stocks in subsidiaries in 2013

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	3 550	100.00%	100.00%
2.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
3.	Toruńska Sportowa S.A. w likwidacji	Toruń	construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79.00%	79.00%
5.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100.00%	100.00%
6.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85.00%	85.00%
7.	Budlex S.A.	Toruń	housing development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Energetyka Sp. z o.o.	Katowice	construction	subsidiary	full method	0	1 512	100.00%	100.00%
10.	Erbud Ireland Limited	Dublin, Ireland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100.00%	100.00%
11.	Ersteel Sp. z o.o.	Toruń	steel structures	subsidiary	full method	2 850	8 064	100.00%	100.00%
12.	Engorem Sp z o.o.	Łódź	energy services	indirect controlled subsidiary	full method	0	11 470	98.62%	98.62%
	Stocks or shares in controlled entities as at 31.12.2013					2 928	148 251		

** presented the Separate Financial Statements of Erbud S.A

Shares or stocks in subsidiaries in 2012

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	32	100%	100%
2.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100%	100%
3.	Toruńska Sportowa S A	Toruń	construction	associated company	not consolidated - not relevant	39	0	39%	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79%	79%
5.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100%	100%
6.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85%	85%
7.	Budlex S.A.	Toruń	housing development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Energetyka Sp. z o.o.	Katowice	construction	subsidiary	full method	0	1 512	100%	100%
10.	Erbud Ireland Limited*	Dublin, Irleland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100%	100%
11.	ErsteelSp. z o.o.	Toruń	steel structures	subsidiary	full method	2 850	8 064	100%	100%
12.	Engorem Sp z o.o.	Łódź	energy services	subsidiary	full method	0	9 272	80.22%	80.22%
	Stocks or shares in controlled entities as at 31.12.2013					2 928	142 535		

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

** presented the Separate Financial Statements of Erbud S.A.

12 Financial instruments

12.1 Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2013.

	Financial instruments					
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Loans granted	0	0	14 679	0	0	**14 679**
Financial assets available for sale	2 226	0	0	0	0	**2 226**
Other financial assets	756	136	0	0	0	**892**
Total financial assets, incl. those presented in the balance sheet as follows:						
- long-term	*2 982*	*136*	*14 459*	*0*	*0*	*17 577*
- short-term	*0*	*0*	*220*	*0*	*0*	*220*
Building contracts bonds	0	0	49 941	0	-80 535	**-30 594**
Trade and other receivables	0	0	209 191	0	0	**209 191**
Receivables from customers under building contracts	0	0	156 102	0	0	**156 102**
Derivative financial instruments	0	5	0	0	0	**5**
Cash and cash equivalents	0	124 590	0	0	0	**124 590**
Amounts due to customers under building contracts	0	0	0	0	-82 244	**-82 244**
Liabilities due to trade and other receivables	0	0	0	0	-169 325	**-169 325**
Non-current liabilities due to loans and borrowings	0	0	0	0	-49 405	**-49 405**
Other non-current liabilities	0	0	0	0	0	**0**
Liabilities arising from the issue of bonds	0	0	0	0	-50 000	**-50 000**
Current liabilities due to loans and borrowings	0	0	0	0	0	**0**
Total	0	0	12 517	0	-5 258	**7 259**
Loans granted	**2 982**	**124 731**	**442 430**	**0**	**-436 767**	**133 376**

12.2 Incomes, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2013 to 31 December 2013

	Financial instruments						
Class of financial instruments	**Assets held to maturity**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	208	0	882	1 795	0	-7 232	-4 347
Gains (losses) from exchange rate differences	23	0	-194	490	0	-36	283
Impairment charges (impairment release)	0	0	0	-6 580	0	0	**-6 580**
Gains (losses) on valuation	0	0	58	0	-731	0	-673
Gains (losses) on sale and settlement of financial instruments	0	0	-124	0	0	0	-124
Total	**231**	**0**	**622**	**-4 295**	**-731**	**-7268**	**-11 441**

Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2012.

	Financial instruments					
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Loans granted	0	0	23 967	0	0	**23 967**
Financial assets available for sale	662	0	0	0	0	**662**
Other financial assets	0	826	0	0	0	**826**
Total financial assets, incl. those presented in the balance sheet as follows:						***25 455***
- long-term						*25 066*
- short-term						*389*
Building contracts bonds	0	0	42 234	0	-79 814	**-37 580**
Trade and other receivables	0	0	267 500	0	0	**267 500**
Receivables from customers under building contracts	0	0	59 021	0	0	**59 021**
Derivative financial instruments	0	0	0	-12	0	**-12**
Cash and cash equivalents	0	201 769	0	0	0	**201 769**
Amounts due to customers under building contracts	0	0	0	0	-11 931	**-11 931**
Liabilities due to trade and other receivables	0	0	0	0	-296 163	**-296 163**
Non-current liabilities due to loans and borrowings	0	0	0	0	-12 616	**-12 616**
Other non-current liabilities	0	0	0	0	-2 699	**-2 699**
Liabilities arising from the issue of bonds	0	0	0	0	-50 000	**-50 000**
Current liabilities due to loans and borrowings	0	0	0	0	-37 987	**-37 987**
Total	**662**	**202 595**	**392 722**	**-12**	**-491 210**	**104 757**

Incomes, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2012 to 31 December 2012

	Financial instruments						
Class of financial instruments	**Assets held to maturity**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	100	0	712	2 819	0	-8 668	**-5 037**
Gains (losses) from exchange rate differences	0	0	-444	-3 312	0	1 357	**-2 399**
Impairment charges (impairment release)	0	0	0	-1 523	0	0	**-1 523**
Gains (losses) on valuation	0	32	53	-79	1 571	-769	**808**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	**0**
Total	**100**	**32**	**321**	**-2 095**	**1 571**	**-8 080**	**-8 151**

Financial assets and liabilities measured at fair value and available for sale

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2013			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	2 226	0	**2 226**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	124 590	0	0	**124 590**
Other financial assets	756	0	0	**756**
	0	5	0	**5**
Total	**125 346**	**2 231**	**0**	**127 577**

	31 December 2013			
	Fair value measurement			
	Level 2	Level 2	Level 3	**Total**
Financial liabilities measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	0	0	**0**
Total	**0**	**0**	**0**	**0**

	31 December 2012			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	662	0	**662**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	201 769	0	0	**201 769**
Other financial assets	826	0	0	**826**
Total				

	31 December 2011			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	740	0	**740**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	161 291	0	0	**161 291**
Other financial assets	791	0	0	**791**
Total	**162 082**	**740**	**0**	**162 822**

12.3. Derivative financial instruments

In the financial year ended 31 December 2010 the Group entered into a denominated contract in Euro. The subject of the contract is on providing the company Deptak Projekt P2 Sp. z o.o. loan in the amount of 3.500 thousand Euro. The NBP average exchange rate EURO/PLN amounted to PLN 3.9443 as at the transaction date. Repayment of loan is scheduled by 30 July 2015. Since the group was not able to secure the exchange rate risk for such a long time, it has been decided to arrange a phase security and conclude a forward exchange contract, initially for three years.

As at 31 December 2013, valuation under this instrument amounted to PLN 5,000.

As at 31 December 2012, valuation under this instrument was PLN 12,000.

13 Inventories

	31 December 2013	31 December 2012
Materials	5 019	6 625
Semi-products and unfinished products	35 476	39 886
Finished products	40 958	34 989
Goods	31 505	34 813
Advances for deliveries	1 917	1 595
Gross book value of inventories at the end of the period	**114 875**	**117 908**
Impairment of inventories at the beginning of the period	**2 615**	**1 939**
Created in other operating costs	360	1 241
Created in manufacturing cost of products sold	3	0
Reversed into other operating costs	221	0
Used	22	802
Impairment losses taken from ENGOREM	0	237
Impairment of inventories at the end of the period	**2 735**	**2 615**
Net book value of inventories at the end of the period	**112 140**	**115 293**

13.1 Inventories pledged as collateral

As at 31 December 2013, inventories of the Group's companies were pledged as collateral in the amount of PLN 124,392 thousand.

14 Trade and other receivables

	31 December 2013	31 December 2012
Long-term receivables before tax		
a) Due to deliveries and services	0	0
- from associates	0	0
- from other entities	0	0
b) From the public sector	0	0
c) Other	0	1 550
Impairment of receivables	**0**	**0**
Long-term net receivables	**0**	**1 550**

	31 grudnia 2013 roku	31 grudnia 2012 roku
Short-term receivables before tax		
a) Due to deliveries and services	266 634	265 483
- - from associates	131	863
- - from other entities	266 503	264 620
b) From the public sector	10 524	11 614

c) Other	11 006	49 192
Impairment of receivables	**7 582**	**9 962**
Total current net receivables, of which	**280 582**	**316 327**
presented in the balance sheet as item:		
Trade and other receivables	223 305	267 500
Receivables from income tax	7 336	6 593
Retention money	49 941	42 234

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

The age structure of receivables is presented in the table below:

	31 December 2013	**31 December 2012**
a) Up to 3 months	204 126	180 659
b) Between 3 and 6 months	1 070	11 501
c) Between 6 and 12 months	20 061	33 699
d) Over 12 months	20 232	8 833
e) Overdue debts	21 145	30 791
Total trade receivables (gross)	**266 634**	**265 483**
f) Impairments from trade receivables	7 502	9 943
Total net trade receivables	**259 132**	**255 540**

Write-downs of receivables are created for overdue debts over 180 days at their full value.

In single, justified cases, can be applied individual principles of impairment accounting.

The amount of overdue for more than 1 year not covered by a write-down as of 31.12.2013 includes receivables of PLN 3,700 thousnd from Międzyzdrojski Rynek Sp. z o.o. (a municipal company). Due to the the expected recovery of the receivables, the Company did not include a write-down of this item.

The following table presents the value of impairments from trade and other receivables:

	31 December 2013	**31 December 2012**
Impairments at the beginning of the period	**9 962**	**6 786**
Created in other operating costs	2 711	1 935
Reversed into other operating costs	595	412
Used	4 603	0
Currency translation differences	107	-276
Impairment losses taken from ENGOREM	0	1 929
Impairments at the end of the period, of which:	**7 582**	**9 962**
Impairment losses from trade receivables	7 502	9 943
Impairment losses from other receivables	80	19

As the Group has a large number of domestic and foreign clients there is no concentration of a credit risk for trade receivables.

15 Prepayments and accruals

Receivables and prepayments	**31 December 2013**	**31 December 2012**
Insurances	4 225	2 709
Financial lease costs	0	0
Prepayments	13	0
Bonds issue costs	82	233
Advances for deliveries	0	17
Other	221	109

Total	**4 541**	**3 068**

Accruals and deferred income	**31 December 2013**	**31 December 2012**
Costs of works before invoice	45	6
Advances for purchase of apartments, premises and parking places	13 954	15 695
Other	74	153
Total	**14 073**	**15 854**

16 Cash and cash equivalents

	31 December 2013	**31 December 2012**
Cash in hand	71	82
Cash at bank	110 854	183 922
- current accounts	41 057	113 300
- overnight deposits	38 683	16 250
- other deposits	6 816	7 541
- term investments	24 298	46 831
Other cash	13 665	17 765
Total cash, of which:	**124 590**	**201 769**
Restricted cash and cash equivalents	35 989	41 709
Cash and cash equivalents for cash flow	**124 590**	**201 769**

The Group's restricted cash and cash equivalents are:

	31 December 2013	**31 December 2012**
Cash deposits as collateral for bank guarantees	20 479	24 911
Works Staff Welfare Fund	27	213
Other	1	596
Funds on trust accounts	15 482	15 989
Total	**35 989**	**41 709**

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

	31 December 2013
Change in receivables in the balance sheet	**38 038**
Receivables from the acquisition of financial assets	1 257
Change in receivables in the cash flow account	**39 295**

	31 December 2013
Change in inventories in the balance sheet	**3 153**
Capitalised financing costs	987
Change in inventories in the cash flow account	**4 140**

	31 December 2013
Change in payables in the balance sheet	**-101 295**
Repayment of liabilities due to the purchase of Budlex	5 667
Liabilities due to sale of financial assets	-43
Change in payables in the cash flow account	**-95 671**

Other disclosures concerning the consolidated statement of cash flows

	31 December 2012
Change in receivables in the balance sheet	**-33 490**
Balance as at the date of acquiring entities	22 568
Receivables from the acquisition of financial assets	1 210
Change in receivables in the cash flow account	**-9 712**

	31 December 2012
Change in inventories in the balance sheet	**-7 350**
Balance as at the date of acquiring entities	897
Capitalised financing costs	1 940
Change in inventories in the cash flow account	**-4 513**

	31 December 2012
Change in payables in the balance sheet	**73 274**
Balance as at the date of acquiring entities	-15 702
Change in payables in the cash flow account	**57 572**

	31 December 2012
Change in provisions in the balance sheet	**13 431**
Balance as at the date of acquiring entities	-7 526
Change in provisions in the cash flow account	**5 905**

	31 December 2012
Change in prepayments and accruals in the balance sheet	**10 453**
Balance as at the date of acquiring entities	-486
Change in prepayments and accruals in the cash flow account	**9 967**

Non-cash transactions:

- Increase of fixed assets used under finance lease amounted totalled of PLN 9,764 thousand.

17 Equity

17.1 Share capital

The share capital as of 31 December 2013 consists of 12,714,546 shares with a total value of PLN 1,271,454.60.

The shareholding of the Parent Company as at 31 December 2013 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.22%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.65%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.79%	None
	Total				**4 152 865**	**32.66%**	
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.40%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.09%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.31%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 266 900	9.96%	None
D,E,C, F, H	Free Float	Ordinary	None	None	2 489 388	19.58%	None
	Total				**12 714 546**	**100%**	
	Par value of shares of all series in PLN		0.10	Share capital	1 271 454.60		

The share capital as of 31 December 2012 consists of 12,677,956 shares with a total value of PLN 1,267,795.60.

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.23%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.66%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.87%	None
	Total	Ordinary	None	None	**4 152 865**	**32.76%**	None
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.47%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6,10%	None

D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.33%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 269 709	10.02%	None
D,E,C,F	Free Float	Ordinary	None	None	2 449 989	19.32%	None
	Total				**12 677 956**	**100%**	
	Par value of shares of all series in PLN	0.10		Share capital value inPLN	1 267 795.60		

The above table shows shareholders having more than 5% of the capital.

Significant movements in the share capital of the Company during the period from 1 January 2013 to the preparation of financial statements.

During the twelve months of 2013, there were no significant changes in the shareholding in the Parent Company.

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

On 15 April 2013, the Management Board adopted Resolution No. 4/2013 on the capital increase within the authorized capital through the issuance of H shares and deprivation existing shareholders of the pre-emptive right to acquire shares series H. The issue was offered to entitled employees in connection with the first tranche of the second Employee Incentive Scheme, and the number of shares which would be granted to persons entitled should not exceed 50,000 shares. Finally, following the issue of H series shares were acquired 36,590 shares with a nominal value of PLN 0.10 each one. Thus, the share capital has increased by PLN 3,659.

Except for rights arising from the directly held shares of Erbud SA, the major shareholders have no other voting rights at a General Meeting.

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. The number of shares constituting the authorized capital is equal to the number of shares issued. Nominal value per share is PLN 0.10. No shares have been reserved for issuance under the sale option.

17.2 Supplementary capital

	31 December 2012	**31 December 2012**
- From sale of shares over their nominal value	**154 412**	**154 412**
- **Other (by sort)**	**68 381**	**61 257**
From profit	71 727	66 136
- Shareholder’s contribution	14	14
- Due to Increase of capital in Rembert Plus	-750	-750
- Acquiring of remaining shares in PRD SA	-9	-9
- Income tax adjustment for the cost of issuance	767	767

- Acquiring of remaining shares in Budlex	-4 636	-4 636
- Presentation change of supplementary capital	-718	-718
- Share-based payment	3 030	2 745
- From a reserve created to purchase of own shares	2 000	2 000
- Sale of treasury shares	484	484
- Purchase of shares in Erbud Energetyka	272	272
- Share-based payment - allocation of shares	-6 292	-6 292
- Increase in the capital of Budlex - agio	188	188
- Increase in share capital within the authorized capital	1 195	796
- Increase in the capital of PRD	150	150
- Merger of the subsidiaries- Ersteel and ER Services	102	102
- Purchase of shares in Engorem	849	0
- Other	8	8
Total	**222 793**	**215 669**

17.3 Capital management policies and procedures

The supplementary capital is created in accordance with the provisions of the Commercial Companies Code and he decisions of the shareholders. Pursuant to the Commercial Companies Code, to cover losses, it should be established a supplementary capital, which will be supported by at least 8% of the profit for the financial year, as long as the capital will reach at least one-third of the nominal capital. Capital created in such manner is not subject to distribution. Decision of using the supplementary and reserve capital makes the Shareholders' General Meeting; however, a part of the capital may be used only to cover the losses shown in the financial statements and is not subject to the division for other purposes.

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios, which would support the operational activities of the Group and maximize its goodwill.

The capital structure is managed by the Group manages and adjusted as a result of changes in economic conditions. In order to maintain or correct the capital structure, the Group may respectively pay dividends to shareholders of the Parent or issue new shares.

18 Bank borrowings and loans

	31 December 2012	31 December 2012
Long-term	**14 487**	**12 616**
Bank credits	14 487	12 616
Short-term	**24 488**	**37 987**
Overdrafts	8 943	15 021
Bank borrowings and loans	15 545	22 966
Total bank borrowings and loans	**38 975**	**50 603**

Maturity of long-term borrowings and loans was as follows:

	31 December 2012	31 December 2012
a) up to 1 year	24 488	37 987
b) between 1 and 3 years	4 726	12 374
c) between 3 and 5 years	8 651	242
d) over 5 years	1 110	0
Total	**38 975**	**50 603**

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

Long-term liabilities due to borrowings and loans as at 31 December 2013

Budlex

Bank credits:	**Borrowing/loan amount under agreement**		**Borrowing/loan currency**	**Borrowing/loan outstanding**		**Interest**	**Maturity date**	**Name of bank / entity providing credit**
	[PLN]	**[CU]**		**[PLN]**	**[CU]**			
Budlex S.A.	12 000	PLN	PLN	8 937	PLN	Wibor 1M+2.00%	2014-12-31	ING Bank Śląski SA

Collaterals/guarantees of credit repayment by Budlex S.A.

Final collaterals:

Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA

Security deposit established by ERBUD SA

Temporary collateral:

Statement on submission to execution up to PLN 60,000,000 expired on 20.03.2022

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Glinki A3 Sp. zo.o.	26 000	PLN	PLN	2 507	PLN	Wibor 3M+2.95%	15.09.2015	mBANK HIPOTECZNY SA

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

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

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

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

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

Attorney for the Bank to operate the escrow accounts

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

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

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

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

Agreement on splitting the mortgage

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica L6-7 Sp. zo.o. S.K.	11 000	PLN	PLN	3 639	PLN	Wibor 6M+3.20%	15.04.2017	mBANK HIPOTECZNY SA

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

Final collaterals:

Mortgage up to PLN 22,000,000

Registered pledge on all shares in a Limited Partnership Company

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

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

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

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

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

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

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

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

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

Agreement on splitting the mortgage

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Brzoskwiniowa sp. z o.o.	11 500	PLN	PLN	2 793	PLN	Wibor 6M+3.20%	15.01.2017	mBANK HIPOTECZNY SA

Collaterals for / guarantees of credit repayment granted to Budlex Brzoskwiniowa sp. z o.o.

Final collaterals:

Mortgage up to PLN 23,000,000

Registered pledge on all shares in a Limited Partnership Company

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

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

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

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

Registered pledge to the Bank on future receivables of the Developer for payment of funds from the Escrow Account

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

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

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

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

Statement by the Borrower to submit to the enforcement up to PLN 23,000,000.00, incl. authorization for the Bank to apply for obtaining a writ of execution to the bank enforcement title by 15.04.2019

Agreement on splitting the mortgage

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Pestalozziego 1 Sp.zo.o.	15 231	PLN	PLN	13 022	PLN	Wibor 3M+2.40%	31.07.2014	Bank PKO BP S.A.

Collaterals for / guarantees of credit repayment granted to Budlex Pestalozziego 1 Sp.zo.o.

Final collaterals:

Mortgage up to PLN 25,892,402.50

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

Claim deductions clause from the accounts held at PKO BP SA

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

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

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

Statement of the Borrower and the Guarantor on submission to execution up to PLN 30,461,650 due to the loan and promissory note

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Delta Sp. z o.o.	7 500	PLN	PLN	6 657	PLN	Wibor 3M+3.25%	18.12.2019	PBK Bank Polski

Collaterals for / guarantees of credit repayment granted to Spółki DELTA

Final collaterals:

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

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

Agreement on pledge on Bank Accounts of the Merged Company

Mortgage

Submission to execution by the Merged Company

Temporary collateral:

Agreement on pledge on the Borrower's shares and the authority to exercise the rights from hares and personal rights under the Borrower's Partnership Agreement

Agreement on pledge on shares in the Company Acquired and the authority to exercise the rights from hares and personal rights under the Partnership Agreement of the Company Acquired

Agreement on pledge on Movable Assets and Rights of the Borrower provided that in addition to the shares of the Company Acquired there are another assets in the Borrower's balance sheet amounting to at least PLN 100,000.00

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

Agreement on pledge on the Borrower's bank accounts held at the Bank

Agreement on pledge on Bank Accounts of the Company Acquired held at the Bank

Submission to execution by the Borrower

Submission to execution by the Company Acquired

Mortgage on real property owned by the Company Acquired

Corporate guarantee provided by Company Acquired

Agreement on Security Assignment by the Merged Company

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	26	PLN	PLN	6	PLN	WIBOR for one-month deposits plus bank margin		Orix Polska S.A.

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Final collaterals:
Blank promissory note

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	15 000	PLN	PLN	0	PLN	WIBOR 1 M + margin	2014-08-20	ING Bank Śląski S.A.

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Final collaterals:
Assignment of debt claims from contracts concluded by ERBUD SA in the course of business, in each case approved by the Bank and transferred to the Bank under the agreement on transfer of receivables form the Trade Contract
Conventional mortgage established by PBDI SA (a subsidiary of the Borrower) up to PLN 96m for perpetual usufruct of land and ownership of buildings and plant on property located in Torun, 1113 Polna St., plots No. 128/1, 131/3, 1/3, 658/2 registered under number TO1T/00040713/3 in the land register conducted by the District Court in Toruń

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	10 000	PLN	PLN	0	PLN	WIBOR 1 M + margin	2014-09-04	Alior Bank S.A.

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Assignment of debt claims from contracts concluded by ERBUD SA in the course of business, in each case approved by the Bank and transferred to the Bank under the agreement on transfer of receivables form the Trade Contract
Blank promissory note

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	10 000	PLN	PLN	0	PLN	WIBOR 1 M + margin	2014-12-31	mBank S.A.

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Blank promissory note
Transfer of receivables equal to the credit amount
Conventional mortgage up to PLN 120m on cooperative ownership right to the premises registered under KW WA5M/00451397/7, WA5M/00451398/4, WA5M/00451399/1, managed by the District Court in Warsaw

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	10 000	0	PLN	0	PLN	PKO BP's call rate + margin	2014-06-30	PKO BP

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Final collaterals:
Capped mortgage up to PLN 65m on the property consisting of vacant plots No 275/3, 288/10, 288/17 registered under KW TO1T/00003133/2 managed by the District Court in Toruń
Assignment of receivables from construction contracts
Blank promissory note and bill declaration by Erbud S.A.
Clause on claim deductions from accounts of ERBUD SA conducted at PKO BP

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud SA	3 000	0	PLN	0	PLN	WIBOR for one-month deposits plus bank margin	2014-09-29	BNP Paribas

Collaterals for / guarantees of credit repayment granted to Erbud S.A.

Final collaterals:
Assignment of debts from construction contracts
Statement on submission to enforcement
Authorization to operate bank accounts managed by PNB Paribas

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
GWI	1 408	339	EUR	1 408	339	4.00%	indefinitely	PDI Beuth
Collaterals for / guarantees of credit repayment granted to GWI								
Final collaterals:								
Payments of dividends to shareholders								

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud International Oddział	21	5		7	2	8.25%	13.01.2014	Deutsche Bank
Collaterals for / guarantees of credit repayment granted to Erbud International Oddział								
Final collaterals:								
None								
Temporary collaterals:								
None								

Terms and conditions of loan agreements

Under the loan agreements, the Companies of Erbud Group are obliged to meet certain financial ratios (so-called loan covenants). As required by IAS 1, a breach of loan covenants which could potentially result in a reduction of unconditional access to credit during the next year makes it necessary to qualify such liabilities as current ones.

In the twelve months of 2013, ERBUD SA breached the terms of the loan agreements related overdrafts related to overdrives in mBank and Alior Bank. The violation concerned the current liquidity ratios.

Here is a list of violated ratios:

Bank mBank

Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	not less than 1.1	1.,0	not achieved

Alior Bank

Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	not less than 1.3	1.0	not achieved

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

As of 31 December 31, 2013 ERBUD SA did not have any liabilities due to short-term overdrafts.

19. Liabilities arising from issuance of debt and equity securities

On 26 March 2014, the Company issued a total of 5,200 bearer bonds, dematerialized, unsecured, with an aggregate nominal value of PLN 52 million. The par value of one bond was PLN 10,000. The issue price amounted toPLN 9,587. The redemption date is 26 March 2018. The interest rate on bonds is variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. Interest will be paid every 6 months. The Company 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.
The Company has earmarked funds for the purchase of 40,000 bonds of series A issued by the Issuer and financing the increased demand on working capital associated with record orders backlog of the Capital Group. The remaining 10,000 Series A bonds will be redeemed according the originally fixed term, i.e. on 15 July 2014.

On 14 July 2011, the Company issued 50,000 unsecured three-year bearer bonds with a total par value of PLN 50,000,000. The issue price of bonds equals the nominal value and the interest rate was set based on WIBOR 6M plus a margin of 3.4% per year. 15 July 2014 is the Redemption Day.

On 2 August 2011, bearer bonds of Series A issued by the Parent were introduced to the BondSpot alternative trading system on the Catalyst market. The first day of trading fell on 9 August 2011.

On 15 April 2013, the Management Board adopted Resolution No. 4/2013 on the share capital increase under the authorised capital by the issue of shares of series H and depraving the existing shareholders of pre-emptive rights to acquire series H shares. The issue will be addressed to employees entitled in connection with the third tranche of the Staff Incentive Scheme, and the number of shares that would be granted to persons entitled cannot exceed 50 000 shares. Finally, following the issuance of H series shares were acquired 36,590 shares with a nominal value of PLN 0.10 each one. Thus, the share capital has increased by PLN 3,659.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorised capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager

Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

20.1 Other long-term financial liabilities

	31 December 2013	31 December 2012
Long-term liabilities under financial lease	5 426	2 699

20.2 Other long-term liabilities

	31 December 2013	31 December 2012
Foreign exchange risk hedging - Budlex Sp. z o.o	0	12
Total	**0**	**12**

21 Provisions for liabilities and other debts

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2013	**17 724**	**1 399**	**12 702**	**528**	**32 353**
Increase	6 131	30	2 470	2 294	**10 925**
Created in this year	0	0	0	0	**0**
Released	5 169	703	3 284	904	**10 060**
Used	1 186	40	4 549	98	**5 873**
Transfers	0	0	0	0	**0**
As at 31 December 2013	**17 500**	**686**	**7 339**	**1 820**	**27 345**

Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	1 751
- Other provisions	3 433
Current liabilities:	
- Provisions for pensions and similar benefits	5 588
- Other provisions	16 573
Total as of 31 December 2013	**27 345**

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2012	**11 611**	**774**	**6 146**	**391**	**18 922**
Increase	6 576	640	1 173	452	**8 841**
Created in this year	0	0	0	0	**0**
Released	405	13	420	245	**1 083**
Used	614	2	1 153	84	**1 853**
Transfers	556	0	6 956	14	**7 526**
As at 31 December 2012	**17 724**	**1 399**	**12 702**	**528**	**32 353**

Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	6 900
- Other provisions	2 750
Current liabilities:	
- Provisions for pensions and similar benefits	5 802
- Other provisions	16 901
Total as at 31 December 2012	**32 353**

Age structure of the provisions as at 31 December 2013 and 31 December 2012 is presented in the table below:

	31 December 2013	31 December 2012
Non-current	5 184	9 650
Current	22 161	22 703
Total	**27 345**	**32 353**

21.1 Provision for guarantee repairs

The Group has recognized in the balance sheet provision for guarantee repairs in the amount of PLN 17,500 thousand as at 31 December 2013 and PLN 17,724 thousand as at 31 December 2012. The Group creates a provision for anticipated guarantee repair costs based on the level of repair works recorded in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2010-2013.

21.2 Provision for litigation and claims

Provisions as at 31 December 2013 consist primarily of provision for proceeding brought by Przedsiębiorstwo Budowlane ARGO Sp. z o.o. The legal status as of the balance sheet date: the first instance, value of dispute: PLN 383 thousand. Due to the complexity of the case the end is difficult to predict.

22 Trade and other liabilities, income tax liabilities, building contracts securities

Short-term liabilities	31 December 2013	31 December 2012
a) Deliveries and services	249 860	308 342
- From associates	615	1 233
- From other entities	249 245	307 109
b) Due to public sector	14 083	14 132
- Corporate income tax	7	201
- Value Added Tax	8 110	7 400
- Income tax on natural persons	1 536	1 246

- Other	4 430	5 285
c) Financial liabilities, incl.	55 004	5 372
- Interest	20	69
- Bond interest	1 889	1 889
- Liabilities from bonds	50 000	0
- Leases	3 095	3 414
d) Other	5 743	48 332
- Labour costs	3 360	4 552
- Advance payments received	291	34 009
- Liabilities due to shares	0	5 553
- Other	2 092	4 218
Total liabilities presented in the balance sheet as:	**324 690**	**376 178**
Trade and other liabilities	194 148	296 163
Current tax liabilities	7	201
Bonds issue liabilities	50 000	0
Retention money	80 535	79 814

23 Liabilities under financing lease

Current value of net minimum lease fees was as follows:

	31 December 2013 Current value of fees	31 December 2012 Current value of fees
The nominal value of minimum lease fees		
up to 1 year	3 314	3 758
between 1 and 5 years	5 798	2 878
Total liabilities under financing lease– total minimum lease fees	**9 112**	**6 636**
Financial expense due to financing lease	591	523
Current value of minimum lease fees		
up to 1 year	3 095	3 414
between 1 and 5 years	5 426	2 699
Total current value of minimum lease fees	**8 521**	**6 113**

Short-term commitments under finance leases are recognized as items of liabilities due to trade and other payables.

24 Long-term construction contracts

Long-term construction contracts were valued using method of progress of completion resulting from the measurement. Revenues, expenses and profit were recognized in proportion to the stage of completion of works.

	Yaer ended 31 December 2013	Year ended 31 December 2012
Incomes from building contracts	1 125 805	1 309 714
Expenses from building contracts, incl.:	1 042 806	1 231 204
- Recognized loss	51	124
Profit before tax	**82 999**	**78 510**

The value of recognized assets and liabilities arising from long-term contracts for the delivery of construction woks in the Group is presented in the following table:

	31 December 2013	31 December 2012
Assets:		
Amounts due from customers, incl.	**156 102**	**59 021**
- Contracts valuation	156 102	59 021

Liabilities:		
Amounts due to customers, incl.:	**82 244**	**11 931**
- Contracts valuation	82 244	11 931

25 Retentions under construction contracts

Retention money under construction contracts as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Retentions held by customers		
Retentions to be returned beyond 12 months	20 153	8 607
Retentions to be returned within 12 months	29 788	33 627
Total	**49 941**	**42 234**
Retentions retained to suppliers		
Retentions to be returned beyond 12 months	8 514	5 447
Retentions to be returned within 12 months	72 021	74 367
Total	**80 535**	**79 814**

Retentions due to construction contracts with a payment period of over one year shall be discounted and are recognized in the balance sheet at current value.

The discount amounts recognized in the balance sheet (reducing the nominal value of debts and liabilities due to the deposits):

	31 December 2013	31 December 2012
Discount of retentions held by customers	-1 400	-816
Discount of retentions retained to suppliers	-1 375	-1 408

Discounts recognized in profit or loss:

	Derecognition of liabilities discount as at 01.01.2013	Derecognition of discount as at 01.01.2013	Recognition of discount as at 31.12.2013	Recognition of liabilities discount as at 31.12.2013	Total impact of discounting in the period ended 31.12.2012
Impact on gross profit/loss	-1 408	816	1 375	-1 400	-617
Impact on net profit/loss	-1 140	661	1 114	-1 134	-499
	Derecognition of liabilities discount as at 01.01.2012	**Derecognition of discount as at 01.01.2012**	**Recognition of discount as at 31.12.2012**	**Recognition of liabilities discount as at 31.12.2012**	**Total impact of discounting in the period ended 31.12.2012**
Impact on gross profit/loss	-1 817	737	1 408	-816	-488
Impact on net profit/loss	-1 472	597	1 140	-661	-396

26 Revenues from sales

	Year ended 31 December 2013	Year ended 31 December 2012
Revenues from sales of finished products	46 055	63 722
Revenues from sales of services	1 171 013	1 315 393
Revenues from sales of goods and materials	6 541	5 339
Total	**1 223 609**	**1 384 454**

27 Costs by sort

	Year ended 31 December 2013	Year ended 31 December 2012
Depreciation and amortization	7 727	7 529
Consumption of materials and power	178 565	228 084
External services	822 096	933 106
Taxes and charges	8 473	7 408
Payroll	114 878	105 896
Social security and other benefits	25 319	22 927
Other costs	15 472	12 958
Goods and materials sold	6 666	5 157
Total expenses by sort	**1 179 196**	**1 323 065**
Change in inventories, products and deferred expenditures due to construction contracts	11 495	27 701
Cost of production for in-house use (negative value)	0	-14
Cost of sales (negative value)	-3 518	-4 039
General and administrative costs (negative value)	-54 474	-46 357
Production cost of goods sold	**1 132 699**	**1 300 356**

28 Other operating revenues and costs

Other operating income	Year ended 31 December 2013	Year ended 31 December 2012
Gain on disposal of non-financial fixed assets	2 483	311
Reversal of impairment, incl.:	835	412
- Receivables	595	412
- Other	240	0
Release of provisions, incl.:	1 078	486
- Guarantee repairs	39	380
- Litigation and claims	680	13
- Other	359	93
Other, incl.:	3 005	1 862
- Indemnities	739	664
- Penalties, fines and indemnities received	18	89
- Release of impairment losses on receivables	19	501
- Redeemed liabilities	1 133	0
- Donations	795	0
- Tax return from Germany	0	280
- Other	301	328
Total	**7 401**	**3 071**

Other operating costs	Year ended 31 December 2013	Year ended 31 December 2012
Loss on disposal of non-financial fixed assets	53	5
Creation of impairments, incl.:	3 071	3 191
- Receivables	2 711	1 935
- Inventories	360	1 256
Creation of provisions, incl.:	988	1 574
- Guarantee repairs	339	884
- Litigation and claims	31	600
- Other	618	90
Other, incl.:	3 418	2 590
- Penalties, fines and indemnities	2 083	2 049
- Legal action costs	0	9
- Written-off receivables	685	225
- Donations	157	28

- Other	493	279
Total	**7 530**	**7 360**

29 Financial income and expenses

Financial income	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Revaluation of investments	0	21
Valuation of financial instruments	0	32
Gain on disposal of financial assets	0	0
Dividends and profit sharing	26	0
Interest on loans granted	685	2 088
Interest on shares	0	54
Interest on bonds	0	0
Other interest	2 217	1 544
Discount of deposits	0	0
Foreign exchange differences, incl.:	**547**	**434**
- - Gained	240	16
- - Unrealized	307	418
Gain on bargain purchase of ENGOREM	0	3 348
Valuation of financial instruments	43	1 571
Other	62	12
Total	**3 580**	**9 104**

Financial expenses	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Interest on bonds	3 993	4 165
Interest on loans and borrowings received	2 613	3 239
Financial expenses under finance lease	553	929
Other interests	90	336
Negative exchange differences, incl.:	**264**	**2 833**
- Gained	472	738
- Unrealized	-208	2 095
Bank guarantee fees	239	287
Discount of deposits and other liabilities	731	848
Front-end fee paid to the bank	2 352	2 130
Financial costs of bonds	151	153
Impairment on loan for ERBUD Ireland	0	0
Other	200	98
Total	**11 186**	**15 018**

30 Current and deferred income tax

The main tax items for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Profit or loss	**7 015**	**4 972**
Current tax	4 835	3 084
Deferred tax on origination and reversal of temporary differences	2 180	1 888
Other liabilities	**0**	**0**
Equity	**0**	**0**

Reconciliation between income tax on profit before tax and tax calculated at an effective tax rate of the Group for the year ended 31 December 2013 and as of 31 December 2012 is summarized in the following table:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before tax on continuing operations	25 094	23 499
Pre-tax result of discontinued operations	0	0
Profit before tax	**25 094**	**23 499**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 2012 and 2011	**5 034**	**4 465**
Additional burden arising from the rate exceeding 19% in Germany	277	21
Consolidation adjustments result	17	0
Unrecognised tax losses	153	-440
Excess costs which are not tax deductibles over income not recognized as taxable income	1 534	926
Tax recognized in the consolidated profit and loss statement	**7 015**	**4 972**

In the year ended 31 December 2013 there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2013, there were no items of temporary differences in respect of which neither the deferred tax assets were recognized in the balance sheet nor was any provision for deferred tax established.

Provision on deferred tax	**31 December 2013**	**31 December 2012**
Valuation of long-term contracts	26 685	19 278
Revaluation of assets	6 245	6 576
Financial expenses capitalized	314	346
Balance valuation + discounted liabilities	309	277
Balance valuation - interest	1 823	1 573
Other	835	570
Total	**36 211**	**28 620**

Deferred tax assets	**31 December 2013**	**31 December 2012**
Valuation of construction contracts	16 092	9 721
Provisions	5 087	6 825
Tax loss	8 175	10 547
Profit margin on intra-Group sales	487	487
Other fees charged statistically	226	236
Claims revaluation	1 062	857
Valuation of bonds interest	359	359
Other financial liabilities	1 385	578
Financial instruments	1 807	1 687
Consolidation adjustments	1 242	2 035
Accrued costs	0	433
Deposit discount	1 388	789
Other	**37 310**	**34 554**

Deferred tax asset on tax loss relates mainly to tax loss incurred by ERBUD SA in 2011. The Company may use this asset for a period of 5 years from the balance sheet date.

Assets and liabilities for deferred taxes are compensated when there is a legal title to compensate tax receivables and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

31 Loans granted

As at 31 December 2013, the Group granted loans as follows:

The borrower	Outstanding loan/borrowing amount [PLN]	Interest	Maturity date
ABConsulting Spółka z o.o.	76	Wibor 3M + 2.8%	2015-12-31
Collateral: Unsecured loan			

The borrower	Outstanding loan/borrowing amount [PLN]	Interest	Maturity date
Deptak Projekt P2 Sp. z o.o.	14 383	7.50%	2032-10-30
Collateral: Blank promissory note with promissory note declaration			

The borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
Natural person	220	53	4%	31-12-2013
Collateral: Unsecured loan				
Total loans granted	**14 679**	**53**		

32 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders (after deducting interests on the depreciable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the impact of dilutive options and dilutive depreciable preference shares convertible into ordinary shares).

Below are presented data on earnings and shares used to calculate current and diluted earnings per share:

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit (loss) attributable to the shareholders of the Parent	17 217	17 223
Weighted average number of shares (in units)	**12 696 251**	12 661 062
Net profit (loss) per share (in PLN)	**1.36**	**1.36**
Diluted weighted average number of shares	**12 744 407**	12 710 858
Diluted earnings (loss) per share (in PLN)	**1.35**	**1.35**

32 Dividends paid and declared to be paid, dividend per share

In the current reporting period the Parent Company did not pay dividends.

33 Changes in the composition of the Capital Group

In the reporting period there were no changes in the Group structure.

34 Share-based payment

From 2010 there is a Share Award Scheme in the Erbud Group, which is classified as a share-based payment. Under this program, a right to three tranches of shares in a maximum of 50,000 units each was granted to the Board members and senior management of the Group. The first tranche (31,686 shares) was allocated to employees in 2010. Subsequent tranches will be awarded after meeting the conditions in 2011 and 2012. The fair value of shares on the grant date was PLN 47.69.
Shares were granted on the base of the Group's results achieved in 2008-2010 (consolidated result of more than PLN 10 million) and in accordance with the following conditions:

- position at the company,
- responsibilities,
- assessment of the achievements,
- value of sales revenue and gross profit for subsidiaries or volume of work and marginal return for construction sites and branches.

In the 12 months period ended 31 December 2013 the fair value of services received which were identified in pursuant to IFRS 2 has been recognized under salary costs in the amount of PLN 285 thousand.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014.
The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.
On 15 April 2013, the Management Board adopted Resolution No. 4/2013 on the capital increase within the authorized capital through the issuance of H shares and deprivation existing shareholders of the pre-emptive right to acquire shares series H. The issue will be offered to entitled employees in connection with the first tranche of the second Employee Incentive Scheme, and the number of shares which would be granted to persons entitled should not exceed 50 000 shares. Finally, following the issue of H series shares were acquired 36,590 shares with a nominal value of PLN 0.10 each one. Thus, the share capital has increased by PLN 3,659.

35 Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with associates that are not subject to consolidation for the year ended 31 December 2013 and as at the date as well as for the year ended 31 December 2012 and as at the date:

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2013		Year ended 31.12.2013	
- deliveries and services	131	615	146	2 615
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	14 679	0	1 072	0

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2012		Year ended 31.12.2012	
- deliveries and services	863	1 233	3	2 635

- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	20 479	0	1 925	0

36 Transactions with key members of the company's management

As at 31 December 2013 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2 848 347	22.40%	2 848 347	22.40%
Dariusz Grzeszczak	Ordinary	773 900	6.09%	773 900	6.09%
Józef Adam Zubelewicz	Ordinary	259 500	2.04%	259 500	2.04%
Albert Duerr Supervisory Board member	Ordinary	14 500	0.11%	14 500	0.11%
Walenty Twardy ERBUD SA procuration holder	Ordinary	6 852	0.05%	6 852	0.05%
Piotr Augustyniak ERBUD SA procuration holder	Ordinary	890	0.01%	890	0.01%
Agnieszka Głowacka ERBUD SA procuration holder	Ordinary	6 336	0.05%	6 336	0.05%
Bogdan Duerr ERBUD SA procuration holder	Ordinary	6 712	0.05%	6 712	0.05%
Tomasz Krzywicki ERBUD SA procuration holder	Ordinary	700	0.01%	700	0.01%
Włodzimierz Czystowski ERBUD SA procuration holder	Ordinary	4 921	0.04%	4 921	0.04%
Mirosław Młynarski Procuration holder	Ordinary	11 426	0.09%	11 426	0.09%
Radosław Kałamaga Procuration holder	Ordinary	5 494	0.04%	5 494	0.04%
Maciej Wyrzykowski ERBUD SA procuration holder	Ordinary	2 200	0.02%	2 200	0.02%
Mariola Zielińska Chief Accountant of Erbud S.A.	Ordinary	4 818	0.04%	4 818	0.04%

As at 31 December 2012 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2,848,347	22.47%	2,848,347	22.47%
Dariusz Grzeszczak	Ordinary	773,900	6.10%	773,900	6.10%
Józef Adam Zubelewicz	Ordinary	259,500	2.05%	259,500	2.05%
Albert Duerr Supervisory Board member	Ordinary	8,500	0.07%	8,500	0.07%
Walenty Twardy ERBUD SA procuration holder	Ordinary	19,852	0.16%	19,852	0.16%

Piotr Augustyniak ERBUD SA procuration holder	Ordinary	9,811	0.08%	9,811	0.08%
Agnieszka Głowacka ERBUD SA procuration holder	Ordinary	5,836	0.05%	5,836	0.05%
Grzegorz Krzywicki ERBUD SA procuration holder	Ordinary	3,033	0.02%	3,033	0.02%
Bogdan Duerr ERBUD SA procuration holder	Ordinary	6,712	0.05%	6,712	0.05%
Włodzimierz Czystowski ERBUD SA procuration holder	Ordinary	10,525	0.08%	10,525	0.08%
Tomasz Krzywicki Procuration holder (by a person related)	Ordinary	3,636	0.03%	3,636	0.03%
Mirosław Młynarski Procuration holder	Ordinary	6,778	0.05%	6,778	0.05%
Radosław Kałamaga Procuration holder	Ordinary	5,494	0.04%	5,494	0.04%
Tomasz Krzywicki ERBUD SA procuration holder	Ordinary	3,950	0.03%	3,950	0.03%
Maciej Wyrzykowski ERBUD SA procuration holder	Ordinary	1,200	0.01%	1,200	0.01%
Mariola Zielińska Chief Accountant of Erbud S.A.	Ordinary	4,018	0.03%	4,018	0.03%

As of the date of submitting the statements, the Board members and procurists do not have any Erbud's stock options.
In 2013, the share capital of the Parent Company increased by PLN 3,659 through issuing shares of Series H. The issuance has been addressed to entitled employees in connection with the third tranche of the Staff Incentive Scheme. The issue price was PLN 11.00. The Company's share capital after the increase amounts to PLN 1,271,454.60. The authorized share capital after the issuance of Series H Shares has been registered by the District Court for the Capital City of Warsaw, XIII Commercial Division.

Under the Employee Incentive Scheme Program, the following number of shares of series H has been granted to the managing staff:

Shareholder	**Class of shares**	**Number of shares**
Walenty Twardy – ERBUD SA procuration holder	Ordinary	4 000
Maciej Wyrzykowski – ERBUD SA procuration holder	Ordinary	1 000
Agnieszka Głowacka – ERBUD SA procuration holder	Ordinary	4 000
Tomasz Krzywicki – ERBUD SA procuration holder	Ordinary	700
Włodzimierz Czystowski – ERBUD SA procuration holder	Ordinary	1 000
Mirosław Młynarski - ERBUD SA procuration holder	Ordinary	4 648

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

Members of the Supervisory Board, of the Management Board of the Parent and of key management personnel, as at 31 December 2013 and as at 31 December 2012 did not have outstanding loans, credits or a guarantees provided by the companies of the Erbud Group.

Members of the Supervisory Board, of the Management Board of the Parent and of key management personnel, as at 31 December 2012 and as at 31 December 2011 were not a party to the contract obliging to render services to the companies of the Erbud Group.

37 Remuneration of key senior management members

Remuneration of the Supervisory Board members of ERBUD SA in the year ended 31 December 2013 and as at 31 December 2012 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2013	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012
Udo Berner	President of the Supervisory Board	76	60
Józef Olszyński	Vice-President of the Supervisory Board	59	44
Albert Durr	Member of the Supervisory Board	51	40
Gabriel Główka	Member of the Supervisory Board	51	40
Lech Wysokiński	Member of the Supervisory Board	46	40
Zofia Dzik	Member of the Supervisory Board	51	40
Michał Otto	Member of the Supervisory Board	51	23

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

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2013	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012
Dariusz Grzeszczak	Member of the Management Board	1 122	970
Józef Adam Zubelewicz	Member of the Management Board	1 112	966

Wysokość wynagrodzeń osób zarządzających wyższego szczebla w Erbud S.A. otrzymanych od Erbud S.A. oraz od jego podmiotów zależnych:

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2013	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012
Agnieszka Głowacka	Holder of a joint power of attorney	312	288
Piotr Jan Augustyniak	Holder of a joint power of attorney	431	343
Walenty Twardy	Holder of a joint power of attorney	358	278
Maciej Piotr Wyrzykowski	Holder of a joint power of attorney	211	219
Grzegorz Krzywicki	Holder of a joint power of attorney	191	266
Bogdan Durr	Holder of a joint power of attorney	467	357
Tomasz Krzywicki	Holder of a joint power of attorney	446	472
Włodzimierz Czystowski	Holder of a joint power of attorney	213	212
Waldemar Kozłowski	Holder of a joint power of attorney	297	306
Radosław Kałamaga	Holder of a joint power of attorney	427	276
Mirosław Młynarski	Holder of a joint power of attorney	506	526

38 Contingent liabilities and receivables

The off-balance sheet items due the Group's debts, liabilities and other balance sheet items are as follows:

	31 December 2013	31 December 2012
Contingent receivables	**19 185**	**24 008**
From related parties	**16 589**	**16 353**
Guarantees and sureties received	16 589	16 353
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
From other entities	**2 596**	**7 655**
Guarantees and sureties received	2 596	7 655
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
Total contingent receivables	**19 185**	**24 008**
Contingent liabilities	**66 299**	**421 969**
To related parties	**77 605**	**66 250**
Guarantees and sureties granted	77 605	66 250
Litigation and claims	0	0
Promissory notes	0	0
To other entities	**339 239**	**355 719**
Guarantees and sureties granted	339 239	355 719
Litigation and claims	0	0
Promissory notes	0	0
Total contingent liabilities	**416 844**	**421 969**
Total off-balance sheet items	**397 659**	**397 961**

39 Court proceedings

As of 31 December 2013, there are any significant legal proceedings brought by ERBUD SA pending, except those disclosed in Note 44.

Significant court cases in which Erbud SA is the defendant are described in section 21.2 and 44.

40 Capital expenditures

Scheduled capital expenditures for 2014 amount to PLN 1,720 thousand, of which

- Erbud SA - PLN 600 thousand
- Engorem - PLN 800 thousand
- PBDI S.A. - PLN 320 thousand.

41 Employment structure

The average employment in the Group was as follows:

	31 December 2013	31 December 2012
Blue-collar workers	656	1 135
White-collar workers	542	599
Total	**1 198**	**1 734**

42 Objectives and principles of financial risk management

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

Foreign exchange risk

As a part of the core operations, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (mainly in the Euro). Policy of currency risk management adopted by the Management Board consists in matching the contract currency to the currency of expenditure related to this contract. Contracts carried out in Poland by the Group are concluded in the Polish currency (Polish Zlotys) and contracts executed by the companies and entities operating abroad are signed in Euros.

The Group does not apply hedge accounting.

The carrying value of financial instruments denominated in foreign currencies (in PLN):

	PLN	EUR	Total
Cash and cash equivalents	99 652	24 938	**124 590**
Trade and other receivables	194 542	28 763	**223 305**
Receivables due deposits	43 442	6 499	**49 941**
Loans granted	14 459	220	**14 679**
Total	**308 653**	**60 420**	**369 073**
Loans and borrowings liabilities	37 561	1 414	**38 975**
Trade and other liabilities	177 083	17 065	**194 148**
Liabilities due deposits	78 825	1 710	**80 535**
Long-term lease liabilities	8 521	0	**8 521**
Bonds issued	51 889	0	**51 889***
Total	**424 367**	**20 189**	**479 278**
Exposure to currency risk		**40 231**	

* The amount includes accrued interest on the bonds as at the balance sheet date of PLN1,889 thousand which are presented in the Consolidated Statements of Financial Position in item “Trade and other liabilities"(Note 22).

Risk of interest rates

The risk of interest rates is mainly due to the use by companies of the bank credits, loans and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows. Furthermore, the Group invests surplus cash in investments with variable interest rates (deposits), which reduces the return on investment when interest rates are dropping. The Group also uses fixed-rate instruments for which market changes in interest rates do not affect the interest costs incurred and the interest income received. Trade and other receivables and payables are not interest bearing and their maturity dates are no longer than one year.

The exposure to interest rate risk and interest rate forecasts are monitored by the Group.

The following table presents the carrying value of financial instruments as at 31 December 2013, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
Loans granted	0	75	0	14 643	**14 718**
Cash assets - term deposits	19 415	11 698	0	0	**31 113**
Total	**19 415**	**11 773**	**0**	**14 643**	**45 831**

Variable interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
Cash at bank accounts	67 774	0	0	0	**67 774**
Cash assets - term deposits	18 939	6 693			**25 632**
Overdrafts	8 943	0	0	0	**8 943**

Liabilities due to finance lease (current and non-current)	2 756	4 241	1 524	0	**8 521**
Secured bank loans	24 488	12 962	1 525	0	**38 975**
Bonds	51 889	0	0	0	**51 889**
Total	**174 789**	**23 896**	**3 049**	**0**	**201 734**

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase of material prices and labour costs, costs of the services rendered for the Group by the subcontracting companies may rise as well. Prices in the agreements signed with the investors are usually fixed for the duration of a contract performance - usually between 6 and 36 months, while contracts with subcontractors are concluded at a later date, with the progress of individual works.

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

Credit risk

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

Before signing the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the agreement conclusion depends on the establishment of appropriate financial or property guarantees. In addition, the conditions of agreements with building investors provide for the right to suspend the execution of works, in case of any delay in payment for services rendered.

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

The age structure of debt is presented in Note 14.

Liquidity risk

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

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

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

The tables below summarize the Group's financial liabilities as at 31 December 2013 and as at 31 December 2012 by the maturity on the basis of contractual undiscounted payments:

31 December 2013	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Credits and loans at interest	6 758	17 730	13 377	1 110	**38 975**
Long-term lease liabilities	669	2 426	5 426	0	**8 521**
Trade and other liabilities	192 251	1 774	123	0	**194 148**
Income tax liabilities	7	0	0	0	**7**
Construction deposits	19 712	52 309	8 514		**80 535**
Bonds issued	51 889	0	0	0	**51 889**
Total	**271 286**	**74 239**	**27 440**	**1 110**	**374 075**

31 December 2012	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Credits and loans at interest	483	37 504	12 616	0	**50 603**
Long-term lease liabilities	0	0	2 699	0	**2 699**
Trade and other liabilities	253 464	42 699	0	0	**296 163**
Income tax liabilities	201	0	0	0	**201**
Construction deposits	0	74 367	5 447		**79 814**
Bonds issued	0	0	50 000	0	**50 000**
Total	**254 148**	**154 570**	**70 762**	**0**	**479 480**

Sensitivity analysis for currency and interest rates risk

The influence of potential changes on market risk was estimated by the Group as follows:
100 bsp - change in the PLN interest rate (increase or decrease in interest rate)
100 bsp - change in the EUR interest rate (increase or decrease in interest rate)
10% - change in the exchange rate PLN/EUR (revaluation or devaluation of PLN).

The sensitivity analysis by the Group does not include the effects of taxation.

The influence of potential changes on profit before tax and the Company's capital is summarized below:

Sensitivity analysis for currency and interest rates risk

Balance sheet item	Value in PLN '000	Interest rate risk		Currency risk			
		Influence on profit		Influence on profit		Influence on capital	
		+ 100 pbs in PLN + 100 pbs in EUR	+ 100 pbs in PLN + 100 pbs in EUR	10% PLN revaluation	10% PLN devaluation	10% PLN revaluation	10% PLN devaluation
Cash and cash equivalents	124 590	1 246	-1 246	-34	34	-1 784	1 784
Trade and other receivables	223 305	0	0	-1 134	1 134	-1 742	1 742
Receivables due to retention	49 941	0	0	-650	650	0	0
Loans granted	14 679	147	-147	-1 472	1 472	-22	22
Influence on financial assets		**1 393**	**-1 393**	**-3 290**	**3 290**	**-3 548**	**3 548**
Credits and loans liabilities	38 975	-390	390	0	0	141	-141
Bonds issued	51 889	-519	519	0	0	0	0
Long-term lease liabilities	8 521	-85	85	0	0	0	0
Trade and other liabilities	194 148	0	0	840	-840	867	-867
Liabilities due to retention	80 535	0	0	0	0	171	-171
Influence on financial liabilities		**-994**	**994**	**840**	**-840**	**1 886**	**-1 886**

43 Asset-backed securities

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

1) The basic characteristics of assets (type and number votes at the GM), on which the pledge was established: In order to secure an agreement with the Seller, the Issuer has entered with the Buyer (Rison Limited with registered office in Nicosia, Cyprus) into a lien agreement (possessory and registered), under which the Buyer established to the Seller an possessory lien and upon entry in pledge register will establish an registered lien on 5,059 shares representing 29% stake in Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A headquartered in Toruń. The possessory lien shall expire upon entry of the registered lien in the register of pledges.

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

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship (subsidiary, interdependent, associate, detailing the direct and indirect relationships)	Method of consolidation / equity method or indication that the unit is not subject to consolidation / to valuation by equity method	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A	Toruń	Road engineering	subsidiary	full method	0	49 554	94.27%	94.27%

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

4) Percentage of the pledged shares in the nominal capital of PRD and the value at par of shares and their character as long-term or current capital investment of Erbud:
Pledged shares represent 29% of the nominal capital of PRD S.A.

In connection with the repayment of liabilities of Rison Limited, in 2013 expired the condition for the registered pledge on shares of PBDI SA. In the letter of 24 April 2014, Rison Limited confirms the extinction of debt. The letter is also the basis to apply to the Register of Pledges for the removal of the above-described pledge.

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

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

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

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

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

Mortgages on fixed assets of the company

1) The book value of fixed assets of the company covered by the mortgage – PLN 3.333 thousand.

Collaterals

Conventional mortgage up to PLN 120m on cooperative ownership right to the premises registered under KW WA5M/00451397/7, WA5M/00451398/4, WA5M/00451399/1, managed by the District Court in Warsaw.

Mortgage on the company's long-term investments

1) The book value of property fixed assets covered by the mortgage – PLN 515 thousand.

Collaterals

Capped mortgage up to PLN 65m on the property consisting of vacant plots No 275/3, 288/10, 288/17 registered under KW TO1T/00003133/2, managed by the District Court in Toruń.

44 Litigation

Claim against the Bank Millennium SA

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

Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.

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

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

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.

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 aletter withdrawing the request for bankruptcy of ERBUD SA. The Company is waiting for the decision of the Court in this case.

45 Events after the end of the reporting period

Such events are presented in Note 44 - Litigation.

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 28 April 2014