ERBUD

ERBUD CAPITAL GROUP



PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FORTHE PERIOD FROM 01 JANUARY TO 30 JUNE 2014

Photo:Office Building Royal Wilanów in Warsaw

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6-month period ended 30 June 2014 (in thousands of PLN)

	Note	6- month period ended 30.06.2014	6- month period ended 30.06.2013
CONTINUING OPERATIONS	6		
Revenues from sales of products and services and of goods and materials		709 089	525 902
Cost of sold products and services and of goods and materials		662 655	489 390
Profit (loss) from sales before tax		**46 434**	**36 512**
Cost of sales		2 226	1 936
General and administrative costs		27 492	24 947
Other operating income		2 948	1 412
Other operating expenses		3 051	2 881
Profit (loss) on operating activities		**16 613**	**8 160**
Financial income		1 189	3 581
Financial expenses		4 526	6 591
Share in net gain (loss) in subordinated valued by equity method		-64	0
Profit (loss) on continuing operations before tax		**13 212**	**5 150**
Income tax	15	4 877	2 511
Net profit (loss) on continuing operations		**8 335**	**2 639**
Net profit (loss) on discontinued operations		0	0
Net profit (loss)		**8 335**	**2 639**
attributable to:			
- Shareholders of the Parent Company		8 043	2 351
- Minority shareholders		292	288
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares (in units)		12 714 546 / 12 744 886	12 694 849 / 12 741 627
Earnings (loss) per share (in PLN) / Diluted earnings (loss) per share (in PLN) on continuing operations		0.656 / 0.654	0.208/ 0.207

Consolidated net profit (loss)	**8 335**	**2 639**
Foreign exchange differences from translation of foreign branches and entities*)	61	451
Deferred income tax due to items of other total incomes	0	0
Other total net incomes	**61**	**451**
Total revenue for the period	**8 396**	**3 090**
attributable to:		
Shareholders of the Parent Company	8 096	2 820
Minority shareholders	300	270

*) Item from comprehensive income will not be reclassified to profit or loss

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 26 August 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014 (in thousands of PLN)

	Note	30.06. 2014	31.12.2013	30.06.2013
ASSETS		**893 604**	**795 930**	**686 948**
Fixed assets		**128 569**	**117 755**	**122 307**
Intangibles		37 102	35 335	32 850
Investment property		10 579	5 492	5 506
Goodwill		20 102	20 102	20 102
Tangible fixed assets		1 683	1 875	1 906
Other non-current financial assets	11	18 621	17 604	19 700
Non-current receivables	9	0	0	0
Deferred tax assets		40 432	37 310	42 243
Prepayments		50	37	0
Current assets		**765 035**	**678 175**	**564 641**
Inventory	8	113 815	112 140	104 584
Delivery, services and other receivables	9	292 767	223 305	229 654
Income tax receivables	9	7 689	7 336	4 530
Financial assets		225	220	342
Cash and cash equivalents	10	113 283	124 590	79 901
Construction contracts		172 558	156 102	97 140
Short-term prepayments and accruals		6 488	4 541	4 493
Building contracts retention		58 210	49 941	43 997
LIABILITIES		**893 604**	**795 930**	**686 948**
Equity attributable to shareholders of the Parent Company		**256 276**	**255 218**	**241 412**
Share capital		1 271	1 271	1 268
Exchange rate differences on translation of foreign entities		616	591	738
Capital reserves		222 622	222 793	222 200
Undistributed profits		31 767	30 563	17 206
Minority interests		**11 986**	**11 748**	**11 410**
Total shareholders' equity		**268 262**	**266 966**	**252 822**
Long-term liabilities		**144 898**	**61 308**	**106 075**
Bank loans and borrowings	12	29 135	14 487	5 132
Other financial liabilities		5 814	5 426	2 266
Provision for retirement and similar benefits	13	2 008	1 751	7 398
Other provisions	13	3 919	3 433	2 772
Other liabilities		0	0	596
Liabilities due to bonds issue	19	65 000	0	50 000
Deferred tax provision		39 022	36 211	37 911
Short-term liabilities		**480 444**	**467 656**	**328 051**
Credits and loans	12	19 001	24 488	53 004
Delivery, services and other liabilities	14	226 705	194 148	147 711
Current tax liabilities	14	1 080	7	264
Liabilities due to bonds issue		10 000	50 000	0
Provision for retirement and similar benefits	13	5 288	5 588	5 072
Other provisions	13	14 405	16 573	14 459
Building contracts retention	14	83 223	80 535	78 225
Construction contracts		105 118	82 244	18 004
Other accruals		15 624	14 073	11 312

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, 26 August 2013

CONSOLIDATED STATEMENT OF CASH FLOW

for the 6-month period ended 30 June 2014 (in thousands of PLN

	Note	6- month period ended 30.06.2014	6- month period ended 30.06.2013
Cash flow from operating activities			
Profit (loss) before tax		**13 212**	**5 150**
Total adjustments:		**-46 597**	**-127 790**
Depreciation and amortization		4 089	3 697
Profit / loss from exchange rate differences		321	362
Interest and share in profit (dividends)		1 853	1 821
Profit / loss on investment activities		-544	-316
Change in provisions		-2 134	-2 651
Change in inventory	**10**	-4 635	10 913
Change in receivables		-77 246	37 633
Change in short-term liabilities, excluding loans and borrowings	**10**	25 648	-144 097
Change in prepayments and accruals		7 984	-38 011
Income tax paid		-2 586	2 490
Other adjustments		653	369
Net cash used in operating activities		**-33 385**	**-122 640**
Cash flow from investment activities			
Inflows		**2 147**	**8 352**
Disposal of intangible and tangible fixed assets		350	594
Disposal of investments in real property		0	0
Disposal of financial assets		13	79
Repayment of loans		68	6 949
Dividends and interest received		229	722
Other		1 487	8
Outflows		**4 961**	**8 701**
Acquisition of intangible and tangible fixed assets		2 337	927
Acquisition of financial assets		1 679	0
Loans granted		945	7 620
Other		0	17
Net cash flow from investment activities		0	137
Cash flow from financial activities		**-2 814**	**-349**
Inflows			
Credits and loans		**46 116**	**40 577**
Outflows		23 721	40 577
Repayment of credits and loans		22 395	0
Payment of liabilities arising from financial leases		**21 224**	**39 359**
Interest paid		14 559	33 064
Other		468	0
Net cash flow from financial activities		2 212	2 009
Acquisition of intangible and tangible fixed assets		3 981	4 142
Acquisition of financial assets		4	144
Loans granted		**24 892**	**1 218**
Total net cash flow		**-11 307**	**-121 771**
Balance sheet change in cash, including:		**-11 307**	**-121 868**
- change in cash due to exchange differences		**0**	-97
Cash opening balance		**124 590**	**201 769**
Closing balance of cash, including:		**113 283**	**79 901**
- restricted cash		39 407	37 055

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, 26 August 2013

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 30 June 2014 (in thousands of PLN)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net earnings / net loss	Total	Non-controlling interests	Total shareholders' equity
As at 1 January 2014	**1 271**	**0**	**222 793**	**591**	**30 563**	**0**	**255 218**	**11 748**	**266 966**
Profit/loss for the period	0	0	0	0	0	8 043	**8 043**	292	**8 335**
Other total incomes	0	0	0	25	28	0	**53**	8	**61**
Total revenue	**0**	**0**	**0**	**25**	**28**	**8 043**	**8 096**	**300**	**8 396**
Payment in form of shares (Management Stock Option Scheme)	0	0	322	0	0	0	**322**	0	**322**
Dividend to shareholders	0	0	-484	0	-8 416	0	**-8 900**	-501	**- 9 401**
Inclusion of subsidiary ERBUD Rzeszow in Company's consolidation	0	0	0	0	1 549	0	**1 549**	439	**1 988**
Acquisition of shares in Engorem Sp. z o.o	0	0	-9	0	0	0	**-9**	0	**-9**
As at 30 June 2014	**1 271**	**0**	**222 622**	**616**	**23 724**	**8 043**	**256 276**	**11 986**	**268 262**

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, 26 August 2013

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

for the 6-month period ended 31 December 2013 (in thousands of PLN)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net earnings / net loss	Total	Minority interests	Share capital
As at 1 January 2013	**1 268**	**0**	**215 669**	**455**	**20 260**	**0**	**237 652**	**13 791**	**251 443**
Profit / loss for the period	0	0	0	0	0	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**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

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

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

KEY ITEMS CONVERTED TO THE EURO

	30.06. 2014		31.12.2013		30.06.2013	
	PLN	EUR	PLN	EUR	PLN	EUR
Fixed assets	128 569	30 899	117 755	28 394	122 307	28 252
Current assets	765 035	183 863	678 175	163 526	564 641	130 426
Shareholders' equity	268 262	64 472	266 966	64 373	252 822	58 399
Liabilities and provisions for liabilities	625 342	150 290	528 964	127 547	434 126	100 279

Items of the balance sheet data as at 30 June 2014 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.1609 PLN/EUR.

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

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

	6- month period ended 30.06.2014		6- month period ended 30.06.2013	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	709 089	169 702	525 902	124 799
Cost of products, services, goods and materials sold	662 655	158 589	489 390	116 134
Profit on sales before tax	46 434	11 113	36 512	8 665
Profit on operating activities	16 613	3 976	8 160	1 936
Profit (loss) before tax	13 212	3 162	5 150	1 222
Net profit (loss)	8 335	1 995	2 639	626

Items of the profit and loss statement for the period from 1.01.2014 to 30.06.2014 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.1784 PLN/EUR.

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

	6- month period ended 30.06.2014		6- month period ended 30.06.2013	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	-33 385	-7 990	-122 640	-29 103
Cash flows from investment activities	-2 814	-673	-349	-83
Cash flows from financial activities	24 892	5 957	1 218	289
Net cash flows	-11 307	-2 706	-121 771	-28 897
Cash opening balance	124 590	30 042	201 769	49 354
Cash closing balance	113 283	27 226	79 901	18 456

Items of the cash flow for the period from 1.01.2014 to 30.06.2014 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.1784 PLN/EUR.

Items of the cash flow for the period from 1.01.2013 to 30.06.2013 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2140 PLN/EUR.

For translating cash as at 30 June 2014, the exchange rate set by the NBP as of that day was applied, i.e. 4.1609 PLN/EUR.

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

NOTES AND EXPLANATIONS

1 General information

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

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

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

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

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

These consolidated financial statements have been approved for publication by the Management Board on 26 August 2014.

These consolidated financial statements have been prepared as of 30 June 2014 and for the six month period ended 30 June 2014, and the comparative figures as of 30 June 2013 and for the six month period ended 30 June 2013, and as of 31 December 2013.

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

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

1.1 Composition of the Group

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

Entity’s Name	Registered office	Activity range	Consolidation method	The Group’s percentage share in equity at	
				30.06.2014	31.12.2013
Erbud International Sp. z o.o.	Toruń	Construction	full method	100%	100%
GWI GmbH	Germany	Construction	full method	85%	85%
Erbud Industry Sp. z o.o. (dawniej Ersteel Sp. z o.o.)	Toruń	Construction	full method	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	full method	79%	79%
Delta Sp. z o.o.	Toruń	Construction	full method	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	unconsolidated - irrelevant	100%	100%
Toruńska Sportowa Spółka Akcyjna w likwidacji	Toruń	Construction	unconsolidated - irrelevant	39%	39%
Erbud Ireland	Irleland	Construction	full method	0%*	100%
Grupa Budlex	Warszawa	Housing development	full method	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	full method	94.27%	94.27%

Erbud Energetyka sp. z o.o.	Katowice	Construction	full method	100%	100%
Engorem Sp. z o.o.	Łódź	Services for power sector	full method	98.66%	98.62%
Deptak Projekt P2 Sp. z o.o.	Poznań	Housing development	equity method	50%	50%

* Erbud Ireland was liquidated in the first half of 2014.

Basic financial data of companies forming the Group

The financial data of the parent - ERBUD SA are included in the condensed separate financial statements of Erbud SA for the period from 1 January 2014 to 30 June 2014.

Entity's Name	Net profit/loss for the period 01.01.2014–30.06.2014	Total assets as of 30.06.2014	Total equity as of 30.06.2014
Erbud International Sp. z o.o.	527	24 564	5 851
GWI GmbH	965	42 291	9 771
Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.)	802	36 227	3 031
Erbud Rzeszów Sp. z o.o.	264	7 077	2 352
Delta Sp. z o.o.	-277	12 102	2 624
Erbud Construction Sp. z o.o.	-2	7	-47
Toruńska Sportowa Spółka Akcyjna w likwidacji	n/a	n/a	n/a
Erbud Ireland	n/a	n/a	n/a
Grupa Budlex	603	172 849	78 123
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	483	69 698	34 674
Erbud Energetyka sp. z o.o.	-34	349	511
Engorem Sp. z o.o.	439	27 763	12 663
Deptak Projekt P2 Sp. z o.o.	-127	43 899	3 072

The Parent

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

1.2 Joint controlled entities

The Capital Group includes a jointly controlled entity Deptak Projekt P2 Sp. z o.o. For the 6 months ended 30 June 2014, the Group reported a loss on consolidation by equity method amounted to PLN 64 thousand.

1.3 Membership of the Management Board of the Parent

During the period from 1 January 2014 till the date of preparing these financial statements, the composition of the Management Board of the Company was constant.

As at 30 June 2014 the Management Board of the Parent consisted of:

Dariusz Grzeszczak - Board Member

Józef Zubelewicz - Board Member

1.4 Shareholders of the Parent

The share capital of the Parent Company as at 30 June 2014 consisted of 12,714,546 shares with a total value of PLN 1,271,454.60. The structure of the share capital of the Parent as at 30 June 2014 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Percentage in equity	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.22%	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,CF, H	Pozostali Akcjonariusze	Ordinary	None	None	2 489 388	19.58%	None
	Total				**12 714 546**	**100%**	
	Nominal value of shares of all series	PLN 0.10		Share capital value in PLN	1 271 454.60		

Detailed information on the shareholding as at 31 December 2013 is included in the Annual Financial Statements for the year ended 31 December 2013.

This table presents the shareholders holding over 5% of the equity.

Number of shares comprising the authorized capital is equal to the number of shares issued. The nominal value of each share is PLN 0.10. Subsidiaries do not hold any shares of the Parent.

No shares have been reserved for the purpose of issuance under options of sale contracts.

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

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

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

1.5 Going-concern assumption

The Consolidated Financial Statements of the Capital Group as at 31 June 2014 were prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and in line with applicable International Financial Reporting Standards ("IFRS") and pursuant to the IFRS applicable at the report date i.e. 30 June 2014, using the same accounting principles for each of the periods.

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

The detailed accounting policies adopted by the Group have been described in the Group's consolidated financial statements for the year ended 31 December 2013 and published on 28 April 2014. In this report, it has been observed the same rules (policies) and methods of computation that were used in the last annual financial statements.

New and revised standards and interpretations

Principles (policy) applied for the preparation of these condensed consolidated financial statements for the first half of 2014 are consistent with those applied when preparing the annual consolidated financial statements for 2013, except for the following new or amended standards and interpretations 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),
- 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),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", 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 adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial Instruments: Presentation" - offsetting financial assets financial liabilities, approved by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January, 2014 or after that date),
- 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 or after that date),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - novation of derivatives and hedge accounting continued endorsed by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014 or after that date).

The application of these amendments had no impact on the financial position, results of operations, or the scope of information presented in these condensed consolidated interim financial statements.

3 Seasonality

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

4 Rules applied to convert selected financial data to the Euro

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

Items of assets and liabilities - at the average exchange rate prevailing as at 30 June 2014, i.e. 4.1609 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2014 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2014, i.e. 4.1784 PLN/Euro.

Items of assets and liabilities of comparable financial data in 2013 - at the average exchange rate prevailing on 31 December 2013, i.e. – 4.1472 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2013 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2013, i.e. 4.1240PLN/Euro.

5 Changes in accounting policy applied

5.1 Error adjustment

No error adjustments that would affect the current or comparative periods was recognised during the reporting period ended 30 June 2014..

5.2 Changes in estimates

During the reporting period ended 30 June 2014 there were no changes in the methodology for making estimates.

5.3 Discontinued operations

There were no discontinued operations under provisions of IFRS 5 during the reporting period ended 30 June 2014.

6 Information on operating segments

During the reporting period ended 30 June 2014, the Group has conducted business under the following business segments:

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

During the reporting period ended 30 June 2014, the Group has conducted business in the following geographical segments:

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

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

Business segments

The following table presents figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2014:

Income and expenses by business segments

Period from 1 January to 30 June 2014	Large scale construction	Housing development	Road engineering	Construction for power industry	Total
Sale to external clients	600 106	22 145	45 752	41 086	**709 089**
Total income	**600 106**	**22 145**	**45 752**	**41 086**	**709 089**
Cost of products, goods and materials sold to external clients	567 573	19 175	40 324	35 583	**662 655**
Total cost of products, goods and materials sold	**567 573**	**19 175**	**40 324**	**35 583**	**662 655**
Total gross sales	**32 533**	**2 970**	**5 428**	**5 503**	**46 434**
Cost of sales	8	848	860	510	**2 226**
General and administrative costs	18 830	591	3 918	4 153	**27 492**
Profit (loss) on other operating activity	-143	28	54	-42	**-103**
Segment profit (loss)	**13 552**	**1 559**	**704**	**798**	**16 613**
Profit (loss) on other financing activity	-2 940	-141	-186	-134	**-3 401**
Income tax	3 572	410	366	529	**4 877**
Net profit (loss)	**7 040**	**1 008**	**152**	**135**	**8 335**

Business segments

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

Income and expenses by business segments

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

Geographical segments

The table below presents figures on income and profit of particular geographical segments of the Group as of 30 June 2014:

Income and expenses by geographical segments

Period ended 30 June 2014	Domestic market	Abroad	Total
Sale to external clients	608 643	100 446	**709 089**
Total income	**608 643**	**100 446**	**709 089**
Cost of products, goods and materials sold to external clients	567 845	94 810	**662 655**
Total cost of products, goods and materials sold	**567 845**	**94 810**	**662 655**
Total gross sales	**40 798**	**5 636**	**46 434**
Sales costs	2 226	0	**2 226**
General and administrative costs	22 728	4 764	**27 492**
Result on other operating activity	-1 493	1 390	**-103**
Segment result	**14 351**	**2 262**	**16 613**
Result on financing activity	-3 295	-106	**-3 401**
Income tax	3 573	1 304	**4 877**
Net profit (loss)	**7 483**	**852**	**8 335**

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

Income and expenses by geographical segments

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

In the period from 1 January to 30 June 2014, the Group did not achieve from any customer an income exceeding 10% of total revenue.

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

There were no significant acquisitions and disposals of tangible fixed assets during the reporting period.
As of 30 June 2014, the Group had no material liabilities due to the acquisition of tangible fixed assets.

8 Inventories

	30.06. 2014	31.12.2013	30.06.2013
Materials	3 441	5 019	4 620
Semi-products and unfinished products	48 259	35 476	37 397
Finished products	23 983	40 958	29 652
Goods	35 066	31 505	34 195
Advances for deliveries	4 262	1 917	1 595
Gross book value of inventories at the end of the period	**115 011**	**114 875**	**107 459**
Write-offs of inventories at the beginning of the period	**2 735**	**2 615**	**2 615**
Created in other operating costs	0	360	260
Created in production cost of products sold	0	3	0
Reversed into other operating costs	0	221	0
Used	1 539	22	0
Impairment allowances taken from ENGOREM	0	0	0
Write-offs of inventories at the end of the period	**1 196**	**2 735**	**2 875**
Net book value of inventories at end of the period	**113 815**	**112 140**	**104 584**

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

	30.06. 2014	31.12.2013	30.06.2013
Short-term receivables before tax			
a) a) Due to deliveries and services	343 020	266 634	244 949
- - from associates	45	131	17
- - from other entities	342 975	266 503	244 932
b) b) From the public sector	14 345	10 524	12 009
c) c) Other	8 472	11 006	27 912
Impairment of receivables	**7 171**	**7 582**	**6 689**
Short-term net receivables	**358 666**	**280 582**	**278 181**
Presented in the balance sheet:			
Trade receivables and other receivables	292 767	223 305	229 654
Income tax receivables	7 689	7 336	4 530
Performance securities	58 210	49 941	43 997

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

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

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

	30.06. 2014	31.12.2013	30.06.2013
Write-offs at the beginning of the period	**7 582**	**9 962**	**9 962**
Created in other operating costs	2 046	2 711	1 193
Reversed into other operating costs	248	595	90
Used	2 661	4 603	4 516
Currency translation differences	2	107	140
Impairment allowances taken from ENGOREM	450	0	0
Write-offs at the end of the period	**7 171**	**7 582**	**6 689**

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

10 Cash and cash equivalents

	30.06. 2014	31.12.2013	30.06.2013
Cash in hand	89	71	65
Cash at bank	81 246	110 854	62 564
- current accounts	35 153	41 057	28 994
- overnight deposits	14 898	38 683	14 837
- other deposits	23 116	6 816	7 408
- term investments	8 079	24 298	11 325
Other cash	31 948	13 665	17 272
Cash total	**113 283**	**124 590**	**79 901**
Restricted cash and cash equivalents	39 407	35 989	37 055
Cash for cash flow markets	**113 283**	**124 590**	**79 901**

As restricted cash and cash equivalents the Group classified:

	30.06. 2014	31.12.2013	30.06.2013
Cash deposits to secure bank guarantees	21 072	20 479	24 329
Works Staff Welfare Fund	64	27	250
Other	679	1	593
Funds accumulated on trust accounts	11 320	15 482	11 883
Separate proceeds accounts	6 272	0	0
Total	**39 407**	**35 989**	**37 055**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the first half of 2014 is presented below:

	30.06.2014
Change in balance sheet provisions	**-1 724**
Inclusion of a subsidiary to the consolidation	-410
Change in provisions in cash flow account	**-2 134**

	30.06.2014
Change in balance sheet inventories	**-1 675**
Capitalised financing costs	518
Reclassification of inventories for long-term investments	-3 481
Inclusion of a subsidiary to the consolidation	3
Change in inventories in cash flow account	**- 4 635**

	30.06.2014
Change in balance sheet receivables	**-77 730**
Adjustment of receivables due to income tax	-1 191
Inclusion of a subsidiary to the consolidation	1 675
Change in receivables in cash flow account	**-77 246**

	30.06.2014
Change in balance sheet liabilities	**35 244**
Obligations from the dividend	-8 900
Inclusion of a subsidiary to the consolidation	-696
Change in liabilities in cash flow account	**25 648**

	30.06.2014
Change in balance sheet prepayments and accruals	**6 009**
Liabilities discount due to bonds	2 008
Inclusion of a subsidiary to the consolidation	-33
Change in prepayments and accruals in cash flow account	**7 984**

11 Impairment of other financial assets (long term)

In the reporting period, there were no write-downs due to other long-term financial assets.

12 Bank borrowings and loans

	30.06. 2014	31.12.2013	30.06.2013
Long-term	**29 135**	**14 487**	**5 132**
Bank credits	29 135	14 487	5 132
Short-term	**19 001**	**24 488**	**53 004**
Overdrafts	8 130	8 943	32 987
Bank borrowings and loans	10 871	15 545	20 017
Total bank borrowings and loans	**48 136**	**38 975**	**58 136**

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

	30.06. 2014	31.12.2013	30.06.2013
a) up to 1 year	19 001	24 488	53 004
b) between 1 and 3 years	26 362	4 726	0
c) between 3 and 5 years	2 219	8 651	5 132
d) over 5 years	554	1 110	0
Total	**48 136**	**38 975**	**58 136**

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

Liabilities due to borrowings and loans as at 30 June 2014

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	12 000	PLN	PLN	7 966	PLN	Wibor 1M+2.00%	2014-12-31	ING Bank Śląski SA

Collaterals for / guarantees of repayment of loan granted to Budlex S.A.

Final collaterals:

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

Security deposit established by ERBUD SA

Temporary collateral:

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

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	870	PLN	PLN	0	PLN	Wibor 1M+1.86%	2015-01-24	Bank PKO BP SA

Collaterals for / guarantees of repayment of loan granted to Budlex S.A.

Final collaterals:

Blank promissory note together with bill declaration

Aggregate mortgage of up to PLN 1,500,000

Civil law guarantee by Budlex Properties Sp. z o.o.

Receivables deduction clause from the Borrower's bank account maintained at the PKO BP S.A.

Statement on submission to the enforcement up to PLN 1,740,000

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Glinki A3 Sp. z o.o.	26 000	PLN	PLN	7 795	PLN	Wibor 3M+2.95%	15.09.2015	mBANK HIPOTECZNY SA

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

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

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

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

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

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

Agreement on splitting the mortgage

Temporary collateral:

None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Magnolia Sp.z o.o. Sp.K.	13 498	PLN	PLN	0	PLN	Wibor 3M+2.40%		Bank PKO BP S.A.

Collaterals for / guarantees of repayment of loan granted to Budlex Magnolia Spółka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 20,246,643.00

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

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

The contractual right to set-off Bank's receivables in favour of the Bank from the loan transaction with the debt of the Borrower which held the account holder

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

Registered and financial pledge on receivables from bank accounts held in connection with the Borrower's project

Registered and financial pledge on 100% of the Borrower's shares

Assignment of rights from the construction contract with Ceneral Contractor and of receivables from a performance bond

Statement of the Borrower and the Guarantor on submission to execution up to PLN 26,995,524.00 due to the loan and promissory note

Temporary collateral:

None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica L6-7 Sp. z o.o. S.K.	11 000	PLN	PLN	8 815	PLN	Wibor 6M+3.20%	15.04.2017	mBANK HIPOTECZNY SA

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

Final collaterals:

Mortgage up to PLN 22,000,000

Registered pledge on all shares in a Limited Partnership Company

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

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 - against fire and other perils

Transfer of receivables to 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 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 and not to act as General Partner in other projects

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

Agreement on splitting the mortgage

Temporary collateral:

None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Brzoskwiniowa sp. z o.o.	11 500	PLN	PLN	7 533	PLN	Wibor 6M+3.20%	15.01.2017	mBANK HIPOTECZNY SA

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

Final collaterals:

Mortgage up to PLN 23,000,000

Registered pledge on all shares in the Borrower's company

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

Assignment of claims due to present and future Sale Contracts to the Bank

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

Registered pledge to the Bank on the Developer's claims 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 Escrow Account

Power of attorney to dispose of the account in mBank Hipoteczny S.A. and all other accounts in other banks, excluding 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 execution up to PLN 23,000,000.00, incl. authorisation for the Bank to apply for granting a writ of execution to the bank enforcement title, valid till 15.01.2019.

Agreement on splitting the mortgage

Temporary collateral:

None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	7 500			6 102		Wibor 3M+3.25%	18.12.2019	Polski Bank Przedsiębiorczości SA

Collaterals for / guarantees of repayment of loan granted to DELTA
Final collaterals:

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

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

Agreement on pledge on Bank Accounts of the Merged Company

Agreement on Security Assignment by the Merged Company

Mortgage

Submission to execution by the Merged Company

Temporary collateral:

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

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

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

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

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

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

Submission to execution by the Borrower

Submission to execution by the Company Acquired

Mortgage on real property owned by the Company Acquired

Corporate guarantee provided by Company Acquired

Agreement on Security Assignment by the Merged Company

Loan	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	1 373	330	EUR	1 440	346	4%	indefinitely	PDI Beuth

Collaterals for / guarantees of repayment of loan granted to GWI

Final collaterals:
None
Temporary collateral:
None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	8 322	2 000	EUR	8 321	2 000	4.39%	31.05.2015	Comerzbank

Collaterals for / guarantees of repayment of loan granted to GWI

Final collaterals:
EUR 2 Mio. from mBank
Temporary collateral:
None

Bank credits:	Borrowing/loan amount under agreement		Borrowing/loan currency	Borrowing/loan outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	8 322	2 000	EUR	164	39	EONIA + 2.5%	overdive	KBC Bank

Collaterals for / guarantees of repayment of loan granted to GWI

Final collaterals:
EUR 3 Mio. from Erbud SA
Zabezpieczenie przejściowe:
None

Total borrowings and loans **48 136**

Uder the loan agreements, the companies of the Group are required to meet certain financial ratios (covenants). As required by IAS 1, the breach of the terms of loan agreements, which can potentially limit the unconditional availability of credit in the following year makes it necessary to classify such liabilities as current ones.

During the six months of 2014, the conditions of loan agreements in the Group were not breached.

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 for the Group.

13 Provisions for liabilities and other debts

	Provision for warranty	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2014	**17 500**	**686**	**7 339**	**1 820**	**27 345**
Increase	755	0	2 615	147	**3 517**
Transfers	50	0	0	0	**50**
Released	810	18	587	1 632	**3 047**
Used	94	0	2 071	80	**2 245**
As at 30 June 2014	**17 401**	**668**	**7 296**	**255**	**25 620**

The Group has recognized the balance sheet provision for guarantee repairs in the amount of PLN 17,401 thousand as at 30 June 2014 and PLN 17,500 thousand as at 31 December 2013. 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 2010-2014.

The provision for legal claims and indemnity as at 31 December 2013 consists mainly of the reserve created for the dispute brought by Przedsiębiorstwo Budowlane ARGO Sp. z o.o.. The legal status as of the balance sheet date: first instance, the value of dispute - PLN 383 thousand. The final is difficult to predict because of complicated nature of the case.

14 Trade and other liabilities, income tax liabilities, construction deposits

Short-term liabilities	**30.06.2013**	**30.06.2013**	**30.06.2013**
a) Deliveries and services	278 413	249 860	194 053
- From associates	0	615	341
- From other entities	278 413	249 245	193 712
b) From the public sector	12 379	14 083	10 318
- Corporate income tax	1 283	7	264
- Value Added Tax	3 690	8 110	2 619
- Income tax on natural persons	1 421	1 536	1 282
- Other	5 985	4 430	6 153
c) Financial liabilities, incl.	14 877	55 004	4 851
- Interest	85	20	48
- Bond interest	1 062	1 889	1 680
-Liabilities due to bonds	10 000	50 000	0
- Leases	3 730	3 095	3 123
d) Other	15 339	5 743	16 978
- Payroll	5 166	3 360	5 647
- Advance payments received	346	291	8 434
- Liabilities due to dividend	8 900	0	0
- Other	927	2 092	2 897
Total as presented in the balance sheet:	**321 008**	**324 690**	**226 200**
Trade liabilities and other liabilities	226 705	194 148	147 711

Current income tax liabilities	1 080	7	264
Liabilities due to bonds issue	10 000	50 000	0
Construction deposit	83 223	80 535	78 225

15 Current and deferred income tax

The main tax items as at 30 June 2014 and 30 June 2013 were as follows:

	6- month period ended 30.06.2014	6- month period ended 30.06.2013
Tax in profit or loss	**4 877**	**2 511**
Deferred tax related to the origination and reversal of temporary differences	-78	1 786
Current tax	4 955	725

Reconciliation of the income tax on profit before tax of tax calculated at an effective tax rate for the year ended 30 June 2014 and as at 30 June 203 is summarized in the following table:

	6- month period ended 30.06.2014	6- month period ended 0.06.2013
Profit before tax	**13 212**	**5 150**
Tax at the statutory tax rate applicable in Poland which was 19%	**2 510**	**979**
Additional tax arising from the rate exceeding 19% in Germany	0	150
Tax on dividends paid by a foreign company	0	0
Tax on unrecognised tax losses	312	240
Adjustments to current income tax from previous years	73	-87
Impact of consolidation adjustments	721	0
Excess costs which are not tax deductibles over income not recognized as taxable income	1 261	1 229
Current income tax	**4 877**	**2 511**

As at 30 June 2014 and in the year ended 31 December 2013, the applicable tax rate has not been changed as compared to the previous financial period.

As at 30 June 2014 and in the year ended 31 December 2013 there were no temporary differences for which neither deferred tax assets was recognized in the balance sheet nor provision for deferred tax was established

Deferred tax provision	6- month period ended 30.06.2014	6- month period ended 30.06.2013
Valuation of long-term contracts	29 156	28 430
Revaluation of assets	6 106	6 433
Balance valuation of accounts	998	211
Lease	0	0
Financial expenses capitalized	336	265
Interest accrued	0	1 608
Other	2 426	964
Total	**39 022**	**37 911**

Deferred tax assets	6- month period ended 30.06.2014	6- month period ended 30.06.2013
Valuation of construction contracts	21 619	13 358
Provisions	6 018	5 430
Tax loss to be deducted in next years	5 979	15 606
Profit margin on intra-Group sales	487	0
Other fees charged statistically	284	233
Claims capitalization	1 165	1 092
Investment revaluation	0	609
Other financial liabilities	794	1 303
Accrued expenses	1 066	1 973
Consolidation adjustment	0	1 301
Other	3 020	1 338
Total	**40 432**	**42 243**

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

16 Transactions with associates

The following tables summarize the total amount of transactions entered into by the Parent and subsidiaries with associates that are not subject to consolidation for the period of six months ended 30 June 2014 and 30 June 2013.

	Receivables/assets	Liabilities	Income	Expenses
	As at 30.06.2014		6- month period ended 30.06.2014	
Deliveries and services	45	0	179	0
Disposal of fixed assets	0	0	0	0
Other	0	0	0	0
Inventory	0	0	0	0
Loans	933	0	29	0

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

Transactions with related parties are concluded at arm's length.

17 Transactions with key members of the Company's management

As at 30 June 2014 the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the GM
Juladal Investments Ltd. (a company controlled by members of the Board of Erbud SA)	Common	2,848,347	22.40%	2,848,347	22.40%
Dariusz Grzeszczak	Common	773,900	6.09%	773,900	6.09%
Józef Adam Zubelewicz	Common	259.500	2.04%	259.500	2.04%
Albert Duerr- Member of the Supervisory Board	Common	14,500	0.11%	14,500	0.11%
Walenty Twardy, ERBUD SA procuration holder	Common	6,852	0.05%	6,852	0.05%
Piotr Augustyniak, ERBUD SA procuration holder	Common	890	0.01%	890	0.01%
Agnieszka Głowacka, ERBUD SA procuration holder	Common	5,336	0.04%	5,336	0.04%
Bogdan Duerr, ERBUD SA procuration holder	Common	6,712	0.05%	6,712	0.05%
Włodzimierz Czystowski, ERBUD SA procuration holder	Common	4,921	0.04%	4,921	0.04%
Mirosław Młynarski, procuration holder	Common	11,426	0.09%	11,426	0.09%
Radosław Kałamaga, procuration holder	Common	5,494	0.04%	5,494	0.04%
Maciej Wyrzykowski, ERBUD SA procuration holder	Common	1,200	0.01%	1,200	0.01%
Piotr Dobosz, procuration holder	Common	5,993	0.05%	5,993	0.05%
Mariola Zielińska Chief Account of ERBUD SA	Common	4,818	0.04%	4,818	0.04%

Both as at 30 June 2013 and as at 31 December 2013, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 30 June 2014 and as at 31 December 2013, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel were not a party to the contract obliging to provide services to the companies of the Erbud Group.

18 Dividends paid and proposed, dividend per share

By Resolution No. 5/2014 of 25.06.2014 passed by the Annual General Meeting of Erbud, net profit for the year 2013 amounting to PLN 8,416,000 was allocated for the payment of dividends payable to Shareholders.
The total amount of dividends paid in 2014 is PLN 8,900,000 of which PLN 484,000 came from the reduction of supplementary capital of Erbud SA.

19 Liabilities arising from issuance of debt and equity securities

On 18 June 2014, Budlex issued a total of 13,000 bearer bonds of series A with a total nominal value of PLN 13,000,000.00. The nominal value of one bond amounted to PLN 1,000. The issue price was PLN 1,000. The redemption date has been set for 18 June 2017. The interest rate on bonds is a variable and based on 6M WIBOR pus a margin of 5.35%. The only bond holder is Open Finance Obligacji Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych. The Company has allocated funds for implementation of strategic projects and to finance current operations.

On 26 March 2014, ERBUD SA issued a total of 5,200 bearer bonds, dematerialized, unsecured, with a total nominal value of PLN 52 million zł. The par value of one bond amounted to PLN 10,000. The issue price was PLN 9.587. The redemption date was set for 26 March 2018. The interest ate on bonds is variableand based on 6M WIBOR plus a margin equal to 3.0. The interest rate will be paid every six months. The Company will apply for placing bonds on the trading platform for debt financial instruments carried by the Stock Exchange in Warsaw in the form of alternative trading system. The Company has allocated funds for the redemption of 40,000 series A bonds issued by the Issuer and to finance the increased demand for working capital associated with a record portfolio of the Capital Group. The remaining 10,000 bonds of Series A will be redeemed by the original fixed term, i.e. 15 July 2014.

On 14 July 2011, ERBUD SA issued 50,000 unsecured three-year bearer bonds with a total nominal value of PLN 50,000,000. The issue price corresponded to the nominal value of the bonds and the interest rate was based on 6M WIBOR plus a margin of 3.4% per annum. The maturity date was set for 15 July 2014. Interest is payable every 6 months. On 2 August 2011, bearer bonds series A issued by the Parent were introduced to the BondSpot alternative trading system operating within Catalyst. The first day of trading fell on 9 August, 2011.

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

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

In connection with the planned by the Management Board increase of the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series I for the purpose of the adopted Management Option Plan, the Supervisory Board of Erbud SA passed at the request of the Management Board of the Company dated 5 March 2014 Resolution No. 6/2014 on depraving the existing shareholders of pre-emptive rights to acquire Series I shares and determining the issue price of shares of Series I in the amount of PLN 11.00. There was no issue, redemption and repayment of equity securities.

20 Changes in the composition of the Capital Group

By the date of preparation of these Condensed Consolidated Financial Statements there was a merger between ERBUD Industry Sp. z o.o and ERBUD Energetyka with effect from the date of registration of the business combination in the National Court Register, i.e. 1 July 2014. The merger took place through the takeover of ERBUD Energetyka Sp. z o.o by ERBUD Industry Sp. z o.o by transferring all assets of ERBUD Energetyka Sp. z o.o. to ERBUD Industry Sp. z o.o. against shares delivered by ERBUD Industry Sp. z o.o. to the shareholders of ERBUD Energetyka Sp. z o.o.

21 Contingent liabilities and receivables

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

	6- month period ended 30.06.2014	6- month period ended 30.06.2013	6- month period ended 30.06.2013
Contingent receivables	**63 678**	**19 185**	**13 230**
From associates	**60 368**	**16 589**	**8 659**
Guarantees received	60 368	16 589	8 659
Litigation and claims	0	0	0
Bills of exchange received as collateral	0	0	0
From other entities	**3 310**	**2 596**	**4 571**
Guarantees received	3 310	2 596	4 571
Litigation and claims	0	0	0
Bills of exchange received as collateral	0	0	0

Total contingent receivables	**63 678**	**19 185**	**13 230**
Contingent liabilities	**458 370**	**416 844**	**438 536**
To associates	**102 824**	**77 605**	**61 292**
Guarantees granted	102 824	77 605	61 292
Litigation and claims		0	0
Promissory notes	0	0	0
To other entities	**355 546**	**339 239**	**377 244**
Guarantees granted	355 546	339 239	377 244
Litigation and claims	0	0	0
Promissory notes	0	0	0
Total contingent liabilities	**458 370**	**416 844**	**438 536**
Total off-balance sheet items	**394 692**	**397 659**	**425 306**

22 Objectives and principles of financial risk management

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

Currency risk

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

The companies of the Group do not apply hedge accounting.

Interest rates risk

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

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

Price risk

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

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

Credit risk

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

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

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

Liquidity risk

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

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

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

23 Asset-backed securities

Possessory lien on assets – 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 3.284 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 480 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.

24 Ligation and claims

The register of court cases in relation to 31 December 2013, in which the Erbud Capital Group is a party to proceedings, both as plaintiff and defendant did not change significantly. Therefore, during the reporting period, there were no significant changes in the amount of a provision for liabilities arising under lawsuits.

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. However, 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.

On 12 May 2014, a lawsuit was served to the Company, in which the Employer requested the payment of PLN 34,381,374.64 as compensation plus statutory interest and litigation costs. The case is conducted by the District Court in Warsaw, XXVI Commercial Division, under ref. No. XXVI GC 353/14.
Due to the necessity of preparing specialized technical and financial expertise, the application for a further extension of the deadline has been delivered on July 21. According to the information received on 24 July 2014, the date for filing a statement of defence has been extended until 12 October 2014.

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

The Management Board of Erbud S.A. informs that Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska, which is a debtor to Erbud S.A., filed on 10.01.2013 a letter titled "Application of the creditor for bankruptcy" to the District Court for the Capital City of Warsaw - Commercial Division for Bankruptcy and Relief.

In 2011, the Issuer commissioned Danuta Kurpiewska leading business under the name WEG BET Danuta Kurpiewska to lay a foundation for one of the projects. The contract value amounted to PLN 4.4 million, of which the disputed amount is PLN 0.6 thousand.

In view of the long delay in execution of works, the Issuer was forced to commission the contract completion by substitute contractor and to bear costs of this construction. According to the agreement provisions, the Issuer charged WEG BET Danuta Kurpiewska penalties and claimed for damages. In connection with a number of failures in settlement of work by the debtor, the Issuer noticed on 07.02.2013 the Public Prosecutions Office of a crime.

In the Issuer's opinion, steps taken by Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska are unfounded and the debtor attempt to evade the law and use the fact that Erbud is a public company in order to exert pressure in order to obtain financial benefits. The Issuer has already taken appropriate measures to enforce the claim.

On 4 April 2014, the Creditor, i.e. WEG BET, filed in the District Court for the Capital City of Warsaw, X Commercial Division for Bankruptcy and Recovery a letter withdrawing the request for bankruptcy of ERBUD SA.
By decision of 29 May 2014, the Court decided to discontinue the proceedings. There is no further right of appeal against the sentence.

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

25 Events subsequent to the balance sheet date

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

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

As compared to the financial year ended 31 December 2013 there were no significant changes.

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

In the period ended 30 June 2014, the Group did not change the method of measurement of value of financial instruments valued at fair value.

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

In the period ended 30 June 2014, the Group did not change the classification of financial assets as a result of changes in goal or use of these assets.

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 26 August 2013