MANAGEMENT BOARD REPORT
ON BUSINESS OPERATIONS OF THE ERBUD CAPITAL GROUP
FOR THE FIRST QUARTER OF 2014

1. Description of the organization of the ERBUD Group and changes in the structure

1.1 Parent Company

Erbud S.A. is a parent company of the Erbud Group [the "Parent Company or the "Parent"]

The core business of the Group activities are broadly understood construction services performed in general contracting and subcontracting in the country and abroad. ERBUD S.A. is the dominant entity of the Group.

1.2 Consolidated entities

As at 31 March 2014 the structure of Erbud Group was as follows.

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

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

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

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

b) Subsidiaries excluded from the consolidated financial statements:

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

2. Opinion of the Erbud's S.A. Management Board regarding the implementation of forecasts published in the prospectus in light of the results presented in this report

The Management Board of Erbud S.A. did not publish any projections or estimates for 2014.

3. Shareholders of the Parent

According to information held by ERBUD S.A. there were following changes in the shareholding of the Issuer by the report publication date:

On **17 January 2014,** the Issuer's Management Board has been notified of the sale of the Issuer's shares by ERBUD SA procuration holder. The person related sold 1.000 shares

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

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

As at **31 March 2014**, the registered share capital amounted to PLN 1,271,454.60 (one million, two hundred and seventy-one thousand, two hundred and fifty-four, point six zero) and was divided into 12,714,546 shares with a nominal value of PLN 0.10 per share.

Shares have been acquired in the following manner:

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

Therefore, the shareholding (shareholders having more than 5%) as at 31 March 2014 and as of the date of submitting the report was as follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.03.2014

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

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

4. <u>The Erbud S.A. shares or rights to them (options) held by the managing and supervising staff as at the date of the report submission, including changes in ownership in 1Q 2014</u>

As of 31 March 2014, the members of managing and supervising staff held the following number of shares

Persons related holding shares of ERBUD SA as at 31.03.2014

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

No.	Person related	Relationship	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at AGM
1	Dariusz Grzeszczak	Erbud's SA Management Board member	ordinary	773 900	6.09%	773 900	6.09%
2	Józef Adam Zubelewicz	Erbud's SA Management Board member	ordinary	259 500	2.04%	259 500	2.04%
3	Walenty Twardy	ERBUD SA procuration holder	ordinary	6 852	0.05%	6 852	0.05%
4	Piotr Augustyniak	ERBUD SA procuration holder	ordinary	890	0.01%	890	0.01%
5	Bogdan Dürr	President of Erbud International Sp. z o. o. / ERBUD SA procuration holder	ordinary	6 712	0.05%	6 712	0.05%
6	Beata Krzywicka	Spouse of ERBUD SA procuration holder	ordinary	0	0.00%	0	0.00%
7	Tomasz Krzywicki	ERBUD SA procuration holder	ordinary	0	0.00%	0	0.00%
8	Agnieszka Głowacka	ERBUD SA procuration holder	ordinary	5 336	0.04%	5 336	0.04%
9	Włodzimierz Czystowski	ERBUD SA procuration holder	ordinary	4 921	0.04%	4 921	0.04%

10	Mariola Zielińska	Chief Accountant of ERBUD S.A	ordinary	4 818	0.04%	4 818	0.04%
11	Radosław Kałamaga	ERBUD SA procuration holder	ordinary	5 494	0.04%	5 494	0.04%
12	Waldemar Kozłowski	ERBUD SA procuration holder	ordinary	0	0.00%	0	0.00%
13	Maciej Wyrzykowski	ERBUD SA procuration holder	ordinary	1 200	0.01%	1 200	0.01%
14	Mirosław Młynarski	ERBUD SA procuration holder	ordinary	11 426	0.09%	11 426	0.09%
15	Albert Dürr	Supervisory Board member of Erbud SA	ordinary	14 500	0.11%	14 500	0.11%
TOTAL				**1 095 549**	**8.62%**	**1 095 549**	**8.62%**

The Board members and holders of a commercial power of attorney did not have any Erbud's shares options.

5. Information about the proceedings pending before a court, authority responsible for arbitration or public administration as at 31 March 2014

On **22 December 2010,** Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

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

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

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

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

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

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

6. Information about transactions of a non-routine and unusual nature with a value exceeding EUR 500,000.00 concluded by the Issuer and its subsidiaries with parties related

There were transactions with related parties In 1Q 2014, that value in the period from the beginning of the fiscal year exceeded the PLN equivalent of EUR 500,000. Most transactions were of a routine nature and resulted from the statutory activities of the companies of the Group.

7. Information about loan sureties, loans or guarantees provided by the Issuer or its subsidiaries

Guarantees and loans granted by the Issuer are summarized below:

Description	**31.03.2014**	**31.12.2013**	**30.09.2013**	**30.06.2013**	**31.03.2013**
GWI GmbH – loan repayment guarantee	12 514	8 294	8 433	8 523	8 355
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	8 343	8 294	8 433	8 523	8 355
Erbud International Sp. z o.o. - loan	9 206	7 461	11 486	11 486	11 486
Budlex Sp. z o.o. - loan	23 974	23 974	23 974	24 974	24 974
Budlex Pestalozziego Sp. z o.o. - guarantee	0. 00	0.00	0.00	12 286	12 286
GWI GmbH, Erbud International – surety for financial guarantee lines	31 285	31 104	31,622	31 960	30 662
Total contingent liabilities	**85 322**	**70 833**	**83 948**	**97 752**	**96 118**

Guarantees in the Budlex Group:

Type of liability	**Loan amount**	**Guarantor**	**Borrower**	**Bank**
Guarantee to the loan amount, incl. interest and other payables to the bank	1 000	Budlex Properties sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill of exchange guarantee	26 000	Budlex S.A.	Budlex Glinki A3 sp. z o.o.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	15 231	Budlex S.A.	Budlex Pestaalozziego 1 sp.z o.o.	Bank PKO BP S.A.
Bill of exchange guarantee	11 000	Budlex S.A.	Budlex Winnica L6-7 sp. z o.o. s.k.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	11 500	Budlex S.A.	Budlex Brzoskwiniowa sp. z o.o.	BRE Bank Hipoteczny S.A
Total	**64 731**			

Off-balance sheet liabilities in the form of financial guarantees (bank and insurance ones) provided by the Issuer:

Description	**31.03.2014**	**31.12.2013**	**30.09.2013**	**30.06.2013**	**31.03.2013**
Liabilities payment guarantee	10 009	15 221	23 783	54 492	40 181
Performance bond	142 390	145 491	147 354	142 305	130 984
Defects remedying guarantee	133 562	126 936	137 420	134 840	108 880
Total contingent liabilities	285 961	**287 648**	**308 557**	**331 637**	**280 045**

8. Key events occurred in 1Q 2014 and the significant events after 31.03.2014

Contracts concluded by:

Erbud S.A. - in Poland

Branch	Project	Customer	Net contract value in PLN '000
Toruń	Industrial and Technological Park in Jaworzno	Nova Trading S.A.	13 445
Toruń	Dekada Brodnica Retail Park	Dekada Brodnica Sp. z o.o. Al. Niepodległości 124 02-577 Warszawa	3 800
Wrocław	Construction of Promenady Wrocławskie residential complex with underground garage	Promenady II VD Sp. z o.o. z siedzibą we Wrocławiu	30 601
Toruń	District Health Centre in Brzeziny	Powiatowe Centrum Zdrowia w Brzezinach Sp. z o.o. Ul. M. Skłodowskiej Curie 6	15 723
Szczecin	Completion of remodeling the building No. 17, incl. its extension with 1A link building, under the construction task for the executed project "Establishment of the West Pomeranian ZDROJE Health Centre for the Care for Woman and Child"	Samodzielny Publiczny Specjalistyczny Zakład Opieki Zdrowotnej „Zdroje"	4 732
Kraków	Construction of Retail Park in Bielsko - Biała	Savia-Karpaty Sp. z o.o.	17 262
Kraków	Construction of External Road Network in connection with the construction of Retail Park in Bielsko - Biała	Savia-Karpaty Sp. z o.o.	2 340
Warszawa	WILLA LINDEGO Residential Complex	Dom Development S.A.	31 075
Szczecin	Construction of the GRONA PARK commercial building together with necessary infrastructure, reconstruction and expansion of the existing office building, incl. changing the purpose of use and site development, located in Zielona Góra at 2 Wiejska St.	VD RETAIL Sp. z o.o.	9 850
Wrocław	Retail Centre	VD RETAIL Sp. z o.o.	12 350
Szczecin	„Completion of remodeling the building No. 17, incl. its extension with 1A link building, under the construction task for the executed project "Establishment of the West Pomeranian ZDROJE Health Centre for the Care for Woman and Child"	Samodzielny Publiczny Specjalistyczny Zakład Opieki Zdrowotnej „Zdroje"	15 952
		TOTAL	**157 130**

ERBUD S.A. – abroad

Project	**Customer**	**Net contract value in PLN '000**
BE1401 Hospital	MBG	24 544
BE1402 Residential and office high-rise	MBG	6 947
Total		**32 491**

PBDI S.A.

Customer	Contract value in PLN '000
Toruńskie Wodociągi sp. z o.o.	100
REN POWER INVETMEN POLAND sp. z o.o.	20 878
Eurowind Project A/S	6 000
Gmina Lubicz	94
Zarząd Dróg Wojewódzkich w Bydgoszczy	119
Total	**27.191**

Engorem Sp. z o.o.

Customer	Contract value in PLN '000
Dalkia ŁódźS.A.	6 274
DALKIA POZNAŃ	11 110
Dalkia ŁódźS.A.	360
MPO Warszawa	725
DALKIA POZNAŃ	324
Dalkia ŁódźS.A.	2 667
DALKIA POZNAŃ	1 594
DALKIA POZNAŃ	2 379
Dalkia ŁódźS.A.	1 442
Dalkia ŁódźS.A.	1 015
Dalkia ŁódźS.A.	1 163
Dalkia ŁódźS.A.	2 171
Total	**31 224**

GWI GmbH

Customer	Contract value in PLN '000
Shell and core of the Mitsubishi Ratingen Office Building - RS & Partner Immobiliengesellschaft mbH, Brabantstrasse 1, 40235 Düsseldorf	34 777

Erbud Industry Sp. z o.o.

Customer	Contract value in PLN '000
Instal Kraków	6 647

9. Other information, which in the Issuer's opinion is important for assessing its personnel situation, the asset and financial position, financial results and their changes and information that is relevant to assess the feasibility of the Issuer's obligations

9.1.1 List of signed loan agreements and agreements for multi-purpose guarantee lines.

Potential debts of the Erbud SA under the contracts signed as at the day of preparing the financial statements were as follows:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
BNP Paribas S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2014-09-29	In one amount	Erbud S.A.

mBank S.A	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2014-12-31	In one amount	Erbud S.A.
PKO BP S.A.	Overdraft credit	10 000	PLN	reference rate of PKO BP + margin	2014-06-30	In one amount	Erbud S.A.
Alior Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2014-09-04	In one amount	Erbud S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2014-08-20	In one amount	Erbud S.A.; Budlex S.A.; PBDI S.A.
KBC Bank	Overdraft credit	2 000	EUR	EURIBOR + 2,5%	2014-12-31	In one amount	GWI
BNP Paribas SA	Overdraft credit	2 000	PLN	WIBOR 3M+ margin	2014-11-02	In one amount	PBDI S.A.
Commerz bank	Overdraft credit	2.000	EUR	5.50% p.a. fixed	31.07.2014	In one amount	GWI GmbH
PBP S.A.	Investment loan	7 500	PLN	WIBOR 3M + margin	2019-12-18	Quarterly installments	Delta Sp. z o.o.

Furthermore, contract performance bonds in the following banks are available to the Group:

Bank name	**Type of liability**	**Amount in PLN '000**	**Currency unit**	**Company**
BNP Paribas Bank Polska S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, payment guarantee, re-guarantee	37 000	PLN	Erbud S.A.
mBank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee	70 000	PLN/USD/USD	Erbud S.A
PKO BP	Bid bond, performance bond, repair works and remedying defects guarantee	30 000	PLN	Erbud S.A
Kredyt Bank S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	34 000	PLN	Erbud S.A
Alior Bank S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	70 000	PLN	Erbud S.A
ING S.A.	Performance bond, payment guarantee, repair works and remedying defects guarantee	48 000	PLN	Erbud S.A; PBDI S.A.
BNP Paribas Bank Polska S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, payment guarantee, re-guarantee	3 000	PLN	PBDI S.A.
KBC Bank	Performance bond, payment guarantee, repair works and remedying defects guarantee	2 000	EUR	GWI GmbH

On **31 March 2014**, the Issuer signed the Amendment No. 2 to the Loan Agreement increasing the level of the Issuer's funding by Alior Bank SA from PLN 50 million to PLN 80 million.
The increased limit applies to the sublimit for financial guarantees. Therefore, overdraft facilities of PLN 10 million are available to the Issuer at present, while the possible limit for contract performance bonds rose from PLN 40 million to PLN 70 million.

On **29 April 2014**, BNP Paribas Bank Polska SA increased financial guarantees lines for PBDI SA from PLN 3 to 8 million.

9.1.2 Loan agreements signed by the companies of the Budlex Group

Borrower	Creditor	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
Budlex S.A.	Bank PKO BP SA	Overdraft credit	870	WIBOR 1M+margin	2015-01-24
Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+margin	2015-09-15
Budlex Pestaalozziego 1 sp.z o.o.	PKO BP SA	Development loan	15 231	WIBOR 3M+margin	2014-07-31
Budlex Winnica l6-7 sp. z o.o. s.k.	BRE BANK HIPOTECZNY SA	Investment loan	11 000	WIBOR 6M+margin	2017-04-15
Budlex Brzoskwiniowa sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	11 500	WIBOR 6M+margin	2017-01-15

9.2. Significant financial agreements

On 31 March 2014, the Issuer signed the Amendment No. 2 to the Agreement on the Loan increasing the level of the Issuer's funding by Alior Bank SA from PLN 50m to PLN 80m. The increased limit applies to the sublimit for financial guarantees. Therefore, overdraft facilities of PLN 10m are available to the Issuer at present, while the possible limit for contract performance bonds rose from PLN 40m to PLN 70m.

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

1. Purpose of the issue

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

The Issuer intends to use the financial means for:

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

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

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

2. Type of bonds issued

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

3. Issue size

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

4. Nominal value and issue price

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

5. Terms and conditions for redemption and interest payment

The Bonds will be redeemed by the payment of money equal to the par value plus the interest due effected to the bondholders on the Maturity Day and calculated in the manner indicated in the conditions of the Bonds issuance. The bondholders will have the right to require an early redemption of the Bonds in the event of breaches as referred to in terms and conditions of the issue of the Bonds, on terms specified in the conditions of the Bonds issue.
The interest rate on Bonds will be variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. Interest on the nominal Bonds value will accrue from the issue date (inclusive) and payable on each day of interest payment in accordance with the terms of issue of the Bonds. The last date for accrual of interest will be the day preceding the Bonds redemption date.

6*. Amount and form of security and identification of the entity providing the security*

The bonds will be unsecured ones.

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

Liabilities as at 31 December 2013.

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

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

The business sector, in which the Issuer's Capital Group is operating, is characterized by high variability in terms of demand for working capital. This is due to seasonal factors and the current situation in the construction market.
At the end of 2013, the Group had a record order portfolio in its history ever equal to PLN 1.6bn.

After the issuance of the Bonds, the Issuer's parent company does not anticipate any further increase due to loans, borrowings or debt instruments. Additional debt may still be incurred by the subsidiaries of the Issuer's Capital Group, primarily by the development company Budlex SA, whose operations are capital intensive.
The Issuer will lead a conservative policy of funding to maintain Net Financial Debt-To-Separate Equity Rate below 0.6, and Net Financial Debt-To-Consolidated Equity Rate below 1.

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

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

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

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

9.3. Relevant information on subsidiaries

9.3.1. General information.

Until 31.03.20143 and by the date of report publication, there were no events that could affect the situation in the Group Erbud.

9.3.2 Information about transactions concluded with related parties in the Issuer's Group

By 31 March 2014 and by the date of report publication, the Issuer and its subsidiaries did not conclude any transactions with its affiliates under conditions other than market conditions.

9.4. Other relevant information, which in the Issuer's opinion can influence the future performance of the Group

9.4.1 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.

Standpoint of the Management Board on financial claims

Based on a preliminary analysis of the construction investment process and results of the internal audit, as well as the evaluation of technical research and works performed (including their compatibility with the mix design and Polish standards), it was confirmed that it can be concluded, that all materials used meet the standards specified and required by Polish law.

During conducting the project works, all design solutions, material formulas and land surveying were supervised by the relevant services of the General Contractor and the Employer, and the works were executed under the direct supervision of the General Contractor and the Client's Engineer.
By order of the General Contractor, material samples were collected and then it has been commissioned to make external investigations and technological reports that should show what caused the cavities in concrete surface. This makes it possible to determine the liability of the various parties involved in the project.
In late December and early January 2013, the cost of work executed amounted to about PLN 450 thousand. The General Contractor charged DSH with the above costs and offset claims. The cost of works carried out at the airport is estimated at about PLN12.5m. Following the outsourced expertise all of the costs will be charged to the indicated entity (-ies) as a result of outsourced expertise.
As of 31.12.2012, the General Contractor created a reserve of PLN 2,8m for costs associated with Modlin project, such as expert assessments, legal and consulting services.

Despite the dissenting opinion of DSH, the General Contractor, having regard to the public interest, started works associated with the replacement of the runway concrete pavement (as substitute contractor) without waiting for the final explanation of the cause of damage and without having confirmation for the time being, that he is obliged to repair under the warranty.

On **5 May 2014,** The Issuer's Management Board has been informed that the Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. failed a suit to the District Court in Warsaw, XXVI Economic Department.
The Claimant (MPL) claims from the Defendant (ERBUD SA) a compensation amounting PLN 34,381,374.64 (in words: thirty-four million three hundred and eighty-one thousand three hundred and seventy-four point six-four) add interest and reimbursement of proceedings costs.
In the contents of the suit the Claimant says that the amount of PLN 34,381,374.64 consists of:
a) PLN 570,911.46 - costs of technical and legal consultancy incurred by the Claimant;
b) PLN 28,321,000.00 - the amount equal to benefits lost by the Claimant and the actual damage incurred in the form of technical and legal consultancy;
c) PLN 5,489,463.18 – 19 per cent of damage suffered referred to in letters a) and b) above in compensation for taxable indemnification due to income tax defined by law.
The Management Board of ERBUD SA reaffirms its position regarding financial claims related to the construction of the runway in Modlin.

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.
At the same time, the Company is preparing a suit against those responsible for the defective condition of the runway to be compensated for expenses incurred.

9.5. The Issuer's Supervisory Board

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

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

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

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

As of 31.12.2014 and the date of the report publication, the Supervisory Board ERBUD SA consisted of the following member:

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

9.6. The Issuer's Management Board

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

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

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

Signatures of Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 09 May 2014