

Warsaw, August 27, 2014

CONTENTS

I.THE ERBUD GROUP'S FINANCIAL DATA FOR THE PERIOD OF 1-2Q 2014, SIGNIFICANT EVENTS AND FACTORS WHICH HAVE AN IMPACT ON THE FINANCIAL RESULTS ..... - 3 -

II. EXTERNAL AND INTERNAL FACTORS OF SIGNIFICANCE TO THE GROWTH OF THE ERBUD GROUP ..... - 4 -

1. EXTERNAL FACTORS ..... - 4 -
1.1. The macro-economic environment ..... - 4 -
1.2. The construction market ..... - 4 -
2. INTERNAL FACTORS ..... - 5 -
2.1. Cubature activities ..... - 5 -
2.2. The Group's other areas of activity ..... - 6 -
2.3 Operating revenues and costs ..... - 8 -
3. PROSPECTS ..... - 8 -
3.1. The macroeconomic environment ..... - 8 -
3.2. The construction market ..... - 8 -
3.3. The directions and objectives of the Group's development ..... - 8 -

III. FINANCIAL RESULTS ..... - 9 -

1. COMPANIES COMPRISING THE ERBUD GROUP ..... - 10 -

2. PROFIT AND LOSS ACCOUNT ..... -9-

3. THE ERBUD GROUP BALANCE SHEET ..... - 11 -

4. ERBUD GROUP CASH FLOW ..... - 11 -

5. SELECTED FINANCIAL RATIOS ..... - 11 -

THE ERBUD GROUP
THE MANAGEMENT'S COMMENTARY TO THE REPORT
FOR THE 1-2Q 2014

In the period of 2Q 2014:
REVENUES: PLN 425 487 000
EBIT: PLN 10 473 000
NET PROFIT: PLN 6 912 000

In the period of 1-2Q 2014:
REVENUES: PLN 709 089 000
EBIT: PLN 16 613 000
NET PROFIT: PLN 8 335 000
CASH: PLN 113 283 000
NET DEBT: 15 667 000

The financial information for the 1-2Q of 2014 shown below, as well as the comparables, is based on the Capital Group's consolidated financial statements. The contracts shown below are stated at their net values.

I. THE ERBUD GROUP'S FINANCIAL DATA FOR THE PERIOD OF 1-2Q OF 2014, SIGNIFICANT EVENTS AND FACTORS WHICH HAVE AN IMPACT ON THE FINANCIAL RESULTS

MARKET CONDITIONS

- Growth in the construction sector in Poland: a growth of 9.8% y-o-y in 1H 2014 versus 21.5% decline in 1H 2013. In June 2014 the sector got up by 8%. In June 2014 the growing sectors are land and water engineering buildings by 24.7% and specialist works by 14.2%, while the cubature sector dropped by 12.1% y-o-y.
- Decline in building prices was 0.6% y-o-y in June 2014 versus December 2013 and down by 1.3% y-o-y.

ERBUD GROUP

- The portfolio of contracts signed within the Erbud Group between April and June 2014 totalled 31 contracts with an aggregate value of PLN 239 109 000 versus 26 contracts with a total value of PLN 460 000 000 in 2Q 2013. The portfolio of contracts signed within the Erbud Group in 1H 2014 totalled 55 contracts with an aggregate value of PLN 454 295 000. In the period of 1H 2013 Group signed 50 contracts with a total value of PLN 671 000 000. The lower backlog for 2014 id due to high volume in 2013 when the group signed Royal Wilanów contract in 2Q 2013 for a value of PLN 212.5 million.
- Completed sales at the Budlex Group in the period of 2Q 2014 amounted to 31 flats and commercial premises (based on notarial deeds). In the period of 2Q 2013 the Group sold 53 flats. In 1H 2014 the Group sold 82 flats versus 103 flats in 1H 2013. The presales for 2014-2015 amount to 162 versus 91 flats in June 2013.
- **The Erbud Group's consolidated revenues in 2Q 2014 increased by 33.2% year on year and amounted to PLN 425 487 000 versus PLN 319 469 000 in 2Q 2013.**
  - The increase in the Group's revenues is attributable mainly to growth in cubature activities in Poland by 52.5% y-o-y in 2Q 2013. The road-engineering segment increased sales by 33.4%.

- **The Erbud Group's consolidated revenues in 1H 2014 increased by 34.83% to PLN 709 089 000 versus PLN 525 902 000 in 1H 2013.**
  - The consolidated results in 1H 2014 were boosted by cubature segment (33% growth y-o-y), road-engineering (up by 70%) and construction for energy segment (up by 82%).
- **The Group's EBIT in 2Q 2014 was PLN 10 473 000 versus PLN 5 847 000 in 2Q 2013, i.e. 79.12% up y-o-y. EBIT margin stood at 2.46% versus 1.83% in the corresponding period of 2013.**
  - In 2Q of 2014 only the development segment noted a negative result and had a negative impact on the consolidated EBIT by PLN 0.216 million.
- **The Group's EBIT in 1H 2014 was PLN 16 613 000, i.e. 104% up y-o-y versus PLN 8 160 000 in 1H 2013. EBIT margin stood at 2.34% versus 1.6% in 2013.**
  - In the analysed period all segments showed positive EBIT.
  - The management cost amounted to PLN 27 492 000 versus PLN 24 947 000 in 1H 2013, i.e. 10.2% up y-o-y due to growth in costs of construction for energy segment.
- **The Group's net profit in 2Q 2014 was PLN 6 912 000 i.e. 1.62% of net margin versus PLN 2 229 000 and 0.7% in 2Q 2013.**
  - The financial activity was negative and stood at PLN -487 000 versus PLN -1 522 000 in 2Q 2013.
- **In 1H 2014 the net profit amounted to PLN 8 335 000, i.e. 216% up, versus PLN 2 639 000 in 1H 2013. The net margin stood at 1.18% versus 0.5% in 1H 2013.**
  - In the analysed period the balance on the financial activity was negative at PLN -3 337 000 versus PLN -3 010 000 in the corresponding period of 2013. The cost of bonds and credits in 1H 2014 stood at PLN 2 596 000 versus PLN 5 044 000 in 1H 2013.
- At the end of June 2014 the Erbud Group had PLN 113 283 000 cash position, i.e. 41.8% up y-o-y versus PLN 79 901 000 in cash in 2013.
- The line of credit and guarantees with banks and insurance companies grew to the total of PLN 698 257 000 from a total of PLN 669 240 000 in March 2014.
- The net debt of the Group stood at PLN 15 667 000 in 1H 2014 versus PLN 30 501 000 in the same period of 2013 i.e. down by 48.6% y-o-y.
- As at the end of June 2014 the Group had a record order book worth PLN 1 399 496 000, of PLN 751 553 000 was due for completion this year. At the end of June 2013 the order book stood at PLN 1 523 000 000, out of it PLN 667 000 000 was to be completed in 2013.
  - In July-August 2014 the Group signed 19 contracts of PLN 273 600 000.
- The main segments of the order book are public utility buildings (10.1%), hospitals (11%), housing segment (11.3%), office (29.5%), shopping centres (15.2%) and engineering (4.7%) and road segment (2.1%), energy (11%).
  - Out of it 14.53% are public sector projects versus 16.72% in 1Q 2014.
- At the end of June 2014 the Group submitted offers for a total value of PLN 9.85 billion and out of that PLN 5.69 billion to be resolved.

II. EXTERNAL AND INTERNAL FACTORS OF SIGNIFICANCE TO THE GROWTH OF THE ERBUD GROUP

1. EXTERNAL FACTORS

1.1. The macroeconomic environment

The Central Statistical Office (GUS) reported the GDP in Poland in 2Q 2014 grew by 3.2%.

1.2. The construction market

According to preliminary data compiled by the Central Statistical Office (GUS), the growth rate in the construction sector in 1H 2014 went up by 9.8%. In June 2014 the sector grew by 8% y-o-y. Major grows in June y-o-y were in land and water engineering buildings by 24.7% and specialist works by 14.2%, while the cubature sector dropped by 12.1% y-o-y. Decline in building prices was 0.6% in June 2014 versus December 2013 and down by 1.3% y-o-y.

2. INTERNAL FACTORS

The data below shows the results of the various areas after taking into account exclusions from consolidation and geographical segmentation, the lack of comparability of data due to a new segment division in building construction, energy and geographical: activity in the country and abroad.

PLN ,000 2Q 2014	**Cubature activities in Poland and abroad**		***Cubature activities in Poland***		**The development sector**		**Road building***		**Energy sector in Poland and abroad****		**Operations in Poland**		**Operations abroad**	
	2Q 2014	2Q 2013	2Q 2014	2Q 2013	2Q 2014	2Q 2013	2Q 2014	2Q 2013	2Q 2014	2Q 2013	2Q 2014	2Q 2013	2Q 2014	2Q 2013
Sales revenues	374 416	+39.5% y-o-y	*323 234*	*+52.5% y-o-y*	8 232	- 42.4% y-o-y	25 930	+33.4% y-o-y	16 909	-2% y-o-y	374 306	+42.4% y-oy-	51 182	-9.5% y-o-y
Sales share	88%	84%	*76%*	*66%*	1.93%	4.5%	6.1%	6.1%	4%	5.4%	88%	82.3%	12%	17.7%
EBIT	6446	5450	*5217*	*4 471*	-216	1242	1016	-1 150	3 226	611	7912	4 867	1 229	979
EBIT margin (%)	1.72%	2%	*1.61%*	*2.11%*	-	8.7%	3.9%	-	19%	3.54%	2.47%	1.9%	2.4%	1.73%

PLN ,000 1-2Q 2014	**Cubature activities in Poland and abroad**		***Cubature activities in Poland***		**The development sector**		**Road building***		**Energy sector in Poland and abroad****		**Operations in Poland**		**Operations abroad**	
	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013	1-2Q 2014	1-2Q 2013
Sales revenues	600 106	+33% y-o-y	*499 660*	*+42.9% y-o-y*	22 145	- 16.7% y-o-y	45 752	+70% y-o-y	41 086	+82% y-o-y	608 644	+43% y-o-y	100 446	+0.4% y-o-y
Sales share	85%	85%	*70.5%*	*66.5%*	3.12%	5%	6.5%	5.1%	5.8%	4.3%	86%	81%	14.2%	19%
EBIT	13 551	12 368	*11 290*	*9 251*	1558	2299	704	-4 007	799	- 2070	14351	5043	2 261	3117
EBIT margin (%)	2.26%	2.75%	*2.26%*	*2.65%*	7.04%	8.65%	1.54%	-	1.94%	-	2.36%	1.2%	2.3%	3.1%

** PBDI; OBiD ** Erbud Energetyka and the Energy Construction Division; Engorem since 2013*

2.1. Cubature activities

Between April and June 2014 the Group signed a total of 10 contracts with an aggregate value of PLN 142 526 000. In the period of 2Q 2013 the Group signed 12 contracts at total of PLN 383 840 000. In 1H of 2014 the group signed 21 contracts with a total value of PLN 302 844 000 versus 24 contracts with PLN 581 945 000 value.

In the period of 2Q 2014 sales (excluding the revenues generated by Budlex Group, PBDI, OBiD, Erbud Energetyka, Engorem) amounted to PLN 374 416 000, a 39.5% increase over the corresponding period in 2013 (PLN 268 483 000). Group's EBIT in 2Q 2014 on its cubature activities came through at PLN 6 446 000 vis a vis 5 450 000 in 2Q 2013, i.e. 18,28% up. The margin stood at 1.72% versus 2% in 2013. In 1H 2014 the Group had PLN 600 106 000 revenue, i.e. 33.4% up y-o-y versus PLN 449 755 000 in 1H 2013. In 1H 2014 the EBIT stood at PLN 13 551 000 vis a vis PLN 12 368 000 in 1H 2013, i.e. 9.57% up. The margin was at 2.26% versus 2.75% in 2013.

At the end of 2Q of 2014 the order book for the core activities was worth PLN 1 030 314 000, out of it PLN 547 756 000 to be completed this year, versus PLN 1 297 000 in June 2013.

Cubature activities in Poland

In 2Q 2014 sales in Poland amounted to PLN 323 234 000, a 52.5% increase year on year. The EBIT in 2Q 2014 was at PLN 5 217 000, i.e. 16.7% up vis a vis PLN 4 471 000 in 2Q 2013. EBIT margin was at 1.61% versus 2.1% in 2013. At the end of June 2014 revenue stood at PLN 499 660 000, i.e. 42.9% up y-o-y versus PLN 349 695 000 in the corresponding period of 2013. In 1H 2014 EBIT stood at PLN 11 290 000 versus PLN 9 251 000 in 1H 2013, i.e. 22% up y-o-y. In June 2014 the margin was at 2.26%.

Overseas activities

In the period of 2Q 2014, sales revenues overseas stood at PLN 51 182 000 versus PLN 56 546 000 in 2Q 2013, i.e. 9.5% down y-o-y. EBIT came through at PLN 1 229 000 versus PLN 979 000 in 2Q 2013 (25.5% up y-o-y) and margin came at 2.4% up from 1.7% margin in 2Q 2013. In 1H 2014 sales revenues overseas increased a notch of 0.4 % y-o-y to PLN 100 446 000 from PLN 100 060 000 in 2013. EBIT came through at PLN 2 261 000 versus PLN 3 117 000 in 1H 2013, i.e. 27.5% down. The margin was at 2.25% versus 3.1% margin in 2013. In 2013 the group had additional profits on building and development projects.

At the end of the 1H 2014 the Group's overseas order book was PLN 112 569 000 versus 141 377 PLN in 1H 2013. Most of it to be completed this year.

German company GWI GmbH recorded revenue of PLN 74 354 000 in 1H 2014, i.e. 44% up y-o-y (versus PLN 51 773 000 in 2013). EBIT stood at PLN 1 506 000, i.e. 5.3% down y-o-y, while margin came at 2.0%.

2.2. The Group's other areas of activity

2.2.1 Development activities

In 2Q 2014 Budlex completed the sale of 31 flats and commercial premises vis a vis 53 in 2Q 2013. In 1H 2014 the Group sold 82 flats versus 103 in the corresponding period of 2013.

The Budlex Group's revenues in 2Q 2014 was PLN 8 232 000, i.e. 42.4% down y-o-y. EBIT stood at PLN -216 000, i.e. 117.4% down y-o-y. In 1H 2014 the sales were at PLN 22 145 000 versus PLN 26 579 000, i.e.

16.7% down y-o-y. At the end of June 2014 EBIT came at PLN 1 558 000 versus PLN 2 299 000 i.e. 32.2% down y-o-y. EBIT margin stood at 7.04% versus 8.65% in 2013.

Currently the Company is building 5 new residential developments: 3 in Toruń and 2 in Bydgoszcz. Pre-sales contracts entered into by the Budlex Group at the end of June for 2014 concerned 162 flats and commercial units to be completed in 2014-2015 versus 91 flats in the corresponding period of 2013. The current sales level is in line with the Group estimates and shows slowdown in the residential market in the region.

In 2014 the development segment will focus also on a commercial project in Poznań. The deadline for use permit and opening is planned in 1H 2015. The building works are completed for 24%. The company signed preliminary lease agreements for 73% of total commercial usage area.

In 2Q 2014 Budlex issued bonds for a total of PLN 13 million to expand its land pipeline in Warsaw.

2.2.2 Road and engineering building

incorporating the results of PBDI

In 2Q 2014 the road building sector added 9 new contracts to the Group's order book with a total value of PLN 2 532 000. In 1H 2014 sector added 12 contracts of PLN 29 509 000 value versus 11 contracts of PLN 32 079 000. In July 2014 Group's order book increased with 5 contracts with a total value of PLN 27 922 000.

In 2Q 2014 the revenue of the segment amounted to PLN 25 930 000 i.e. up by 33.4% y-o-y. The sector showed an operating profit of PLN 1 016 000 in 2Q 2014 upon consolidation versus PLN 1 150 000 loss in 2Q 2013. In 1H 2014 the revenue of the segment amounted to PLN 45 752 000 i.e. increase by 70.2% y-o-y. EBIT came at PLN 704 000 versus negative PLN 4 007 000 in 2013.

At the end of 2Q 2014 the Group's order book for works was worth PLN 94 050 000 versus PLN 32 624 000 in 2013, i.e. 188% up y-o-y, mainly wind farm projects.

2.2.3 Construction for the energy sector

In 1H 2014 the sector added 22 new contracts to the Group's order book with a total value of PLN 122 000 000 versus 15 contacts for a value of PLN 57 000 000 in 2013. The revenues in this sector for 2Q 2014 was PLN 16 909 000, i.e. 2% down y-o-y. EBIT for 2Q 2014 was at PLN 3 226 000, 428% up y-o-y, i.e. 19% margin, on the back of Engorem good results.

1H 2014 the revenue of the segment amounted to PLN 41 086 000 versus PLN 22 616 000 in 1H 2013, i.e. 81.7% up y-o-y. EBIT amounted to PLN 799 000, versus loss of PLN 2 070 000 of in 1H 2013.

At the end of 2Q 2014 the Group's order book was worth PLN 233 347 000, i.e. 37.5% up y-o-y. About PLN 107 000 000 is to be completed this year. The contracts includes contracts on maintenance and renewal of gas net, gas heat plant modernization and electrofilters as well as construction and maintenance works in power stations and chemical plants.

2.3 Operating revenues and costs

2.3.1. The balance of operating revenues and costs

The balance of the Group's operating revenues and other costs in 2Q 2014 amounted to PLN -997 000 while in 1H 2014 it amounted to PLN -103 000.

2.3.2. Costs of payroll and benefits and the employment in the Group

In the period of April-June 2014 the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 39 144 000 i.e. 2.9% up y-o-y. 1H 2014 the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 72 644 000 - down 0.8% year on year. At the end of June 2014 the Group employed 1 677 people - up by 4.2% year on year.

3. PROSPECTS

3.1. The macroeconomic environment

According to the finance Ministry the GDP in 2014 will stay at 3.3% this year. The IBnGR think tank expects in 2014 the GDP will grow by 3.5% while in 2015 by 3.8%. on the back of world's economic climate improvement. The construction sector value added will growth by 8.5%. The EU investment will boost construction sector in 2015.

3.2. The construction market

The construction climate index in July was at -4.0 points, a slight up by 1 points versus June 2014 index results. The overall climate is negative as in June but less pessimistic than in year ago. The current backlog, construction sector index and financial standing is less optimistic than in June. In July 15% of firms experience its production potential as too high versus backlog expected, 75% as in line with expectations and 10% as too low (year ago corresponding data were, 20%, 68%, 12%). Lower price drop is also expected.

The improvement may be seen in 2014 on the back of EU investments within the budget for 2014-2020. Good improvement for the sector is to be in 2015 as 2007-2013 perspective is to be settled down as well as new budget project start to be completed. There is also a perspective of energy sector projects to speed-up that may have positive impact on the sector.

3.3. The directions and objectives of the Group's development

Revenues above 2013

Erbud Group's management expects in 2014 growth in cubature segment and in construction for energy segment. In 1-2Q 2014 the backlog in cubature segment was at PLN 1.03 billion out of PLN 547.8 million for 2014. The segment margin was at 2.3%coresponding with situation in the market and pressure on prices.
At the end of 1-2Q 2014 the order book in the construction for energy segment was worth PLN 233.3 million i.e. 37.5% up. In the next quarters the segment will grow revenue and margins will be at the level of 1H 2014.
The road-engineering segment also showed a boost in pipeline by 188% to PLN 94 million. The management expects the segment results to improve.

In 1H of 2014, the development segment showed lower results on the back of market slowdown. Higher growth we can expect in the next year on the back of commercial project in Poznań and development of new housing projects.

The Erbud Group's order book at the beginning of 2H2014 was at PLN 1.4 billion. To be completed further this year is PLN 750 million and up to 10-15% may be postponed in 4Q due to weather conditions. In 1-2Q 2014 the consolidated EBIT stood at PLN 16.6 million with 2.34% of margin corresponding with market conditions.

III. FINANCIAL RESULTS

1. COMPANIES COMPRISING THE ERBUD GROUP

The preliminary consolidated financial statement of the ERBUD Group for 1-2Q 2014, embracing the consolidation of Erbud SA, Erbud International Sp. z o.o., GWI GmbH, PBDI, Budlex Group and Erbud Energetyka Sp. z o.o, Delta Sp. z o.o, Engorem Sp. z o.o, Erbud Industry Sp. z o.o. (formerly Ersteel sp. z o.o.).

2. PROFIT AND LOSS ACCOUNT

ITEM PLN	2014	2013	difference 2014 to 2013	%
	2Q 2014	2Q 2013		Change
Sales revenue	425 487.00	319 469.00	106 018.00	33%
Cost of sales	399 029.00	300 876.00	101 484.00	34%
Profit on sales	**26 458.00**	**18 593.00**	**4 534.00**	**24%**
Cost of sales	1 242.00	1 086.00	156.00	14%
Management cost	13 746.00	10 747.00	2 999.00	28%
Result on operations	-997.00	-913.00	-84	9%
EBIT	**10 473.00**	**5 847.00**	**4 626**	**79%**
Financial profit	-487.00	-1 522.00	1 035.00	68%
Gross profit	**9 922.00**	**4 325.00**	**5 597**	**129%**
Net profit	**6912.00**	**2 229.00**	**4 683**	**210%**
EBIT margin	2.46%	1.83%	0.01	34%
D&A	2 631.00	2 386.00	245.00	10%
EBITDA margin	3.08%	2.58%	0.01	20%

3. THE ERBUD GROUP BALANCE SHEET

BALANCE (PLN)	30.06.2014	30.06.2013	Part in 2014 balance seet	Part in 2013 balance sheet
Fixed assets	128 569	122 307	14%	18%
Current Assets	767 035	564 641	86%	82%
Total assets	**893 604**	**686 948**	**100%**	**100%**
Total shareholders funds	268 262	252 822	30%	37%
Long-term liabilities	144 898	106 075	16%	15%
Short-term liabilities	480 444	328 051	54%	48%
Total liabilities	**893 604**	**686 948**	**100%**	**100%**

3.1 Fixed and current assets

The structure of the balance sheet has remained stable versus 2013 on the back of one-offs. It remains typical for companies operating in the construction industry –low fixed assets and high level of current assets. It is also due to the management policy to minimize fixed costs. The liabilities remain at the same structure as in 2012.

4. Erbud Group CASH FLOW

	1H	1H
in ,000 PLN	**2014**	**2013**
Net operating cash flow	-33 385.00	-122 640.00
Net cash flow from investment activities	-2 814.00	-349.00
Net cash flow from financial activities	24 892.00	1 218.00
Total net cash flow	**-11 307.00**	**-121 771.00**
Cash at the end of the period	**113 283.00**	**79 901.00**

The Group completed 2Q 2014 with negative cash flow. Improvement is visible in operating cash flow due to higher sales and profit growth. Negative impact was also due to shift in cycle of payables and receivables.

5. SELECTED FINANCIAL RATIOS

Item	2014	2013
ROA	0.93%	0.38%
ROE	3.11%	1.04%
Overall gearing ratio	69.98%	63.20%
Debt to equity ratio	233.11%	171.71%
Current liquidity ratio	1.59	1.72
Gross margin	1.86%	0.98%
Net margin	1.18%	0.50%

The ratios show growth in profitability in the Group in this year vis a vis 2013. In the full 2014 the management does not expect radios decrease vis a vis 2013. The net debt of the Group at the end of June 2014 amounted to PLN 15 667 000 i.e. 48.6% decrease y-o-y, which results from credits increase on sales growth.