MANAGEMENT BOARD REPORT FOR 1-3Q OF 2014

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

1.1 The Parent

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

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

1.2 Consolidated related parties

As at 30 September 2014 the structure of the Erbud Group was as follows.

The Group consists of the Parent Company Erbud SA, based in Warsaw and the following subsidiaries:

Subsidiary name	Seat	Core business	Percentage of shares held by the Parent and votes at AGM as of			
			30.09.2014	30.06.2014	31.12.2013	30.09.2013
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.	Toruń	Construction	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 entertainment	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	Merger of Erbud Industry Sp. z o.o – 01.07.2014	100%	100%	100%
Erbud Construction	Toruń	Construction	100%	100%	100%	100%
Engorem Sp. z o.o.*(trough Delta Sp.z o.o)	Łódź	Services for power industry	98.66%	98.41%	80.22%	98.58%
Deptak Projekt P2 Sp. z o.o. (a subsiadry of Budlex S.A.)	Poznań	Development activity	50%	50%	50%	50%

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.
- Delta Sp. z o.o.
- Engorem Sp. z o.o.
- Erbud Rzeszów Sp. z o.o.

b) Subsidiaries included in the consolidated financial statements of the Group by equity method:

- Deptak Projekt P2 Sp. z o.o.

c) Subsidiaries excluded from the consolidated financial statements:

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

On 1 July 2014, Erbud Energetyka Sp. z o.o. merged with o.o with ERBUD Industry Sp. o.o. The transferee entity was ERBUD Industry Sp. z o.o.

The business combination has been effected pursuant to Art. 492 §1 item 1 in conjunction with Art. 506 §1-4 of Commercial Companies Code.

2. Standpoint of the Erbud's S.A. Management Board as regards meeting forecasts published in the prospectus in light of the results presented herewith

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 shares by a procuration holder of Erbud SA. The person related sold 1.000 shares.

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

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

On **15 July 2014,** the Issuer's Management Board has been notified of the sale of shares by a procuration holder of Erbud SA. The person related sold 2.000 shares.

On 1 September 2014, the Management Board of the Issuer adopted Resolution No. 9/2014 on the amount of the subscribed share capital and specifying the amount of the share capital in the Company's Articles of Association. Under the authorised capital, 47,379 common bearer shares of Series I have been acquired. The capital increase took place within a three-year Management Options Programme.

Accordingly, Article 5 item 1 of the Articles of Association shall be replaced by the following:

"The nominal capital of the Company amounts to PLN 1,276,192.50 (one million, two hundred and seventy-six thousand, one hundred and ninety-two, point five zero) and is divided into:
a) 2,000,000 ordinary bearer shares of series A,
b) 8,000,000 ordinary bearer shares of series B,
c) 71,025 ordinary bearer shares of series C,
d) 2,500,000 ordinary bearer shares of series D,
e) 31,686 ordinary bearer shares of series E,
f) 41,458 ordinary bearer shares of series F,
g) 33,787 ordinary bearer shares of series G,
h) 36,590 ordinary bearer shares of series H,
i) 47,379 ordinary bearer shares of series I
with a nominal value of PLN 0.10 (ten groszy) per share."

Until the release date of this report, the Court has not issued a decision on the incensement of the Issuer's share capital of the Issuer.

Therefore, the share capital of the Issuer as at the date of the Financial Statements, i.e. 30 September 2014 and the publication date is as follows:

Series	Number	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**

The shareholding (shareholders having more than 5%) as at the date of preparing the report, i.e. 30 September 2013, was as follows:

Shareholders of ERBUD SA holding more than 5 per cent as at 14.11.2014

Aggregate number of shares 12 714 546

No.	*Shareholder*	*Class of shares*	*Number of shares held*	*% of shareholders equity*	*Number of votes*	% of voting rights at the AGM
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, incl. Wolff & Müller Holding GmbH & Co. KG	Common	4 152 865	32.66%	4 152 865	32.66%
2	Juladal Investment Limited	Common	2 848 347	22.40%	2 848 347	22.40%
3	Aviva OFE Aviva BZ WBK	Common	1 183 146	9.31%	1 183 146	9.31%
4	ING OFE	Common	1 266 900	9.96%	1 266 900	9.96%
5	Dariusz Grzeszczak	Common	773 900	6.09%	773 900	6.09%
6	Free Float	Common	2 489 388	19.58%	2 489 388	19.58%
	TOTAL		**12 714 546**	**100.00%**	**12 714 546**	**100.00%**

4. Breakdown of number of the Issuer's shares holding by the managing and supervising persons as at the report release date, including changes in ownership in the 3Q2014

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

Shareholders related to ERBUD SA as at 30.09.2014

Total number of shares 12 714 546

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
1	Dariusz Grzeszczak	Erbud SA Management Board member	ordinary	773 900	6.09%	773 900	6.09%
2	Józef Adam Zubelewicz	Erbud 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	2 826	0.02%	2 826	0.02%
9	Włodzimierz Czystowski	Erbud SA procuration holder	ordinary	4 921	0.04%	4 921	0.04%
10	Mariola Zielińska	Chief Accountant of ERBUD SA	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		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	Kryspin Jarosz	Erbud SA procuration holder	ordinary	0	0.00%	0	0.00%
16	Piotr Dobosz	Erbud SA procuration holder	ordinary	5 993	0.05%	5 993	0.05%
17	Albert Dürr	ERBUD SA Supervisory Board member	ordinary	14 500	0.11%	14 500	0.11%
TOTAL				**1 099 032**	**8.64%**	**1 099 032**	**8,64%**

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

The following number of shares of Series I has been granted to the managing staff within the Staff Incentive Scheme:

Shareholder	Class of shares	Number of shares
Walenty Twardy – Erbud SA procuration holder	Ordinary	3 000
Maciej Wyrzykowski – Erbud SA procuration holder	Ordinary	1 000
Agnieszka Głowacka – Erbud SA procuration holder	Ordinary	4 000
Tomasz Krzywicki – Erbud SA procuration holder	Ordinary	700
Włodzimierz Czystowski – Erbud SA procuration holder	Ordinary	1 000
Mariola Zielińska – Chief Accountant of ERBUD SA	Ordinary	800
Mirosław Młynarski – Erbud SA procuration holder	Ordinary	3 526
Kryspin Jarosz – Erbud SA procuration holder	Ordinary	3 244
Piotr Dobosz – Erbud SA procuration holder	Ordinary	3 266
Radosław Kałamaga – Erbud SA procuration holder	Ordinary	4 022

5. Information about the proceedings pending before a court, authority responsible for arbitration or public administration as at 30 September 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 resulted from the Issuer's need to adequate secure its situation.
The product was presented by the Bank as an instrument optimally adapted to the requirements of Erbud S.A. 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.

In the course of many talks, the Issuer presented its position to the Bank, which required execution of the transaction, including 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.

Till the publication of Financial Statements, not any decision has been issued on this case.

On 10.01.2013, Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska, which is a debtor to Erbud S.A., filed an Application of the creditor for bankruptcy to the District Court for the Capital City of Warsaw, Commercial Division for Bankruptcy and Relief. By decision of 29 May 2013, the court dismissed the application for bankruptcy of ERBUD due to lack of legitimacy of the applicant to file it. The applicant appealed against the decision, while on 19 July 2013 it has been submitted an answer as regards the complaint with a request to reject it as manifestly unfounded. To date, the Company has not received a decision of the court of second instance.

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. Investigation is in progress.

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. The value of claims against WEG BET amounts of more than PLN 3.5 million.

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

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.

Dispute with the Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o (MPL)

On 12 May 2014, a lawsuit was served to the Issuer, in which the Employer claims the payment of PLN **34,381,374.64** as compensation plus statuary interest and reimbursement of proceedings costs. The case is conducted by the District Court in Warsaw, XXVI Commercial Division

In 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 advises 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.

Since it is necessary to prepare technical and financial expertise, the Defendant filed on 21 July 2014 a request for extension of the deadline to respond to the lawsuit. As at the day of report publishing, the Court consented to Defendant's application and extended the deadline for objecting to the claim by 12 October 2014.

Standpoint of the Management Board on financial claims.

1. 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.

2. 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.

Until the publication of this report, the Issuer filed its response to the lawsuit, which challenged all claims of MPL and also filed a counterclaim for the amount of PLN **19,892,366.30** in accordance with the arguments indicated above.

6. Information about the concluding by the Issuer and its subsidiaries contracts of a non-routine and unusual nature with associates of a value exceeding EUR 500,000.00

In the period of three quarters of 2014, there took place transactions with related parties, that value in the period from the beginning of the fiscal year exceeded the PLN equivalent of EUR 500,000. All contracts were of a routine nature and resulted from the statutory activities of the companies of the Group.

7. Information about loan, pledges or guarantees granted by the Issuer or its subsidiary during three quarters of 2014

Guarantees and loans granted by the Issuer are summarized below:

Description	30.09.2014	30.06.2014	31.03.2014	31.12.2013	30.09.2013
GWI GmbH – guarantee to repay the loan	12 674	12 483	12 514	8 294	8 433
GWI GmbH – guarantee to repay the loan issued by BRE Bank S.A.	8 449	8 322	8 343	8 294	8 433
Erbud International Sp. z o.o. - loan	9 356	9 356	9 206	11.486	11 486
Budlex Sp. z o.o. - loan	16 183	15 183	23 974	24 974	24 974
GWI GmbH, Erbud International – surety for financial guarantees line	31 684	31 206	31 285	31 104	31 622
GWI GmbH – surety for guarantee line in Zurich	14 786	14 563	14 600	14 515	14 757
Total contingent liabilities	**93 132**	**91 113**	**99 922**	**98 667**	**82 839**

List of guarantees in the Budlex Group:

Liability	Amount	Guarantor	Debtor	Bank
Guarantee to the loan amount, incl. interest and other receivables due to the bank	870 000	Budlex Properties sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill guarantee	26 000	Budlex S.A.	Budlex Glinki A3 sp. z o.o.	BRE Bank Hipoteczny SA
Bill guarantee	11 000	Budlex S.A.	Budlex Winnica L6-7 sp. z o.o. S.k.	BRE Bank Hipoteczny SA
Bill guarantee	11 500	Budlex S.A.	Budlex Brzoskwiniowa sp. z o.o.	BRE Bank Hipoteczny SA
Bill guarantee	13 498	Budlex S.A.	Budlex Magnolia sp. z o.o. s.k.	PKO BP S.A.
Total	**931 998**			

Off-balance sheet liabilities of the Issuer in the form of financial guarantees (Bank and Insurance guarantees):

Description	30.09.2014	30.06.2014	31.03.2014	31.12.2013	30.09.2013
Liabilities payment guarantee	27 512	8 312	10 009	15 221	23 783
Performance bond	189 501	164 892	142 390	145 491	147 354
Defects remedying guarantee	146 574	128 175	133 562	126 936	137 420
Total contingent liabilities	**355 138**	**301 379**	**285 961**	**287 648**	**308 557**

8. Key events occurred over three quarters of 2014 and the significant events after 30.09.2014

During the reporting period there were no extraordinary events that would have an impact on the financial position of the Issuer.

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

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

Bank name	Type of liability	Amount in PLN '000	CU	Interest rate	Maturity date	Instalments payment	Bank name
BNP Paribas Bank Polska S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2014-11-29	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	20 000	PLN	Call rate of PKO BP + margin	2017-06-30	In one amount	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2015-12-31	In one amount	ERBUD S.A./PBDI S.A./Budlex S.A.
Alior Bank S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2015-05-11	In one amount	PBDI S.A.
Alior Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2015-09-04	In one amount	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Multi-purpose credit line	2 000	PLN	WIBOR 3M + margin	2014-11-02	In one amount	PBDI S.A.
BNP Paribas Bank Polska S.A.	Investment loan	5 300	PLN	WIBOR 3M + margin	2019-09-30	Monthly instalments	Erbud Industry Sp. z o.o.
BNP Paribas Bank Polska S.A.	Multi-purpose credit line	5 000	PLN	WIBOR 1M + margin	2015-09-30	In one amount	Erbud Industry Sp. z o.o.
Commerzbank	Overdraft credit	2 000	EUR	fixed rate	2015-05-31	In one amount	GWI
KBC	Overdraft credit	2 000	EUR	EONIA +margin	2014-12-31	In one amount	GWI
Credit Agricole	Investment loan	5 000	PLN	WIBOR 3M + margin	2019-12-18	Quarterly instalments	Engorem Sp. z o.o.
Credit Agricole	Overdraft credit	4 000	PLN	WIBOR 1M + margin	2015-07-31		Engorem Sp. z o.o.
	Total PLN '000	**99 300**					
	Total EURO '000	**4 000**					

Moreover, the following bonds and guarantees may be granted:

Bank name	Type of liability	Amount in PLN '000	CU	Company
BNP Paribas Bank Polska S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	37 000	PLN	Erbud S.A.
mBank S.A.	Bid bond, performance bond, repair works guarantee	70 000	PLN	Erbud S.A
PKO BP	Bid bond, performance bond, repair works guarantee	30 000	PLN	Erbud S.A
BZ WBK S.A.	Performance bond, repair works guarantee, payment guarantee	34 000	PLN	Erbud S.A
Alior Bank S.A.	Performance bond, repair works guarantee, payment guarantee	90 000	PLN	Erbud S.A
Alior Bank S.A.	Bid bond, performance bond, repair works guarantee	8 000	PLN	PBDI S.A.
ING S.A.	Performance bond, repair works guarantee, payment guarantee	68.000	PLN	Erbud S.A; PBDI S.A.
BNP Paribas Bank Polska S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	8.000	PLN	PBDI S.A.
BNP Paribas Bank Polska S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	5 000	PLN	Erbud Industry Sp. z o.o.
KBC Bank	Performance bond, repair works guarantee, payment guarantee	1000	EUR	GWI GmbH
	Total PLN '000	**350 000**		
	Total EURO '000	**1 000**		

9.1.2 Credit agreements signed by the companies of the Budlex Group

No.	Borrower	Creditor	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
1	Budlex S.A.	Bank PKO BP SA	Overdraft credit	870	WIBOR 1M+margin	2015-01-24
2	Budlex S.A.	ING Bank Śląski	Revolving credit	12 000	WIBOR 1M+margin	2014-12-31
3	Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+margin	2015-09-15
4	Budlex Winnica I6-7 sp. z o.o. s.k.	BRE BANK HIPOTECZNY SA	Investment loan	11 000	WIBOR 6M+margin	2017-04-15
5	Budlex Brzoskwiniowa sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	11 500	WIBOR 6M+margin	2017-01-15
6	Budlex Magnolia sp. z o.o. s.k.	Bank PKO BP SA	Investment loan	13 498	WIBOR 3M+margin	2016-09-30

9.2. Significant financial agreements

On **31 March 2014**, Erbud SA signed Annex 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 **13 August 2014,** pursuant to Annex No. 3 to the Loan Agreement U0002139462604 signed with Alior Bank SA, the Parties extended the multi-purpose credit and guarantee line until 4 September 2015. At the same time the line amount has been raised to PLN 100m, of which PLN 90m may be used for financial guarantees.

On **29 August 2014**, by virtue of Annex No.10 to the Agreement with PKO BP S.A on multi-purpose credit line, the parties extended the expiry period by 30 June 2017 and increased the amount of lines to PLN 50m.

On **12 September 2014**, by Annex No. 11 to the Loan Agreement with the ING Bank Slaski SA, the Parties extended the agreement until 31 December 2015 and increased the bank guarantee limit from PLN 60m to PLN 80m. Thus, the total exposure of ING Bank Slaski in funding the ERBUD Group rose from PLN 80m to PLN 100m.

On **18 March 2014** the Management Board adopted a resolution on issuance 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 item 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 assets 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

As of 30 June 2014, the total balance of liabilities of the Issuer’s parent company amounted to PLN 293,8m attributed in the whole to current liabilities.
Furthermore, the balance of cash and cash equivalents of the Issuer’s parent as at 30 June 2014 amounted to PLN 53.4m.
Contingent off-balance liabilities (banking and insurance) of the Parent of the Issuer in the form of guarantees provided as at 30 June 2014 were as follows: (i) performance bonds equal to PLN 164.9m, (ii) remedial works guarantees of PLN 128.2m, and (iii) guarantees to pay liabilities and bid liabilities equal to PLN 8,3m.
The total balance of liabilities in the form of guarantees granted at the end of the 2Q 2014 amounted to PLN 301.4m.
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 30 June 2014 were as follows: (i) loans granted to Budlex SA - PLN 18.4m, (ii) loans granted to ERBUD International Sp. o.o. - PLN 9.4m, and (iii) loans granted to Erbud Industry Sp. z o.o. – PLN 0.4m.
Guarantees and sureties granted by the Issuer to the companies included in the Issuer's Capital Group as at 30 June 2014 totalled PLN 66.6m and were primarily related to contingent liabilities for GWI GmbH.
As of 30 June 2014, the total balance of liabilities of the Issuer's Capital Group, excluding provisions for liabilities, construction contracts and accruals amounted to PLN 323.9m, of which for short-term liabilities fell PLN 271.4m.
Within the liabilities of the Issuer, the most important items were: (i) trade liabilities and other liabilities - PLN 247m, (ii) Series B bonds in the amount of PLN 52m, and (iii) Series A bonds in the amount of PLN 10m.

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 June 2014, the Group had an order portfolio worth PLN 1.4bn.
After the issuance of Bonds, the Issuer's parent company does not anticipate any further increase due to loans, borrowings or debt instruments. Additional debt may still be incurred by the subsidiaries of the Issuer's Capital Group, primarily by the development company Budlex SA, whose operations are capital intensive.
The Issuer will lead a conservative policy of funding to maintain Net Financial Debt-To-Separate Equity Rate below 0.6, and Net Financial Debt-To-Consolidated Equity Rate below 1.

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

On **26 March 2014,** the Issuer's Management Board 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 of Bonds of Series B.

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

On **18 June 2014,** the Management Board received information on the issue of series A bonds by the Issuer's subsidiary Budlex SA.
Bonds were issued under the following conditions:
The value of bonds: PLN 13,000,000.00
Period: 36 months
Coupon rate: 6M WIBOR + 5.35%
Coupon payment: every half year.

Collateral:
- Mortgages on real estate belonging to subsidiaries:
(i) "Gastronomik" office building;
(ii) "Wapienna" office building;
(iii) vacant plot on which the last phase of Paryskie Estate will be completed – 2018 according to the schedule;
(iv) vacant plot on which the last phase of Glinki Estate will be completed – 2018 according to the schedule.

Purpose: to finance the acquisition of building land for residential development projects.

On **14 August 2014,** following the conclusion of a contract for construction works with the company Hala Koszyki Grayson Investments Spółka z ograniczoną odpowiedzialnością Sp.k., headquartered in 00-582 Warsaw at 6 Szucha Allee, of which the Issuer announced in the current report No. 33/2014 dated 6 August 2014, the Issuer entered on 14.08.2014 into some par forward agreements hedging cash flows from the above said contract. The hedging transaction was concluded with ING Bank Śląski in Katowice. The Issuer secured cash flows for a total amount of EUR 26,116,695.38. The agreement was executed at arm's length.

9.3. Important information about subsidiaries

9.3.1. General information

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.
Bonds were issued under the following terms and conditions:
The value of bonds: PLN 13,000,000.00
Period: 36 months
Coupon rate: 6M WIBOR + 5.35%
Coupon payment: every half year.

Collateral:
- Mortgages on real estate belonging to subsidiaries:
(i) "Gastronomik" office building;
(ii) "Wapienna" office building;
(iii) vacant plot on which the last phase of Paryskie Estate will be completed – 2018 according to the schedule;
(iv) vacant plot on which the last phase of Glinki Estate will be completed – 2018 according to the schedule.

Purpose: to finance the acquisition of building land for residential development projects.

9.3.2 Information on transactions with related parties in the Group of the Issuer.

By 30 September 2014 and to the report date publication, the Issuer and its subsidiaries have not concluded any transactions with its affiliates under conditions other at arm's length.

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

9.4.1 Modlin Airport - 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 (“General Contractor”) 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.

By the date, the Customer addressed to the General Contractor a request for payment due to "indemnification" of for a the total amount of PLN 10,496,180.48. The Customer did not documented factual and legal claims. The General Contractor shall not acknowledge the Customer's claim.

Until the report release, the Issuer filed its response to the lawsuit, which challenged all claims of MPL and also filed a counterclaim for the amount of PLN **19,892,366.30** in accordance with the arguments indicated above.

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.

9.5. The Issuer's Supervisory Board

On 31 May 2012, the General Meeting of Shareholders of Erbud SA appointed by Resolutions 14- 20/2012 the following members of the Supervisory Board:

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
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	Chairman of the Supervisory Board	31.05.2012	31.05.2015

On 3 December 2013, following the death of Professor Lech Wysokiński, his mandate expired.

On **25 June 2014,** the General Meeting of Shareholders appointed by Resolution No. 15 a new member of the Supervisory Board of Erbud SA in the person of Professor Janusz Lewandowski.
Mr Janusz Lewandowski holds a below mentioned education and experience:

1. Education, degrees and academic titles:
• 1971 MSc of Engineering, Faculty of Power and Aeronautical Engineering of Warsaw University of Technology (WUT)
• 1998 Professor, Faculty of Power and Aeronautical Engineering of WUT

2. Core employment:
• since 1972 in the Institute of Heat Engineering, Department of Aeronautical of WUT at the following positions:
design engineer, senior design engineer, trainee assistant, assistant, senior assistant, assistant professor, associate professor, full professor

3. Major functions at the Warsaw University of Technology:
• 1993–2012 Director of the Institute for Heat Engineering
• 2002 - Director of Academic Research Centre for Power Engineering and Environment Protection
• 2003–2012 Member of the WUT Senate
• 2012 - CEO of the Institute of Applied Research, Warsaw University of Technology Sp. z o.o.

4. Extra employment/functions:
• 1999 - Chamber of Commerce for Energy and Environment - Manager of the Independent Experts
• 1998-2002 Member of the Supervisory Board of Infrastruktura Sp z o.o. (a company of the local government of Piastów)
• 2002-2007 Member of the Supervisory Board of Transition Technologies SA

5. Knowledge of foreign languages: English, Russian

6. Scientific specialty areas:
• thermal energy, energy machinery and equipment, energy management, mathematical modelling, power control and operations

7. Publishing achievements:
• 9 books, including:
- “Układy gazowo-parowe na paliwo stałe” [Gas and steam systems for solid fuel], WNT, 1993
- “Proekologiczne technologie dla rekonstrukcji i modernizacji elektrowni i elektrociepłowni” [Green technologies to reconstruct and modernise power plants], IGEiOŚ, 2000
• approx. 200 articles and research papers published
• ca. 40 popular articles (incl. headwords in PWN encyclopaedias)
• ca. 150 papers presented at conferences

8. Research and implementation achievements:

• approx. 180 research papers, of which more than 120 directly ordered by the industry, which results have been used in practice
• researches made for the government (distribution of CO2 emission allowances, implementing 2001/89/EC Directive, determining the cogeneration potential, the impact of the Directive on industrial emissions)
• 5 patents
• evaluation of several tenders and/or projects, incl.: gas turbine in Gorzów, gas and steam system in Poznan CHP, turbine generator unit and gas block in Żerań CHP, turbine in Orlen SA CHP, gas block in Wloclawek (Orlen), steam block in Jaworzno (Tauron)

9. More important out of the WUT functions by choice:
• 2000 - Member of the Bureau of Committee for Energy Studies at Polish Academy of Sciences, and since 2007 its Vice-President
• 2003 - Member of the Committee for Thermodynamics and Combustion, Polish Academy of Sciences
• 2012 - Member of the Central Commission for Degrees

10. Awards and honors:
• 1996 - Siemens Research Award for the best research work implemented in practice
• 1980-2000 awarded three times by Education Minister
• 2003 - Prime Minister's Award for achievement in science and technology

11. Teaching achievements:
• all types of classes at the Faculty of Power and Aeronautical Engineering of TUW, incl. lectures: Technology Basics, Theory of Turbomachinery, Thermal Turbines, Energy Blocks Control
• organizing and conducting classes on 4 cycles of post-graduate studies in the field of energy

12. Training of scientific staff:
• promotion of 11 PhD's

13. Scientific and industrial internships, longer periods abroad:
• Moscow Institute of Energy
• University of Kharkiv
• Żerań Combined Heat and Power Plant
• San Diego State University

14. Other
• scientific policy councils of scientific and technical journals
• conferences organizing committees.

As at 30 September 2014 and the date of publication of the Financial Statements, the Supervisory Board of Erbud SA is composed of:

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
Janusz Lewandowski	Member of the Supervisory Board	25.06.2014	31.05.2015

There are two committees working within the Supervisory Board of Erbud SA: Remuneration Committee and Audit Committee.

To the date of the report publication, the composition of the Supervisory Board has not changed.

9.6. The Issuer's Management Board

On 31 May 20132, the Supervisory Board appointed the Management Board of Erbud SA for a new three-year joint term of office in the following composition:

Full name	Post/Function	Term beginning	Term ending
Dariusz Grzeszczak	Management Board member	31.05.2012	31.05.2015
Józef Adam Zubelewicz	Management Board member	31.05.2012	31.05.2015

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

Signatures of the Management Board Members

Józef Zubelewicz
/Board member/

Dariusz Grzeszczak
/Board member/

Warsaw, 05 November 2014