ERBUD CAPITAL GROUP



PREPARED PURSUANT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 QUARTERS OF 2014

Photo:Office Building Royal Wilanów in Warsaw

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2014 (in '000 PLN)

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Fixed assets	**128 887**	**128 569**	**117 755**	**116 817**
Intangibles	1 686	1 683	1 875	1 812
Goodwill	20 102	20 102	20 102	20 102
Tangible fixed assets	36 265	37 102	35 335	32 096
Investment property	10 611	10 579	5 492	5 499
Other non-current financial assets	18 007	18 621	17 604	20 494
Non-current receivables	0	0	0	0
Deferred tax assets	42 152	40 432	37 310	36 814
Deferred tax assets	64	50	37	0
Current assets	**822 406**	**765 035**	**678 175**	**646 397**
Inventory	110 705	113 815	112 140	109 693
Trade and other receivables	354 031	292 767	223 305	239 991
Income tax receivables	4 017	7 689	7 336	5 074
Financial assets	7 890	225	220	339
Construction contracts retentions	52 445	58 210	49 941	46 804
Cash and cash equivalents	93 948	113 283	124 590	95 151
Short-term prepayments and accruals	6 964	6 488	4 541	4 944
Construction contracts	192 406	172 558	156 102	144 401
Total assets	**951 293**	**893 604**	**795 930**	**763 214**
Equity attributable to shareholders of the parent company	**263 305**	**256 276**	**255 218**	**248 771**
Share capital	1 271	1 271	1 271	1 268
Exchange rate differences on translation of foreign entities	620	616	591	663
Supplementary capital	222 734	222 622	222 793	222 204
Undistributed profits	38 680	31 767	30 563	24 636
Minority interests	**12 273**	**11 986**	**11 748**	**11 638**
Total shareholders' equity	**275 578**	**268 262**	**266 966**	**260 409**
Long-term liabilities	**146 946**	**144 898**	**61 308**	**52 147**
Bank loans and borrowings	27 503	29 135	14 487	4 678
Provision for deferred income tax	42 536	39 022	36 211	34 517
Provision for retirement and similar benefits	2 008	2 008	1 751	7 398
Other provisions	4 040	3 919	3 433	2 753
Other financial liabilities	5 564	5 814	5 426	2 681
Other liabilities	0	0	0	120
Liabilities from bonds issue	65 295	65 000	0	0
Short-term liabilities	**528 769**	**480 444**	**467 656**	**450 658**
Bank loans and borrowings	58 948	19 001	24 488	38 246
Trade and other liabilities	256 743	226 705	194 148	185 019
Current tax liabilities	1 694	1 080	7	12
Liabilities from bonds issue	0	10 000	50 000	50 000
Provision for retirement and similar benefits	5 288	5 288	5 588	5 473
Other provisions	14 287	14 405	16 573	14 242
Construction contracts retentions	88 059	83 223	80 535	81 425
Construction contracts	82 948	105 118	82 244	61 799
Other accruals	20 802	15 624	14 073	14 442
Total liabilities	**951 293**	**893 604**	**795 930**	**763 214**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 9-month period ended 30 September 2014 (in 000' PLN)

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
CONTINUING OPERATIONS				
Revenues from sales of products and services and of goods and materials	**1 137 363**	**428 274**	**824 586**	**298 684**
Cost of sold products and services and of goods and materials	**1 068 493**	**405 838**	**762 629**	**273 239**
Profit (loss) from sales	**68 870**	**22 436**	**61 957**	**25 445**
Cost of sales	3 457	1 231	2 745	809
General and administrative costs	40 456	12 964	38 025	13 078
Other operating income	**5 846**	**2 898**	**7 998**	**6 586**
Other operating expenses	**4 582**	**1 531**	**8 507**	**5 626**
Profit (loss) on operating activities	**26 221**	**9 608**	**20 678**	**12 518**
Other gains (losses) on investments	**0**	**0**	**0**	**0**
Financial income	**2 157**	**968**	**2 982**	**-599**
Financial expenses	**7 590**	**3 064**	**8 438**	**1 847**
Net loss of subsidiaries valuated using equity method	**64**	**0**		
Profit (loss) on continuing operations before tax	**20 724**	**7 512**	**15 222**	**10 072**
Income tax	5 109	232	4 643	2 132
Net profit (loss) for the financial period attributable to:	**15 615**	**7 280**	**10 579**	**7 940**
- Shareholders of the parent company	**15 041**	**6 998**	**10 019**	**7 668**
- Minority shareholders	**574**	**282**	**560**	**272**
Earnings/loss per share from continuing operations (in PLN)	**1.18**	**0.55**	**0.79**	**0.60**
Earnings/loss per share from continuing and discontinued operations (in PLN)	**1.18**	**0.55**	**0.79**	**0.60**

	Note	9-month period ended 30.09.2014	9-month period ended 30.09.2013
Consolidated net profit		15 615	10 579
Exchange rate differences from translation of foreign branches and entities		-15	94
Deferred income tax due to items of other comprehensive incomes		0	0
Other comprehensive net incomes		-15	94
Total comprehensive income attributable to:		15 600	10 673
- Shareholders of the Parent Company			
- Minority shareholders		15 013	10 175
Consolidated net profit		587	498

CONSOLIDATED STATEMENT OF CASH FLOWS

as at 30 September 2014 (in '000 PLN)

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
Cash flow from operating activities				
Net profit (loss)	**15 615**	**7 280**	**10 579**	**7 940**
Total adjustments	**-78 029**	**-36 309**	**-99 995**	**25 284**
Depreciation and amortization	5 916	1 827	5 369	1 672
(Gain) / losses from exchange rate differences	102	-219	-162	-524
Interest and profit sharing (dividend)	5 161	3 308	2 840	1 019
(Gain) / loss on investment activities	-1 980	-1 436	940	1 256
Change in provisions	4 192	6 326	3 410	-3 230
Change in inventories	-1 077	3 558	6 052	-4 861
Change in receivables	-128 252	-52 550	29 507	-11 439
Change in short-term liabilities, excluding loans and borrowings	71 270	44 549	-107 485	36 549
Change in prepayments and accruals	-34 189	-41 862	-41 060	4 640
Other adjustments	828	190	594	202
Net cash used in operating activities	**-62 414**	**-29 029**	**-89 416**	**33 224**
Cash flow from investment activities				
Inflows	**3 189**	**1 042**	**8 959**	**607**
Disposal of intangible and tangible fixed assets	1 298	948	775	181
Disposal of investment property	13	0	0	0
Disposal of financial assets	323	94	79	0
Dividends and interest received	68	0	722	0
Repayment of loans	1 487	0	7 375	426
Other inflows			8	0
Outflows	**12 337**	**7 376**	**10 422**	**1 721**
Acquisition of intangible and tangible fixed assets	2 906	569	1 316	389
Investments in real property and in tangible fixed assets	1 752	73	0	0
Acquisition of financial assets	1 009	64	7 633	13
Long-term loans granted	6 670	6 670	1 196	1 179
Acquisition of subsidiary after deducting the funds acquired	0	0	277	140
Other investment outflows	**-9 148**	**-6 334**	**-1 463**	**-1 114**

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
Cash flow from financial activities				
Inflows	**90 085**	**43 969**	**40 577**	**0**
Net inflows from issue of shares and other capital instruments and from capital contributions	0	0	0	0
Loans and borrowings	67 690	43 969	40 577	0
Issue of debt instruments	22 395	0	0	0
Other financial inflows	0	0	0	0
Outflows	**49 165**	**27 941**	**56 316**	**16 957**
Redemption of own shares	4	0	0	0
Dividends and other payments to the shareholders	9 378	8 910	2	2
Repayment of loans and borrowings	20 213	5 654	47 787	14 723
Redemption of debt securities	10 000	10 000	0	0
Due to other financial liabilities	0	0	0	0
Payment of liabilities arising from financial leases	2 807	595	2 960	951
Interest paid	6 763	2 782	5 358	1 216
Other financial outflows	0	0	209	65

Net cash flow from financial activities	**40 920**	**16 028**	**-15 739**	**-16 957**
Total net cash flow	**-30 642**	**-19 335**	**-106 618**	**15 153**
Balance sheet change in cash, including:	**-30 642**	**-19 335**	**-106 618**	**15 250**
- change in cash due to foreign exchange differences			0	-97
Cash opening balance	**124 590**	**113 283**	**201 769**	**79 901**
Closing balance of cash, including:	**93 948**	**93 948**	**95 151**	**95 151**
- restricted cash	22 854	-2 787	24 566	-12 489

Reconciliation of movements in balance sheet items to changes reported in the statement of cash flows for the 3Q 2014 is presented below:

	30.06.2014
Change in provisions in balance sheet	**4 602**
Including the subsidiary in consolidated accounts	-410
Change in provisions in cash flow statement	**4 192**

	30.06.2014
Change in inventories in balance sheet	**1 435**
Capitalized financial expenses	1 002
Reclassification of inventories to long-term investments	-3 517
Including the subsidiary in consolidated accounts	3
Change in inventories in cash flow statement	**- 1 077**

	30.06.2014
Change in receivables in balance sheet	**-129 910**
Adjustment of receivables due to merger of subsidiaries	-17
Including the subsidiary in consolidated accounts	1 675
Change in receivables in cash flow statement	**-128 252**

	30.06.2014
Change in liabilities in balance sheet	**71 806**
Adjustment of liabilities due to merger of subsidiaries	160
Including the subsidiary in consolidated accounts	-696
Change in liabilities in cash flow statement	**71 270**

	30.06.2014
Change in prepayments and accruals in balance sheet	**-36 164**
Discounting of liabilities from bonds	2 008
Including the subsidiary in consolidated accounts	-33
Change in prepayments and accruals in cash flow statement	**-34 189**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the Parent Company as at 30 September 2014 (in 000' PLN)

	Capital attributable to shareholders of the Parent								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2014	**1 271**	**0**	**222 793**	**591**	**30 563**	**0**	**255 218**	**11 748**	**266 966**
Profit / loss for the period	0	0	0	0	0	15 041	**15 041**	574	**15 615**
Other total income	0	0	0	29	-57	0	**-28**	13	**-15**
Total income for the period	**0**	**0**	**0**	**29**	**-57**	**15 041**	**15 013**	**587**	**15 600**
Shares-based payment (Management Stock Option Scheme)	0	0	322	0	0	0	**322**	0	**322**
Dividend for shareholders	0	0	-484	0	-8 416	0	**-8 900**	-501	**-9 401**
First time consolidation of the subsidiary Erbud Rzeszów	0	0	0	0	1 549	0	**1 549**	439	**1 988**
Purchase of shares in Engorem Spółka z o.o	0	0	-9	0	0	0	**-9**	0	**-9**
Increase of share capital in the subsidiary Erbud Industry	0	0	112	0	0	0	**112**	0	**112**
As at 30 September 2014	**1 271**	**0**	**222 734**	**620**	**23 639**	**15 041**	**263 304**	**12 273**	**275 578**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the Parent Company as at 31 December 2013 (in 000' PLN)

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

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the Parent Company as 30 September 2013 (in 000' PLN)

	Capital attributable to shareholders of the Parent								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2013	**1 268**	**0**	**215 669**	**455**	**20 260**	**0**	**237 652**	**13 791**	**251 443**
Profit / loss for the period	0	0	0	0	0	10 019	**10 019**	560	**10 579**
Other total income	0	0	0	208	-52	0	**156**	-62	**94**
Total income for the period	**0**	**0**	**0**	**208**	**-52**	**10 019**	**10 175**	**498**	**10 673**
Shares-based payment (Management Stock Option Scheme)	0	0	128	0	0	0	**128**	0	**128**
Distribution of the Parent ‘s profit	0	0	5 591	0	-5 591	0	**0**	0	**0**
Purchase of shares in Engorem Spółka z o.o	0	0	816	0	0	0	**816**	-2 651	**-1 835**
As at 30 September 2013	**1 268**	**0**	**222 204**	**663**	**14 617**	**10 019**	**248 771**	**11 638**	**260 409**

The average PLN exchange rates against the EURO during the period covered by the financial statements

Period	Average exchange rate for the reported period	Exchange rate as of the last day of the period
30.09.2014	4.1803	4.1755
31.12.2013	4.2110	4.1472
30.09.2013	4.2231	4.2163

Key items of the balance sheet converted to the EURO (as at the last day of the period, in 000' PLN)

Balance-sheet item	30.09.2014		30.09.2013	
	PLN	EUR	PLN	EUR
Total assets	951 293	227 827	763 214	181 015
Fixed assets	128 887	30 867	116 817	27 706
Current assets	822 406	196 960	646 397	153 309

Balance-sheet item	30.09.2014		30.09.2013	
	PLN	EUR	PLN	EUR
Total liabilities	951 293	227 827	763 214	181 015
Shareholders' equity	275 578	65 999	260 409	61 762
Liabilities and provisions for liabilities	675 715	161 828	502 805	119 253

Items of the balance sheet as at 30 September 2014 were converted at the Euro rate which was set by the NBP as at that date i.e. 4.1755 PLN/EUR.

Items of the balance sheet as at 30 September 2013 were converted at the Euro rate which was set by the NBP as at that date i.e. 4.2163 PLN/EUR.

Key items of the profit and loss statement converted to the EURO (for the reporting period, in 000' PLN)

Profit or loss account item	3-month period ended 30.09.2014		3-month period ended 30.09.2013	
	PLN	EUR	PLN	EUR
Net revenues from sales of products	1 137 363	272 077	824 586	195 256
Manufacturing cost of products sold	1 068 493	255 602	762 629	180 585
Gross profit on sales	68 870	16 475	61 957	14 671
Profit from operating activities	26 221	6 273	20 678	4 896
Gross profit (loss)	20 724	4 958	15 222	3 604
Net profit (loss)	15 615	3 735	10 579	2 505

Items of the cash flow for the period 1.01.2014 - 30.09.2014 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that day, i.e 4.1803 PLN/EUR.

Items of the cash flow for the period 1.01.2013 - 30.09.2013 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that day, i.e. 4.2231 PLN/EUR.

Key items of cash flow converted to the EURO (for the reporting period, in 000' PLN)

Cash flow item	3-month period ended 30.09.2014		3-month period ended 30.09.2013	
	PLN	EUR	PLN	EUR
A. Cash flow from operating activities	-62 414	-14 931	-89 416	-21 173
B. Cash flow from investing activities	-9 148	-2 188	-1 463	-346
C. Cash flow from financing activities	40 920	9 789	-15 739	-3 727
D. Total net cash flow (A+/-B+/-C)	-30 642	-7 330	-106 618	-25 246
F. Cash and cash equivalents at the beginning of the period	124 590	30 042	201 769	49 354
G. Cash and cash equivalents at the end of the period	93 948	22 500	95 151	22 567

Cash flow items for the period of 01 January 2014 – 30 September 2014 were converted as follows:

A, B, C, and D item figures - at the average exchange rate which was calculated as an arithmetic mean of average rates set by the NBP as at the last day of each month in the period, i.e. 4.1803 PLN/EUR,

F item figures - at the exchange rate set by the NBP as at the 01 January 2014, i.e. 4.1472 PLN/EUR,

G item figures- at the exchange rate set by the NBP on the 30 September 2014, i.e. 4,1755 PLN/EUR.

Cash flow items for the period of 01 January 2013 – 30 September 2013 were converted as follows:

A, B, C, and D item figures - at the average exchange rate which was calculated as an arithmetic mean of average rates set by the NBP as at the last day of each month in the period, i.e. 4.2231 PLN/EUR,

F item figures - at the exchange rate set by the NBP as at the 01 January 2013, i.e. 4.0882 PLN/EUR,

G item figures- at the exchange rate set by the NBP on the 30 September 2013, i.e. 4.2163 PLN/EUR.

Note 1. Significant acquisitions and sales of property, plant and equipment and significant liabilities arising from the purchase of property, plant and equipment

There were no significant purchases and sales of property, plant and equipment in the reporting period.

As of 30 September 2014, the Group has no material commitments for the purchase of fixed assets.

Note 2. Deferred income tax assets

Assets / liabilities due to	**30.09.2014**	**30.06.2014**	**31.12.2013**	**30.09.2013**
- Building contracts valuation	20 117	21 619	16 092	12 121
- Provisions	5 807	6 018	5 087	5 175
- Tax loss to deduct in next years	9 104	5 979	8 175	11 616
- Margin on intra-Group sales	487	487	487	487
- Accrued expenses	1 334	1 066	1 242	1 048
- Other fees charged statistically	205	284	226	240
- Revaluation of receivables	1 212	1 165	1 062	1 320
- Valuation of bonds interest	176	0	359	359
- Other financial liabilities	791	794	1 385	1 680
- Consolidation adjustments	0	0	1 807	1 909
- Other	2 919	3 020	1 388	859
Total deferred tax assets	**42 152**	**40 432**	**37 310**	**36 814**

Assets and liabilities due to deferred income tax assets are offset when there is a legally enforceable entitlement to offset tax receivables and current tax liabilities and when the deferred tax relates to the same tax jurisdiction and will be executed in similar periods.

Margin realized on the intra-Group sales results from the higher tax value of assets sold to the Group companies in relation to their carrying amount due to the exclusion of consolidated profits included in assets.

Note 3. Short-term receivables

Note 3.1 Short-term trade receivables and other debts

	30.09.2014	**30.06.2014**	**31.12.2013**	**30.09.2013**
Short-term receivables before tax				
Due to deliveries and services	388 614	343 020	266 634	269 541
- from associates	91	45	131	62
- from other entities	388 523	342 975	266 503	269 479
From the public sector	16 311	14 345	10 524	12 007
Other	12 811	8 472	11 006	16 694
Impairment of receivables	**7 243**	**7 171**	**7 582**	**6 373**
Net short-term receivables	**410 493**	**358 666**	**280 582**	**291 869**

The fair value of trade and other receivables corresponds approximately to their carrying value.

Note 3.2 Allowances for short-term trade receivables and other debts

	30.09.2014	**30.06.2014**	**31.12.2013**	**30.09.2013**
Write-downs at the beginning of the period	**7 582**	**7 582**	**9 962**	**9 962**
Created to other operating costs	2 324	2 046	2 711	1 164
Reversed into other operating costs	376	248	595	384
Used	2 740	2 661	4 603	4 516
Impairment losses taken from Erbud Rzeszow	450	450	0	0
Foreign exchange differences	3	2	107	147
Write-downs on short-term receivables at the end of the period	**7 243**	**7 171**	**7 582**	**6 373**

There is no credit risk concentration for trade receivables, as the Group has a large number of clients, both domestic and foreign.

Note 3.3 Allowances for other financial assets (long-term)

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

Note 4. Construction contracts

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Building contracts income	1 096 367	680 496	1 125 805	787 744
Building contracts costs, incl.	1 020 598	629 337	1 042 806	723 350
- recorded loss	0	0	51	0
Profit before tax	**75 769**	**51 159**	**82 999**	**64 394**

The following table shows the value of recognized receivables and liabilities under long-term construction contracts in the Parent Company:

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Assets:				
Amounts due from customers	192 406	172 558	156 102	144 401
Valuation of contracts	192 406	172 558	156 102	144 401
Liabilities:				
Amounts due to customers, incl.:	82 948	105 118	82 244	61 799
Valuation of contracts	82 948	105 118	82 244	61 799

Note 5. Share capital of ERBUD SA (structure)

Note 5.1 Structure of the share capital ownership as at 30 September 2014

The share capital as of 30 September 2014 consisted of 12,714,546 shares with a total value of PLN 1,271,454.60.

The shareholding of the Parent Company as at 30 September 2014 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.22%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.65%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.79%	None
	Total				**4 152 865**	**32.66%**	
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.40%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.09%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.31%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 266 900	9.96%	None
D,E,C,F, H	Free Float	Ordinary	None	None	2 489 388	19.58%	None
	Total				**12 714 546**	**100%**	
	Par value of shares of all series in PLN		0.10	Share capital in PLN	1 271 454,60		

The above table presents shareholders holding over 5% in the share capital.

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

No shares have been reserved for the purpose of issuance under options of sale contracts.
In addition to the powers arising from directly held shares of Erbud S.A., the major shareholders have no other voting rights at a General Meeting.

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

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

Note 6. Change in deferred income tax provision

Note 6.1 Deferred income tax provision

Provision for	30.09.2014	30.06.2014	31.12.2013	30.09.2013
- valuation of building contracts with a long completion period	32 926	29 156	26 685	25 614
- assets revaluation	5 888	6 106	6 245	6 360
- depreciation and amortization	0	0	0	267
- lease	0	0	0	0
- financial costs activated	371	336	314	273
- balance sheet valuation	954	998	309	902
- balance sheet valuation for interest	0	0	1 823	983
- other	2 397	2 426	835	118
- presentation adjustment	0	0	0	0
Total provision for deferred income tax	**42 536**	**39 022**	**36 211**	**34 517**

Deferred tax provisions are created on the rate basis of 19% for positive and negative temporary differences on domestic assets and liabilities, while the difference in the balance sheet items relating to the entitles operating abroad - on tax rates basis of the country of the primary economic environment in which the entity operates and pays obligations arising from income corporate tax.

Note 7.

Note 7.1 Other non-current liabilities

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Other financial liabilities, incl.				
- from financial lease	5 564	5 814	5 426	2 681
- liabilities due to bond issue	65 295	65 000	0	0
- other	0	0	0	120
Total long term liabilities	**70 859**	**70 814**	**5 426**	**2 801**

Note 8. Trade liabilities and other debts, income tax liabilities and building securities

Short-term liabilities	30.09.2014	30.06.2014	31.12.2013	30.09.2013
a) Deliveries and services	310 253	278 413	249 860	239 446
- from associates	0	0	615	271
- from other entities	310 253	278 413	249 245	239 175
b) To public sector	11 337	12 379	14 083	11 230
- corporate income tax	1 694	1 283	7	12
- VAT	2 741	3 690	8 110	4 282
- income tax on natural persons	1 727	1 421	1 536	1 387
- other	5 175	5 985	4 430	5 549
c) Financial liabilities , incl.:	4 432	14 877	55 004	53 055

- interest	0	85	20	31
- interest on bonds	785	1 062	1 889	889
- leasei	3 647	3 730	3 095	2 135
- liabilities form bonds	0	10 000	50 000	50 000
d) Other	20 474	15 339	5 743	12 725
- payroll	5 611	5 166	3 360	4 943
- prepayments received	13 198	346	291	4 797
- liabilities due to shares	0	8 900	0	0
- other	1 665	927	2 092	2 985
Total	**346 496**	**321 008**	**324 690**	**316 456**

Note 9. Finance lease liabilities

Fail value	**30.09.2014**	**31.12.2013**	**30.09.2013**
Up to 1 year	3 647	3 095	2 135
Over 1 and up to 5 years	5 564	5 426	2 681
Over 5 years			
Total	**9 211**	**8 521**	**4 816**

The Group uses financial leasing of vehicles. The average lease duration is 3-4 years. Obligations under finance leases are secured by assets used on basis of these lease agreements.
The lease agreements do not include clauses providing for penalties for early repayment of obligations.

Note 10. Information on issue, redemption and repayment of debt instruments and securities

Note 10.1 Liabilities due to debt instruments and securities issued

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

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

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

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

On 15 April 2013, the Management Board adopted Resolution No. 4/2013 on the capital increase within the authorized capital through the issuance of H shares and deprivation existing shareholders of the pre-emptive right to acquire shares series H. The issue was offered to entitled employees in connection with the first tranche of the

second Employee Incentive Scheme, and the number of shares which would be granted to persons entitled should not exceed 50,000 shares.

On 19 March 2014, in connection with the planned by the Management Board increase of the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series I for the purpose of the adopted Management Option Plan, the Supervisory Board of Erbud SA passed at the request of the Management Board of the Company dated 5 March 2014 Resolution No. 6/2014 on depraving the existing shareholders of pre-emptive rights to acquire Series I shares and determining the issue price of shares of Series I in the amount of PLN 11.00. There was no issue, redemption and repayment of equity securities.

Note 11. Acquisition / Disposal of subsidiaries / Disposal of long-term investments

On 1 October 2014, Erbud Industry sp. z o.o. (a company belonging to the Erbud SA Capital Goup) became a sole owner of NGK Ojrzyński, seated in Gdańsk.

Note 12. Revenue from sales

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
- sale of products finished	32 463	11 229	34 122	7 811
- sale of services	1 102 787	416 407	788 663	289 661
-sale of goods and materials	2 113	638	1 801	1 212
Total	**1 137 363**	**428 274**	**824 586**	**298 684**

Note 13. Costs by type

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
a) Depreciation and amortisation	5 916	1 827	5 369	1 672
b) Consumption of materials and power	179 270	75 194	122 711	48 860
c) External services	805 155	301 858	550 355	199 572
d) Taxes and charges	6 032	2 020	6 666	2 037
e) Payroll	92 007	32 897	91 693	30 934
f) Social security, health care and other benefits	21 088	7 554	19 049	6 578
g) Other costs	14 113	4 530	13 494	5 716
Total expenses by type	**1 123 581**	**425 880**	**809 337**	**295 369**
Change in inventories, products and deferred expenditures due to construction contracts	-11 104	-5 776	-5 938	-8 243
Cost of production for in-house use (negative value)	-71	-71		
Cost of sales (negative value)	-3 457	-1 231	-2 745	-809
General and administrative costs (negative value)	-40 456	-12 964	-38 025	-13 078
Production cost of products sold	**1 068 493**	**405 838**	**762 629**	**273 239**

Note 14. Current and deferred corporate income tax

	30.09.2014	30.06.2014	31.12.2013	30.09.2013
Profit and loss account	**5 109**	**4 877**	**7 015**	**4 643**
Deferred income tax due to the origination and reversal of temporary differences	1 696	-78	2 180	3 648
Current income tax	3 413	4 955	4 835	995

Note 15. Net earnings per share

	Year to 30.09.2014	Quarter to 30.09.2014	Year to 30.09.2013	Quarter to 30.09.2013
Profit (loss) attributable to the Parent's shareholders	15 041	6 998	10 019	7 668
Weighted average number of shares (in units)	12 714 546	12 714 546	12 696 251	12 696 251
Earnings (loss) per share (in PLN)	1,18	0,55	0,79	0,60
Weighted average diluted number of shares	12 745 377	12 745 377	12 751 214	12 751 214
Diluted earnings (loss) per share (in PLN)	1,18	0,55	0,79	0,60

Basic earnings per share are calculated as a quotient of net income for the period attributable to ordinary shareholders of the Parent Company and the weighted average number of issued common shares outstanding for the period.

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

Note 16. Income, expenditures and results on discontinued operations or operations to be discontinued in next period

There were no discontinued operations in the reporting period.

Note 17. Transactions with key executives

As of 30 September 2014, the managing staff (the Management Board members and procura holders) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the GM
Juladal Investments Ltd. (a company controlled by Board members of Erbud SA)	Ordinary	2 848 347	22.40%	2 848 347	22.40%
Dariusz Grzeszczak	Ordinary	773 900	6.09%	773 900	6.09%
Józef Adam Zubelewicz	Ordinary	259 500	2.04%	259 500	2.04%
Albert Duerr - member of the Supervisory Board	Ordinary	14 500	0.11%	14 500	0.11%
Walenty Twardy Erbud SA procuration holder	Ordinary	6 852	0.05%	6 852	0.05%
Piotr Augustyniak Erbud SA procuration holder	Ordinary	890	0.01%	890	0.01%
Agnieszka Głowacka Erbud SA procuration holder	Ordinary	2 826	0.02%	2 826	0.02%
Bogdan Duerr Erbud SA procuration holder	Ordinary	6 712	0.05%	6 712	0.05%
Włodzimierz Czystowski Erbud SA procuration holder	Ordinary	4 921	0.04%	4 921	0.04%
Mirosław Młynarski Erbud SA procuration holder	Ordinary	11 426	0.09%	11 426	0.09%
Radosław Kałamaga Erbud SA procuration holder	Ordinary	5 494	0.04%	5 494	0.04%
Maciej Wyrzykowski Erbud SA procuration holder	Ordinary	1 200	0.01%	1 200	0.01%
Piotr Dobosz - procuration holder	Ordinary	5 993	0.05%	5 993	0.05%
Mariola Zielińska Chief Accountant of Erbud SA	Ordinary	4 818	0.04%	4 818	0.04%

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 30 September 2014 and as at 31 December 2013 did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 30 September 2014 and as at 31 December 2013 were not a party to the contract obliging to render services to the companies of the Erbud Group.

Note 18. Information about key events occurred in the period of nine months of 2014 and after the balance date

Contracts concluded:

On 21 February 2014, Erbud S.A. signed a significant contract for construction works under the following terms and conditions:

1. Contract subject: construction of the complex of multi-family buildings with commercial area and basement car park (MU04)

2. Builder: Promenady II VD Sp. z o.o. seated in Wrocław
3. Max. contract value: PLN 30,600,816.84 net
4. Site location: Wrocław
5. Completion period: 66 weeks from the issue of Instruction to Proceed Commencement of Works to the obtaining Occupancy Permit.

On 25 March 2014, the Management Board of ERBUD SA entered into a significant contract for execution of construction works under the following terms and conditions:
1. Builder: Dom Development S.A. seated 00-078 Warszawa, Pl. Piłsudskiego 3
2. Contract value: PLN 31,075,750 plus VAT due
3. Contract subject: Willa Lindego residential complex located in Warsaw on Wrzeciono St.
4. Completion period: 18 months from the delivery of the construction site; expected commencement date - April 2014, expected completion date - September 2015.

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 16 April 2014, the Management Board of ERBUD SA received information about the signing of a significant contract for construction works by GWI GmbH, a subsidiary of Erbud. The contract was signed on the following terms and conditions:
1. Contract subject: shell & core of Mitsubishi Ratingen office building
2. Parties to the contract:
a) Customer: RS & Partner Immobiliengesellschaft mbH, Brabantstrasse 1, 40235 Düsseldorf
b) Contractor: GWI Bauunternehmung GmbH, Schiessstrasse 55, 40549 Düsseldorf
3. Contract value: EUR 8,300,000 net, EUR 9,877,000 gross.

On 19 May 2014, Erbud entered into a significant contract for construction works on the conditions and terms as below:
1. Builder: Dom Development S.A. seated 00-078 Warszawa, Pl. Piłsudskiego
2. Contract value: PLN 45,930,000 + VAT due
3. Contract subject: Mokotów Residence" apartment building located in Warsaw at Naruszewicza St. corner of Al. Niepodległości St.
4. Completion period: 18 months from the date of the site delivery. Expected commencement date - May 2014, expected completion date - October 2015.

On 9 June 2014, the Issuer signed a contract for construction works with RAFAKO SA under the conditions as below:
1. Contract concluded on 06.09.2014
2. Builder: Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. with its registered office in 47-220 Kędzierzyn-Koźle, ul. Mostowa 30 A
4. Contract value: PLN 58,746,104.43 net
5. Contract subject: Building and engineering works, plant and equipment, services under the project "New heat and power plant in Azoty Holding - Zakłady Azotowe Kędzierzyn SA".
7. Completion period: 06.06.2014 - 01.10.2016.

On 18 June 2014, Erbud S.A. signed a significant contract for construction works on the following terms and conditions:
1. Builder: VALEO AUTOSYSTEMY sp. z o.o., ul. Przemysłowa 3, 32-050 Skawina
2. Contract value: PLN 25,618,116.69 net
3. Contract subject: Extension of the existing windscreen wiper manufacturing facility for VALEO AUTOSYSTEMY Sp. z o.o. located in Skawina with manufacturing area, laboratory, warehouse, offices and welfare rooms, including accompanying utilities and systems such as water and sewer infrastructure, HVAC, electrical wiring, gas rough-in, transformer station and driveway to the building that meets the requirements of the fire road together with the pavement for pedestrians
4. Completion period: July 2014 - January 2015.

On 24 June 2014, ERBUD SA ("Partner") in consortium with Energomontaż Północ Bełchatów Sp. z o.o. ("Leader") with its registered office in 97-427 Rogowiec, 2 Montażowa St. signed with EDF Polska SA with its registered office in 00-120 Warsaw, 59 Złota St. ("Builder") a contract for "Plant, construction, installation, start-up and commissioning of flue gas ducts at EDF Polska SA, Rybnik Power Station."
1. Total contract value: PLN 60,798,656 net
2. Erbud SA works value: PLN 21,940,041.80 PLN net
3. Scope of works of ERBUD SA: performance of a part of design, construction and installation works, supply and installation of support structures for flue gas ducts, participation in the start-up of the system.
4. Completion period: from 24/07/2014 (signing a contract) to 16/12/2015 (Issue of Final Commissioning Certificate).

On 24 June 2014, the Issuer conclude a contract with the PEP Group - Farma Wiatrowa 4 Spółka z o. o. seated in 02-526 Warsaw, 24/26 Krucza St. (the "Builder") to execute comprehensive construction works for the Skurpie Wind Farm, including construction of foundations for wind turbines, adaptation of access roads for oversize hauling, upgrading of existing roads, construction of service roads and assembly platforms.
The Issuer is a partner of the consortium with Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. headquartered in Toruń (consortium leader), a subsidiary owned 94.27% by the Issuer.
The total net value of the contract is 26,105,920.01
The task completion date is scheduled for 31 October 2015.

On 5 August 2014, Erbud signed a significant contract for construction works on the following terms and conditions:
1. Builder: Hala Koszyki Grayson Investments Spółka z ograniczoną odpowiedzialnością Sp.k., seated in Warsaw, 6 Al. Szucha St., 00-582 Warszawa
2. Contract value: PLN 115,457,787.00 net – the amount will be converted into Euros at the average exchange rate of EUR/PLN published by the NBP on the date of information delivery about "Conversion Rate" by the Builder to the Contractor
3. Contract subject: construction of an office and shopping building Site
4. Location: Warsaw, 61/63/65 Koszykowa St., plot No. 8, precinct 5-05-05; plot No. 9, precinct 5-05-05
5. Completion period: Commencement - immediately after the takeover by protocol of the Real Estate from the Builder, which will take place no later than three days after the receipt of Order to Proceed from the Builder together with final Building Permission; completion date - 30.06.2016.

On 22 August 2014, Erbud SA signed a subcontracting agreement with Mitsubishi Hitachi Power Systems Ltd. (General Contractor), headquartered in 3-1, Minatomirai 3-chome, Nishi-ku, Yokohama 220-8401, for construction and installation works within the project to construct NOx reduction system for boilers K2 (Stage I) and K1 (Stage II) in Kozienice Power Plant for Enea Wytwarzanie SA (Investor).
Net contract value: 40,800,000 PLN.
Erbud's scope of works: basic design, incl. obtaining building permit, execution of construction and installation works; procurement and construction of supporting structures and flue gas ducts; design, procurement and installation of feedwater heater and ash removal system; installation of plant, incl. SCR reactor; participation in the start-up.
Completion period: 22.08.2014 (signing the contract) - 30.03.2016 (Acceptance of the Commissioning Protocol by the Investor).

On 17 September 2014, Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. seated in Toruń (a subsidiary in which the Issuer holds 94.27 per cent in share capital) signed with Eco-Power spółka z ograniczoną odpowiedzialnością with its registered office in 93-231 Łódź, 22 Dostawcza St. (Investor) a contract for the execution of comprehensive power works, necessary works for the 110/30 kV substation with MV electrical network, road works and construction of foundations for wind farm turbines.
Total net contract value: PLN 26,998,952.26 (twenty-six million, nine hundred and ninety-eight thousand, nine hundred and fifty-two, point two six Zlotys).
The task is to be completed no later than 31 August 2015.

On 25 September 2014, a construction contract with the Builder Promenady ZITA sp. z o.o., a subsidiary of Vantage Development SA, has been concluded. Since 24 February 2014, i.e. from the publishing of Current Report 38/2014, the Issuer has entered with subsidiaries of Vantage Development SA into contracts with a total value of PLN 93,298,200.88. The contract signed on 25 September 2014 with Promenady ZITA Sp. z o.o. has the highest remuneration amounting to PLN 70,272,383.00. The contract has been concluded for the period

necessary to fulfil all obligations hereunder, with a deadline falling no later than 13 months after obtaining the occupancy permit, which should take place 66 weeks after the issue of Notice to proceed works. Under the contract, ERBUD as a contractor will complete the Promenady ZITA office building, phase A, C and D, incl. necessary infrastructure and site development.

On 15 October 2014, Erbud S.A. signed with Wiatromil Sp. z o.o based in 80-307 Gdansk, 1A Abrahama St. (the Employer) a contract for the design, plant, construction and commissioning of building and power infrastructure for a wind farm in the towns of of Banie i Kozielice in Poland, consisting of 96 wind turbines, three power stations and connections to the 220 kV transmission grid in Krajnik station.
The Issuer is a Partner of the Consortium formed together with the company PBDI SA seated in Toruń as a Consortium Leader - a subsidiary in which the Issuer owns 94.27% in share capital, and Electrum sp. z o.o. based in Białystok as a Consortium Partner.
The total net contract value is PLN 250,740,540.13 (say: two hundred and fifty million, seven hundred and forty thousand, five hundred and forty point one three).
The range value to be completed by Electrum sp. z o.o. amounts to PLN 136,558,300.00 (say: one hundred and thirty-six million, five hundred and fifty-eight thousand, three hundred) net.
The task should be ended by 12 December 2015.

On 14 October 2014, Erbud S.A. signed the following significant contract:
1. The Investor: ACE 2 Sp. z o.o., ul. Prosta 70, 00-838 Warszawa
2. Contract value: PLN 96,500,000 net
3. Contract subject: construction of VIVO Retail and Entertainment Centre
4. Site location: Stalowa Wola, Podskarpowa St./ Chopina St.
5. Completion period: 14.10.2014 - 15.10.2015.

In addition to the significant agreements for construction works, Erbud SA signed several contracts that do not exceed the criterion set by "Significant agreement".

Note 19. Other important events

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 transaction was executed at arm's length. The Issuer will apply hedge accounting for this agreement.

Note 20. Changes in accounting principles (policy) applied and method of preparation of financial statements, introduced in relation to the previous financial year (years), their causes and the impact on the asset and financial position, liquidity, result and profitability

In the current period, the Company did not make any changes in accounting policies and method of preparation of financial statements in relation to the previous year.
Hedge accounting has been applied to secure construction contracts denominated in foreign currencies.

Kind of hedged risk: cash flows risk associated with highly probable flows in foreign currencies in the future arising from construction contracts. This risk is related to the appreciation of polish currency (PLN) – expected flows in foreign currency from the contract will be worth less in PLN.

Type of hedging instrument: forward foreign exchange contracts to sell foreign currency in the amounts and dates corresponding to the expected flows arising from construction contract.

To assess the effectiveness of hedge, the interest rate component (swap points) and the exchange rate component (spot rate) are not separated, but there are analysed changes in the fair value of the whole forward transaction.

Prospective hedge effectiveness testing: tests are performed at inception of the hedging instrument and on every balance sheet day.

The hedge is considered effective if the expected changes in fair value or cash flows of the hedged item are offset by changes in fair value or cash flows of the hedging instrument.

As for hedging risks associated with construction contracts denominated in foreign currencies are only used hedging instruments with tailored key parameters (the same currency, amounts and dates of expected cash flows), the Management Board considers that so constructed hedge will be effective.

However, for a fuller justification of applying hedge accounting, the Group also tests the effectiveness prospectively using a quantitative method with the following parameters:

- Effectiveness testing method: by comparing the cumulative change in the fair value of the hedging instrument to that of the hedged item ("dollar offset method") using so called hypothetical derivative.
- **Hypothetical derivative:** for assessing the effectiveness of the financial instrument we selected from a construction contract a hypothetical derivative being a forward contract to buy specific quantities of foreign currencies at some future dates, corresponding to the amounts and the dates under the construction contract. So separated hypothetical derivative instrument is subject to the same risks as construction contract, i.e. its value decreases together with the strengthening of polish currency (expected cash flows from the contract in the currency will be worth less in PLN).
- The **fair value** of the hedging instrument and the hypothetical derivative instrument as at the measurement date is understood as the sum of discounted net cash flows of future receivables / payables under agreed instrument terms. Net cash flows at a given future date are calculated as the difference between the amount of PLN resulting from a forward contract and the amount of foreign currency resulting from the forward contract multiplied by the forward exchange rate for a given future date valid on the measurement date. Discounting of such net cash flows is done using zero-coupon rates implied by the interest swap curve in PLN, valid as at the measurement date.
- For the purpose of a prospective test there are used **historical market rates** of exchange rates and interest rates on twelve monthly dates prior to the planned date of the transaction or the balance sheet date (in the case of measuring the effectiveness during the transaction).
- For each of the above 12 historical dates, the cumulative change in fair value of the hypothetical derivative instrument is calculated and compared with the cumulative change in fair value of the hedging instrument. The ratio of so calculated changes on each date should be in the range of 80-125 per cent.

Retrospective hedge effectiveness testing: effectiveness testing is performed at each balance sheet date throughout the life of the hedge. The hedge is considered effective if during the given period the actual changes in fair value or cash flows of the hedged item are offset by changes in fair value or cash flows of the hedging instrument. Like with the prospective testing, the "dollar offset method" is applied when using the hypothetical derivative instrument, measuring the ratio of the cumulative change in the fair value of the hedging instrument to the cumulative changes in the hypothetical derivative instrument. For the purpose of testing the efficiency, the actual result must be within the range of 80-125 per cent for each accounting period.

Note 21. Business combinations

On 1 July 2014 there was a merger between ERBUD Industry Sp. z o.o and ERBUD Energetyka. The business combination took place through taking over of ERBUD Energetyka Sp. z o.o by ERBUD Industry Sp. z o.o by transferring all assets of ERBUD Energetyka Sp. z o.o. to ERBUD Industry Sp. z o.o. against shares delivered by ERBUD Industry Sp. z o.o. to the shareholders of ERBUD Energetyka Sp. z o.o.

Note 22. Dividend policy - description of policy on the payment of dividends and any restrictions related. The dividend value per share for each financial year of the period covered by the historical financial information, adjusted in case of changes of the number of shares, in order to make comparisons

By Resolution No. 5/2014 of 25 June 2014, the Annual General Meeting of Erbud decided to distribute the net profit for the year 2013 in the amount of PLN 8, 416,000 in the form of dividends payable to shareholders.
The total amount of dividends paid in 2014 is PLN 8,900,000 of which PLN 484,000 came from the reduction of the supplementary capital of Erbud SA.

Note 23. Changes in accounting estimates

There were no changes in the method used for accounting estimates in the comparable period and in the period ended 30 September 2014.

Note 24. Business segments

During the reporting period ended 30 September 2014 the Group was operating in the following business segments:

- Large-volume construction
- Development activity
- Road-engineering
- Construction for the power industry

During the reporting period ended 30 September 2014 the Group was operating in the following region segments:

- in Poland
- abroad (Germany, Belgium, Luxembourg and Holland).

The classification of the entities according to their statutory activities was the basis for dividing into segments. The Group applies the same policy of accounting for all segments.

Business segments

The following table presents data on proceeds and gains as well as certain assets and liabilities of the Group's business segments for the period from 1 January to 30 September 2014

Proceeds and expenses by business segments

For the period 01.01 – 30.09. 2014	Large volume construction	Development activity	Road-engineering	Energy sector	Total
Income	**935 335**	**33 867**	**88 232**	**79 929**	**1 137 363**
Total cost of products, goods and materials sold	**890 153**	**30 081**	**79 949**	**68 310**	**1 068 493**
Total sales before tax	**45 182**	**3 786**	**8 283**	**11 619**	**68 870**
Cost of sales	14	1 274	1 281	888	**3 457**
General and administrative costs	27 001	1 225	5 112	7 118	**40 456**
Profit (loss) on other operating activity	1 189	341	-141	-125	**1 264**
Segment profit (loss)	**19 356**	**1 628**	**1 749**	**3 488**	**26 221**
Profit (loss) on financing activity	-5 180	85	-180	-222	**-5 497**
Income tax	3 421	266	661	761	**5 109**
Net profit	**10 755**	**1 447**	**908**	**2 505**	**15 615**

The following table presents data on proceeds and gains as well as certain assets and liabilities of the Group's business segments for the period from 1 January to 30 September 2013

Proceeds and expenses by business segments

For the period 01.01 – 30.09. 2013	Large volume construction	Development activity	Road-engineering	Energy sector	Other	Total
Income	**691 951**	**34 531**	**49 562**	**47 427**	**1 115**	**824 586**
Total cost of products, goods and materials sold	**649 079**	**29 092**	**43 238**	**40 214**	**1 006**	**762 629**
Total sales before tax	**42 872**	**5 439**	**6 324**	**7 213**	**109**	**61 957**
Cost of sales	0	1 497	1 248	0	0	**2 745**
General and administrative costs	23 948	1 715	5 089	7 273	0	**38 025**
Profit (loss) on other operating activity	-976	-12	79	403	-3	**-509**
Segment profit (loss)	**17 948**	**2 215**	**66**	**343**	**106**	**20 678**
Profit (loss) on financing activity	-5 612	348	-112	-80	0	**-5 456**
Income tax	2 923	601	241	854	24	**4 643**
Net profit	**9 413**	**1 962**	**-287**	**-591**	**82**	**10 579**

Geographical segments

The following table provides figures on proceeds and gains as well as certain assets and liabilities of the Group's business segments as at 30 September 2014

Proceeds and expenses by geographical segments

For the period 01.01 – 30.09. 2014	Domestic	Abroad	Total
Sale to external customers	993 008	144 355	**1 137 363**
Total income	**993 008**	**144 355**	**1 137 363**
Cost of products, goods and materials sold to external customers	932 182	136 311	**1 068 493**
Total cost of products, goods and materials sold	**932 182**	**136 311**	**1 068 493**
Total sales before tax	**60 826**	**8 044**	**68 870**
Cost of sales	3 457	0	**3 457**
General and administrative costs	33 673	6 783	**40 456**
Profit (loss) on other operating activity	-1 005	2 269	**1 264**
Segment profit (loss)	**22 691**	**3 530**	**26 221**
Profit (loss) on financing activity	-5 335	-162	**-5 497**
Income tax	4 163	946	**5 109**
Net profit	**13 193**	**2 422**	**15 615**

The following table provides figures on proceeds and gains as well as certain assets and liabilities of the Group's business segments as at 30 September 2013

Proceeds and expenses by geographical segments

For the period 01.01 – 30.09. 2013	Domestic	Abroad	Total
Sale to external customers	662 632	161 954	**824 586**
Total income	**662 632**	**161 954**	**824 586**
Cost of products, goods and materials sold to external customers	611 253	151 376	**762 629**
Total cost of products, goods and materials sold	**611 253**	**151 376**	**762 629**
Total sales before tax	**51 379**	**10 578**	**61 957**
Cost of sales	2 745	0	**2 745**
General and administrative costs	31 192	6 833	**38 025**
Profit (loss) on other operating activity	-931	422	**-509**
Segment profit (loss)	**16 511**	**4 167**	**20 678**
Profit (loss) on financing activity	-5 707	251	**-5 456**
Income tax	2 727	1 916	**4 643**
Net profit	**8 077**	**2 502**	**10 579**

Note 25. Construction contracts retention money

Retention from construction contracts as of 30 September 2014 was as follows:

	30.09.2014	31.12.2013	30.09.2013
Retention held by customers			
Retention to be released after 12 months	18 797	20 153	16 681
Retention to be released within 12 months	33 648	29 788	30 123
Total	**52 445**	**49 941**	**46 804**
Retention retained to suppliers			
Retention to be released after 12 months	4 655	8 514	4 885
Retention to be released within 12 months	83 404	72 021	76 540
Total	**88 059**	**80 535**	**81 425**

Note 26. Litigation and claims

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

Note 27. Asset-backed securities

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

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

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

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

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

Mortgages on fixed assets of the company

1) The book value of fixed assets of the company covered by the mortgage – PLN 3,284,000.

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

Mortgage on the company's long-term investments

1) The book value of property fixed assets covered by the mortgage – PLN 480,000.

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

Note 28. Events subsequent to the balance sheet date

After the balance sheet date by the date of the financial statements there were no events which have not been, and should be recognized in the accounts of the financial year.

Note 28. Information on changes in economic outlook and business conducting conditions, which have a significant impact on the fair value of Company's financial assets and financial liabilities

In relation to the financial year ended 30 September 2014, this type of significant changes did not occur.

Note 29. Information on changes in the method of determining the value of financial instruments measured at their fair value

In the period ended 30 September 2014, the Group did not change the method of determining the value of financial instruments measured at fair value.

Note 30. Information on changes in the classification of financial assets as a result of target exchange or use of these assets

In the period ended 30 September 2014, the Group did not change the classification of financial assets as a result of changing targets or use of such assets.

Signature of person preparing the Financial Statements

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Board Member/

Dariusz Grzeszczak
/Board Member/

Warsaw, 05 November 2014