

Warsaw, 14 May 2015

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ERBUD GROUP
MANAGEMENT'S COMMENTARY TO Q1 2015 REPORT

Q1 2015:
REVENUE: PLN 336 236 thousand
EBITDA: PLN 10 394 thousand
EBIT: PLN 8 539 thousand
NET PROFIT: PLN 5 538 thousand
CASH: PLN 158 905 thousand
CASH AFTER INTEREST PAYABLE PLN 35 724 thousand

The following financial information for Q1 2015, including the comparables, is based on the Group's consolidated financial statements. The contracts shown below are stated at their net values.

I. ERBUD GROUP'S Q1 2015 KEY FINANCIAL DATA, SIGNIFICANT EVENTS AND MARKET FACTORS AFFECTING THE FINANCIAL RESULTS

MARKET CONDITIONS

- A 3.5% increase in the building and construction output in Poland in 1Q 2015, compared to 10.6% growth in 1Q 2014. In March 2015, construction output grew by 2.9% y-o-y.
- Compared to January 2015, building and construction output increased across the board, with civil and water engineering companies reporting a 25,9% growth, building construction companies posting a 18.7% increase, and specialised construction works companies registering a 6.1% rise in output.
- A 0.4% decline in construction and assembly production prices compared to 1.6% decrease y-o-y between January and March 2014.

ERBUD GROUP

- At the beginning of January, contracting levels went up. Between January and March 2015, the Group signed 34 contracts worth PLN 386 535 thousand, compared to 24 contracts worth PLN 215 186 thousand in 1Q 2014.
- Sales at the Budlex Group in 1Q 2015 increased reaching 91 flats and commercial premises (based on notarial deeds), compared to 51 in 1Q 2014. The Group's presales for 2015-2016 amounted to 138 flats and commercial premises, compared to 118 in 1Q 2014.

- **Erbud Group's revenue in Q1 2015 increased by 19% y-o-y up to PLN 336 236 thousand from PLN 283 602 thousand in 1Q 2014.**
  - All segments recorded a significant increase in revenue, with the residential, public and industrial building segment (in Poland and abroad) growing by 9% and property development segment expanding by 67% y-o-y. The road-engineering segment grew by 50% and the power segment - by 52% y-o-y.

- **In Q1 2015 EBITDA of the Group amounted to PLN 10 394 thousand, a 37% increase y-o-y compared to PLN 7 598 thousand in the same period in 2014.**
- **EBIT was PLN 8 539 thousand, up from PLN 6 140 thousand in 1Q 2014, a 39% increase y-o-y. EBIT margin was 2.54% compared to 2.17% in the same period in 2014.**

- The Group's revenue received a boost from the residential, public and industrial building segment, which in 1Q 2015 reported profit from operations of PLN 5 968 thousand.
- The property development segment increased the Group's consolidated results by PLN 3 499 thousand, a 97% increase y-o-y.
- The road engineering segment closed the first quarter with a profit of PLN 61 thousand, while the power sector reduced the Group's EBIT by PLN 988 thousand, due to the seasonal character of its business.

- **In 1Q 2015, the Group's net profit reached PLN 5 538 thousand, up from PLN 1 423 thousand in 1Q 2014, a 289% increase y-o-y.**
  - In 1Q 2015, the Group made a loss from financial operations, which amounted to PLN 2 470 thousand and represented a 13% y-o-y improvement, as compared to a loss of PLN 2 850 thousand in 1Q 2014.
  - In the reported period the general administration costs increased by 3% y-o-y up to PLN 14 670 thousand.

- As at the end of March 2015, the Erbud Group had PLN 158 905 thousand in cash, a 43% increase y-o-y (compared to PLN 111 171 thousand in the same period in 2014), as well as available credit and insurance lines totalling PLN 965 266 thousand versus PLN 670 000 thousand in 2014.

- As at the end of March 2015, cash after interest payable amounted to PLN 35 724 thousand, compared to 1Q 2014 net debt of PLN 15 674 thousand.

- As at end of 1Q 2015, the Group's contract portfolio was worth PLN 1 537 955 thousand, of which approx. PLN 1 122 000 thousand is scheduled for execution this year. The Group's contract portfolio does not account for conditional contracts.
  - By comparison, as at the end of March 2014, the Group's contract portfolio was PLN 1 543 000 thousand, of which PLN 1 006 000 thousand was scheduled for execution in 2014.
  - This April, the Group signed 8 contracts worth PLN 99.3 million in total.

- The main segments represented in the contract portfolio are: public utility buildings (4.7%), residential buildings (10.4%), office buildings (18%), hospitals (7.8%), and shopping centres (21.6%), as well as power (11.9%), engineering (19.8%) and road construction projects (2.2%).
  - Public utility projects now constitute approx. 11% of the contract portfolio, compared to 16.7% in the same period in 2014.
- At the day of publication, the value of contracts that the Group had tendered for but had not yet been commissioned amounted to PLN 4.3 billion.

II. EXTERNAL AND INTERNAL FACTORS OF SIGNIFICANCE TO ERBUD GROUP'S DEVELOPMENT

1. EXTERNAL FACTORS

1.1 Macroeconomic conditions

According to the report by the Ministry of Economy, Poland's GDP growth rate increased to 3.3% in 1Q 2015, fuelled mainly by the domestic demand.

1.2 Construction market

According to the preliminary data compiled by the Central Statistical Office (GUS), construction output in 1Q 2015 increased by 3.5%. In March 2015, construction output grew by 2.9%, compared to 17.4% y-o-y in 1Q 2014. Compared to January 2015, building and construction output increased across the board, with civil and water engineering companies reporting a 25.9% growth, building construction companies posting an 18.7% increase, and specialised construction works companies registering a 6.1% rise in output. A 0.4% decline was recorded in construction and assembly output prices, compared to a 1.6% drop y-o-y in January-March 2014.

2. INTERNAL FACTORS

Group's core activities in Q1 2015

The following data presents financial results by segment, after consolidation exclusions, and by geographical area.

PLN '000 **Q1 2015**	**Construction of residential, public and industrial buildings in Poland and abroad**		*Construction of residential, office and industrial buildings in Poland*		**Property development segment**		**Road-engineering segment***		**Power segment**		**Activity in Poland**		**Activity abroad**	
	Q1 2015	Q1 2014	*Q1 2015*	*Q1 2014*	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Revenue from sale	246 358	+9% y-o-y	*199 607*	*+13% y-o-y*	23 240	+67% y-o-y	29 777	+50% y-o-y	36 861	+52% y-o-y	289 485	+24% y-o-y	46 751	-5% y-o-y
Share in %	73.3%	79.6%	*59.4%*	*62.2%*	6.9%	4.9%	8.86%	7%	11%	8.5%	86.1%	83%	14%	17.4%
EBIT	5 968	7 105	*5 019*	*6 697*	3 499	1 774	61	-312	-988	-2 427	7 592	5 107	949	1 032
EBIT margin	2.42%	3.15%	*2.51%*	*3.8%*	15.06%	12.75%	0.2%	-	-	-	2.62%	2.2%	2.03 %	2.09%

2.1 Construction of residential, public utility and industrial buildings (Poland and abroad)

Between January and March 2015 the Group signed 15 contracts for the construction of residential, public utility and industrial buildings with an aggregate value of PLN 183 316 thousand, as compared to 11 contracts worth PLN 160 318 thousand in Q1 2014. At the end of the first quarter, the contract portfolio for the construction of residential, public utility and industrial buildings was worth PLN 998 764 thousand, compared to PLN 1 221 000 thousand as at the end of March 2014. PLN 741 000 thousand is scheduled for execution in 2015.

In Q1 2015, revenue from sales amounted to PLN 246 358 thousand, a 9% increase compared to the same period in 2014 (PLN 225 690 thousand in Q1 2014). EBIT in construction of residential, public utility and industrial buildings segment reached PLN 5 968 thousand, compared to PLN 7 105 thousand in the same period of 2014, a 16% drop y-o-y. EBIT margin was 2.42% compared to 3.15% in 2014.

Construction of residential, public utility and industrial buildings in Poland (Erbud SA)
In Q1 2015, sales of residential, public utility and industrial buildings amounted to PLN 199 607 thousand, a 13% increase y-o-y compared to PLN 176 429 thousand in Q1 2014. Operating profit (EBIT) was PLN 5 019 thousand, compared to PLN 6 697 thousand in 1Q 2014, a 25% drop y-o-y. At the end of the first quarter 2015, EBIT was 2.51%, compared to 3.8% in Q1 2014.

International operations
In Q1 2015, revenue from foreign sales amounted to PLN 46 751 thousand, compared to PLN 49 264 thousand, a 5% decrease y-o-y. As at the end of March 2015, EBIT of foreign operations was PLN 949 thousand, compared to PLN 1 032 thousand in 1Q 2014, a 8% decline y-o-y. EBIT margin was 2.03%, compared to 2.09% in the same period in 2014. At the end of the first quarter, the Group's foreign

contract portfolio was worth PLN 111 220 thousand, compared to PLN 82 926 thousand in the same period in 2014. Of the current portfolio, approx. PLN 80 million remains to be executed this year.
The German-based subsidiary, GWI GmbH, posted revenue of PLN 21 746 thousand, a 40% decline y-o-y, compared to PLN 36 998 thousand in Q1 2014. Operating profit was PLN 171 thousand, compared to PLN 700 thousand in Q1 2014. Net profit amounted to PLN 207 thousand, compared to PLN 482 thousand in 1Q 2014.

2.2. Other segments of Erbud Group's activities

2.2.1. Property development

In Q1 2015, Budlex sold, based on notarial deeds, 91 flats and commercial premises, compared to 51 in the same period in 2014.

Budlex Group's revenue as at the end of March 2015 reached PLN 23 240 thousand, compared to PLN 13 913 thousand in the same period in 2014, a 67% increase y-o-y. As at the end of March 2015, Budlex Group's operating profit reached PLN 3 499 thousand, compared to PLN 1 774 thousand in 1Q 2014, a 97% increase y-o-y. EBIT margin as at the end of March 2015 was 15.06%, compared to 12.8% in the same period in 2014. Q1 2015 results account for PLN 1.5 million arising from the revaluation of the Deptak project.

In Q1 2015 Budlex carried out 4 new residential projects, including one in Toruń and three in Bydgoszcz. In pre-sale for 2015-2016, the Group signed preliminary contracts for 138 flats and commercial premises worth PLN 35.8 million, up from 118 flats worth PLN 31.3 million as at the end of March 2014.

The Company is nearing completion of the Deptak project in Poznań. The building has a rental area of approx. 9.3 thousand sq. m, including 6.5 thousand sq. m of retail area and 2.7 thousand sq. m of office space. The project is in the final stages of commercialisation. At the moment, almost all retail premises are rented out and negotiations are underway to lease the remaining office space.

The Company is also preparing a residential project in the popular segment in Warsaw, which is expected to commence by the end of 2015. The project is estimated at approx. 60 flats (approx. 3300 sq m usable floor space). Budlex Group's land bank is estimated to allow for development of projects with usable floor space of approx. 49 thousand sq m.

2.2.2. Engineering construction and road building

In Q1 2015, the engineering construction and road building segment added 8 new contracts worth PLN 191 995 thousand to the Group's orders on hand, as compared to 3 contracts worth PLN 26 978 thousand in Q1 2014. The majority of the under construction undertakings are engineering projects, including wind farms.

In the reported period, revenue of the engineering construction and road building segment amounted to PLN 29 777 thousand, a 50% increase y-o-y. In Q1 2015, the segment reported PLN 61 thousand in profit from operations, compared to PLN 312 thousand of loss from operations in Q1 2014.

As at end of 1Q 2015, the segment's contract portfolio was worth approx. PLN 338 700 thousand, a 152% increase y-o-y compared to PLN 115 746 thousand in the same period in 2014. Of the current contract portfolio, approx. PLN 219 060 thousand remains to be executed in 2015.

2.2.3. Power building segment

In Q1 2015, the Company signed 11 contracts worth PLN 11 224 thousand in the power segment, compared to 10 contracts worth PLN 27 890 thousand in Q1 2014. The segment's revenue as at the end of March 2015 was PLN 36 861 thousand, compared to PLN 24 177 thousand in 1Q 2014, a 52% increase y-o-y. Loss from operations amounted to PLN 988 thousand, compared to PLN 2 427 thousand in Q1 2014, largely as a result of the industry's seasonal character.

As at end of Q1 2015, the Group's contract portfolio in the power segment totalled PLN 164 732 thousand, compared to PLN 173 899 thousand in Q1 2014, a 5.3% decline y-o-y.

2.3. Operating revenues and expenses

2.3.1. Balance of operating revenues and expenses

The balance of the Group's operating revenues and expenses amounted to PLN 191 thousand for 1Q 2015.

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

Between January and March 2015, the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 45 004 thousand, a 34% increase y-o-y. As at the end of March 2015, the Group employed 1 943 people, an approx. 23% increase y-o-y.

3. OUTLOOK

3.1 Macroeconomic conditions

The International Monetary Fund (IMF) estimates that the Polish economy will grow at the rate of 3.5% in 2015. According to the IMF, over the next year Poland's economic growth will remain at a similar level. IMF outlook is more optimistic than the projections of the Polish government that see the GDP growing at the rate of 3.4% in 2015.

3.2. The construction market

According to a survey carried out by the Main Statistical Office (GUS), in April 2015 the business climate indicator stood at - 4 points (-7 in March). 15% of the companies surveyed believed that the construction business was on the way to recovery, while 19% stated the industry was on a downward trend (a month ago, 14% and 21%, respectively). The assessment of contract portfolios, construction and assembly output and the financial position was not as pessimistic as last month or in the same period over the past three years. Increasing delays in payment for completed construction and assembly works remain to be an issue.

23% (21% a year ago) of the survey participants intend to carry out construction and assembly work abroad. April is the second month in a row when executives surveyed expect a slight increase in the value of contract portfolios for construction and assembly work abroad.

According to the research company PMR, in 2015 the Polish construction market should remain strong, with an estimated 8% growth, stimulated by new power and rail projects and stability in road construction. In addition, projects from the previous EU financial framework remain to be settled by the end of 2015.

3.3 The directions and objectives of the Group's development

The Group ended Q1 2015 with a contract portfolio worth approx. PLN 1.54 billion. As at end of Q1 2015, the consolidated revenue was PLN 336.2 million. Plans are underway to carry out another PLN 1.12 billion worth of projects this year. The Group intends to further expand its contract portfolio and to commence some of the newly won projects already this year. Basing their projections on the value of the current contract portfolio, in FY 2015 the Management is looking to report results that would be comparable to record 2014 figures, however, only the upcoming quarterly results will show the Group's actual potential.

This year, the Management expects to see growth in the residential, public utility and industrial building segment, as well as road engineering and power segments.

As at the end of March 2015, the contract portfolio of the residential, public utility and industrial building segment was worth PLN 1 billion, of which PLN 741 million remains to be executed this year. In the upcoming financial quarters the Company intends to win new projects and commence some of them already this year.

The road engineering segment has reported, for the fifth financial quarter running, an increase in its contract portfolio. As at the end of March 2015, the segment's portfolio was worth PLN 338.7 million, as compared to PLN 115.7 million in the same period in 2014. The Management projects a further increase in the segment's sales and results in 2015.

The power segment ended Q1 2015 with a contract portfolio worth PLN 164.7 million. The Management anticipates a further expansion of the segment. The Group's power sector will be stepping up its involvement in nationwide service and modernisation projects for the power industry and in construction projects for the renewable energy sector. Last year, the Group took over two companies, NGK Ojrzyński and EnergoServ Pomorze, providers of modernisation and repair services to the power sector. This January,Erbud Industry Centrum took over two power branches of Polimex Mostostal. The transaction was valued at PLN 2.4 million net. As a result of the transactions, the power segment gained 203 new employees and acquired the potential to enter into new long-term contracts with clients such as EDF Wybrzeże SA or Alstom Power sp. z o.o. The Management does not exclude the possibility of further acquisitions but their scope should not significantly impact investment expenditure.

This year, segment's efforts will focus on the commercialisation of the Deptak shopping centre in Poznań, which will open for business in May 2015. It is anticipated that the project will sell in the course of a dozen or so months. The Company is also working on a residential project in Warsaw, an undertaking expected to bring in increased profit in the coming years.

The Management recommended to Erbud's Extraordinary Shareholders' Meeting that the Company's shareholders be paid a dividend of PLN 6 380 962.5 out of FY 2014 net profit, the date of record be scheduled for 15 July 2015 and the dividend payout - for 30 July 2015. On 28 April 2015 the Supervisory Board accepted the Management Board's recommendation.

III. FINANCIAL RESULTS

1. ERBUD GROUP COMPANIES

The consolidated financial statements of the Erbud Group for Q1 2015 comprise the consolidation of: Erbud SA, Erbud International Sp. z o.o., GWI GmbH, PBDI, Grupy Budlex, Erbud Industry Sp. z o.o. (formerly Engorem Sp. z o.o.), Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.), Erbud Rzeszów Sp. z o.o.; EnergoServ Pomorze Sp. z o.o.; Erbud Industry Pomorze Sp. z o.o. (formerly NGK Ojrzyński Sp. z o.o.).

2. GROUP'S PROFIT AND LOSS ACCOUNT

in PLN '000	Quarter Q1 2015	Quarter Q1 2014	2015 to 2014 difference	% difference
Revenue from sale	336 236	283 602	52 634	19%
Cost of products sold	313 878	263 626	50 252	19%
Profit or loss from sales	**22 358**	**19 976**	**2 382**	**12%**
Selling costs	1 343	984	359	36%
General and administrative costs	14 167	13 746	421	3%
Balance of operating revenues and expenses	191	894	-703	-79%
Result on operating activities - EBIT	**8 539**	**6 140**	**2 399**	**39%**
Result on financial activities	-2 470	-2 850	380	13%
Gross profit/ loss	**6 069**	**3 290**	**2 779**	**84%**
Net profit/ loss	**5 538**	**410**	**5 128**	**1 251%**
EBIT margin (EBIT/ Revenue)	2.54%	2.17%	0.0	17%
amortisation and depreciation	1 855	1 458	397	27%
EBITDA margin (EBITDA/ Revenue)	3.09%	2.68%	0.0	15%

3. BALANCE SHEET OF ERBUD GROUP

in PLN '000	31.03.2015	31.03.2014	Share in 2015 balance sheet total	Share in 2014 balance sheet total
Fixed assets	156 821	115 997	17%	14%
Current assets	781 640	685 880	83%	86%
TOTAL ASSETS	**938 461**	**801 877**	**100%**	**100%**
Equity	296 951	269 615	32%	34%
Long-term liabilities and provisions	128 267	117 607	14%	15%
Short-term liabilities and provisions	513 243	414 059	55%	52%
TOTAL LIABILITIES	**938 461**	**801 281**	**100%**	**100%**

3.1. Fixed assets and current assets

In the reported period, the structure of assets did not change greatly as compared to last year, largely because the Group did not make any significant gains or losses. The structure is typical for service companies which maintain a low level of fixed assets and a high level of current assets. It is also a result of the Group's policy to minimise overheads. Similarly, the structure of liabilities is not significantly different from the one last year.

4. ERBUD GROUP'S CASH FLOW

	31.03.2015	31.03.2014
in PLN '000		
Net cash flows from operating activities	-40 584.00	-38 696.00
Net cash flows from investment activities	-5 260.00	-554.00
Net cash flows from financial activities	-4 514.00	25 831.00
Total net cash flows	**-50 358.00**	**-13 419.00**
Closing balance of cash	**158 905**	**111 171**

In Q1 2015, Erbud Group reported negative cash flows. However, on a year-on-year scale, the balance of cash at the end of the period went up as a result of improved results at the operational level. The Group ended Q1 2015 with cash levels of PLN 158 905 thousand, a 43% increase y-o-y.

5. SELECTED FINANCIAL INDICATORS

Item	2015	2014	Formula
Return on assets (ROA)	3.41%	2.38%	net profit/ total assets
Return on equity (ROE)	10.78%	7.08%	net profit/ shareholders' equity
Debt to total assets ratio	68.36%	66.30%	liabilities and provisions for liabilities/ total assets
Debt to equity ratio	216.03%	197.19%	liabilities and provisions for liabilities/ shareholders' equity

Current ratio	1.52	1.66	working capital/ short-term liabilities
Gross return on sales (year to date - three quarters of 2014 and the first quarter of 2015)	2.23%	2.98%	profit or loss from sales/ sales
Net return on sales (year to date - three quarters of 2014 and the first quarter of 2015)	1.83%	2.06%	net profit or loss/ total revenue

The analysis of indicators indicated lower returns across all items of the balance sheet and the profit and loss account. It is the result of acquisitions supported by debt financing. Good P&L results contributed to increase in ROA and ROE indicators.