ERBUD CAPITAL GROUP



MANAGEMENT'S COMMENTARY TO THE REPORT FOR THE 1-2 Q 2015

Photo:Office Building Royal Wilanów in Warsaw

Warsaw, 27 August 2015

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THE ERBUD GROUP
THE MANAGEMENT'S COMMENTARY TO THE REPORT
FOR THE 1-2 QUARTER OF 2015

2Q 2015:
REVENUES: PLN 502 845 000
EBIT: PLN 17 108 000
NET PROFIT: PLN 10 779 000

1-2Q 2015:
REVENUES: PLN 839 081 000
EBIT: PLN 25 647 000
NET PROFIT: PLN 16 317 000
CASH: PLN 126 842 000
NET DEBT: PLN 20 090 000

The financial information for the first half of 2015 shown below, as well as the comparables, is based on the Capital Group's consolidated financial statements. The contracts shown below are stated at their net values.

I. THE ERBUD GROUP'S FINANCIAL HIGHLIGHTS FOR 1-2Q 2015, SIGNIFICANT EVENTS AND MARKET FACTORS WHICH HAVE AN IMPACT ON THE FINANCIAL RESULTS

THE MARKET ENVIRONMENT

- The growth in construction and assembly work in Poland came through at 1% during the first half of 2015, as against 9.8% in the corresponding period in 2014. After a period of growth in the market this year, June saw a decline in construction of 2.5% year on year. When compared with June of last year, the level of works completed by civil engineering companies and specialist building companies fell by 8.6% and 4.9% respectively.
    - Construction companies showed a 7.7% growth in production.
- The price of construction works fell once again: In June they were 0.4% lower than a year ago.
- The profit margin on net turnover in the construction industry in Q1 of this year came through at 2% as compared with -0.8% in the same period of 2014.

THE ERBUD GROUP

- From April to June 2015, the Group signed a total of 34 contracts with an aggregated value of PLN 182 973 000, as against 31 contracts with a total value of PLN 239 109 000 in the same period in 2014. During the first half of 2015 the Group signed a total of 68 contracts with an aggregated value of PLN 569 508 000, as against 55 contracts with a total value of PLN 454 295 000 in the same period in 2014.

- Sales at the Budlex Group in Q2 2015 amounted to 31 flats and commercial premises (on the basis of notarial deeds signed) - the same number as in Q2 2014. In aggregate, the Group sold 122 flats and commercial premises as against 82 in the same period in 2014. In pre-sales for 2015-2016 the Group has signed preliminary contracts for 158 flats and commercial premises as against the 162 flats and commercial premises presold at the end of June 2014.
- **In Q2 2015 the Erbud Group's revenues increased by 18.2% year on year to PLN 502 845 000 versus PLN 425 487 000 in Q2 2015.**
    - The increase in revenues is the result of increased sales in the road building sector (a 380% year on year increase) and in the energy sector (a 279% year on year increase). The real estate development sector also saw a 22% year on year increase in sales.
- **In aggregate, the Group generated revenues of PLN 839 081 000 in the first half of 2015 – an increase of 18.3% year on year when compared with the PLN 709 089 000 in the corresponding period in 2014.**
    - The 237% year on year increase in revenues in the road building sector and the 145.6% year on year revenue increase in the energy sector had a positive impact on the Group's consolidated revenues during the first half of 2015. Revenues in the real estate development sector also rose by 50% year on year.
- **During Q2 2015, the Group's EBIT amounted to PLN 17 108 000, as against PLN 10 473 000 in Q2 2014 – i.e. a 63.4% increase. The EBIT margin amounted to 3.4%, compared with 2.46% in the corresponding period in 2014.**
    - All the operating areas generated a positive EBIT. The road building and real estate development sectors generated the greatest increases in operating profits.
- **In aggregate, the Group showed an EBIT of PLN 25 647 000 – an increase of 54.4% on the PLN 16 613 000 produced in the corresponding period in 2014. The EBIT margin during the period under review amounted to 3.06%, compared with 2.34% in 2014.**
    - All the operating area generated positive operating profits during the period under review.
    - Management costs amounted to PLN 32 721 000, showing a 19% increase on the PLN 27 492 000 incurred in the first half of 2014
- **The Group's net profit in the first half of 2015 came through at PLN 10 779 000 (a year on year increase of 56%) and a net margin of 2.14%, as against the PLN 6 912 000 profit and 1.62% margin generated in the corresponding period of 2014.**
    - Financial operations during the first half of 2015 showed a loss of PLN 485 000, as against one of PLN 487 000 in the same period in 2014.
- **In aggregate, the Group generated net profits of PLN 16 317 000 in the first half of 2015 – a 96% increase on the PLN 8 335 000 generated in the first half of 2014. The net margin came through at 1.94%, compared with 1.18% in the first half of 2014.**
    - During the period under review, the balance on financial operations showed a loss of PLN 2 955 000, as against a loss of PLN 3 337 000 in 2014. Interest on bonds and loans in the first half of 2015 amounted to PLN 3 304 000 as against PLN 2 596 000 in the same period in 2014.
- At the end of June 2015, the Erbud Group held cash of PLN 126 842 000 compared with PLN 113 283 000 at the same time in 2014 (an increase of 12%).
    - In July, Erbud distributed a dividend of PLN 6.38 million.
- Available lines of credit amounted to PLN 1 031 283 000 – an increase of 48% on the PLN 698 257 000 available at the end of June 2014.
    - The increase is the result of the expansion of other parts of the group – mainly the road building and energy sectors.
- The Group's net debt at the end of June 2015 increased to PLN 20 090 000 as against PLN 15 667 000 in the same period in 2014 – an increase of 28.2%.

- At the end of June 2015, the Group had an order book in this sector worth PLN 1 335 189 000. It is expected that PLN 796 580 of this will be completed this year.
  - In comparison, the Group's order book at the end of June 2014 was worth ca. PLN 1 399 496 000, of which PLN 751 553 000 was expected to be completed that year.
  - In July 2015 the Group signed 7 contracts with a total value of PLN 119 000 000.
- The main components of the order book are residential buildings (16%), offices (17%), retail centres (16.7%), public buildings (4%), hospitals (7%), civil engineering projects (19.9%), roads (2.7%) and energy-related facilities (13.2%).
  - Public projects comprise 10% of this portfolio.
- At the end of June 2015, the total value of the bids submitted amounted to PLN 9.1 bn, while at the time of publication PLN 5.3 bn of these bids have not yet been resolved.

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

1. EXTERNAL FACTORS

1.1. The macro-economic environment

According the Central Statistical Office (CSO), the Gross Domestic Product (GDP) rose by 3.3% in Q2 2015, as against a growth of 3.6% in the previous quarter.

1.2. The construction market

According to the CSO, the construction sector showed a 1% year on year growth during the first half of 2015. After a period of growth in the market this year, June saw a decline in construction of 2.5% year on year. When compared with June of last year, the level of works completed by civil engineering companies and specialist building companies fell by 8.6% and 4.9% respectively. Construction companies showed a 7.7% growth in production. The price of construction works fell once again: in June they were 0.4% lower than a year ago. The profit margin on net turnover in the construction industry in Q1 of this year came through at 2% as compared with -0.8% in the same period of 2014.

2. INTERNAL FACTORS

The Group's main areas of activity in the first half of 2015

The information provided below shows the results of the Group's areas of operation taking into account exclusions from consolidation and geographic divisions. This information is not comparable because of the new divisions in the large building segment, the energy segment, as well as geographical definition. Operations in Poland and abroad.

PLN ,000 **Q2 2015**	**Large-scale Construction in Poland and abroad**		*Large-scale Construction in Poland*		**The development sector**		**Engineering and road building**		**The energy sector**		**Polish operations**		**Overseas activities**	
	Q2 2015	Q2 2014	*Q2 2015*	*Q2 2014*	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Sales revenue	304 499	-18.7% year on year	*270 180*	*- 16.4% year on year*	10 022	+22% year on year	124 283	+380% year on year	64 041	+279% year on year	468 526	+25% year on year	34 319	- 33% year on year
Share (%)	60.6%	88%	*53.7%*	*76%*	2%	1.93%	24.7%	6.1%	12.7%	4%	93.2%	88%	6.82 %	12%
EBIT	5394	6446	*3135*	*5217*	4674	-216	5492	1016	1549	3 226	14 848	9243	2259	1 229

EBIT margin	1.77%	1.72%	*1.16%*	*1.61%*	46.6%	-	4.42%	3.9%	2.42%	19%	3.17%	2.47%	6.6%	2.4%

PLN ,000 **H1 2015**	**Large-scale Construction in Poland and abroad**		*Large-scale Construction in Poland*		**The development sector**		**Engineering and road building**		**The energy sector**		**Polish operations**		**Overseas activities**	
	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
Sales revenue	550 857	- 8.2% year on year	*469 787*	*-6% year on year*	33 262	+50% year on year	154 060	+237% year on year	100902	+145.6 % year on year	758 011	+24.54 % year on year	81 070	- 19.3% year on year
Share (%)	65.65%	85%	*56%*	*70.5%*	4%	3.12%	18.4%	6.5%	12%	5.8%	90%	86%	10%	14.2%
EBIT	11 362	13 551	*8154*	*11 290*	8173	1558	5553	704	561	799	22440	14351	3208	2261
EBIT margin	2.06%	2.26%	*1.74%*	*2.26%*	24.57%	7.04%	3.6%	1.54%	0.56%	1.94%	2.96%	2.36%	3.96 %	2.3%

2.1. Large-scale Construction in Poland and abroad

Between April and June 2015 the Group signed 9 contracts with a total value of PLN 136 753 000, compared with 10 contracts for large-scale construction with a total value of PLN 142 526 000 in Q2 2014. Together, 24 contracts were signed in the first half of this year with a total value of PLN 320 069 000 compared with the 21 contracts with a total value of PLN 302 844 000 signed in the first half of 2014.

Sales revenue in H1 2015 amounted to PLN 304 499 000 a decline of 18.7% in comparison with the PLN 374 416 000 generated in the same period in 2014. The Group EBIT from its large-scale building activities amounted to PLN 5 394 000 and showed a 16.3% decline on the PLN 6 446 000 generated in the corresponding period in 2014. The EBIT margin came through at 1.77%, compared with 1.72% in H1 2014.
Sales revenue in H1 2015 amounted to PLN 550 857 000 a decline of 8.2% on the PLN 600 106 000 generated in the same period in 2014. The Group EBIT from its large-scale building activities amounted to PLN 11 362 000 and showed a 16% decline on the PLN 13 551 000 generated in the corresponding period in 2014. The EBIT margin at the end of June 2015 amounted to 2.06%, compared with 2.26% in the same period in 2014.
At the end of the quarter, the order book for large-scale buildings was worth PLN 847 530 000 compared with PLN 1 297 243 at the end of June 2014. Construction orders worth PLN 521 823 000 remain to be completed in 2015.

Large-scale Construction in Poland
In Q2 2015, large-scale building sales in Poland amounted to PLN 270 180 000 – a 16.5% decline year on year. The Group EBIT from its large-scale building activities amounted to PLN 3 135 000 and showed a 40% decline on the PLN 5 217 000 generated in the corresponding period in 2014. In Q2 2015 the EBIT margin came through at 1.16% compared with 1.61% in 2014. At the end of June 2015 the total sales of large scale buildings in Poland amounted to PLN 469 787 000, a decline of 6% on the PLN 499 660 000 generated during the corresponding period in 2014. The operating profit amounted to PLN 8 154 000 and showed a 28% decline on the PLN 11 290 000 generated in the corresponding period in 2014. At the end of the quarter, the EBIT margin amounted to 1.74% compared with the 2.26% achieved in 2014. The fall is the result of price pressure and an increase in the costs of subcontractor services.

Overseas activities
In Q2 2015, sales revenues abroad amounted to PLN 34 319 000 against PLN 51 182 000 – i.e. a year on year decline of 33%. The EBIT in this area of operations amounted to PLN 2 259 000 compared with PLN

1 229 000 in Q2 2014, an increase of 84%. The EBIT margin amounted to 6.58% compared with 2.4% in the corresponding period in 2014. Total sales revenues abroad at the end of June 2015 came in at PLN 81 070 000, as against PLN 100 446 000 at the same time in 2014 – a year on year decline of 19.3%. In H1 2015, the EBIT of this area amounted to PLN 3 208 000 as against PLN 2 261 000 in H1 2014 – a year on year increase of 42%. The EBIT margin amounted to 3.96%, compared with 2.25% in the corresponding period in 2014. At the end of the quarter, the overseas order book had a value of PLN 112 230 000 compared with PLN 112 569 000 at the end of the corresponding period in 2014. Most of the orders are to be completed this year.

2.2 The Group's other areas of activity

2.2.1. Development activities

In H1 2015 Budlex sold 31 flats and commercial premises on the basis of notarial deeds – the same number as in 2014. In total, 122 flats have been sold this year, compared with 82 sold during the corresponding period in 2014.

After consolidation, the Budex Group's revenues in Q2 2015 amounted to PLN 10 022 000 – a year on year increase of 22%. The Budlex Group's operating profit at the end of Q2 2015 amounted to PLN 4 674 000 compared with PLN 216 000 – an year on year increase of 2264%.

The Budlex Group's total revenues in H1 2015 stood at PLN 33 262 000, as against PLN 22 145 000 in the corresponding period of 2014 – a 50% increase as the result of increased sales. The operating profit at the end of June 2015 amounted to PLN 8 173 000 compared with PLN 1 558 000 in H1 2014 – an increase of 425%. The EBIT margin at the end of June 2015 came through at 24.57% compared with 7.04% in 2014. The EBIT of the Group in the first half of the year includes an exceptional item following the revaluation of the Deptak retail centre in Poznan (currently Półwiejska_2) to PLN 4 984 000.

Currently, Budex is building 5 new residential developments – 3 in Torun and 2 in Bydgoszcz. In pre-sales for the years 2015-2016, the Group has signed preliminary agreements for 162 flats and commercial premises, compared with 91 apartments in the corresponding period in 2014.

In the commercial development area, the Group has completed the Deptak retail centre in Poznan (currently Półwiejska_2). The retail centre obtained user consent in May 2015. The development provides a letting area of some 9300 m2 of which 6500 m2 is retail space and 2700 m2 is office accommodation. The retail space has already been let. Negotiations are underway for the letting of the remaining office space.

The Company is also preparing two new residential projects in a popular segment of the market in Warsaw, one of which should start by the end of 2015. The project is expected to provide 60 flats (about 3300 m2 of usable space). At present, the Budlex Group's land bank is sufficient to provide some 50 000 m2 of usable area.

2.2.2. Engineering and road building

In Q2 2015 the engineering and road building sector added 6 new contracts with a total value of PLN 7 461 000. Together, 14 contracts were signed in the first half of this year with a total value of PLN 199 456 000 compared with the 12 contracts with a total value of PLN 29 509 000 signed in the first half of 2014.

The revenues generated by the engineering and road building activities in Q2 2015 amounted to PLN 124 283 000 – a year on year increase of 380% on the PLN 25 930 000 generate in Q2 2014. This sector

showed an operating profit (after consolidation) of PLN 5 492 000 in Q2 as against a profit of PLN 1 016 000 in the corresponding period in 2014 – a year on year increase of 440%.
Total sales in this area at the end of June 2015 amounted to PLN 154 060 000 – a year-on-year increase of 237%. This segment's EBIT amounted to PLN 5 553 000 as against PLN 704 000 in the corresponding period in 2014. The EBIT margin amounted to 3.6% in H1 2015 as against 1.54% in H1 2014.

The order book in this segment had a value of PLN 300 881 000 at the end of June 2015, as against PLN 94 050 000 in the same period in 2014 – a year on year increase of 220%. The order book includes the infrastructure for wind farms.

2.2.3. Construction for the energy sector

In H1 2015, the Group signed a total of 30 contracts in the energy sector with an aggregated value of PLN 49 983 000, as against 22 contracts with a total value of PLN 121 942 000 in the same period in 2014. In Q2 2015 the revenues in this area of activity amounted to PLN 64 041 000 – a year-on-year increase of 279%. The EBIT in Q2 2015 amounted to PLN 1 549 99 as against PLN 3 226 000 in Q2 2014 – a decline of 52%. The EBIT margin fell to 2.42% from 19.8% In total, this area of operations generated PLN 100 902 000 of sales, compared with PLN 41 086 000 in the corresponding period in 2014 – a year on year increase of 145.6%. The EBIT at the end of June 2015 amounted to PLN 561 000 as against PLN 799 000 in the corresponding period in 2014.

At the end of June 2015 the Group had an order book in this sector with a value of PLN 145 618 000 showing a decline of 37.6% against the PLN 233 347 000 generated in H1 2014. Contracts with a total value of PLN 109 880 000 remain to be completed this year. The order book includes contracts for the renovation and reconstruction of district heating networks, the modernisation of steam boilers and electro-filters, as well as building and fitting out works in electricity generating plants and chemical plants.

2.3. Operating revenues and costs

2.3.1. The balance of operating revenues and costs

The balance of the Group's operating revenues and other costs in the 2Q of 2015 amounted to PLN -4 822 000. The balance at the end of June 2015 amount to PLN -4 631 000.

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

Between April and June 2015 the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 48 922 000 – an increase of 25% year on year. At the end of June 2015, the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 93 926 000 – a year on year increase of 29.3%. The Group employed 1 961 people – a year on year increase of ca. 17%.

3. PROSPECTS

3.1. The macro-economic environment

The European Bank for Reconstruction and Development downgraded its forecast for Poland's 2015 GDP growth from 3.3% to 3%. The European Commission, on the other hand, upgraded its forecast for Poland's GDP growth in 2015 to 3.2% from its November 2014 forecast of 2.8%. In 2016 the GDP growth is expected to come through at 3.4%, as against the 3.3% forecast last November.

3.2. The construction market

The CSO's construction market index for July 2015 rose by 0.8 pts against the previous month and reached -1.2 pts – its best result since July 2011. The general outlook for the building market is positive. An assessment of the order book, construction and fitting out work and our financial condition are all positive.

The industry is expecting a resurgence in the construction sector together with the realisation of projects co-financed by EU funds under the budget for 2014-2020. 2015 could be particularly good for the sector because of the completion of investments under the 2007-2013 budget (which can be completed and paid for by the end of 2015) and the start of investments under the new budget. This could also lead to an acceleration in the construction of new electricity generating blocks which could provide a driver for the industry.

According to analysts of PMR, the Polish construction in 2015 should trend positive and achieve growth of some 8%. The market conditions in the sector will be boosted by investments in the electricity generation sector and the railways and through the stabilisation of the road building market. In addition, earlier EU projects are still to be paid for in 2015. The current order book provides the prospects of an increase in the Group's revenues and profits in 2015.

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

The Group entered H2 2015 with an order book with a value of some PLN 1.335 bn. Some PLN 796.6 m of that is expected to be completed this year. The Group expects to enlarge its order book and some of those new project should be completed this year.

The Management envisages the further expansion of the Group – especially in the areas of civil and engineering and road building and in the electricity generating sector. The large scale building segment will remain at the level it achieved in H1 2015.

At the end of H1 2015 the large scale building segment had an order book with a value of PLN 847 m, of which PLN 521.8 m remains to be completed this year. The margins in this segment at the end of June 2015 came through at 2.06%, which reflects the situation in the industry.

The civil engineering and road building segment enters the second half of the year with an order book of PLN 300 m compared with one of PLN 94 m at the same time last year.

Last year, the Group acquired two companies operating in the electricity sector – NGK Ojrzyński and EnergoServ Pomorze. Both are engaged in providing modernisation and renovation services to the electricity generation sector. During this year the Group will continue its expansion in the electricity sector through further acquisitions. In January 2015 Erbud Industry Centrum (formerly Engorem) acquired selected electricity-related assets from Polimex Mostostal. As a result of these transactions, the electricity segment has been strengthened by 203 employees and new potential, long-term projects for such as EDF Wybrzeże SA or Alstom Power Sp. z o. o. In Q2 2015, the Group acquired Ciepło-Serwis Sp. z o. o which has become the focus for building a presence in the electricity generation sector in southern Poland (Erbud Industry Południe). The value of the transaction was substantially below 10% of the Issuer's shareholder's funds.

The electricity segment ended Q2 2015 with an order book with a value of PLN 145.6 m. During the next quarter of this year, the electricity segment will be increasing its involvement in nationwide projects in the provision of servicing and modernisation services to the electricity generation industry and in construction work for that industry.

The real estate development segment is generating increased profits as the result of the increased sale of residential units. This year, the development segment will also concentrate on the sale of the commercial development in Poznan. In addition, the Company is working on two residential projects in Warsaw, which should lead to increased profits in subsequent years.

The Group entered H2 2015 with an order book of projects to be completed this year with a value of PLN 796.6m. At the end of H1 2015, the Group had generated consolidate revenues of PLN 839 m. The revenues generated and the potential of the order book for H2 2015 indicates the possibility of revenue growth during 2015. At the end of June 2015, the Group was showing a margin of 3%. The Group's margins during the remainder of this year will be affects by market conditions. The Management hopes that these will remain, at least, at current levels.

This year, Erbud distributed a dividend of PLN 6.38 m to its shareholders. This is the second successive year in which a dividend has been paid. The Management does not exclude the possibility of recommending the payment of a dividend in successive years, if the Company's financial conditions allows.

III. FINANCIAL RESULTS

1. COMPANIES COMPRISING THE ERBUD GROUP

The Erbud Group's consolidated financial statement for 1H2015 includes the consolidation of: Erbud SA, Erbud International Sp. z o.o., GWI Bauunternehmung GmbH, PBDI S.A., Budlex Group, Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.), Erbud Industry Sp. z o.o. Erbud Rzeszów Sp. z o.o.; EnergoServ Pomorze Sp. z o.o.; Erbud Industry Pomorze Sp. z o.o.; Ciepło -Serwis sp. z o.o.

2. THE ERBUD GROUP PROFIT AND LOSS ACCOUNT

	Quarter	Quarter		
	2015	2014	2015 to 2014	%
in ,000 PLN	**Q2 2015**	**Q2 2014**	**Difference**	**Difference**
Sales revenue	502 845.00	425 487.00	77 358.00	18%
Cost of products sold	463 613.00	399 029.00	64 584.00	16%
Profit/loss on sales	**39 232.00**	**26 458.00**	**12 774.00**	**48%**
Costs of sales	2 232.00	1 242.00	990.00	80%
Costs of administration	18 554.00	13 746.00	4 808.00	35%
The balance of operating revenues and costs	-4 822.00	-977.00	-3 845.00	394%
Operating profit - EBIT	**17 108.00**	**10 493.00**	**6 615.00**	**63%**
Profit on financial activities	-485.00	-551.00	66.00	12%
Gross Profit/loss	**16 623.00**	**9 922.00**	**6 701.00**	**68%**
Net profit/loss	**10 779.00**	**6 912.00**	**3 867.00**	**56%**
EBIT margin (EBIT/Revenues)	3.40%	2.47%	0.01	38%
Depreciation	3 119.00	2 631.00	488.00	19%
EBITDA margin (EBITDA/Revenues)	4.02%	3.08%	0.01	30%

3. THE ERBUD GROUP BALANCE SHEET

in ,000 PLN	**30.06.2015**	**30.06.2014**	**% of total 2015**	**% of total 2014**
FIXED ASSETS	176 584	128 569	17%	14%

CURRENT ASSETS	873 455	765 035	83%	86%
TOTAL ASSETS	**1 050 039**	**893 604**	**100%**	**100%**
Shareholders' funds	299 172	268 262	28%	30%
Long-term liabilities and provisions	144 084	144 898	14%	16%
Short-term liabilities and provisions	606 783	480 444	58%	54%
TOTAL LIABILITIES	**1 050 039**	**893 604**	**100%**	**100%**

3.1. Fixed and current assets

During the period in question, the structure of the assets - when compared with the previous year – did not change significantly because of the absence of any extraordinary events within the Group. The structure is typical of a service-orientated company – low fixed assets and a high level of current assets. It is also the result of the Group's policies which are intended to keep fixed costs to a minimum. In addition, the structure of the liabilities does not differ from that of the previous year.

4. THE ERBUD GROUP CASH FLOW

	30.06.2015	**30.06.2014**
in ,000 PLN		
Net operating cash flow	-75 721	-33 385
Net cash flow from investment activities	-21 402	-2 814
Net cash flow from financial activities	14 704	24 892
Total net cash flow	**-82 419**	**-11 307**
Cash at the end of the period	**126 842**	**113 283**

The Group ended Q2 2015 with negative cash flow. This is the result of adverse changes in receivables which are the consequence of increased sales and a greater share in contracts with payment terms longer than 30 days. The negative operating cash flow is also the result of the negative balance which together the liabilities and the increase in receivables has result in a reduction in operating cash. The negative investment cash flow is the result of the acquisitions and loans advanced to joint development projects in Poland and abroad.

5. SELECTED FINANCIAL RATIOS

DETAILS	1-2Q 2015	1-2Q 2014
Return on Assets (ROA)	1.55%	0.93%
Return on equity (ROE)	5.45%	3.11%
Overall gearing ratio	71.51%	69.98%
Debt to equity ratio	250.98%	233.11%
Current liquidity ratio	1.44	1.59
Return on gross sales	2.70%	1.86%
Return on net sales	1.94%	1.18%

An examination of the profitability ratios reflects the increase in the Group's profits in comparison with 2014. The Management of the Erbud Group does expect any deterioration of the financial ratios in comparison with the 2014 levels. The Group's net debt (loans less cash in hand at the end of June 2015) amounted to PLN 20 090 000 against PLN 15 667 000 at the corresponding time in 2014. The increase in indebtedness is the result of the Group increasing its use of external debt because of the growth in sales and the acquisition of companies in the electricity sector.