ERBUD GROUP

INTERIM REPORT
ON ACTIVITIES
OF THE ISSUER'S CAPITAL GROUP
AS AT 30.06.2015

WARSAW, 2015/08/26

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1. Overview of economic and financial highlights

The financial position of Erbud SA in the first half of 2015 is characterized by selected economic and financial figures recognized in the consolidated statement of financial position, statement of comprehensive income, consolidated cash flow statement and the notes, together with the auditor's opinion and report.

a) ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 20154

BALANCE SHEET	30.06.2015	30.06.2014	Change	Change in %
I. Fixed assets	**176 584**	**128 569**	**48 015**	**37.35**
1. Intangible fixed assets	45 595	37 102	8 493	22.89
2. Investment real property	7 539	10 579	-3 040	-28.74
3. Goodwill	22 968	20 102	2 866	14.26
4. Tangible fixed assets	2 436	1 683	753	44.74
5. Non-current financial assets	55 219	18 621	36 598	196.54
6. Long-term receivables	0	0	0	n/a
7. Long-term prepayments	105	50	55	110.00
8. Deferred tax assets	42 722	40 432	2 290	5.66
II. Current assets	**873 455**	**765 035**	**108 420**	**14.17**
1. Inventory	128 531	113 815	14 716	12.93
2. Current receivables	441 431	300 456	140 975	46.92
3. Financial assets	6 247	225	6 022	2676.44
4. Short-term investments	126 842	113 283	13 559	11.97
5. Construction contracts	119 143	172 558	-53 415	-30.95
6. Short-term prepayments	6 820	6 488	332	5.12
8. Building securities	44 441	58 210	-13 769	-23.65
Total assets	**1 050 039**	**893 604**	**156 435**	**17.51**
I. Total equity	**299 172**	**268 262**	**30 910**	**11.52**
1. Equity attributable to shareholders of the Parent	**285 229**	**256 276**	**28 953**	**11.30**
2. Minority interests	**13 943**	**11 986**	**1 957**	**16.33**
II. Long-term liabilities, incl.	**144 084**	**144 898**	**-814**	**-0.56**
Borrowings and loans	105 081	99 949	5 132	5.13
III. Short-term liabilities, incl.	**606 783**	**480 444**	**126 339**	**26.3**
Borrowings and loans	41 851	29 001	12 850	44.31
Trade liabilities	346 141	226 705	119 436	52.68
Building securities	91 552	83 223	8 329	10.01
Building contracts	77 701	105 118	-27 417	-26.08
Total liabilities	**1 050 039**	**893 604**	**156 435**	**17.51**

The carrying value of the Group rose by 17.51 % as compared to the same period of the previous year.

The increase in total assets is primarily due to sales growth in the reporting period and acquisitions in the form of purchase of shares as well as the change in the method of valuation of investments in the Budlex Group.

b) ANALYSIS OF THE STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2015

(Classification by nature)

ITEM	30.06.2014	30.06.2014	Change	Change in %
A. Revenue from core business	**832 134**	**714 417**	**117 717**	**16.48**
B. Operating expenses	**806 840**	**697 701**	**109 139**	**15.64**
Amortisation and depreciation	4 974	4 089	885	21.64
Consumption of materials and energy	140 847	104 076	36 771	35.33
External services	548 268	503 297	44 971	8.94
Taxes and charges	5 654	4 012	1 642	40.93
Payroll	76 795	59 110	17 685	29.92
Social security and other benefits	17 131	13 534	3 597	26.58
Other costs by type	10 366	8 150	2 216	27.19
Value of goods and materials sold	2 805	1 433	1 372	95.74
C. Profit (loss) on sales	**25 294**	**16 716**	**8 578**	**51.32**
D. Other operating revenues	3 592	2 948	644	21.85
E. Other operating expenses	8 223	3 051	5 172	169.52
F. Share in net profit of subsidiaries valued using the equity method	4 984	-64	5 048	
F. Profit (loss) on operating activities	**25 647**	**16 549**	**9 098**	**54.98**
G. Financial revenues	2 078	1 189	889	74.77
H. Financial costs	5 033	4 526	507	11.20
I. Profit (loss) on business activities	**22 692**	**13 212**	**9 480**	**71.75**
J. Profit (loss) before tax	**22 692**	**13 212**	**9 480**	**71.75**
K. Income tax	6 375	4 877	1 498	30.72
L. Other statutory reductions in profit	0	0	0	0.00
N. Net profit	**16 317**	**8 335**	**7 982**	**95.76**

As at 30 June 2015, revenues from core activities, presented by the comparative method, amounted to PLN 832,134 thousand which represents an increase of 16.50% as compared to the corresponding period.
Profit on sales – PLN 25,294 thousand; EBIT – PLN 25,647 thousand; net profit – PLN 16,317 thousand.

c) KEY ECONOMIC RATIOS

KEY FINANCIAL RATIOS*

Item	*As of 30.06.2015*	*As of 30.06.2014*
ROE[1]	5.45%	3.11%
ROA[2]	1.55%	0.93%
EBIT[3]	3.06%	2.34%
EBITDA[4]	3.65%	2.92%
Return on sales[5]	7.34%	6.55%
Return on sales before tax[6]	2.70%	1.86%
Return on net sales[7]	1.94%	1.18%
Current liquidity ratio[8]	1.44	1.59
Quick liquidity ratio[9]	1.23	1.36
Overall debt ratio[10]	71.51%	69.98%
Debt to equity ratio[11]	250.98%	233.11%

* Financial ratios calculated on the basis of data from the Statement of Comprehensive Income for the period from 1 January 2015 to 30 June 2015 (Functional Classification).

[1] *Net income / Equity*
[2] *Net income / Total assets*
[3] *Operating profit / Net income on sales*
[4] *Operating profit + Amortization / Net income on sales*
[5] *Gross income on sales / Net income on sales*
[6] *Gross income / Net income on sales*
[7] *Net income / Net income on sales*
[8] *Current assets / Current liabilities*
[9] *Current assets – Inventories / Current liabilities*
[10] *Liabilities and provisions for liabilities / Total assets*
[11] *Liabilities and provisions for liabilities / Equity*

1. This ROE index (Return on Equity) and its trends are particularly interesting for shareholders of the company (investors). A high of ROE shows them whether the capital has been allocated properly. It suggests that the company is developing what creates opportunities for higher dividends. The ROE index is typically compared with bank interest rate for long-term deposits. The level of this ratio should exceed the long-term interest rates on bank deposits.
2. ROA (Return on Assets) informs about the company's ability (and more strictly - its assets) to generate a profit. It shows how effectively a company manages its assets. The higher value of ROA, the better the company's financial situation. The ROA ratio is of particular interest of the company's lenders, since it is a valuable source of information about the ability of assets to raise revenue, which is the source of instalments and interest on loans. Western banks expect this index to reach a level of 2-6 per cent, while in small firms it should be higher than in large ones. Low ratio as compared to the index level of companies operating in the same business usually means under-utilization of company's capacity.
3. EBIT shows the sales profitability achieved by the company. So calculated profitability is free of influences which interest on capital, taxes and extraordinary events have on the profit gained.
4. EBITDA shows the profitability of the company without taking into account interest, taxes, extraordinary events and depreciation.
5. The three presented profitability ratios inform about return on sales at different levels of the company's operations. Despite a reduction in the profitability of sales, the ratios achieve a satisfactory value as regards the construction industry.
6. Debt ratios indicate a company's ability to repay liabilities. The rates are expected to be ranged between 1 and 2.
7. The Overall Debt Ratio shows the structure of financing company's assets. It indicates the percentage of debt in sources of financing assets. The higher the ratio, the higher the debt, and the higher the financial risk. Too high level of overall debt ratio may arouse reservations as to the financial credibility of the company. According to the standards, the index should be in the range of 0.57 - 0.67.
8. The growth of the Debt to Equity Ratio means that borrowing sources are involved in a greater scale than the own sources of the company, and thus indicates an increase in the debt value. This directly affects the level of financial risk due to higher repayments of instalments and interest. A limit value for small businesses is the ratio of 3:1. For medium and large firms requirements are more strictly - 1:1 ratio.

The analysis of presented above ratios reflect s the Group’s situation. Profitability ratios at all levels of generated profit margins have been increased. Due to the rapid growth in sales and development of the Group, in particular in the energy sector, the indebtedness of the Company rose; however, it remains at a safe level.

d) ANALYSIS OF THE CONSOLIDATED CASH FLOW STATEMENT

The Capital Group began the year 2015 with cash amounting to PLN 209,263 thousand and cash balance of PLN 126,842 thousand as at 30 June 2015. Flows from operating activities showed the balance of PLN -75,723 thousand which was mainly due to a change in payables, receivables and accruals. The Group paid off their obligations more quickly than rotated active debts. Balance of investment flows was PLN -21,402 thousand and of financial flows PLN 14,704 thousand. Cash decreased by PLN 82,421 in total.

2. Organization of the Issuer's Capital Group (consolidated companies)

Erbud SA is a parent company of the Erbud Group [the "Parent"]. The core business of the Group is widely understood performance of construction services as general contractor or subcontractor in the country and abroad, development activity and specialized construction for the power industry as well as earth, road and engineering works. ERBUD SA functions as the Group's dominant entity.

In the second quarter of 2015, Erbud Industry Sp. z o.o. bought a 99.29% stake in Ciepło Service Sp. z o.o. (now Erbud Industry Południe Sp. z o.o.)

Composition of the Group

The Group consists of ERBUD SA which is the dominant entity, seated in Warsaw, and the following subsidiaries:

Name	***Registered office***	***Core business***	***Percentage sharing of the Parent in the equity and voting rights at the AGM***		
			30.06.2015	**31.12.2014**	**30.06.2014**
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%
GWI Bauunternehmung GmbH	Germany	Construction	85%	85%	85%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Civil engineering	94.27%	94.27%	94.27%
Erbud Industry Sp. z o.o.	Toruń	Services for power sector	100%	100%	100%
Delta Sp. z o.o.	Toruń	Construction	Acquired by Erbud Industry Sp. z o. o. on 2.02.2015	100%	100%
Erbud Industry Pomorze Sp. z o.o. (formerly NGK Ojrzyński Sp. z o.o.) – direct subsidiary of Erbud Industry Sp. z o.o.	Gdańsk	Services for power sector	100%	100%	0%
EnergoServ Pomorze Sp. z o.o. - direct subsidiary of Erbud Industry Sp. z o.o. – (acquired by Erbud Industry Pomorze Sp. z o.o. on 1.07.2015)	Toruń	Services for power sector	100%	100%	0%

Erbud Industry Południe Sp. z o.o. - direct subsidiary of Erbud Industry Sp. z o.o.	Będzin	Services for power sector	99.29%	0%	0%
Erbud Industry Centrum Sp. z o.o.	Łódź	Services for power sector	98.92%	98.66%	98.66%
Grupa Budlex	Warszawa	Real Estate Development	89.96%	89.96%	89.96%
Deptak Projekt P2 Sp. z o.o. – subsidiary of Budlex S.A.	Poznań	Real Estate Development	50%	50%	50%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and events	39%	39%	39%
Erbud Energetyka Sp. z o.o.	Toruń	Construction	Merger with Erbud Industry Sp. z o.o. on 1.07.2014	Merger with Erbud Industry Sp. z o.o.on 1.07.2014	100%

a) *Subsidiaries included in the consolidated financial statements of the Group by full method:*

- Erbud International Sp. z o.o.
- GWI Bauunternehmung GmbH
- Erbud Rzeszów Sp. z o.o.
- Przedsiębiorstwo Budownictwa Drogowo-Inzynieryjnego S.A..
- Erbud Industry Sp. z o.o.
- Erbud Industry Pomorze Sp. z o.o.
- EnergoServ Pomorze Sp. z o.o.
- Erbud Industry Centrum Sp. z o.o.
- Erbud Industry Południe Sp. z o.o.
- Grupa Budlex with Budlex S.A. as parent company

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

- Deptak Projekt P2 Sp. z o.o.

c) *Subsidiaries excluded from the consolidated financial statements:*

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

3. Effects of changes in the structure of the entity, including results from business combination, acquisition or sale of companies comprising the Issuer's Capital Group, long-term investment, division, restructuring and discontinuing operations.

3.1. On **2 February 2015,** there was a merger between Delta Sp. z o.o and Erbud Industry Sp. z o.o. ERBUD Industry Sp. z o.o. was the acquirer.

The business combination effected pursuant to Art. 492 § 1 item 1 in conjunction with Art. 506 § 1-4 of the CCC.

3.2. On **1 July 2015,** there was a merger between Erbud Industry Pomorze Sp. z o.o. and EnergoServ Pomorze sp. z o.o. Erbud Industry Pomorze Sp. z o.o. was the acquirer
The business combination effected pursuant to Art. 492 § 1 item 1 in conjunction with Art. 506 § 1-4 of the CCC.

3.3. On **1 June 2015,** took place an acquisition of shares in Ciepło-Service Sp. z o.o. - now Erbud Industry Południe Sp. z o.o. The shares were taken over by Erbud Industry Sp. z o.o. The acquisition is another step in building the division responsible for services to the energy sector within the Erbud Capital Group Erbud.

The acquired company has been operating on the market since 1998. It is the result of internal restructuring of Łagisza Power Plant. In 2014 the Company reached revenue of PLN 11.3m and operating profit (EBIT) of PLN 1.4m. The employment as at the acquisition date was 58 people.

The above described changes consisting in acquisition of companies within the Erbud Industry Group were aimed at ordering the structure of the acquisitions made. Consolidation of small entities within the **Erbud Industry Group** should lead to costs optimisation, use economies of scale and synergy of operational processes.

Thee takeover of Ciepło-Service Sp. z o.o. (now Erbud Industry Pomorze Sp. z o.o.) reflects the implementation of the new division's geographical expansion policy within the Erbud Capital Group.

4. Standpoint of the Management Board of Erbud SA regarding the feasibility of implementation of the previously published estimates

The Management Board of Erbud SA decided not to publish forecasts.

(.) List of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at a general meeting of shareholders as at the date of report release

As at **26 August 2015,** the share capital amounted to PLN 1,276,192.50 (one million, two hundred and seventy-six thousand, one hundred and ninety-two, point five zero) and was divided into 12,761,925 shares with a nominal value of PLN 0.10 each one.

Shareholders of ERBUD SA holding more than 5 per cent as at 26.08.2014

No.	*Shareholder*	*Class of shares*	*Number of shares held*	*% of shareholders' equity*	*Number of votes*	% of voting rights at the AGM
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG incl. Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.54%	4 152 865	32.54%
2	DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	ordinary	2 136 260	16.74%	2 136 260	16.74%
3	ING OFE	ordinary	1 266 900	9.93%	1 266 900	9.93%
4	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.27%	1 183 146	9.27%
5	Dariusz Grzeszczak	ordinary	773 900	6.06%	773 900	6.06%
6	Adler Properties Sp. z o. o. controlled by Józef Zubelewicz	ordinary	681 914	5.34%	681 914	5.34%
7	Quercus TFI	ordinary	661 185	5.18%	661 185	5.18%
8	Józef Zubelewicz	ordinary	259 500	2.03%	259 500	2.03%

9	Free Float	ordinary	1 646 255	12.91%	1 646 255	12.91%
	TOTAL		**12 761 925**	**100.00%**	**12 761 925**	**100.00%**

As at **14 May 2015,** the share capital amounted to PLN **1,276,192.50** (one million, two hundred and seventy-six thousand, one hundred and ninety-two, point five zero) and was divided into 12,761,925 shares with a nominal value of PLN 0.10 each one.

Shareholders of ERBUD SA holding more than 5 per cent as at 26.08.2014

Aggregate number of shares 12 761 925

No.	*Shareholder*	*Class of shares*	*Number of shares held*	*% of shareholders' equity*	*Number of votes*	% of voting rights at the AGM
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG incl. Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.54%	4 152 865	32.54%
2	DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	ordinary	2 136 260	16.74%	2 136 260	16.74%
3	ING OFE	ordinary	1 266 900	9.93%	1 266 900	9.93%
4	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.27%	1 183 146	9.27%
5	Dariusz Grzeszczak	ordinary	773 900	6.06%	773 900	6.06%
6	Adler Properties Sp. z o. o. controlled by Józef Zubelewicz	ordinary	681 914	5.34%	681 914	5.34%
7	Quercus TFI	ordinary	661 185	5.18%	661 185	5.18%
8	Józef Zubelewicz	ordinary	259 500	2.03%	259 500	2.03%
9	Free Float	ordinary	1 646 255	12.91%	1 646 255	12.91%
	TOTAL		**12 761 925**	**100.00%**	**12 761 925**	**100.00%**

In the period between the publication of the report for the first quarter of 2015 and the publication of the interim report prepared as of 30 June 2015 there were no changes in the ownership structure of large blocks of the Issuer's shares.

5. Issuer's shares holding by the managing and supervising persons as at the date of publication of the interim report. including changes in ownership

As at 26 August 2015, the Management Board members held the following number of shares:

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
1	DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Company controlled by the Management Board members of Erbud SA	ordinary	2 136 260	16.74%	2 136 260	16.74%
2	Dariusz Grzeszczak	Management Board member of Erbud SA	ordinary	773 900	6.06%	773 900	6.06%
3	Adler Properties Sp. z o. o. controlled by Józef Zubelewicz	Company controlled by the Management Board members of Erbud SA	ordinary	681 914	5.34%	681 914	5.34%
4	Józef Adam Zubelewicz	Management Board member of Erbud SA	ordinary	259 500	2.03%	259 500	2.03%

As at 14 May 2015, the Management Board members held the following number of shares:

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
1	DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Company controlled by the Management Board members of Erbud SA	ordinary	2 136 260	16.74%	2 136 260	16.74%
2	Dariusz Grzeszczak	Management Board member of Erbud SA	ordinary	773 900	6.06%	773 900	6.06%
3	Adler Properties Sp. z o. o. controlled by Józef Zubelewicz	Company controlled by the Management Board members of Erbud SA	ordinary	681 914	5.34%	681 914	5.34%
4	Józef Adam Zubelewicz	Management Board member of Erbud SA	ordinary	259 500	2.03%	259 500	2.03%

As at 26 August 2015, the Supervisory Board members held the following number of shares:

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
1	Albert Dürr	Supervisory Board member of ERBUD SA	ordinary	14 500	0.11%	14 500	0.11%

As at 14 May 2015, the Supervisory Board members held the following number of shares:

No.	Person related	Kind of relationship	Class of shares	Number of shares	% of shareholders' equity	Number of votes	% of voting rights at the GM
1	Albert Dürr	Supervisory Board member of ERBUD SA	ordinary	14 500	0.11%	14 500	0.11%

6. Proceedings pending before court, authority responsible for arbitration or public administration. including information on:

a) Proceedings concerning payables or receivables of the Issuer or its subsidiary with a value representing 10% of the Issuer's equity

Plaintiff: Mazowiecki Port Lotniczy Warszawa-Modlin sp. z o.o.

Defendant: ERBUD S.A., Warsaw

Date of submitting a lawsuit by ERBUD S.A.: 23 May 2014

The amount in dispute: PLN 34,381,374.64

State of affairs: On 12 May 2014, a lawsuit was served to the Company, in which the Employer requested the payment of PLN 34,381,374.64 as compensation plus statutory interest and litigation costs. Damage claimed by MPL includes losses incurred by the plaintiff and gains lost as a result of allegedly improper performance by ERBUD of the agreement No. PLM/K/96/2010 dated 14 September 2010 for construction of the Warsaw-Modlin Aitport and the shutdown of air traffic on the part of the runway.

On 11 October 2014, ERBUD replied to the lawsuit, requesting the dismissal of MPL's action in its entirety and to grant a reimbursement of proceedings costs. Furthermore, regardless of repudiating

the plaintiff's claim. ERBUD filed a counterclaim against the MPL making the adjudication of the amount of PLN 19,892,366.30 plus statutory interest. The counterclaim includes repair costs of runway pavement on the Warsaw-Modlin Airport incurred by ERBUD.

On 2 March 2015, Erbud received a pleading in which MPL upheld its request and appealed to dismiss the counterclaim of ERBUD. In response, on 15 May 2015 the lawyers of Weil filed a letter (prepared together with experts from various fields), in which they maintained the standpoint of ERBUD, presented another arguments and responded the evidentiary and procedural issues.
On 3 July 2015, the lawyers of Weil applied to take evidence from information about the results of the audit conducted by the Supreme Audit Office regarding construction of an airport in Modlin, published in the June 2015.

The court set the date of the first hearing on 28 October 2015.

In view of complicated factual situation of the case and extensive evidence filed during the proceedings, including the likelihood of taking a number of evidence from the expert assessments, the first-instance sentence will probably be issued not earlier than after approx. three years after submitting the lawsuit by MPL.

We also stick to the assessment presented in the earlier memoranda, according to which the risk of awarding claims for the MPL is less than the chance of dismissal of the action. But even if the Court found the MPL's claim to be justified. the amount of compensation awarded would be significantly lower than the amount requested in the lawsuit by the MPL, because Erbud is able to challenge almost every element of damage reported by MPL.

Plaintiff ERBUD S.A. seated in Warsaw (Warszawa Branch)

Defendant: DSH – Dopravni Stavby. a.s., Brno. Czech Republic

Date of filing a lawsuit: 14 February 2013

The amount in dispute: PLN 26,923,64.16

State of affairs: As a result of the filed lawsuit for the payment, the District Court in Warsaw, XX Commercial Department, gave the file number to this suit. By decision of 30 April 2013, the court called ERBUD to make a prepayment to cover the costs of translation of documents. At the moment, in view of costs suffered by ERBUD due to substitute execution of repair works, it is being prepared a pleading extending the claim by PLN 19,451,174. By letter dated 27 April 2014 and delivered on 1 July 2014, the defendant made a counterclaim for PLN 5,651,633. The Court set the hearing day on 6 November 2015.

Plaintiff: ERBUD S.A., Warsaw

Defendant: Bank Millennium S.A., Warsaw

Date of filing a lawsuit: 22 December 2010

The amount in dispute: PLN 71,65,496

State of affairs: In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer resulted from the Issuer's need to adequate secure its situation. According to the Company the product was not optimally suited to the needs ERBUD SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure.
At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures. During many talks, the Issuer presented its position to the

Bank, which required execution of the transaction, including action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options. The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

A positive result of a long lawsuit is the fact that in this period were issued several verdicts in favour of contractors who have suffered losses from currency options. The sentence by the Court of Appeal in Warsaw of 1 April 2015 is the last spectacular one.

On 1 April 2015, following an appeal submitted by Kancelaria Zimmerman i Wspólnicy sp.k. on behalf of one of our customers (a company affected by settlement of currency options) the Court of Appeal in Warsaw decided that the conclusion of the currency options contract, creating an unlimited risk for the weaker (non-banking) party is incompatible with the principles of social coexistence and beyond the freedom of contract principles. First of all, the invalidity of such transactions is caused by the lack of reliable and fully informing the bank's customer about possible negative effects of currency option contracts. Such a behaviour of the bank should be regarded as acting in bad faith, due to the use of its stronger position. According to the Court of Appeal, the bank as a financial institution is obligated to provide a fair inform the other party about all the risks of monetary contracts, and the opposite behaviour must be considered as incompatible with the principles of conscientiousness and fairness in business transactions.

This situation allows having a positive view regarding the situation of the Issuer in the context of this dispute with Bank Millennium.

b) Two or more proceedings related to payables and receivables with a total value respectively representing 10% of the Issuer's equity, incl. the specifying of aggregate value of proceedings separately for payables and receivables and the issuer's standpoint.

Total value of other proceedings in which Erbud SA is the plaintiff: PLN 23,126,517

a)

Plaintiff: ERBUD S.A. seated in Warsaw (Wrocław Branch)

Defendant: Kępska S.A., Warsaw

Date of submitting a lawsuit by ERBUD S.A.: 22 April 2014

The amount in dispute: PLN 8,187,631.31

State of affairs: ERBUD SA claims the payment for executed works from Kępska SA.
By lawsuit of 22 April 2014, the plaintiff applied for awarding the amount of PLN 8,187,631.31 from Kępska SA. In the suit Erbud SA also requested to secure further sum of PLN 1,414,500 by freezing debts on bank accounts, to which the defendant is entitled, and creating a forced mortgage on the real property located in Opole at 8 Kępska St.
By decision of 12 August 2014, the District Court secured the claim amounting PLN 1,414,500 as requested by the plaintiff. The decision dated 4 September 2014, including an enforcement order was delivered to the plaintiff on 19 September 2014. The plaintiff submitted to the District Court in Opole, VI Department of Land Registry, an application for registration of the forced mortgage of PLN 1,414,500 on the basis of the aforementioned Court order. By decision of 15 December 2014, the District Court in Opole dismissed the plaintiff's request for registering the forced mortgage. In support of its ruling, the Court pointed out that the examination of the land register KW No. OP10/00085900/3 disclosed that the real estate entered into this register is in perpetual use of EMIR 75 sp. z o.o. seated in Warsaw, and not of Kępska SA. On 27 January 2015, the plaintiff applied for making enforceable against EMIR 75 sp. z o.o. the freezing order on claims for the establishment of forced mortgage. By decision of 30 January 2015, the District Court in Opole issued declaration of enforceability against

EMIR 75 sp. z o.o. On 5 February 2015, ERBUD SA filed an application for registration of the mortgage into the land register. On 29 May 2015, the mortgage was entered in the land register. On 29 June 2015 (date of receipt by the Court was 1 July 2015), Kępska SA appealed to the Court of Appeal in Wrocław the sentence of the District Court in Opole for granting an enforcement declaration against EMIR 75 Sp. z o.o. By decision of 10 July 2015, the Appeal Court in Wroclaw changed the decision appealed and dismissed the application (it is a basis to delete the mortgage amounting PLN 1,414,500). There is no further right of appeal against the sentence.
In response to the claim of 10 September 2014, Kępska SA applied for dismissal in its entirety and raised an objection to the off-set of mutual claims of the plaintiff and defendant due to improper performance of obligations by ERBUD SA under the contract for general contracting.

b)

Plaintiff: ERBUD S.A. seated in Warszawa (Warsaw Branch)

Defendant: Akademia Muzyczna w Łodzi

Date of filing a lawsuit: 20 December 2013

The amount in dispute: PLN 2,050,515

State of affairs: On 20 December 2013. ERBUD SA filed a claim for payment of PLN 1,895,430 as remuneration for construction works carried out by the plaintiff to the defendant under contract No. 694/U/AML/2012 of 20 December 2012, in accordance with the VAT invoice No. 519/13/W of 30 July 2013, issued by the plaintiff to the defendant. and payment of PLN 74,934.40 due to statutory interest on the amount of remuneration accrued from day on which the amount became due and payable (i.e. from 29 August 2013) till the date of filing a lawsuit (i.e. 20 December 2013), and PLN 80,150.37 as compensation for improper performance of Agreement No. 209/U/AMŁ/11 of 15 September 2011 by the Academy. ERBUD thereupon suffered injury in the form of increased site maintenance costs for a period longer than predicted in the above-mentioned agreement, i.e. from 01.06.2013 to 07.15.2013.
The defendant Academy of Music responded to the suit dated 23 January 2014 requesting the dismissal of the action in its entirety and raised the procedural objection to deduction of penalties.
The plaintiff filed pleadings dated 31.03.2014 and 22.05.2014, and the defendant pleadings of 04.04.2014 and 30.06.2014. Two hearings were held so far: on 29.08.2014 (one ERBUD's witness has been examined) and on 07.11.2014, where there case has been postponed due to the planned bringing by the defendant a counterclaim for payment of the remainder of contractual penalties. A hearing was held on 06.04.2015 - postponement of the hearing.

c)

Plaintiff: Erbud S.A.

Defendant: Międzyzdrojski Rynek Sp. z o.o.

The amount in dispute: PLN 3,699,578

State of affairs: The District Court of first instance in Szczecin; an expert appointed by the court prepared an opinion.
Erbud SA claimed the payment of debts arising from invoices (accepted by the defendant). The building constructed by Erbud SA was finally inspected and accepted in written form. The Parties tried to reach an agreement, the defendant expressed willingness to pay, but extending payments for ERBUD over time, made it necessary to apply to a court.
Currently, the defendant seeks a reduction in remuneration due to numerous significant defects in workmanship.

The total value of other proceedings in which Erbud SA is the defendant: PLN 11,085,532

Plaintiff: Akademia Muzyczna in Łódź

Defendant: ERBUD S.A. seated in Warsaw (Warsaw Branch)

Date of filing a lawsuit: 16 December 2014 (delivered to ERBUD SA on 27.03.2015)

The amount in dispute: PLN 4,135,790.96

State of affairs: Akademia Muzyczna applied for payment of contractual penalties due to Erbud's delay in meeting the deadline for completion of works. In response to a lawsuit the defendant appealed to dismiss the above claim in its entirety due to the lack of clause on accountability for exceeding the deadline. The plaintiff applied for hearing this case together with the case filed by ERBUD SA against Akademia Muzyczna, which is pending before the District Court in Łódź under ref. Act I C 2090/13.
On 25.06.2015, the proceedings were suspended for three months.

Both in cases where the Issuer is a plaintiff (regarding receivables) and in cases where the Issuer is a defendant (regarding payables) the standpoint of the Issuer and the Issuer's legal advisors shows that cases will be resolved in favour of the Issuer.

7. Information about one or more transactions concluded by the Issuer or its subsidiary with related parties, if either individually or together they are significant and were concluded on non-market terms. incl. information on their value

In the first half of 2015 and until the report publication, the Issuer and its subsidiaries did not enter into any transactions that were on non-market conditions. All contracts concluded by the Issuer and its subsidiaries are always at arm's length. This is in line with the policy of transfer prices applicable in the ERBUD Group.

8. Information about loan or borrowing sureties provided by the Issuer or its subsidiary to an entity or a company controlled by this entity, if the total value of the surety is equal to at least 10% of the Issuer's equity.

8.1 Sureties granted by Erbud SA (Issuer) to its subsidiaries

As at 30.06.2015

No.	Granting date	Guarantor	Entity	Value in PLN '000	Subject	For	Expiry date	Type and conditions
1	2009-09-28	Erbud S.A.	GWI GmbH – 85% owned subsidiary	12 583	Overdraft EUR 1,000,000 + guarantee line EUR 2,000,000	KBC	2015-12-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value per year.
2	2011-05-25	Erbud S.A.	GWI GmbH – 85% owned subsidiary	8 389	Overdraft	Commerz-Bank	2016-07-01	Guarantee provided by BRE at request of Erbud S.A; Erbud orders the company to pay fees charged by the Guarantor
3	2012-05-30	Erbud S.A.	GWI GmbH – 85% owned subsidiary; Erbud International – Sp. z o.o. – 100% owned subsidiary	31 456	Insurance guarantee line	Euler Hermes	2015-12-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
4	2012-04-27	Erbud S.A.	GWI GmbH – 85% owned subsidiary	14 680	Insurance guarantee line	Zurich	indefinitely	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
5	2014-09-17	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	6 000	Loan line	BGŻ BNP Pariba Bank	2027-09-17	Civil law surety. The guarantor charges a fee for the surety of 1% of

								the surety value.
6	2014-09-17	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	5 300	Investment loan	BGŻ BNP Pariba Bank	2022-09-17	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
7	2015-05-11	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	4 000	Investment loan	BGŻ BNP Pariba Bank	2023-04-30	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
8	2015-03-27	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	15 000	Project loan	BGŻ BNP Pariba Bank	2019-11-30	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
9	2015-03-27	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	15 000	Project loan	BGŻ BNP Pariba Bank	2019-07-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
10	2014-10-13	Erbud S.A	Erbud Industry Centrum Sp. z o.o. - 98.66% podmiot zależny od Erbud Industry Sp. z o.o. – 98.66% owned subsidiary	9 300	Investment loan	Credit Agricole	2020-08-28	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
11	2015-03-03	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary	5 000	Credit line	mBank S.A.	2018-12-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
			Total	**126 708**				

As at 30.06.2014

No.	Granting date	Guarantor	Entity	Value in PLN '000	Subject	For	Expiry date	Type and conditions
1	2009-09-28	Erbud S.A.	GWI GmbH – 85% owned subsidiary	12 483	Overdraft EUR 1,000,000 + guarantee line EUR 2,000,000	KBC	2014-12-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value
2	2011-05-25	Erbud S.A.	GWI GmbH – 85% owned subsidiary	8 322	Overdraft	Commerz-Bank	2015-07-01	Guarantee provided by BRE at request of Erbud S.A
3	2012-05-30	Erbud S.A.	GWI GmbH – 85% owned subsidiary; Erbud International – Sp. z o.o. – 100% owned subsidiary	31 206	Insurance guarantee line	Euler Hermes	2014-12-31	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
4	2012-04-27	Erbud S.A.	GWI GmbH – 85% owned subsidiary	14 563	Insurance guarantee line	Zurich	indefinitely	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
			Total	**66 574**				

The value of guarantees as at 30 June 2015 amounted to PLN 126,710 thousand. The increase in guarantees granted by 90% as compared to corresponding period is associated with the development of activities related to the expansion of services for the power industry in the ERBUD Capital Group.

8.2. Sureties granted within the Budlex Group

As at 30.06.2015

No.	Granting date	Guarantor	Entity	Value in PLN '000	Subject	For	Expiry date	Type and conditions
1	2014-06-27	Budlex S.A.	Budlex Magnolia sp. z o.o. s.k. – subsidiary 100% owned by Budlex	13 498	Property development loan	PKO BP S.A.	2016-09-30	Civil law surety. The guarantor charges a fee for the surety of

								0.2% per month from the value of loan use.
2	2014-12-18	Budlex S.A.	Budlex Irys sp. z o.o. s k.- subsidiary 100% owned by Budlex	15 534	Property development loan	PKO BP S.A.	2017-04-30	Civil law surety. The guarantor charges a fee for the surety of 0.2% per month from the value of loan use.
3	2015-06-22	Budlex S.A.	Budlex Sadowa sp. z o.o. s.k. - subsidiary 100% owned by Budlex	11 896	Property development loan	PKO BP S.A.	2017-12-31	Civil law surety. The guarantor charges a fee for the surety of 0.2% per month from the value of loan use.
			Total	**40 928**				

8.3. Sureties granted to ERBUD S.A.

As at 30.06.2015

No.	Granting date	Guarantor	Entity	Value in PLN '000	Subject	For	Expiry date	Type and conditions
1	2014-10-31	PBDI S.A. – subsidiary 94.27% owned by Erbud SA and Erbud International Sp. z o.o. – subsidiary 100% owned by Erbud SA	ERBUD S.A.	50 000	Multi-purpose line of loan and guarantee	PKO BP S.A.	2017-06-30	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.

9. Other information which in the Issuer's opinion are important for assessing its personnel situation, the asset and financial position. financial results and their changes that are relevant to assess the feasibility of the Issuer's obligations

a) MANAGING THE ISSUER'S FINANCIAL ASSETS

In the first half of 2015, the Issuer and its subsidiaries funded its activities by own assets, overdrafts investment loans.

Possible debts of the Erbud Group under the contracts signed:

Bank name	Type of liability	Amount in '000	Currency	Interest rate	Maturity date	Payment	Borrower
Bank BGŻ BNP Paribas S.A.	Overdraft	3 000	PLN	WIBOR 1M+margin	2015-11-26	In one amount	Erbud S.A.
mBank S.A.	Overdraft	10 000	PLN	WIBOR 1M+margin	2015-12-31	In one amount	Erbud S.A.
PKO BP	Overdraft	20 000	PLN	Call rate of PKO BP+margin	2017-06-30	In one amount	Erbud S.A.
ING bank Śląski S.A.	Overdraft	32 000	PLN	WIBOR 1M+margin	2015-12-31	In one amount	Erbud S.A.; Budlex S.A.; PBDI S.A.; Erbud Industry Centrum Sp. z o.o.
Alior Bank S.A.	Overdraft	10 000	PLN	WIBOR 1M+margin	2015-09-04	In one amount	Erbud S.A.
Bank BGŻ BNP Paribas S.A.	Multi-purpose credit line	2 000	PLN	WIBOR 1M+margin	2015-11-26	In one amount	PBDI S.A.
Alior Bank S.A.	Overdraft	5 000	PLN	WIBOR 3M+margin	2016-05-10	In one amount	PBDI S.A..
Raiffeisen Bank Polska S.A.	Overdraft	10 000	PLN	WIBOR 1M+margin	2016-05-31	In one amount	PBDI S.A..
KBC	Overdraft	2 000	EUR	EONIA+2.5% margin	2015-12-31	In one amount	GWI GmbH
Commerzbank	Overdraft	2 000	EUR	Fixed interest rate	2016-07-01	In one amount	GWI GmbH
Bank BGŻ BNP Paribas S.A.	Overdraft	2 000	PLN	WIBOR 1M+margin	2016-01-15	In one amount	Erbud Industry Pomorze Sp. z o.o.
Credit Agricole	Investment loan	9 383	PLN	WIBOR 3M + margin	2020-02-28	In one amount	Erbud Industry Centrum Sp. z o.o.
Credit Agricole	Overdraft	4 000	PLN	WIBOR O/N + margin	2015-07-31	In one amount	Erbud Industry Centrum Sp. z o.o.

Bank BGŻ BNP Paribas S.A.	Overdraft	5 000	PLN	WIBOR 1M+margin	2015-09-15	In one amount	Erbud Industry Sp. z o.o.
Bank BGŻ BNP Paribas S.A.	Non-revolving investment loan	5 300	PLN	WIBOR 1M+margin	2019-09-17	Quarterly	Erbud Industry Sp. z o.o.
Bank BGŻ BNP Paribas S.A.	Revolving project loan	15 000	PLN	WIBOR 1M+margin	2016-07-31	In one amount	Erbud Industry Sp. z o.o.
Bank BGŻ BNP Paribas S.A.	Non-revolving investment loan	15 000	PLN	WIBOR 1M+margin	2016-11-30	In one amount	Erbud Industry Sp. z o.o.
Bank BGŻ BNP Paribas S.A.	Non-revolving investment loan	4 000	PLN	WIBOR 1M+margin	2020-04-30	In one amount	Erbud Industry Sp. z o.o.
mBank	Multi-product line	5 000	PLN	WIBOR O/N	2015-12-31	In one amount	Erbud Industry Sp. z o.o.
	Total **PLN '000**	151 683					
	Total **EUR '000**	4 000					

Loan agreements signed by the Budlex Group

Bank name	**Type of liability**	**Amount in '000**	**Currency**	**Interest rate**	**Maturity date**	**Payment**	**Borrower**
Bank PKO BP SA	Investment loan	13 498	PLN	WIBOR 3M+margin	2016-09-30	In one amount	Budlex Magnolia sp. z o.o. s.k.
mBANK HIPOTECZNY SA	Investment loan	9 109	PLN	WIBOR 3M+margin	2018-12-15	In one amount	Budlex Winnica L6-7 sp. z o.o. s.k.
Bank PKO BP SA	Investment loan	15 534	PLN	WIBOR 3M+margin	2017-30-04	In one amount	Budlex Irys sp. z o.o. s.k.
mBANK HIPOTECZNY SA	Investment loan	5 630	PLN	WIBOR 3M+margin	2017-11-11	In one amount	Budlex Glinki A3/3 sp. z o.o.
Bank PKO BP SA	Investment loan	11 895	PLN	WIBOR 3M+margin	2017-12-31	In one amount	Budlex Sadowa sp. z o.o. s.k.
mBANK HIPOTECZNY SA	Investment loan	16 500	EUR	EURRIBOR 6M+margin	2032-09-05	By installments	Deptak Projekt P2 Sp. z o.o.
mBANK HIPOTECZNY SA	Investment loan (VAT refinancing)	5 500	PLN	WIBOR 1M+ margin	2015-10-31	In one amount	Deptak Projekt P2 Sp. z o.o.
	Total **PLN '000**	61 166					
	Total **EUR '000**	16 500					

Bank guarantee lines available to the ERBUD Group as of 30.06.2015

Guarantor	**Type of liability**	**Amount in '000**	**Currency**	**Borrower**
Alior Bank	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	83 000	PLN	Erbud S.A
Alior Bank	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	2 900	EUR	Erbud S.A
Bank BGŻ BNP Paribas S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances, re-guarantees	44 000	PLN	Erbud S.A
mBank S.A.	Bid bonds, contract performance bonds, guarantee under repair works	90 000	PLN	Erbud S.A
PKO BP	Bid bonds, contract performance bonds, guarantee under repair works	30 000	PLN	Erbud S.A
BZ WBK S.A.	Bid bonds, contract performance bonds, guarantee under repair works	34 000	PLN	Erbud S.A
HSBC Bank Polska S.A.	Bid bonds, contract performance bonds, guarantee under repair works	30 000	PLN	Erbud S.A; (20) PBDI S.A.(10)
Credit Agricol Bank S.A.	Bid bonds, contract performance bonds, guarantee under repair works	30 000	PLN	Erbud S.A.; (30) Erbud Industry Centrum Sp. z o.o.(5)
ING Bank Śląski S.A.	Bid bonds, contract performance bonds, guarantee under repair works	68 000	PLN	Erbud S.A;(68) PBDI S.A.; (8) Erbud Industry Centrum Sp. z o.o.(2)
Bank BGŻ BNP Paribas S.A.	Bid bonds, contract performance bonds, guarantee under repair works	8 000	PLN	PBDI S.A.
Alior Bank	Bid bonds, contract performance bonds, guarantee under repair works	8 000	PLN	PBDI S.A.

Raiffeisen Bank Polska S.A.	Bid bonds, contract performance bonds, guarantee under repair works	25 000	PLN	PBDI S.A.
KBC	Bid bonds, contract performance bonds, guarantee under repair works	1 000	EUR	GWI GmbH
Bank BGŻ BNP Paribas S.A.	Bid bonds, contract performance bonds, guarantee under repair works	1 000	PLN	Erbud Industry Centrum Sp. z o.o.
	Total **PLN '000**	451 000		
	Total **EUR '000**	3 900		

Insurance guarantee lines available to the ERBUD Group as of 30.06.2015

Guarantor	**Type of liability**	**Amount in '000**	**Currency**	**Borrower**
STU Ergo Hestia	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	195 000	PLN	Erbud S.A
PZU S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	70 000	PLN	Erbud S.A
Allianz	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	30 000	PLN	Erbud S.A.
Warta S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	20 000	PLN	Erbud S.A
KUKE	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	20 000	PLN	Erbud S.A.
Interrisk S.A.	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	10 000	PLN	Erbud S.A; Erbud Industry Sp. z o.o.
HERMES	Bid bonds, contract performance bonds, guarantee under repair works, repayment of advances.	10 000	PLN	Erbud S.A.
HERMES	Bid bonds, contract performance bonds, guarantee under repair works	7 500	EUR	GWI GmbH; Erbud S.A. Erbud International
ZURICH	Bid bonds, contract performance bonds, guarantee under repair works	3 500	EUR	GWI GmbH
BARKLEY	Bid bonds, contract performance bonds, guarantee under repair works	1 500	EUR	GWI GmbH
AXA	Bid bonds, contract performance bonds, guarantee under repair works	1 000	EUR	GWI GmbH
Bayerischer Versicherungsverband	Bid bonds, contract performance bonds, guarantee under repair works	1 500	EUR	GWI GmbH
STU Ergo Hestia	Bid bonds, contract performance bonds, guarantee under repair works	15 000	PLN	PBDI S.A.
Warta S.A.	Bid bonds, contract performance bonds, guarantee under repair works	10 000	PLN	PBDI S.A.
PZU S.A.	Bid bonds, contract performance bonds, guarantee under repair works	8 000	PLN	PBDI S.A.
Allianz S.A.	Bid bonds, contract performance bonds, guarantee under repair works	10 000	PLN	PBDI S.A.
Interrisk S.A.	Bid bonds, contract performance bonds, guarantee under repair works	5 000	PLN	PBDI S.A.
STU Ergo Hestia	Bid bonds, contract performance bonds, guarantee under repair works	1 500	PLN	Erbud Industry Pomorze Sp. z o.o.
STU Ergo Hestia	Bid bonds, contract performance bonds, guarantee under repair works	4 000	PLN	Erbud Industry Centrum Sp. z o.o.
STU Ergo Hestia	Bid bonds, contract performance bonds, guarantee under repair works	10 000	PLN	Erbud Industry Sp. z o.o.
	Total **PLN '000**	418 500	PLN	
	Total **EUR '000**	15 000	EUR	

SUBSTANTIAL AGREEMENTS ON FINANCING THE GROUP'S BUSINESS

In the first half of 2015, the Issuer did not sign any significant agreement related to the financing of its activities. The period from January to June is time of continuing of concluded or rolled in the 2014 multi-purpose loan and guarantee lines or loan lines presented in the tables in point 9 a).

b) OFF-BALANCE SHEET ITEMS OF THE ISSUER AMD ITS SUBSIDIARIES

As at 30.06.2015 the Parent had the following contingent liabilities:

Liabilities arising from guarantees provided to third parties

Item	**30.06.2015**	**30.06.2014**
Liabilities payment guarantee	27 726	8 312
Performance bond	166 416	164 892
Repair works warranty	151 798	128 175
Total contingent liabilities	**345 940**	**301 379**

Off-balance sheet liabilities of the subsidiary **PBDI SA** to third parties as of 30.06.2015 amounted to PLN 26,671 thousand; balance sheet liabilities arising from guarantees amounted to PLN 16,560 thousand in the corresponding period.

As of 30.06.2015 in PLN '000	PBDI S.A.
Liabilities payment guarantee	118
Performance bond	21 305
Repair works warranty	5 247
Total contingent liabilities	**26 670**

Off-balance sheet liabilities of the subsidiary **GWI GmbH** to third parties as of 30.06.2015 amounted to EUR 8 901 thousand (= PLN 37,334 thousand as translated at the exchange rate at the balance sheet date); balance sheet liabilities arising from guarantees amounted to EUR 6 811 thousand (= PLN 28,340) in the corresponding period.

As of 30.06.2015 in EUR '000	GWI GmbH
Liabilities payment guarantee	0
Performance bond	2 036
Repair works warranty	6 865
Total contingent liabilities	**EUR 8 901 / PLN 37 334**

Off-balance sheet liabilities of the subsidiary **Erbud International Sp. z o.o.** to third parties as of 30.06.2015 amounted to EUR 1 516 thousand (= PLN 6 359 thousand as translated at the exchange rate at the balance sheet date); balance sheet liabilities arising from guarantees amounted to EUR 1 900 thousand (= PLN 7 906 thousand) in the corresponding period.

As of 30.06.2015 in EUR '000	Erbud International
Liabilities payment guarantee	0
Performance bond	0
Repair works warranty	1 516
Total contingent liabilities	**EUR 1 516 / PLN 6 359**

Off-balance sheet liabilities of the subsidiary **Erbud Industry Centrum Sp. z o.o.** (formerly: **Engorem Sp. z o.o.)** to third parties as of 30.06.2015 amounted to PLN 1 904 thousand; there were no balance sheet liabilities arising from guarantees.

As of 30.06.2015 in PLN '000	Erbud Industry Centrum Sp. z o.o.
Liabilities payment guarantee	0
Performance bond	1 202
Repair works warranty	702
Total contingent liabilities	**1 904**

Off-balance sheet liabilities of the subsidiary **Erbud Industry Południe Sp. z o.o.** to third parties as of 30.06.2015 amounted to PLN 1 609 thousand.

As of 30.06.2015 in PLN '000	Erbud Industry Południe Sp. z o.o.
Liabilities payment guarantee	0
Performance bond	1 609
Repair works warranty	0
Total contingent liabilities	**1 609**

Off-balance sheet liabilities of the subsidiary **Erbud Industry Pomorze Sp. z o.o.** to third parties as of 30.06.2015 amounted to PLN 1 661 thousand.

As of 30.06.2015 in PLN '000	Erbud Industry Pomorze Sp. z o.o.
Liabilities payment guarantee	0
Performance bond	661
Repair works warranty	0
Total contingent liabilities	**661**

Off-balance sheet liabilities of the subsidiary **Erbud Rzeszów Sp. z o.o.** to third parties as of 30.06.2015 amounted to PLN 1 571 thousand; balance sheet liabilities arising from guarantees amounted to PLN 1 361 thousand in the corresponding period.

As of 30.06.2015 in PLN '000	Erbud Rzeszów Sp. z o.o.
Liabilities payment guarantee	0
Performance bond	128
Repair works warranty	443
Total contingent liabilities	**571**

c) INSURANCE AGREEMENTS

In the reporting period, the Parent had the following insurance agreements:

Policy number	Insurer	Valid from	Valid to	Insurance subject	Insurance value
2361000337	AIG S.A.	01-04-2015	31-03-2016	Indemnity insurance of the Management Board members	PLN 30,000,000
4360000574	STU Ergo Hestia S.A.	01-01-2015	31-01-2016	Construction risks	Open car
9436000056756	STU Ergo Hestia S.A.	01-01-2015	31-01-2016	Business liability insurance	PLN 100,000,000 for one event. and PLN 100,000,000 for all events

00-15-389-05707663	TU Allianz	01-01-2015	31-01-2016	Construction risks	Open car

d) ASSET-BACKED SECURITIES

Collateral for repayment of borrowings and loans incurred by the Capital Group with banks:

1) Conventional real estate mortgages and capped mortgages on assets of the Group
2) Assignment of rights from construction contracts
3) Clauses on deductions from bank accounts receivables
4) Blank promissory notes
5) Transfer of title to cash deposits which are a percentage of secured debt stipulated in a contract.

A breakdown of the above securities is presented in the Condensed Consolidated Financial Statements of the Erbud Capital Group for the period from 1 January to 30 June 2015 in Note 12.

10. Bodies of the Issuer

a) Supervisory Board

In accordance with Art. 11 point 2 of the Articles of Association of ERBUD SA the term of office of the Supervisory Board is jointly and fixed for a period of three 3 years. Members of the Supervisory Board shall be appointed pursuant the resolution of the General Meeting of the Issuer.

On 29 May 2015, the General Meeting of Shareholders of Erbud SA appointed by resolutions Nos 15/2015 - 21/2015 the Supervisory Board of Erbud SA consisting of seven members:

Full name	Post/Function	Term beginning	Term ending
Udo Berner	Chairman of the Supervisory Board	29.05.2015	28.05.2018
Józef Olszyński	Vice-Chairman of the Supervisory Board	29.05.2015	28.05.2018
Albert Dürr	Member of the Supervisory Board	29.05.2015	28.05.2018
Gabriel Główka	Member of the Supervisory Board	29.05.2015	28.05.2018
Zofia Dzik	Member of the Supervisory Board	29.05.2015	28.05.2018
Michał Otto	Member of the Supervisory Board	29.05.2015	28.05.2018
Janusz Lewandowski	Member of the Supervisory Board	29.05.2015	28.05.2018

At the same time, the Supervisory Board of ERBUD SA appointed by Resolution No. 19/2015 dated 29 May 2015 the **Audit Committee** composed of:

Gabriel Główka – Chairman of the Committee
Albert Dürr – Member of the Committee
Józef Olszyński – Member of the Committee.

By Resolution No. 20/2015 of 29 May 2015, the Supervisory Board ERBUD SA also appointed the **Remuneration Committee** composed of:

Udo Berner – Chairman of the Committee
Albert Dürr – Member of the Committee
Michał Otto – Member of the Committee.

b) Management Board of Erbud S.A.

On 31 May 2012, the Supervisory Board appointed the Management Board of Erbud SA for a new three-year joint term of office in the following composition:

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

On 29 May 2015, the Supervisory Board of Erbud SA appointed by secret ballot the Management Board of Erbud SA for a joint three-year term in the following composition:

Full name	Post/Function	Term beginning	Term ending
Dariusz Grzeszczak	Management Board member	29.05.2015	28.05.2018
Józef Adam Zubelewicz	Management Board member	29.05.2015	28.05.2018

On 16 June 2015, the Supervisory Board of Erbud SA appointed in a secret ballot Mr. Paweł Smoleń as a new member of the Management Board of Erbud SA. He will serve as a Member of the Management Board since 1 September 2015. Mr Smoleń's term of office expires on 28 May 2018.
From 1 September 2015, the Issuer's Management Board will be as follows:

Full name	Post/Function	Term beginning	Term ending
Dariusz Grzeszczak	Management Board member	2905.2015	28.05.2018
Józef Adam Zubelewicz	Management Board member	29.05.2015	28.05.2018
Paweł Smoleń	Management Board member	01.09.2015	28.05.2018

Paweł Smoleń has many years of experience in big energy companies. He served as Vice-President for Operations at PGE, Director of Strategy, Development and Energy Business at Vattenfall Europe Group in Germany, and Director of Productive Assets Management for the whole Vattenfall Group. By 2010 he was President of Vattenfall Heat Poland (formerly Warsaw Heat and Power Plants).

Paweł Smoleń belongs to numerous industry organizations. For four years, by 2012, he was President of the Association of Private Energy Employers at Polish Confederation.Lewiatan. He graduated from the Faculty of Materials Science and Engineering at Warsaw University of Technology and postgraduated from Marketing and Market Analysis at Warsaw School of Economics.
He is the General Director of Mining and member of associations of auditors in Poland (KIBR) and Great Britain (ACCA).

The new Member of the Management Board will be responsible for the development of the Group in the industry and energy segment and straightening the position of Erbud Industry. a subsidiary of the Issuer.

Mr Paweł Smoleń's workplace will be the headquarters of ERBUD SA in Warsaw.

The above activities are not competitive to the business of ERBUD S.A.

There is no family relationship between Paweł Smoleń and other members of the Supervisory Board or Management Board, or ERBUD S.A holders of a general commercial power of attorney (senior management staff members).

The aggregate remuneration of persons having a seat in the Issuer's bodies paid in the 1 half of 2015

Body	Aggregate remuneration in PLN
Supervisory Board	**231,000,00**
Management Board	**1,528,055.42**
TOTAL	**1,759,055.42**

11. Factors which in the Issuer's opinion will have an impact on the results achieved over at least next quarter

Currently, the Issuer does not identify any factors that would affect the results achieved by the Issuer. The portfolio consists of stable orders and there is no threat of "suspension" of any ongoing contracts. The Issuer does not foresee any acquisitions in the next quarter.

12. Description of business outlook in the reporting period and the market environment in which the Issuer operates

According to the Gdansk Institute for Market Economics (IBnGR), Poland's economic growth will reach 3.5% this year, while in the next will accelerate to 3.8%. In July last year, the Institute expected for this year a growth of 3.8%.
The GDP rate in Poland in 2015 will amount to 3.5%, which means that it will be only slightly higher than last year. IBnGR predicts that the next quarters of 2015 years will bring the acceleration of the economic growth, but the differences between quarters will be rather small - in the first quarter, the GDP will rise by 3.3% and in the fourth by 3.8%. It is expected that a further acceleration of economic growth will take place in 2016 and may reach 3.8% - says the Institute.

According to the Institute's estimates, in the first quarter of 2015 the GDP growth rate was 3.3% versus the same quarter of the previous year. Once again, the economic growth has been maintained - this period was the second subsequent quarter in which the economic growth rate was the same as three months earlier. The same GDP growth rate was reached in the last two quarters of 2014. Taking into account seasonal factors, the GDP growth in the first three months of the year amounted to 0.8% percent compared to the previous quarter.

The main driver of economic growth in the first quarter was the domestic demand. The Institute estimates its increase at 4.8%. This means that the quarterly growth of domestic demand declined for the third time in a row. Among the components of the domestic demand, the gross fixed capital formation, i.e. capital expenditures were characterized by the highest growth rate in the first quarter. In the period from January to March, they increased by 8.6%, which to some extent can be attributed to a mild winter, and following this, to the possibility of carrying out works in the period generally not favourable to construction. Hoverer, stable macroeconomic situation and positive attitude of consumers were of crucial importance for the satisfactory rise of investment spending. The rate of growth of total consumption remained at a slightly lower level than in last quarters of 2014.IBnGR estimates that it amounted 3.5% in the first quarter of 2015. Somewhat slower, at a rate of 3.2%, increased the individual consumption.

The fastest growing part of the economy, by sectors, was recorded in the first quarter of the industry. In the first three months of the year, the rate of growth of value added in industry amounted 4.7% and of industrial production sold 5.3%.Slower than in industry increased the value added in construction. Its growth rate in the first quarter was estimated by the Institute at 3.8%, while the construction sales at 3.5%t. As mentioned above, weather conditions affected to a certain extent good results in construction. But we must remember that a year ago we also observed a mild winter.
The economic situation in the construction sector shows that the crisis in the construction industry can be considered to be finished. Market services were the slowest growing part of the economy.

The rate of growth of value added in market services was in the first quarter of 2015, according to IBnGR, somewhat lower than that recorded in the fourth quarter of 2014, and amounted to 3.0%.

The unemployment rate at the end of the first quarter stood at 11.7%. This means an increase of 0.2 percentage point compared with the end of 2014 and a decrease of 1.8 percentage points versus last year. The increase in the unemployment rate against the end of the previous quarter is to be explained by the effect of seasonality. The main factor influencing the changes of the unemployment rate was the improvement in the labour market resulting from the economic recovery. An advantageous aspect of the labour market in the first three months of this year was also a growth in the average real gross salary. The Institute estimates, that the wage growth rate in this period amounted to 3.5%.

In 2015-2016 the labour market situation will steadily improve, which will result from sustained stable economic growth of 3-4 per cent. The unemployment rate should steadily decrease.
According to the IBnGR forecast, the unemployment in Poland at the end of 2015 will amount to 10.1% and a year later will fall to 9.0%. It is worth noting that this means a return to a single-digit level of unemployment. The decline in unemployment will be accompanied by the employment growth that in whole economy in the years 2015-2016 will go up by 1.4 and 1.9 percent accordingly. The fall in unemployment would be favourable to the growth of wages, which in 2015-2016 should rise in real terms at a rate slightly below 4 percent.

The average rate of increase in prices of consumer goods and services, in other words – inflation, amounted to -1,5% over the period from January to March, while at the end of March it stood at -1.5 % as well (per annum). This means that for the third quarter in a row observed is a deflation, i.e. a decline of average consumer prices, and in early 2015 this phenomenon has intensified. In the first quarter, as compared with previous, most significantly dropped prices of transport (by 10.5%), incl. fuel for private transport (by 16.0%), clothing and footwear (by 5.2%) and food (by 4.0%).

According to IBnGR, the value added in the industry sector will increase by 4.9% in 2015. The growth rate should be relatively stable all year round and in the range of 4.5-5.5% quarterly. The Institute forecasts that the situation in the construction sector will improve - the value added will go up by 6.5%, after increasing by 4.7% in the previous year. A stabilization of growth should be expected in the market services sector, where the this year's projected growth of value added amounts 3.3%. In 2016, the situation in the industry will continue to improve, where – in accordance with the forecast of IBnGR - the added value will increase by 5.1%. Also the construction will accelerate and the growth will be at 7.5%, mostly due to the road and railway projects completed increasingly.
The domestic demand rate in 2015 will amounts to 5.1%, slightly more than in the previous year. The Institute forecast says that private consumption will increase by 3.5% during this period, while the gross fixed capital formation will rise by 9.2%. The investment growth will be primarily a result of the increase in expenditures for the renewal of fixed assets in the business sector. The inflow of European funds to finance infrastructure projects will be another factor supporting investments. In 2016, the domestic demand will go up by 5.4%, both through increasing the individual consumption (3.8%), and investment (10.0%). In the years 2015-2016, the domestic demand will be the main driver of economic growth in Poland.

According to the forecast of IBnGR, the export growth rate in Poland in 2015 will amount to 6.5%, while imports will increase by 9.7% in the same time. This means that the contribution of foreign trade to GDP will remain negative. In 2016, we should expect a somewhat faster growth of exports – by ca. 7.0%t. and the positive dynamics of imports which will rise by 10.9%. The situation in foreign trade will primarily result from the economic outlook in the European Union, thus the acceleration of the growth of Polish exports to the projected level for 2015-2016 is conditioned by economic recovery among our main trading partners.

In the Institute's opinion, it should be expected a slight appreciation of the Polish Zloty (PLN) against the Euro and Dollar in 2015-2016. Due to the continuing low interest rates, the appreciation trend will not be as clear as it might seem a few years ago. According to IBnGR, the annual average exchange rate of Euro and Dollar in 2015 will amount to PLN 4.0 and 3.7 Zloty, while in 2016 the average Euro and Dollar exchange rate will amount to PLN 4.0 and 3.8 respectively.

Annual and quarterly 2015 macroeconomic forecasts of the Institute for Market Economics

		2014		2015				2014	2015	2016
		III	IV	I	II	III	IV			
GDP	% Y/Y	3.3	3.3	3.3	3.4	3.7	3.8	**3.4**	**3.5**	**3.8**
GDP	%	0.9	0.9	0.8	0.9	1.0	1.1	**x**	**x**	**x**
Value added										
- in industry	% Y/Y	3.8	4.0	4.7	4.9	5.3	5.5	**4.1**	**4.9**	**5.1**
- in construction	% Y/Y	3.3	2.3	3.8	6.4	6.6	6.9	**4.7**	**6.5**	**7.5**
- in market services	% Y/Y	3.2	2.6	3.0	3.2	3.5	3.5	**3.2**	**3.3**	**3.6**

Domestic demand	% Y/Y	5.1	5.0	4.8	5.0	5.2	5.2	**4.9**	**5.1**	**5.4**
Total consumption	% Y/Y	3.6	3.8	3.5	3.7	3.8	3.9	**3.4**	**3.7**	**4.0**
of which individual	% Y/Y	3.2	3.0	3.2	3.4	3.6	3.8	**3.1**	**3.5**	**3.8**
Gross expenditures on fixed assets	% Y/Y	9.2	8.6	8.6	8.8	9.4	9.8	**9.2**	**9.2**	**10.0**
Production sold										
- industry	% Y/Y	1.8	3.1	5.3	5.3	5.6	6.0	**3.3**	**5.7**	**6.0**
- construction	% Y/Y	1.3	1.1	3.5	5.0	6.6	7.0	**3.6**	**6.0**	**7.2**
Inflation (CPI; in average)	%	-0.3	-0.7	-1.5	-1.0	-0.3	0.3	**0.0**	**-0.6**	**1.1**
Inflation (CPI; period end)	%	-0.3	-1.0	-1.5	-0.7	0.0	0.5	**-1.0**	**0.5**	**1.8**
Money supply (M3, period end)	%	7.9	8.4	8.8	9.0	9.3	9.5	**8.4**	**9.5**	**9.7**
Real gross salary	% Y/Y	3.7	3.8	3.5	3.7	3.8	3.9	**3.4**	**3.7**	**3.9**
Average Employment in National Economy	% Y/Y	0.3	0.9	1.1	1.2	1.5	1.6	**0.6**	**1.4**	**1.9**
Registered unemployment rate (period end)	%	11.5	11.5	11.7	10.5	9.9	10.1	**11.5**	**10.1**	**9.0**
Export (GUS/RN)	%	3.6	5.6	5.8	6.0	6.2	6.9	**5.7**	**6.5**	**7.0**
Import (GUS/RN)	%	7.4	9.5	8.0	8.8	9.6	10.7	**9.1**	**9.7**	**10.9**
Current account balance BP (cumulative)	% of GDP	-1.3	-1.4	-1.2	-1.1	-1.1	-1.0	**-1.4**	**-1.0**	**-1.9**
The average USD exchange rate (by NBP)	PLN/USD	3.15	3.37	3.72	3.7	3.6	3.7	**3.16**	**3.7**	**3.8**
The average EURO exchange rate (by NBP)	PLN/EUR	4.18	4.21	4.19	3.9	3.9	4.0	**4.19**	**4.0**	**4.0**

Economic recovery in the current year in the European Union is mainly due to the favourable external economic factors. According to the economic forecast of European Commission of spring 2015, these short-term cyclical factors support the business recovery in the EU, without which it would be an average only.

There are many factors that simultaneously contribute to the economic recovery in the EU. Oil prices remain at a relatively low level, the global growth is stable, there is a further depreciation of the Euro, and the economic policy pursued in the EU is favourable.

When it comes to monetary policy, quantitative easing applied by the European Central Bank has a significant impact on financial markets and contribute to lower interest rates and the expected improvement in credit conditions. Due to the fact that the overall fiscal stance in the European Union is in principle neutral, the fiscal policy is conducive to the economic growth. With time effects should also bring undertaken structural reforms and investment plan for Europe. Over time, implemented structural reforms and investment plan for Europe should also bear fruit.

It is therefore expected that in 2015 the real GDP will grow by 1.8% in the EU and by 1.5% in the euro area, and respectively by 0.1 and 0.2 percentage points more than suggested in the forecast three months ago. For the year 2016, the Commission envisages an economic growth of 2.1% in the EU and 1.9% in the euro area.

The major GDP growth driver is the domestic demand, in accordance with the this year's expected acceleration of growth in private consumption and investment recovery in the next year.

Four leading German economic research institutes (DIW, IFO, RWI and IWH) presented new projections for the next two years.

As a result of increasing consumption, record employment and rising wages, the GDP forecast for this year has been raised from 1.2% (autumn forecast) to 2.1% (the spring one), and in 2016 the growth should remain at least at 1.8%.

The consumer spending will be again the basic pillar of the economy. According to calculations made by economists, due to lower charges for heating and fuelling German can save as much as EUR

8 billion. The decline in oil prices also keep the inflation at low level, which in this year should not exceed 0.5%, and next year will amount to approx. 1.3%. Forecasted growth in wages should at the same time increase the purchasing power of consumers.
Economists expect that the surplus in the state budget and the federal states may reach EUR 20 billion. In this situation, they turned to the government with a request to consider tax exemption for companies with small and medium income, as well as reduction of high labour costs. However, representatives of the CSU-SPD coalition announced that it don't plan to reform the tax system, and intend to invest the additional resources, among others, in the infrastructure.

In addition, contrary to the fears of employers, economists predict that the introduction of a statutory minimum wage of EUR 8.50 will not adversely affect the development of the labour market. The number of employees in 2015 will exceed 43 million people, and the unemployment rate drops to 5.9% by 2016.

An important impulse for economic development in 2015 will be trade with foreign countries as well. The world economy will start to grow in strength since mid-year, and devaluation of the Euro will encourage exports. German goods should benefit from attractive pricing primarily in the major markets in the US and China.

The main European market besides the domestic one, which acted the Issuer, is Belgium. Moreover, the Issuer completes through its subsidiaries Erbud International Sp. z o.o. and GWI GmbH construction services on German and French markets.

In 2015, there will be a further growth in the construction industry. The main driving force of the construction will be the engineering sector what will be the result of intensive works finishing the EU projects, especially in railway and water and sewerage.

Also industrial projects will have a significant share in the growth. The results for 2015 should come close to outputs of 2012. However, the record production level of 2011 may be revised only in the years 2017-2018.

According to the latest report by PMR (a research company) entitled "1H 2015 Construction sector in Poland - Development forecasts for 2015-2020", after modest increases in 2014, projections for the years 2015-2016 are slightly more optimistic.

However, the dynamics of the market will remain rather low (one-digit). The lack of a strong investment driver as it was Euro 2012 few years ago will cause that the investments will be spaced out more evenly over time, so in the coming period the PMR analysts do not expect a sudden surges of investments, but rather a stable dose of new projects up to 2022. Such trends are already evident in 2015 in road construction where investments started much slower than announced.

According to the PMR experts, 2015 will be a year of intensive work at numerous delayed projects, which are financially supported by the EU budget allocated for 2007-2013.

The last period of the settlement of the previous stage will be also the initial phase of preparation and slow implementation of new investment projects co-financed from the new EU budget.

In the coming years, the market will be characterized by high volatility and over the years various segments will play a leading role in Polish construction business. For instance, in 2016 there are possible temporary decrease in railway and water and sewerage sectors, mainly because of the transition between the old and the new EU budget. These declines will be offset by increases in road engineering and energy, where many projects for the coming years has already been contracted and another pool of investments is in the tender phase.

As far as the non-residential construction is concerned, after three years of decline, they are expected small rises in 2015, primarily following the dynamic growth in industrial and hotel building, and potentially also in offices. These increases will be substantially due to good data on construction permits from 2013. In contrast, a decreasing number of building permits from 2014 will impact on the housing market not earlier than in 2016.

What is important for building companies, in 2014 there already were clear effects of previous corrective measures in the construction industry. Net profit of building companies amounted to PLN 2.8 billion. The result is at the same level as in 2011, which was characterized by record output but at lower profitability of contracts. But still, it is much below the profitability levels of 2008-2010.

Despite the improving market condition, many contractors are still in a difficult financial situation and in the process of restructuring. However, a growing number of companies are those, for whom the year 2014 was one of the best in their history and those that in 2015 expect a significant improvement in their financial situation. This is also confirmed by information on portfolio orders that among the major market players are at least at the same level.

Polish construction sector is slowly recovering from the crisis, and forecasts for companies operating in the business are promising. According to experts, funds from new EU perspective invested in the infrastructure and housing will be growth drivers in the coming years.

According to the report on the construction market prepared by Coface and presented in January this year, this sector will rise by 6.8% in 2015.

13. Main threats and risks

It is estimated that by 2020 spending on infrastructure will reach PN 500 billion. Experts say, that the biggest share in expenditure will have road infrastructure, with a budget estimated at about PLN 95 billion, and the peak of road investments, due to procedural reasons, will occur in 2016-2018, when Poland will spend for this purpose PLN 19 to 23 billion yearly. Considering the scenario that took place in 2010-2012 this could result in increased prices of construction materials and services, even speculative ones. The negative effects of rising prices of materials and services can be partially anticipated by inflation clauses in contracts both with suppliers, subcontractors but also with investors.

Very important for the activities of the Issuer's Group is cash flow. Disturbing is the risk arising from gridlock, particularly the reducing of public investments during their implementation due to lack of funds to financing them. At present, neither the Issuer nor any entity from the ERBUD Group did face the problem of gridlock but the market observation shows that the problem exists. Therefore, the Management Board focuses on a very precise identification of a potential business partner. Unfortunately, it is difficult to identify or even impossible to assess whether the public investor has funds for the completion of the whole project. And here it is important, that there is good cooperation between the awarding entity and the contractor, based on a fair basis.
The Management Board has strengthened the internal audit in technical and financial terms. Each construction project is considered through the prism of the map of risks already identified in the bidding phase. After the strengthening the risk assessment program in the Issuer's Group, the Management Board does not see any risks arising from the processes which it can influenced.

The Management Board positively appreciates the Group's order portfolio which as at the date of report release was approximately PLN 1,3bn.

M	Residential buildings	212 405	15.9%
B	Offices	229 519	17.2%
HU	Commercial projects	223 451	16.7%
PM	Industrial and storage facilities	16 589	1.2%
UP	Public buildings and facilities	53 817	4.0%
SZ	Hospitals	93 900	7.0%
DR	Road-engineering	35 458	2.7%
IN	Civil engineering	265 423	19.9%
E	Power sector	111 863	8.4%
US	Services	51 602	3.9%

DW	Real estate development	41 160	3.1%
	Total	**1 335 187**	**100.0%**

Except risk factors reported in this section, the Management Board does not see any other risks which may affect the Company's financial position.

Management Board Member	Management Board Member
Józef Adam Zubelewicz	Dariusz Grzeszczak

August 26, 2015