MANAGEMENT BOARD REPORT ON BUSINESS ACTIVITIES OF THE ERBUD CAPITAL GROUP FOR 1-3Q OF 2016

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

1.1 The Parent

The parent company of the Erbud Group is ERBUD SA (the "Parent Company, the Parent") with its registered office in Warsaw at 1 F. Klimczaka St.; NIP [VAT Reg. No.].: 879-017-22-53; REGON [Business Reg. No.]: 00572837300000; entered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register into the Register of Entrepreneurs under KRS No. 0000268667.

1.2 Consolidated related parties

As at 30 September 2015 the structure of the Erbud Group was as follows.

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

Entity name	Seat	Core business	Percentage of shares held by the Parent and votes at AGM as of			
			30.09.2016	30.06.2016	31.12.2015	30.09.2015
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
GWI Bauunternehmung GmbH	Niemcy	Construction	85%	85%	85%	85%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%	79%
Przedsiębiorstwo Budownictwa Drogowo -Inżynieryjnego S.A.	Toruń	Engineering structures	90%	90%	94.27%	94.27%
Erbud Industry Sp. z o.o.	Toruń	Services for power industry	100%	100%	100%	100%
Erbud Industry Pomorze Sp. z o.o. (direct subsidiary of Erbud Industry Sp. z o.o)..	Gdańsk	Services for power industry	100%	100%	100%	100%
Erbud Industry Południe Sp. z o.o. (direct subsidiary of Erbud Industry Sp. z o.o.)	Będzin	Services for power industry	99.29%	99.29%	0%	99.29%
Erbud Industry Centrum Sp. z o.o.	Łódź	Services for power industry	98.92%	98.92%	98.66%	98.92%
Grupa Budlex	Warszawa	Real estate development	100%	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%	50%
Erbud Construction Sp. z o. o.	Toruń	Construction	100%	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and entertainment	39%	39%	39%	39%

During the 1H 2016, ERBUD SA led negotiations on the sale of the subsidiary Budlex SA. On 24 June 2016, the Issuer signed an agreement providing for the sale of 100% of Budlex SA shares to HOLDINVEST 1 sp. z o.o. seated in Warsaw for the price of PLN 45 million, reduced by an amount equal to the outflow of assets clearly defined in the agreement. The agreement allowed the outflow of assets, which will have no impact on the price, among others in the form of the payment of a dividend to Erbud SA amounted to PLN 17 million, and the repurchase from the Company's subsidiaries of a developed property located in Toruń at 10 Wapienna St. for a price of PLN 10 million net.

Due to the optimization of cash flows associated with the transaction it has been agreed before concluding a disposition agreement, and after concluding a final agreement that Erbud SA will not repurchase the property and will redeem shares in the subsidiary of Budlex SA, which is the owner of the property.

The acquisition of 248,120 shares, representing 100 percent of the share capital and entitling to 100 percent votes at the AGM of Budlex Properties Sp. z o.o. took place on **10 October 2016**.

The transaction of Budlex SA sale involved the following steps:

- the purchase by Erbud of 10.04 per cent of shares in Budlex from a minority shareholder for PLN 4.5m;
- the disposal by Erbud of 100 per cent of shares in Budlex to the Buyer for PLN 45m.

The Parties' commitment to sell the shares of Budlex was depending on the fulfilment of all of the following conditions precedent, incl. the consent of the Office of Competition and Consumer Protection (UOKiK which until the release of the Report has not been received.

Detailed information regarding the signed agreement was published in the Current Report No. 48 of 24 June 2016.

Following the fulfilment of all conditions precedent, of which depended on the disposal of Budlex shares, an agreement to sell 100 percent of its shares through the brokerage house Q Securities based in Warsaw has been signed on 13 October 2016.

Under the Agreement, the Issuer sold 100 per cent of the Company’s shares to HOLDINVEST 1 sp. z o.o. headquartered in Warsaw for PLN 45 million. Terms and conditions of the transaction described in the Current Report No. 48/2016 of 24 June 2016 have not changed, except that the Parties have agreed that instead of purchase by the Issuer of a developed property located in Toruń at 10 Wapienna St. 10, the Issuer has acquired a 100 percent stake in Budlex Properties sp. o.o. headquartered in Warsaw, which is the owner of the property. Budlex Properties Sp. o.o. conducts no other operating activities than the management of the property possessed.

The first tranche of the price in the amount of PLN 10m was paid prior to the Closing Date. The second tranche in the amount of PLN 35m will be paid within 10 working days from the Closing Date.
Until the payment of the second tranche of the price, multiple-share certificates will be deposited. In case that within 10 days from the Closing Date, the Buyer fails to pay the second tranche, the Issuer is entitled to withdraw from the Agreement.

The Agreement does not contain provisions on contractual penalties.

Any detailed information about the transactions was presented respectively in current reports 6/2016, 27/2016, 42/2016, 44/2016, 48/2016, 58/2016 and 72/2016.

At the date of releasing this Report the entire transaction has been was settled.

The funds from the sale of Budlex SA will be used to strengthen those lines of business, which according to the Management Board ERBUD SA will bring profits in the future.

a) *Entities 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 a parent entity (data relating to the Budlex Group are recognized in the income statement as a result of discontinued operations and the assets and liabilities of the Budlex Group as assets held for sale and the Group's disposal commitments as held for sale)

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

- Deptak Projekt P2 Sp. z o.o.

c) *Entities excluded from the consolidated financial statements due to the immateriality:*

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

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

The Management Board of Erbud S.A. did not publish any projections or estimates for 2016..

3. Shareholders of the Parent

List of shareholders holding more than a 5% stake in the shareholding of ERBUD SA

Shareholder	As at 14.11..2016		As at 29.08.2016	
	Number of shares and votes at AGM	Percentage in share capital and the total number of votes at AGM	Number of shares and votes at AGM	Percentage in share capital and the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG, incl. Wolff & Müller Holding GmbH & Co. KG	4 152 865	32.41%	4 152 865	32.41%
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	2 136 260	16.67%	2 136 260	16.67%
Nationale Nederlanden OFE (dawniej ING OFE)	1 266 900	9.89%	1 266 900	9.89%
Aviva OFE Aviva BZ WBK	1 183 146	9.23%	1 183 146	9.23%
Dariusz Grzeszczak	773 900	6.04%	773 900	6.04%
Adler Properties Sp. z o. o. controlled by Józef Zubelewicz	712 087	5.56%	712 087	5.56%
Józef Zubelewicz	259 500	2.03%	259 500	2.03%
Free Float	2 327 201	18.10%	2 327 201	18.10%
Total	**12 811 859**	**100.00%**	**12 811 859**	**100.00%**

During the three quarters of 2016 and until the date of releasing this report there were no movements of shares owned directly or indirectly by shareholders holding more than 5% of the Issuer's share capital.

As on the day of publication of this report, the Company had no information on the transactions, which in future may result in changes in the proportions of shares held by existing shareholders.

4. Shares of Erbud SA or rights to them (options) held by the ERBUD SA managing and supervising persons as at the report publication date, incl. changes in ownership over the period beginning on the releasing date of the previous quarterly report, i. e. from 29 August 2016

Related person	Relationship	As at 14.11.2016		As at 29.08. 2016	
		Number of shares and votes at AGM	Percentage in share capital and the total number of votes at AGM	Number of shares and votes at AGM	Percentage in share capital and the total number of votes at AGM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Management Board Member	2 136 260	16.67%	2 136 260	16.67%
Adler Properties Sp. z o.o. controlled by Józef Zubelewicz	Management Board Member	712 087	5.56%	712 087	5.56%
Dariusz Grzeszczak	Management Board Member	773 900	6.04%	773 900	6.04%
Józef Adam Zubelewicz	Management Board Member	259 500	2.03%	259 500	2.03%
Albert Dürr	Supervisory Board Member	28 000	0.22%	28 000	0.22%

Members of the Management Board and the Supervisory Board do not have any Erbud's shares options.

5. Proceedings pending before court, authority responsible for arbitration or public administration as of 30 September 2015:

a) Proceedings concerning liabilities or receivables of the Issuer or its subsidiary with a value of 10 percent 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 the case: 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 first hearings were held on 28 October 2015 and 10 February 2016. During the hearing, the first witnesses called by MTL were exanimated. Next examination dates are fixed.

In November and December 2015, parties exchanged next pleadings. Hearings of witnesses are held.

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 26,923,644.16

State of the case: 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 hearing took place on 6 November 2015. Both parties asked for the abolition of the hearing in order to continue voluntary arrangements. The hearing has been set for 18 November 2016.

Plaintiff: ERBUD S.A., Warsaw
Defendant: Bank Millennium S.A., Warsaw
Date of filing a lawsuit: 22 December 2010
The amount in dispute: PLN 71,065,496

State of the case: 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.

On 16 September 2016, the Issuer received from its legal advisers a notice of the judgement issued by the Regional Court in Warsaw, XVI Commercial Division. Under this judgment, the Court dismissed the claim of the Issuer in its entirety.

On 4 November 2016, the Issuer lodged an appeal against the adverse judgement, challenging it in its entirety.

The allegations focus in particular on incorrect findings and conclusions by the Court of First Resort on faulty determination by the Court of the content of disputed transactions and misinterpretation of documents, including those confirming the transaction. Furthermore, the appeal cited the numerous verdicts of the District Court and Court of Appeal in Warsaw issued in similar cases, in which the courts delivered judgments beneficial for the customers of Millennium Bank being in a situation very close to the Issuer.

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

The total value of other proceedings in which Erbud SA is the plaintiff: PLN 53,909,226.4

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 9,877,132

State of the case: 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 general contracting contract.

On 30 November 2015, ERBUD SA expanded the suit by the amount of PLN 1,689,500 due to ERBUD SA as a contractual penalty for the withdrawal from the general contracting contract for reasons attributable to Kępska SA.
From September 2015 to February 2016 took place hearings of witnesses of Parties.
In July 2016, an expert opinion was delivered, which is favourable to ERBUD SA and confirms that the building was completed on time and did not have material defects.
The next court date: 14.11.2016.

b)
Plaintiff: ERBUD S.A. seated in Warszawa (Warsaw Branch)
Defendant: Akademia Muzyczna in Łódź
Date of filing a lawsuit: 20 December 2013
The amount in dispute: PLN 2,050,515

State of the case: 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 04.06.2015 and adjourned.
By decision dated 05.11.2015, the Court combined this case with the case No. I C 1944/14. Hearings of other witnesses are held.

c)
Plaintiff: Erbud S.A.
Defendant: Międzyzdrojski Rynek Sp. z o.o.
The amount in dispute: PLN 3,699,578

State of the case: 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.
On 25.01.2016 the sentence was announced under which PLN 3,212,456.39 add interest was awarded to Erbud. The judgment is not legally binding; the court delivered a justification to the parties. The defendant filed an appeal; Erbud submitted an answer to the appeal. Waiting for setting an ex officio date.

The total value of other proceedings in which Erbud SA is the defendant: PLN 14,846,875.90

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 proceeding was suspended for three months.

By decision dated 05.11.2015, the Court combined this case with the case No. C 2090/13 and then set the date of the hearing for 11.03.2016. The hearing has been adjourned to 08.08.2016 and held on this date. Hearings of other witnesses are held.

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.

6. 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.

In the period of three quarters of 2016, there took place transactions with related parties. Both the Issuer and its subsidiaries did not enter into any significant transactions with related parties and on non-market conditions. All contracts were of a routine nature and resulted from the statutory activities of the companies of the Group.

7. Information about loan or borrowing sureties provided by the Issuer or its subsidiary during three quarters of 2016

Sureties provided by the Issuer are summarized below:

As at 14 November 2016

No.	Date of providing surety	Guarantor	Debtor	Value in PLN '000	Subject	For	Expiry date	Type and conditions
1	2009-09-28	Erbud S.A.	GWI GmbH – 85% owned subsidiary	12 930	Overdraft EUR 1,000,000 + guarantee line EUR 2,000,000	KBC	2016-12-31	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	8 624	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	32 840	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	15 082	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	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.
6	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.
7	2014-10-13	Erbud S.A	Erbud Industry Sp. z o.o. – 100% owned subsidiary Erbud Industry Centrum Sp. z o.o. - subsidiary owned 98.66% by Erbud Industry Sp. z o.o.	9 300	Investment loan (PLN 6,200,000 for refinancing the loan taken for the purchase of shares in Engorem Sp. z o.o.; PLN 2,952,000 for purchase of branches from PxM and PLN 848,000 to financing them	Credit Agricole	2020-08-28	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.

8	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.
9	2015-11-19	Erbud S.A.	Erbud Industry Sp. z o.o. – 100% owned subsidiary	35 000	Multi-purpose credit 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.
10	2016-09-29	Erbud S.A.	GWI GmbH – 85% owned subsidiary	13 276	Overdraft	PKO BP S.A. (Branch Germany)	2019-09-30	Civil law surety. The guarantor charges a fee for the surety of 1% of the surety value.
			Total	**140 869**				

Sureties provided to ERBUD S.A.

As at 30 September 2016 and the date of publication

No.	Date of providing surety	Guarantor	Debtor	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.; Erbud International Sp. z o.o. -subsidiary 100% owned by Erbud SA	ERBUD S.A.	50 000	Multi-purpose line of credit 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.

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

Liabilities arising from guarantees provided to third parties (in PLN '000)

Company	Liabilities payment guarantee	Performance bond	Defects liability bond	Total contingent liabilities
Erbud S.A.				
30.09.2016	39 252	238 701	155 142	433 095
30.06.2016	25 272	142 508	155 349	323 129
30.09.2015	32 009	168 399	146 622	347 030
PBDI S.A.				
30.09.2016	2 280	8 545	14 082	24 907
30.06.2016	9 947	10 030	13 364	33 340
30.09.2015	4 837	17 771	8 455	31 063
GWI GmbH				
30.09.2016	0	17 678	30 385	48 063
30.06.2016	0	31 186	14 179	45 365
30.09.2015	0	14 232	30 569	44 801
Erbud International Sp. z o.o.				
30.09.2016	0	0	3 856	3 856
30.06.2016	0	0	4 125	4 125

30.09.2015	0	0	6 359	6 359
Erbud Industry Sp. z o.o				
30.09.2016	500	2 746	1 298	4 544
30.06.2016	1 500	3 894	1 016	6 410
30.09.2015	50	1 768	360	2 178
Erbud Industry Centrum Sp. z o.o.				
30.09.2016	0	458	1 201	1 659
30.06.2016	0	235	1 100	1 335
30.09.2015	742	1 446	688	2 876
Erbud Industry Południe Sp. z o.o.				
30.09.2016	215	262	402	879
30.06.2016	244	181	415	841
30.09.2015	0	1 188	495	1 683
Erbud Industry Pomorze Sp. z o.o.				
30.09.2016	1 014	1 755	812	3 581
30.06.2016	0	781	812	1 592
30.09.2015	0	813	508	1 321
Erbud Rzeszów Sp. z o.o.				
30.09.2016	0	3 242	445	3 688
30.06.2016	0	2 910	444	3 354
30.09.2015	0	2 933	443	3 376

8. Key events occurred over 1-3Q 2016 and the significant events after 31.09.2016

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

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

9.1.1 Signed loan agreements and agreements for multi-purpose guarantee lines.

At the end of the third quarter 2016, the total debt of the Group due to loans and bonds amounted to PLN 160,141 thousand, including PLN 93,436 thousand as a short-term debt.

Available debts of the Erbud Group under the signed loan contracts amounted to **PLN 159 m, of which PLN 133m and EUR 6m.**

Additionally, the Issuer has PLN 52m of debts due to bonds issued.

The security for the repayment of loans and borrowings granted by banks to the Group are:

- conventional and capped mortgages on assets of the Group;
- assignment of rights under construction contracts;
- deductions from claims from bank accounts clauses;
- blank promissory notes;
- assignment of cash deposits representing a contractual percentage of secured debt;
- Intra-Group civil law guarantees.

Loan agreements signed by the companies of the Erbud Group as at 30 September 2016

Bank	Type of liability	Amount in '000	Currency unit	Interest rate	Expiry date	Payment	Borrower
BGŻ BNP Paribas S.A.	Overdraft	3 000	PLN	WIBOR 1M + 1.5%	2016-12-02	In one amount	ERBUD S.A.
mBank S.A.	Overdraft	10 000	PLN	WIBOR 1M + 1.6%	2016-12-30	In one amount	ERBUD S.A.
PKO Bank Polski S.A.	Overdraft	20 000	PLN	Call rate of PKO BP + 2.1%	2017-06-30	In one amount	ERBUD S.A.
Alior Bank S.A.	Overdraft	10 000	PLN	WIBOR 3M + 1.6%	2017-09-04	In one amount	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft	34 000	PLN	WIBOR 1M + 1.6%	2016-12-31	In one amount	ERBUD S.A.
BZ WBK S.A.	Overdraft	5 000	PLN	WIBOR 1M + 1.5%	2017-10-31	In one amount	ERBUD S.A.
BGŻ BNP Paribas S.A.	Overdraft	5 000	PLN	WIBOR 1M + 1.5%	2016-11-28	In one amount	PBDI S.A.
BGŻ BNP Paribas S.A.	Overdraft	5 000	PLN	WIBOR 1M + 1.2%	2016-11-28	In one amount	Erbud Industry Sp. z o.o.
mBank S.A.	Overdraft	5 000	PLN	WIBOR O/N + 1.3%	2016-12-31	In one amount	Erbud Industry Sp. z o.o.
BGŻ BNP Paribas S.A.	Investment loan	3 259	PLN	WIBOR 1M + 1.9%	2019-09-17	Installment	Erbud Industry Sp. z o.o.
BGŻ BNP Paribas S.A.	Project loan	30 000	PLN	WIBOR 1M + 1.4%	2024-09-17	In one amount	Erbud Industry Sp. z o.o.
BGŻ BNP Paribas S.A.	Investment loan	2 886	PLN	WIBOR 1M + 1.9%	2020-04-30	Installment	Erbud Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	Investment loan	6 568	PLN	WIBOR 3M + 1.7%	2020-02-28	Installment	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Revolving loan	4 000	PLN	WIBOR O/N + 1.25%	2017-07-28	In one amount	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Revolving loan	2 000	PLN	WIBOR O/N + 1.25%	2017-07-28	In one amount	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Revolving loan	2 000	PLN	WIBOR O/N + 1.25%	2017-07-28	In one amount	Erbud Industry Południe Sp. z

							o.o.
Credit Agricole Bank Polska S.A.	Revolving loan	2 000	PLN	WIBOR O/N + 1.25%	2017-07-28	In one amount	Erbud Industry Pomorze Sp. z o.o.
BGŻ BNP Paribas S.A.	Overdraft	2 000	PLN	WIBOR 1M + 1.8%	2017-01-14	In one amount	Erbud Industry Pomorze Sp. z o.o.
mBank S.A.	Overdraft	200	PLN	WIBOR O/N + 1.9%	2017-09-06	In one amount	Erbud Rzeszów Sp. z o.o.
CommerzBank AG	Overdraft	2 000	EUR	4.39%	2017-05-31	In one amount	GWI GmbH
KBC	Overdraft	2 000	EUR	EONIA + 4%	For an unlimited period	In one amount	GWI GmbH
PKO BP S.A. Oddział Niemcy	Overdraft	2 000	EUR	EURIBOR 1M + 2.1%	2017-09-30	In one amount	GWI GmbH
	TOTAL PLN	151.913	PLN				
	TOTAL EUR	6.000	EUR				

Moreover, the above mentioned banks and insurance companies may grant performance bonds and guarantees to the Group.

The total value of available guarantee lines is **PLN 1 008 million.**

Bank guarantee limits available to the Group as at 30 September 2016

Guarantor	Type of liability	Amount in '000	CU	Guarantee for
Alior Bank S.A.	Bid bond; performance bond; defects liability bond; repayment of advances; counter- guarantee	80 000	PLN	ERBUD S.A.
Alior Bank S.A.	Bid bond; performance bond; defects liability bond; repayment of advances; counter- guarantee	4 900	EUR	ERBUD S.A.
BGŻ BNP Paribas S.A.	Bid bond; performance bond; defects liability bond; repayment of advances; counter- guarantee	81 000	PLN	ERBUD S.A.
mBank S.A.	Bid bond; performance bond; defects liability bond	80 000	PLN	ERBUD S.A.
PKO Bank Polski S.A.	Bid bond; performance bond; defects liability bond	30 000	PLN	ERBUD S.A.
BZ WBK S.A.	Bid bond; performance bond; defects liability bond	45 000	PLN	ERBUD S.A.
HSBC Bank Polska S.A.	Bid bond; performance bond; defects liability bond	70 000	PLN	ERBUD S.A.

Credit Agricole Bank Polska S.A.	Bid bond; performance bond; defects liability bond	30 000	PLN	Erbud S.A. (30 000) Erbud Industry Centrum Sp. z o.o. (3 000); Erbud Industry Sp. z o.o. (2 000); Erbud Industry Południe (1 500); Erbud Industry Pomorze Sp. z o.o (2 500)
ING Bank Śląski S.A.	Bid bond; performance bond; defects liability bond	88 000	PLN	ERBUD S.A. (88 000) PBDI S.A. (10 000) Erbud Industry Centrum Sp. z o.o. (5 000)
BGŻ BNP Paribas S.A.	Bid bond; performance bond; defects liability bond	8 000	PLN	PBDI S.A.
mBank S.A.	Bid bond; performance bond; defects liability bond	3 091	PLN	PBDI S.A.
KBC	Bid bond; performance bond; defects liability bond	1 000	EUR	GWI GmbH
	TOTAL PLN	515 091	PLN	
	TOTAL EUR	5 900	EUR	

Insurance guarantee limits available to the Group as at 30 September 2016 and the day of realising the report

Guarantor	Type of liability	Amount in '000	CU	Guarantee for
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond; repayment of advances	175 000	PLN	ERBUD S.A.
PZU S.A.	Bid bond; performance bond; defects liability bond; repayment of advances	70 000	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bond; performance bond; defects liability bond; repayment of advances	30 000	PLN	ERBUD S.A.
Warta S.A	Bid bond; performance bond; defects liability bond; repayment of advances	20 000	PLN	ERBUD S.A.
KUKE S.A.	Bid bond; performance bond; defects liability bond; repayment of advances	20 000	PLN	ERBUD S.A.
Euler Hermes S.A.	Bid bond; performance bond; defects liability bond; repayment of advances	10 000	PLN	ERBUD S.A.
Euler Hermes AG.	Bid bond; performance bond; defects liability bond	7 500	EUR	GWI GmbH, ERBUD S.A., Erbud International Sp. z o.o
ZURICH	Bid bond; performance bond; defects liability bond	3 500	EUR	GWI GmbH
AXA	Bid bond; performance bond; defects liability bond	1 000	EUR	GWI GmbH
Bayerischer Versicherungverbad	Bid bond; performance bond; defects liability bond	1 500	EUR	GWI GmbH
Swiss RE	Bid bond; performance bond; defects liability bond	2 000	EUR	GWI GmbH
R+V	Bid bond; performance bond; defects liability bond	2 000	EUR	GWI GmbH
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond	15 000	PLN	PBDI S.A.
Warta S.A.	Bid bond; performance bond; defects liability bond	14 000	PLN	PBDI S.A.
PZU S.A.	Bid bond; performance bond; defects liability bond	10 000	PLN	PBDI S.A.

Allianz Polska S.A.	Bid bond; performance bond; defects liability bond	10 000	PLN	PBDI S.A.
InterRisk	Bid bond; performance bond; defects liability bond	2 000	PLN	PBDI S.A.
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond	1 500	PLN	Erbud Industry Pomorze Sp. z o.o
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond	4 000	PLN	Erbud Industry Centrum Sp. z o.o
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond	10 000	PLN	Erbud Industry Sp. z o.o.
STU Ergo Hestia S.A.	Bid bond; performance bond; defects liability bond	1 000	PLN	Erbud Rzeszów Sp. z o.o.
	TOTAL PLN	392 500	PLN	
	TOTAL EUR	17 500	EUR	

9.2. Significant financial agreements

On 08 January 2016, Erbud signed with mBank annexes to the Framework Agreement of 02.02.2010, under which the Issuer may use the multi-purpose line with a value of PLN 90m, incl. overdraft up to PLN 10m. The line maturity date falls on 30 December 2016.

9.3. Relevant information about subsidiaries

9.3.1 General information

Until the publication of the Financial Statements for the third quarter of 2016, there were no events of a special nature relating to subsidiaries besides the above described transaction of the sale of 100 percent shares of Budlex SA.

9.3.2 Information on transactions with related parties concluded within the Issuer's Group

By 30 September 2016 and the report publication date, the Issuer and its subsidiaries did not conclude any transactions with related parties on conditions other than at arm's length principle.

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

9.4.1 Modlin - State of affairs - General information about the contract and its completion

The contract for the construction of the Warsaw-Modlin Airport was signed on September 14, 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA ("General Contractor") was obliged, inter alia, to upgrade the runway. As the Project Management Company the Customer established Bud-Invent Sp. z o.o.
The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1,421 meters. The net value of the concrete thresholds constructed is about PLN 10m.

DSH – Dospravni stavby a.s., a subsidiary of the construction group Metrostav, was a subcontractor responsible for the construction of the concrete pavement of runway thresholds. The company specializes in such kind of works. The Employer has been informed of the choice of the subcontractor and did not oppose (January 2011).

DSH contracted a number of works with:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]: the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;
- CEMEX and LAFARGE – two worldwide known suppliers of aggregate: the supply of aggregate for concrete used to complete the runway thresholds.

The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

On 10 June 2011, DSH submitted the mix design to the Employer. The Employer approved the mix design on 20 June 2011. The runway was carried out by DSH over the period of June - November 2011, according to the mix design prepared by the Instytut Inżynierii Lądowej Politechniki Wrocławskiej. The company used aggregate supplied by CEMEX and Lafarge. All design solutions, concrete mix formulas, certificates of compliance and land surveying were supervised by the staff of the General Contractor and the Employer, and the works were executed under direct supervision of Client's Engineer.

The concrete mix production samples were taken by the laboratory of TPA Instytut Badań Technicznych (Technical Research Institute). The samples were collected pursuant to Polish Standards, i.e. from each batch of concrete produced. Tests have shown that the strength and frost resistance of concrete is at least equal to or higher than designed one.

By Decision No. 919/2012 of 6 June 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) authorized the use of the project.
The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:
- developing guidelines on using the civil structure, including the airport pavement maintenance manual
- regular technical inspections of the airport pavement,
- continuous monitoring of the civil structure.

By Decision No. 1980/2012 dated 28 December 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego prohibited to use of the part of the runway (the decision announced verbally on 22 December 2012). The decision was based on Article 66, Section 1, Item 2 and Section 2 of the Building Code of 7 July 1994, that is on *"(…) the statement that a structure is used in a manner endangering life or health of people, safety of property or environment (…)".*

According to an interview on 23 January 2013 for the TVN CNBC by Mr. Marcin Danił , Vice President of the Management of Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o., the Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage.

The Customer has a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.
In January and February 2013, the Employer and the General Contractor held a number of meetings, as a result of which the General Contractor presented on 20 February 2013 a Framework Schedule for runway works. The schedule has been approved by the Employer.

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

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

Stance of the Management Board on financial claims
Based on a preliminary analysis of the construction investment process and results of the internal audit, as well as the evaluation of technical research and works performed (including their compatibility with the mix design and Polish standards), it was confirmed that it can be concluded, that all materials used meet the standards specified and required by Polish law.

During conducting the project works, all design solutions, material formulas and land surveying were supervised by the relevant services of the General Contractor and the Employer, and the works were executed under the direct supervision of the General Contractor and the Client's Engineer.

By order of the General Contractor, material samples were collected and then it has been commissioned to make external investigations and technological reports that should show what caused the cavities in concrete surface. This makes it possible to determine the liability of the various parties involved in the project.

In late December and early January 2013, the cost of work executed amounted to about PLN 450 thousand. The General Contractor charged DSH with the above costs and offset claims. The cost of works carried out at the airport is estimated at about PLN12.5m. Following the outsourced expertise all of the costs will be charged to the indicated entity (-ies) as a result of outsourced expertise.

9.5. The Issuer's Supervisory and Management Boards

a) Supervisory Board

Pursuant to Article 11 item 2 of the Articles of Association of ERBUD SA, the term of office of the Supervisory Board is common and lasts 3 years. Members of the Supervisory Board of the Issuer are appointed under a resolution passed by the AGM of the Issuer.

On 30 September 2016, the Supervisory Board ERBUD SA was composed of:

- Udo Berner – Chairman
- Albert Dürr – Member
- Gabriel Główka – Member
- Zofia Dzik – Member
- Michał Otto – Member
- Janusz Lewandowski – Member
- Janusz Reiter – Member.

On 30 March 2016, the Management Board received a Resignation Notice from Mr Józef Olszyński. Mr. Józef Olszyński resigned his membership in the Company's Supervisory Board and as Vice Chairman of the Supervisory Board with effective from 28 April 2016, without giving the reasons for his resignation.

28 April 2016, the AGM of Shareholders appointed a new member of the Supervisory Board in the person of Mr. Janusz Reiter.

There are two committees within the Supervisory Board:

1. The Remuneration Committee composed of:
   - Udo Berner – Chairman
   - Albert Dürr – Member
   - Michał Otto – Member.
2. The Audit Committee composed of:
   - Gabriel Główka – Chairman
   - Albert Dürr – Member
   - Michał Otto – Member.

Mr Michał Otto was appointed by the Supervisory Board to the Audit Committee on 28 April 2016, following the resignation of Mr Józef Olszyński.

b) Management Board of Erbud SA

During the first three quarters of 2016, the Management Board of Erbud SA acted in the following composition:

- Dariusz Grzeszczak – Member
- Józef Adam Zubelewicz – Member
- Paweł Smoleń – Member.

Until publication of the report, the composition of the Supervisory Board and the Management Board has not changed.

Signatures of the Management Board Members

Dariusz Grzeszczak **Józef Zubelewicz** **Paweł Smoleń**

Warsaw, November 14, 2016