Translation from Polish

ERBUD S.A.

MANAGEMENT BOARD REPORT ON ACTIVITIES OF THE COMPANY IN 2011

WARSAW, 27 April 2012

1. OVERVIEW OF ECONOMIC AND FINANCIAL HIGHLIGHTS RECOGNIZED IN THE ANNUAL FINANCIAL STATEMENTS

The financial position of Erbud SA in 2011 is characterized by selected economic and financial figures recognized in the statements of balance sheet, profit and loss, cash flow and explanatory notes, together with the auditor's opinion and report.

1.1. Analysis of balance sheet statement for 2011

Balance Sheet (in PLN '000)	31.12.2011	31.12.2010	Change	Change in %
I Fixed assets	**206,539.00**	**179,890.00**	**26,649.00**	**0.15**
1. Intangible fixed assets	388.00	124.00	264.00	2.13
2. Tangible fixed assets	8,596.00	8,582.00	14.00	0.00
3. Long-term receivables	0.00	0.00	0.00	0.00
4. Long-term investments	173,065.00	158,501.00	14,564.00	0.09
5. Long-term prepayments	24,490.00	12,683.00	11,807.00	0.93
II Current assets	**476,205.00**	**387,306.00**	**88,899.00**	**0.23**
1. Inventories	1,127.00	1,189.00	-62.00	-0.05
2. Short-term receivables	253,401.00	194,423.00	58,978.00	0.30
3.Short-term investments	121,707.00	129,827.00	-8,120.00	-0.06
4. Short-term prepayments	99,970.00	61,867.00	38,103.00	0.62
5. Assets available for sale	0.00	0.00	0.00	0.00
Total assets	**682,744.00**	**567,196.00**	**115,548.00**	**0.20**
I Equity	**229,219.00**	**251,973.00**	-22,754.00	**-0.09**
II Liabilities and provisions for liabilities	**453,525.00**	**315,223.00**	**138,302.00**	**0.44**
1. Provisions for liabilities	30,277.00	18,370.00	11,907.00	0.65
2. Long-term liabilities	56,537.00	10,892.00	45,645.00	4.19
3. Short-term liabilities	324,560.00	259,467.00	65,093.00	0.25
4. Accruals	42,151.00	26,494.00	15,657.00	0.59
Total liabilities	**682,744.00**	**567,196.00**	**115,548.00**	**0.20**
Book value in PLN '000	*229,219.00*	*251,973.00*	*-22,754.00*	*-9.03*
Number of shares/stocks	*12,644,169.00*	*12,602,711.00*	*41,458.00*	*0.33*
Book value per share/stock in PLN	*18.13*	*19.99*	*-1.87*	*-9.33*

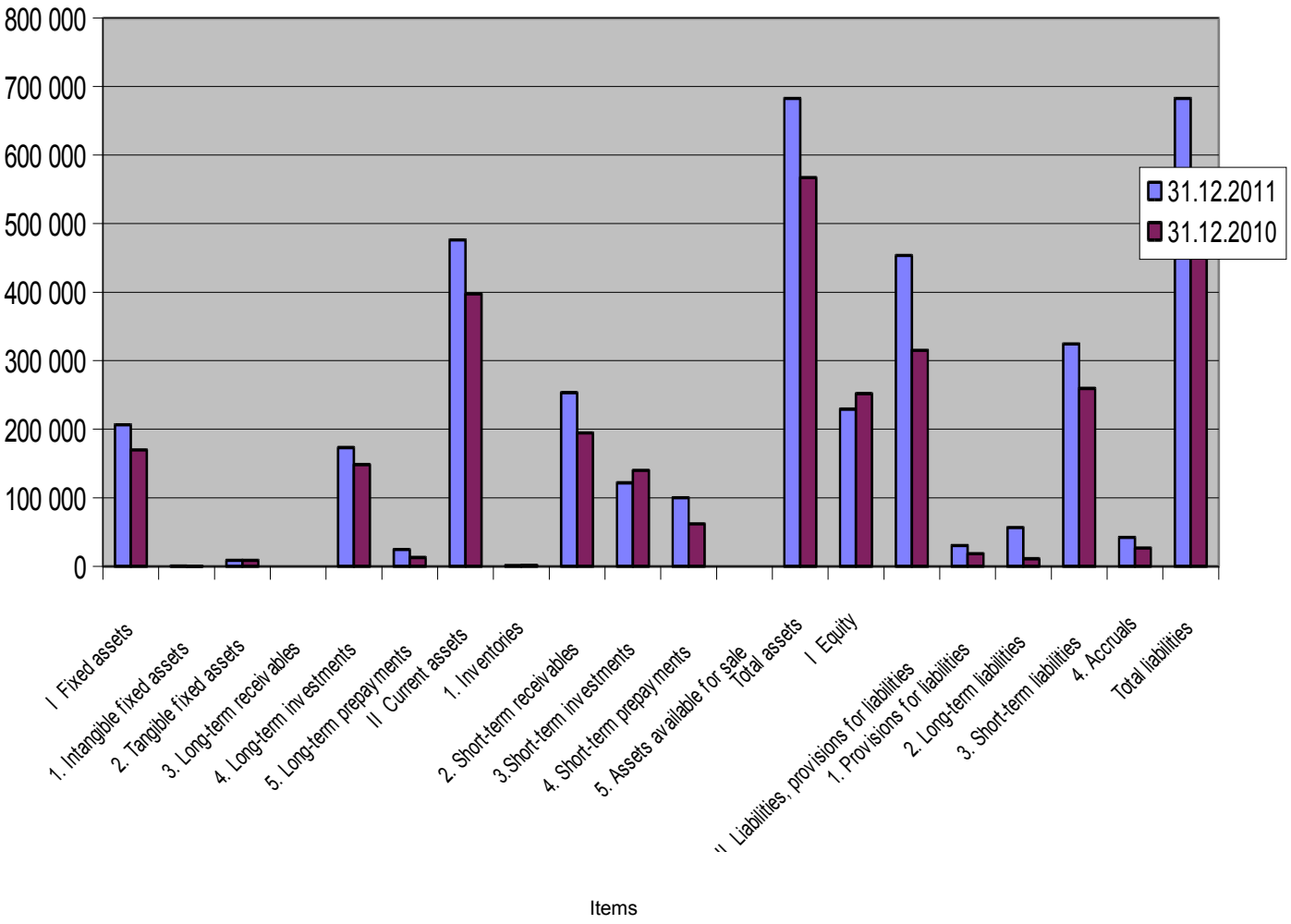
Balance Sheet (in PLN '000)	31.12.2011	31.12.2010	Structure in %	Structure in %
I Fixed assets	**206,539.00**	**179,890.00**	**0.30**	**0.32**
1. Intangible fixed assets	388.00	124.00	0.00	0.00
2. Tangible fixed assets	8,596.00	8,582.00	0.01	0.02
3. Long-term receivables	0.00	0.00	0.00	0.00
4. Long-term investments	173,065.00	158,501.00	0.25	0.28
5. Long-term prepayments	24,490.00	12,683.00	0.04	0.02
II Current assets	**476,205.00**	**387,306.00**	**0.70**	**0.68**
1. Inventories	1,127.00	1,189.00	0.00	0.00
2. Short-term receivables	253,401.00	194,423.00	0.37	0.34
3.Short-term investments	121,707.00	129,827.00	0.18	0.23
4. Short-term prepayments	99,970.00	61,867.00	0.15	0.11
5. Assets available for sale	0.00	0.00	0.00	0.00
Total assets	**682,744.00**	**567,196.00**	**1.00**	**1.00**
I Equity	**229,219.00**	**251,973.00**	**0.34**	**0.44**
II Liabilities and provisions for liabil	**453,525.00**	**315,223.00**	**0.66**	**0.56**
1. Provisions for liabilities	30,277.00	18,370.00	0.04	0.03
2. Long-term liabilities	56,537.00	10,892.00	0.08	0.02
3. Short-term liabilities	324,560.00	259,467.00	0.48	0.46
4. Accruals	42,151.00	26,494.00	0.06	0.05
Total liabilities	**682,744.00**	**567,196.00**	**1.00**	**1.00**

In 2011, the Company's assets rose by 20.37 %, of which in 2011 the Issuer's current assets rose by 22.95%%, what was a result of an increase in inventories and short-term prepayments.
The Issuer's equity decline by 9,03%. The reduction is the result of operating losses recorded in the reporting period.
The balance sheet structure (the percentage of each item in total assets and liabilities) has been unchanged.

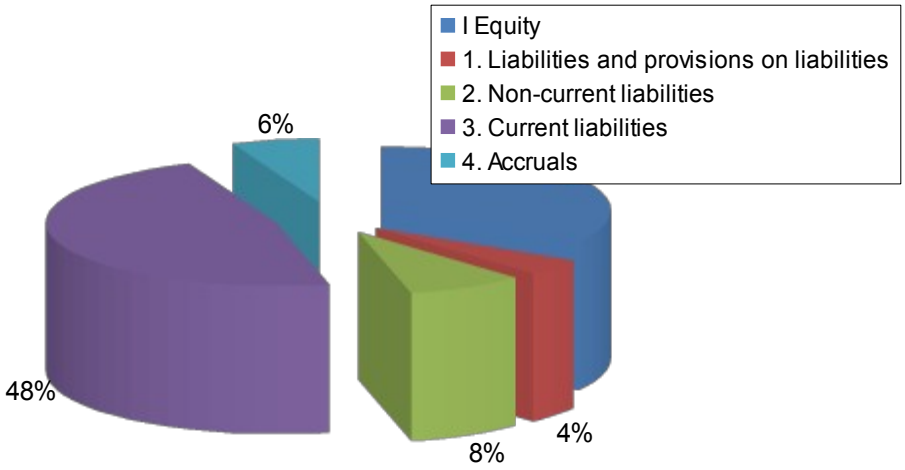
The structure of assets and liabilities reflects the Board's policy: development of the Company through the current assets value.

2010/2011 Balance Sheet

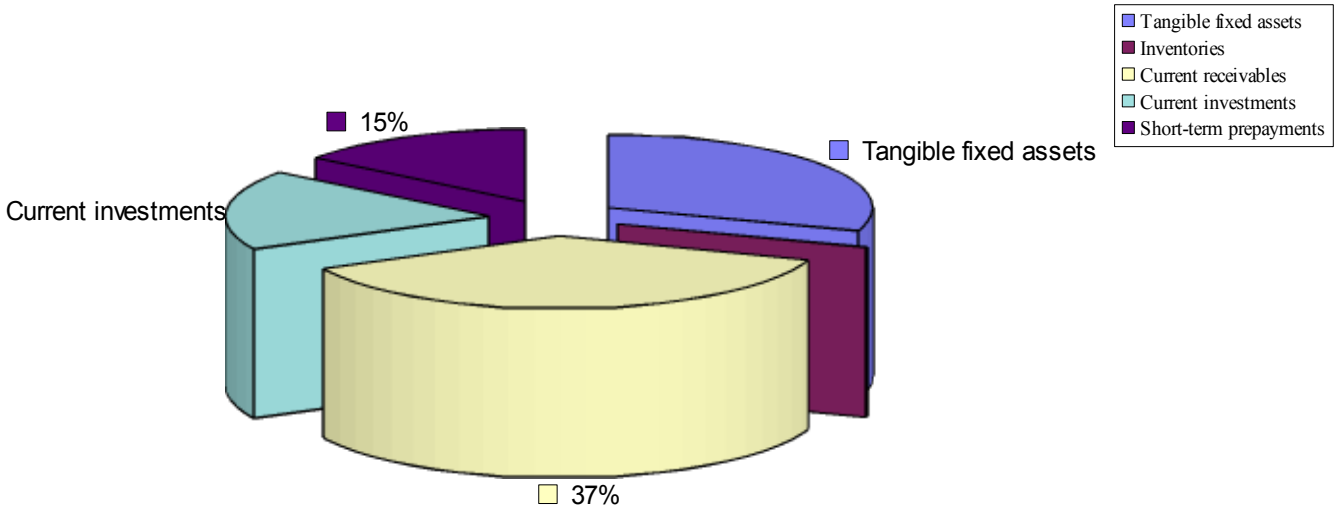
Value in PLN '000



2011 structure of liabilities



2011 structure of assets



1.2. Analysis of profit or loss in 2011

Item	2011	2010	Change	Change in %
A. Revenue from core business	**1,245,578.00**	**906,460.00**	**339,118.00**	**0.37**
B. Costs of products sold	**1,231,809.00**	**838,782.00**	**393,027.00**	**0.47**
C. Profit (loss) on sales before tax	**13,769.00**	**67,678.00**	**-53,909.00**	**-0.80**
Sales costs	0.00	0.00	0.00	
Overhead costs	34,340.00	33,252.00	1,088.00	0.03
D. Profit (loss) on sales	**-20,571.00**	**34,426.00**	**-54,997.00**	**-1.60**
Result of operating activitiy	-1,219.00	926.00	-2,145.00	-2.32
E. Profit (loss) on operating activity	**-21,790.00**	**35,352.00**	**-57,142.00**	**-1.62**
EBIT (%)	**-0.02**	**0.04**		
Result on financial activity	-6,331.00	1,885.00	-8,216.00	-4.36
F. Profit (loss) on business activity	**-28,121.00**	**37,237.00**	**-65,358.00**	**-1.76**
Income tax	-2,838.00	7,233.00	-10,071.00	-1.39
F. Net profit (loss)	**-25,283.00**	**30,004.00**	**-55,287.00**	**-1.84**
Net profit (loss) in %	**-0.02**	**0.03**		

In 2011, revenues from the core business reached PLN 1,245,578 thousand what represented an increase by 37.41% as compared to last year.

Operating expenses grew faster than sales which generated losses at almost all income levels, except the gain on the sale, which amounted to PLN 13.769 thousand (a decrease of 80%).

EBIT in 2011 was 1.75% while in 2010 reached 3.9%.

Net profit ratio was -2.03% in 2011, while in 2010 - 3.31%.

1.3. Basic results on operations in 2011 and 2010

KEY FINANCIAL RATIOS

Item	*2011*	*2010*
ROE[1]	-11.00%	11.91%
ROA[2]	-3.70 %	5.29 %
EBIT margin[3]	-1.8%	3.9%
EBITDA margin[4]	-1.7%	3.5%
Sales profitability[5]	-2.0%	7.47%
Profitability before tax[6]	-2.2%	4.11%
Net profitability[7]	-2%	3.31%
Current liquidity ratio[8]	1.46	1.49
Quick liquidity ratio[9]	1.46	1.49
Overall debt ratio[10]	66%	56%
Equity-debt ratio[11]	1.98	1.25

[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. In this index and its trend are particularly interested shareholders (investors) of the company. A high Return on Equity shows them whether the capital has been allocated properly. It suggests that the company is developing what creates opportunities for higher dividends.

   The value of ROE is usually compared with the bank interest rate on long-term deposits. The level of this ratio should exceed the rate of long-term bank deposits.
2. This index 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 Return on Assets, the better the company's financial situation.
   ROA 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 installments and interest on loans. Western banks expect this index to reach a level of 2-6 percent, 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 sales profitability achieved by the company. So calculated profitability is"cleansed" of influences which interest on capital, taxes and extraordinary events have on the profit gained. In 2010, the industry's average rate oscillated at 0.
4. Three presented profitability ratios inform about return on sales at different levels of the company's operations. In the opinion of the Board, despite a reduction in the profitability of sales indexes achieved a satisfactory value as regards the construction industry.
5. Debt ratios indicate a company's ability to repay liabilities. The rates are expected to be ranged between 1 and 2.
6. 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 index, the higher the debt, and the higher the financial risk. Too high level of overall debt ratio may raised 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 this 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 installments and interest. Ratio of 3:1 is a limit value for small businesses , and 1:1 for medium and large businesses.

1.4 Cash flow statements

The Company has began the year 2010 with cash amounted to PLN 121,191 thousand, and ended with closing balance of PLN 120,271 thousand.

1.5 Prospects for the Issuer's development in the next fiscal year

First of all, 2011 was for the Issuer a year of large-volume constructions. the Issuer increased its revenue in this sector by 37.41% Also, the prospect for the year 2012 as to the criterion of orders portfolio shows that the cubature building will be still a key driver of the Issuer’s growth.
However, the expansion of sales in 2012 in relation to 2011 will not be a priority for Erbud SA. The Company will pay special attention to reach reasonable margins as well as concluding contracts with partners whose financial condition ensures the financial security of the projects performed.
Through its road-engineering branch and especially the power division, Erbud SA will be developing these industries, creating an alternative way to large volume construction.

According to estimates provided by Professor Zofia Bolkowska, tehere will be a continued increase in construction in 2012, however, lower than in 2011.
Professor Bolkowska predicts the following pro-growth factors and those that slow down the development of construction:

Pro-growth factors

- Completing the infrastructure projects which were started before the EURO 2012,
- Less of organizational difficulties. Most problems were created during the initial investment phase, and after the Euro 2012, mainly will be carried out the tasks already in progress.
- An increasing number of issued building permits.

The construction slowdown could be affected by

- Pessimism of contractors.
- Uncertainty about the economic situation.
- Reduction of infrastructure investments funding.
- The ongoing crisis in housing.

According to data provided by BOŚ S.A. the construction output in 2012 will increase by about 4%. A mild winter as far as now is the advantage for the industry - that allows the companies to make up for any delays or reduce costs in the case of the need to use more expensive technologies at low temperatures. In the current year, construction companies will be involved in the execution of contracts for road and rail sectors. In 2012, the expenditures of Krajowy Fundusz Drogowy (National Road Fund) are projected at over PLN 23.2 billion as compared with the record amount of PLN 23.7 billion incurred last year. However, real outlays may be lower, what has occurred also in previous years. We expect that it will be about PLN 20 billion. Rail investments should speed up. The European Commission has not agreed to transfer PLN 1.2 billion to road projects, stating that that PKP PLK is sufficiently well prepared to carry out planned investments. In our opinion, this year's expenditure for railway sector could increased to a record amount of PLN 6 billion. The growth in construction output in 2012 should be also effected by implementing projects in the area of gas infrastructure, waste incinerators and commercial estates. A growing surplus of of flats available for sale will likely slow down new housing developments.[1]

1.6 Description of relevant risk factors, threats and their impact on the Issuer's operations

Any economic activity is inextricably associated with the risk related both to the external environment and organization. The task of managers is to identify these risks early and reduce their impact on company's operations. Risks vary with changes in the economic environment and with the life cycle of the organization. In 2012, same as in 2011 and 2010, the main risks associated with the activities of the Issuer will be: competitive pricing, payment gridlocks and decreasing the availability of investment loans.
It is estimated that despite the growth in the value of construction output by 17% in 2011, there was a parallel decline in aggregate net profit of about 12%. PMR Publications provides that the aggregate value of net profit in the construction sector was lower than in 2007.
To avoid a price trap, the Management Board of the Issuer will continue its policy of selection of projects according to the margin criterion. Meeting these criteria will be not easy, because the prices of construction output are going down.

Figures of 2011 indicate a deterioration in the profitability of construction companies. Therefore very important in 2012 is to acquire contracts with satisfactory margin.

An increase in debts in building industry is observed today. It is estimated that the amount of short-term loans granted in this sector in the second half of 2011 rose by about 60%. A constant monitoring of the company's liquidity and analysis of new contractors in terms of their timely payment of obligations is fundamental in this situation. In this respect it is very important to react early and comprehensive to any signs of potential threats related to a timely debt payments. Longer rotation cycles of receivables should be included in the planning of financial flows. This is due, inter alia, to longer payment terms than previously.
It should also be introduced measures to ensure themselves fixed prices of basic materials and services for contracts performance. This may be achieved at the expense of making prepayments to guarantee fixed prices, especially for steel.

According to Eurostat, the Producer Price Index in January 2012 was higher by 0.8 percentage point as compared to the previous month both in the Euro area and across the European Union.

In addition to the above mentioned sources of threats, the Issuer's Management Board does not see any other risks.

[1] Source*: www.ehipoteka.com.pl*

2. DESCRIPTION OF KEY PRODUCTS AND MARKETS

2.1. Key products

The Issuer rendered services associated with construction of buildings and structures. Since 2006, a hundred percent of contracts in the country is executed by Erbud as General Contractor. As far as export of construction services, the company is a subcontractor (France, Belgium, Germany and Luxembourg).

The Issuer has five branches seated in Torun, Warsaw, Rzeszow, Szczecin, Wroclaw, Krakow, Katowice and two site offices of which one in Gdansk and one in Poznan.

The Issuer's reference list is very large and projects of a new kind are added every year. Among the completed buildings and structures are: hospitals, schools, swimming pools, office buildings shopping centres, museum of contemporary art in Torun, a number of residential buildings in Warsaw and Cracow and production halls. Abroad, operating as a subcontractor, Erbud implements complicated engineering projects - compressed gas tanks, tunnels and power plants.

The structure of contracts executed in the country over the last two reporting periods was as follows:

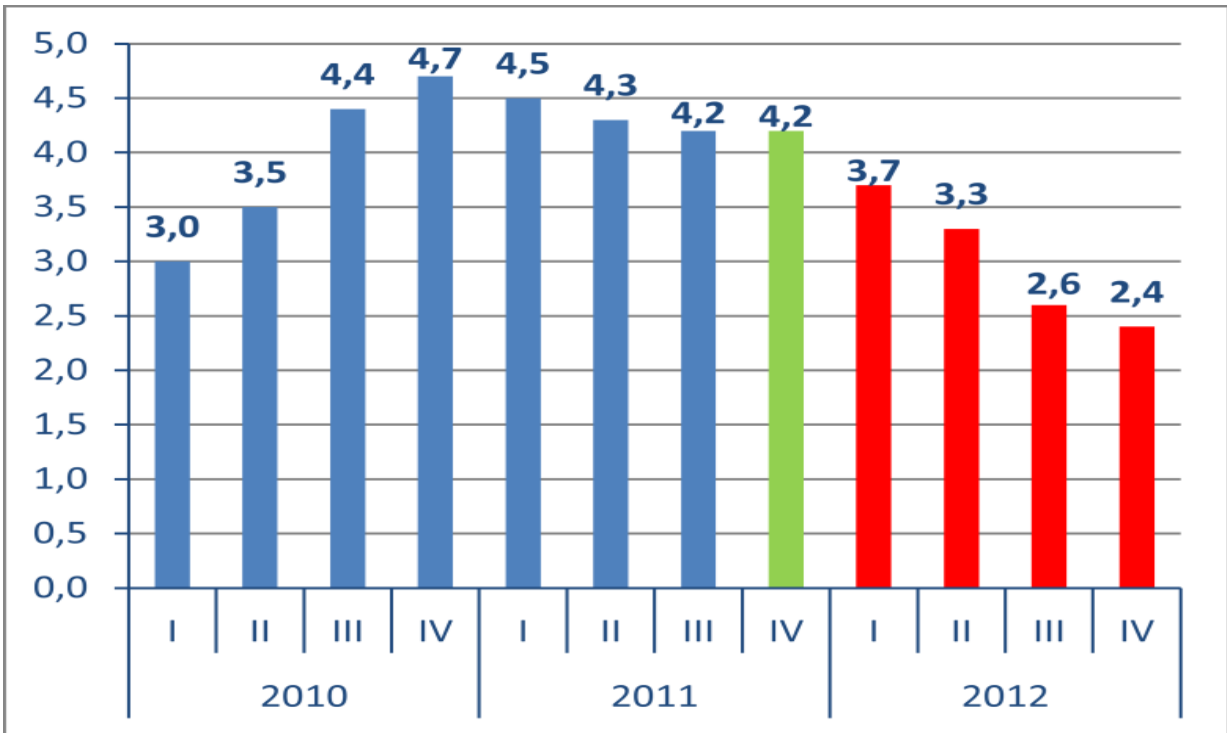
Contracts signed in 2011	**%**	**Contracts signed in 2011**	**%**
A - Dormitorierels and hostels	0.00	A - Dormitorierels and hostels	0.00
B - Office buildings	19.72	B - Office buildings	15.90
Bs - Swimming-pools	0.00	Bs - Swimming-pools	0.00
Ct - Shopping centres	27.91	Ct - Shopping centres	31.50
L - Airports and terminals	0.00	L - Airports and terminals	0.00
H - Hotels and sanatoriums	0.00	H - Hotels and sanatoriums	0.00
M - Housing	23.60	M - Housing	17.55
Mk - Multiplexes	0.00	Mk - Multiplexes	0.91
P - Industry structures (halls, plants, storehouses)	0.68	P - Industry structures (halls, plants, storehouses)	0.81
S - Schools	3.18	S - Schools	8.47
St - Stadiums	0.00	St - Stadiums	0.00
Sw - Performance halls	0.00	Sw - Performance halls	0.00
Sz - Hospitals	6.59	Sz - Hospitals	0.84
I - Other	3.76	I - Other	0.27
E- Power	14.27	E- Power	3.36
RI - Engineering	0.29	RI - Engineering	20.39

As can be seen from the above breakdown, there was a change in the structure of performed tasks in 2011 among such positions as office buildings (rise), commercial centres (decline), housing (rise) and construction works for the power industry (significant increase).

2.2 General characteristics of the domestic market

According to preliminary data published by the Institute for Market Economics (IBnGR) , the economic growth in Poland in 2011 amounted to 4.3% i.e. 0,4 percentage point as compared to 2010. As in the previous year,the domestic demand was the main driving force of growth. The Institute estimates, that the growth will achieve 3.8% in 2011. Growth rate of expenditure on fixed assets will be, according to the Institute, at 8,7% throughout the year.
In 2011, by sectors, excelled the building, and just to remind, our economy in 2010 was driven by the industry. Value added in construction amounted to 11.8%, while 9.2% in the last year.
As the Institute forecasts, 2012 will bring the slowdown - estimated growth rate of GDP will be at 2.9%. By sectors, 2012 will belong to the construction. The Institute estimates that the increase in this sector will amount to 9.3%

Quarterly GDP growth[2]



Annual and quarterly macroeconomic forecasts of the Institute for Market Economics

		Q3 2011	*Q4 2011*	*Q1 2012*	*Q2 2012*	*Q3 2012*	*Q4 2012*	2011	*2012*	*2012*
GDP	% y/y	4.2	4.2	3.7	3.3	2.6	2.4	4.3	2.9	3.2
GDP	%	1	1	0.9	0.8	0.7	0.7	x	x	x
Value added										
- in industry	% y/y	5.5	7	6.3	5.2	4.5	3.9	6.3	4.9	5
- in construction	% y/y	11.9	7.3	11.1	10.8	8.5	7.9	11.8	9.3	7
- in market service	% y/y	2.9	3.3	3.3	3	2.3	2.2	3.2	2.7	2.8
Domestic demand	% y/y	3.2	3.6	3.1	2.7	2.6	2.5	3.8	2.7	3.5
Total consumption	% y/y	1.6	1	2.5	2.5	2.3	2.2	2.1	2.4	2.6
of which individual	% y/y	3	2.2	3.1	3	2.7	2.5	3.1	2.8	2.9
Gross expenditures on fixed assets	% y/y	8.5	11	7.6	6.5	4	3.3	8.7	4.9	7.2
Production sold										
- industry	% y/y	6.1	9.7	6.9	6.7	5	4.1	7.7	5.6	6.5
- construction	% y/y	15.2	12.1	12.5	11.4	9.6	8.6	16.3	10.1	7.5
Inflation (CPI; in average)	%	4.1	4.6	4.3	4.1	3.8	3.4	4.3	3.9	2.8

[2] Source: IBnGR, GUS

Inflation (CPI; period end)	%	3.9	4.6	4.2	4	3.7	3.3	4.6	3.3	2.7
Money supply (M3, period end)	%	10.2	12.4	12.3	11.8	11.4	10.7	12.4	10.7	9.5
Real gross salary	% y/y	2.5	1.5	2	2.5	2.9	3.2	1.4	2.6	2
Average Employment in National Economy	% y/y	1.5	1.8	1.4	1.7	1.8	2	2	1.7	2.1
Registered unemployment rate (period end)	%	11.8	12.5	13.4	12.9	12.4	12.8	12.5	12.8	11.8
Export (GUS/RN)	%	7.7	10.9	7.6	7.2	3.4	2	8	5.1	4

As regards the the year 2012, the construction and assembly production (in constant prices), including investment and renovation works, completed in the country by construction companies employing more than 9 persons, was in February, according to preliminary data, 12.0% higher than last year and 5.5% lower in relation to January this year. After eliminating the influence of seasonal factors, the production in construction stood at 13.3% higher than in the corresponding month last year and lower by 2.0% compared with January this year.

By comparison to February last year, an increase in production was recorded in all sectors of the construction, in companies specializing in the construction of buildings and civil engineering - by 27.0%, in those mainly involved in specialist construction works - by 16,8%, and in entities whose core activity is the construction of buildings - by 0.5%.

A decline in production in all sectors of construction has been recorded in relation to January this year. In companies whose main business is work related to construction and civil and water engineering decrease amounted to 8.9%, in those performing specialist constructions - 4.7%, and in entities that are mainly erecting buildings - 3.4 %.

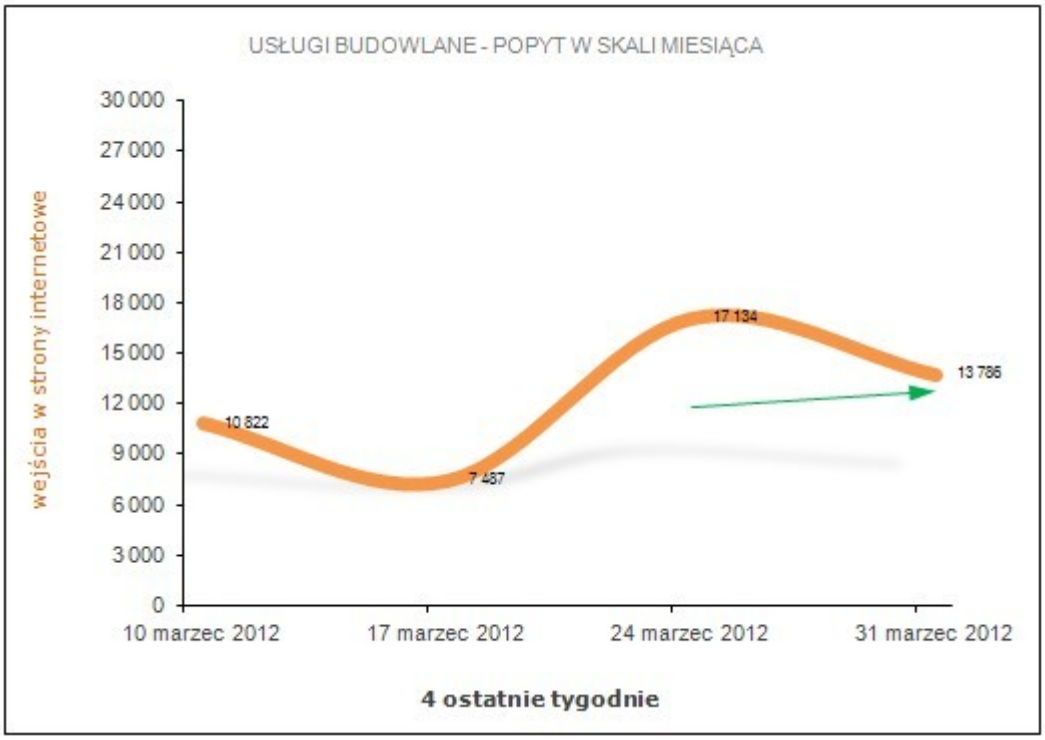
Over January-February this year the construction and assembly output was 23.7% higher than in the corresponding period last year.

It is estimated that prices of the construction and assembly production in February 2012 were by 0.1% lower than in the previous month and the same decrease was observed in all sectors, i.e. in construction of buildings, civil and water engineering structures and specialist construction.

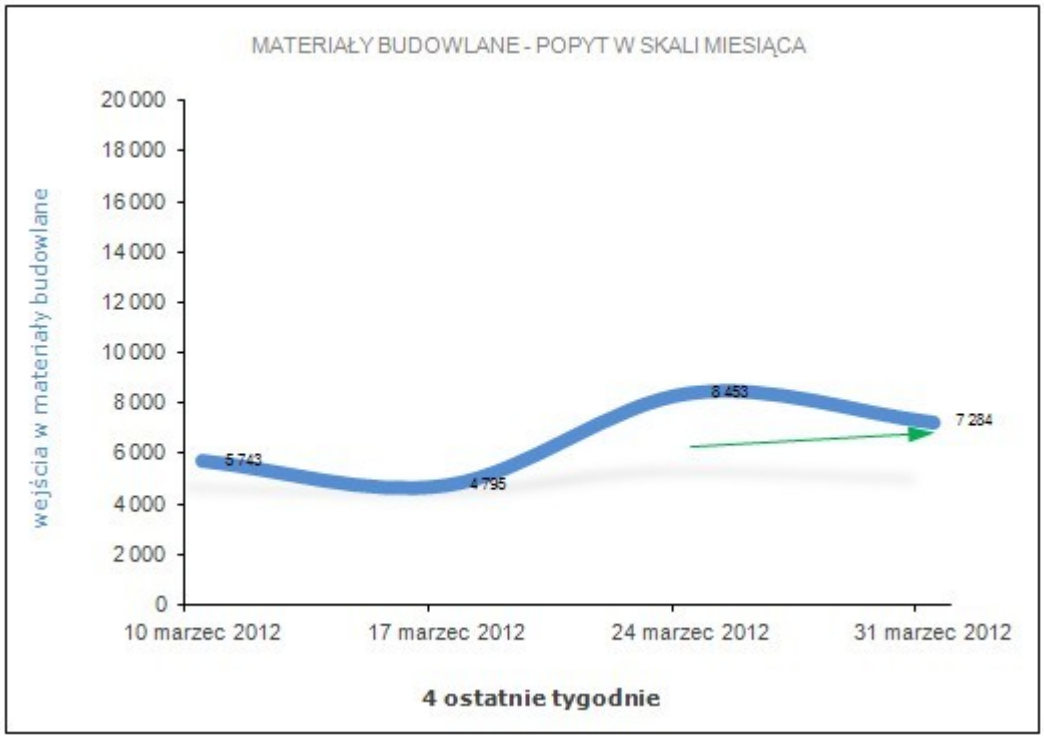
Compared with February last year, prices of construction and assembly output rose by 1.4% (against 0.4% last year).[3]

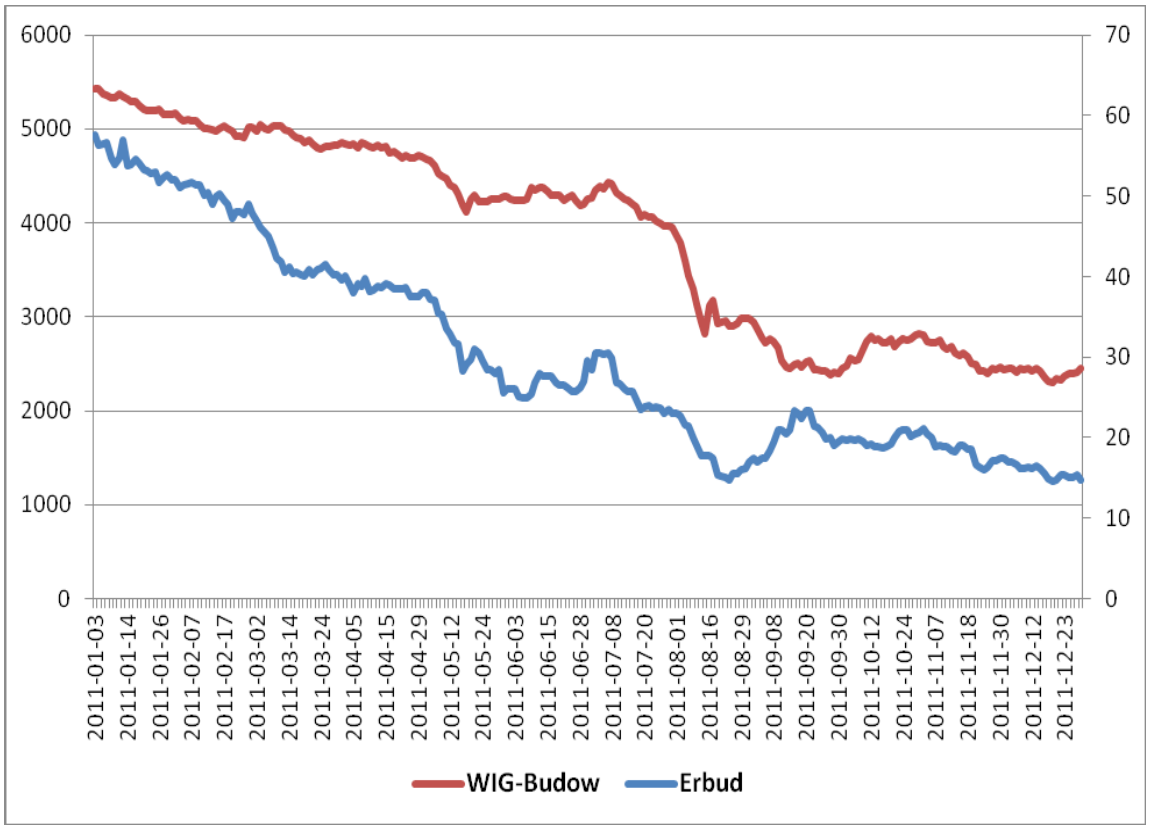
[3] www.egospodarka.pl

Building services - demand per month
website entries in March



Building materials - demand per month
website entries in March





2.3. Construction market in Europe

Analysts estimate that GDP will grow in 2012 in the Euro area to 1.1% while in 2013 to 1.7%. Unfavourable macroeconomic climate will impact on the market of construction services. It is estimated that the construction market growth, although higher than GDP growth will not exceed 2% in the two next years.

2.4 Characteristics of the EU markets on which the Issuer operates

In 2011 Erbud S.A. was finishing projects in the countries of Western Europe. Now, all foreign activities are carried on by subsidiaries of Erbud SA - Erbud International Sp. z o.o. and GWI GmbH.

2.5 Prospects for market development

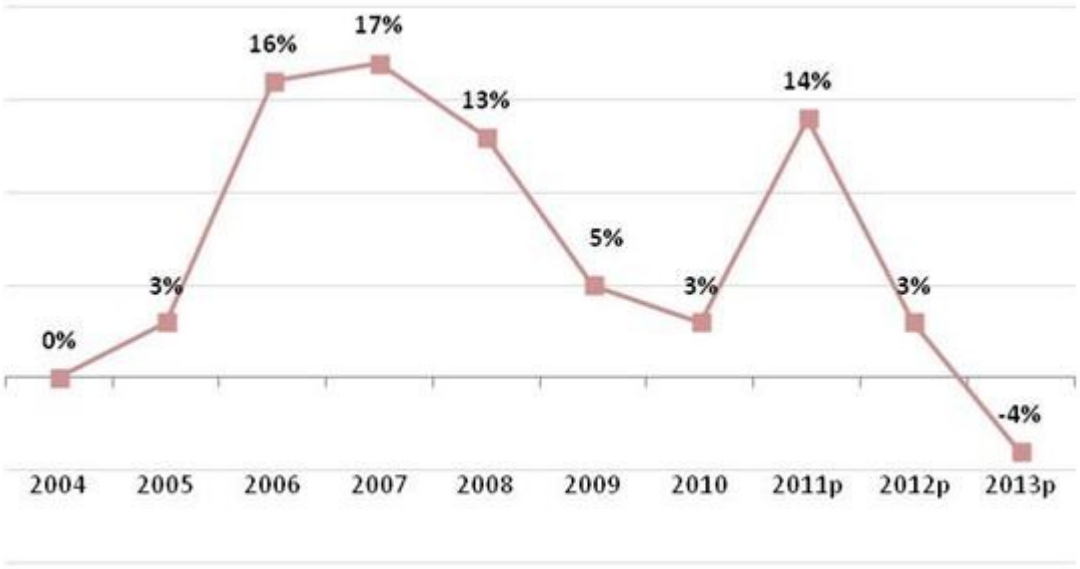
Construction market in the nearest future

Factors having a significant influence over the situation in the Polish construction market in the near future are:
- impact of the world financial market crisis on the Polish economy;
- high rate of utilization of EU funds to finance construction of infrastructure facilities;
- the last phase of economic recovery associated with the EURO 2012.

The implementation phase of key investments and infrastructure projects in the civil engineering sector should be the main growth driver. In 2011, it is planned a 14% increase in the construction market. The report says that the upward trend is to be maintained in 2012 as well, although the growth will not be so impressive.

Total construction and assembly output in Poland (% of real change)

in the period of 2004-2013 (projections)



Source: Market Research Department of Emmerson SA

The future of the construction market

The analysts of Emmerson SA are not very optimistic as regards the developments in the longer term. This assessment is influenced by rising uncertainty about the economic situation in the world. In the course of time, this situation will weaken also the business conditions in Poland.

Therefore, in 2013, there is expected an adjustment of over the ten-year growths - the value of construction and assembly output will fall by about 4%. This will be the response to the „EURO 2012 impulse" which will disappear, and the exhaustion of funds from the EU co-financing infrastructure investments.

However, the analysts point out, that the described scenario of events on the Polish construction market can be hampered by external factors related to the international situation and the financial problems in the Euro countries.

Moreover, economic problems of the European Union may affect the shape of the future EU budget for 2014-2020. The necessity of budgetary savings could translate as reducing funds available to Poland - as to expected - for the implementation of infrastructure projects.[4]

2.6 Brief description of the economic environment in the context of customers and suppliers

2.6.1. Customers

The Issuer operates in the investment market. Its main customers are large businesses entities and public administration. Among the major clients can be distinguished those with which the Issuer cooperates for the long time: Dom Development SA, companies from the Rank Progress Group and from LC Corp Group, Tesco Poland Sp. z o.o. and Red Real Estate.
At this point, the Management Board of Erbud SA would like to express its thanks to all investors for their confidence in the Company by ordering.

[4] Source: regionom.pl. Autor: redakcja.regiodom. Źródło: Emmerson S.A.

2.6.2. Suppliers

The Issuer's suppliers consist of suppliers of materials and subcontractors. As previously mentioned, only structural works are performed by the Issuer using its own force. Therefore, all other works are ordered to subcontractors. In accordance with the ISO principles, the Issuer shall have a range of qualified suppliers. Such a procedure is necessary due to the verification of prices and the possibility of dependence on one supplier/customer.
In addition to these two aspects, the Issuer's activity is widespread geographically and due to technical reasons, each region has its own base of suppliers and subcontractors.
Therefore, there is no danger to to become dependent on one supplier or subcontractor.

3. INFORMATION ON CONTRACTS CONCLUDED

3.1. Sales structure in conjunction with the organizational structure

As in the previous period so in 2011, the Issuer operates across the country and the "old" European Union. For this purpose, the organizational structure of the Issuer's includes branch offices in Torun, Warsaw, Rzeszow, Szczecin, Wroclaw. Kraków and Katowice and site offices in Poznan and Gdansk
This structure allows the Issuer to become independent from the local market and actively develop in new geographic regions.

The value of the agreements signed in 2011 in Poland is summarized below (figures in thousands PLN)

Customer	Branch Toruń	Branch Warszawa	Branch Rzeszów	Branch Wrocław	Branch Kraków	Power Division	Branch Szczecin	Road-engineering
West Pomeranian University of Technology in Szczecin							29 250	
M1 Shopping Center in Kraków					18 450			
Reinforced concrete silo						4 530		
Ashes system						2 070		
Suchodolska Shopping Mall							14 800	
Alstom Elbląg	13 000							
Shopping Center in Żyrardow		14 800						
External networks - Małe Błonia							7 089	
Adria phase II		43 001						
Aleja Kwiatowa							5 766	
Alfa Park	41 000							
Chyliczki		3 450						
Krośno Hospital			23 443					
The Chung plant				15 300				
Trafostacja Sztuki							10 526	
Heat source modernization - Bochnia			3 634					
Hospital in Krakow			5 976					
Działoszyn wind farms	27 235							
Nowe Bielany phase III		26 480						
Osiedla Skoroszewska phase I		30 200						
Zaira Olsztyn	12 300							
Introl - biomass feeding system						1 955		
Poznań Town Hall							133 527	
Modlin - lighting								2 816
AREO - exotic fish farm		21 260						
Customs Office							20 843	
Academy of Music in Łódź		21 943						
Pągów Wind Farm	79 000							
Dekada					11 450			
Destructive Testing Laboratory				12 015				

Dialysis Centre			4 150					
Sowińskiego Park		20 000						
Cedrowa	46 190							
Railway Hospital			5 237					
Lubaczów Market Square			2 679					
Auchan					179 500			
Wezi-Tech				6 300				
921 165	218 725	181 134	45 119	33 615	209 400	8 555	221 801	2 816
	24%	20%	5%	4%	23%	1%	24%	0%

In 2011, the Issuer signed in the country contracts with a total value of PLN 921,165 thousand.

In 2011, Erbud SA continued its export activities in Belgium and the Netherlands.

Belgium

Fortis Brüssel
The company erected an office building for Fortis Bank in Brussels. Besix is the customer. Works completed on 30.04.2011.

Holland

Maasbracht
The company constructed a controlling facility for three locks. Besix is the customer. Works completed on 28.02.2011

Maasvlakte
The company constructed a silo for plaster. Heitkamp is the customer. Works completed on 31.08.2011.

In 2011, no new construction contracts were concluded overseas.

3.2. Other significiant contracts signed in 2011 and till the day of the report preparation

On 28 January 2011 it has been established a possessory and registered pledge on 1,160 registered series B shares of the subsidiary - Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A (formerly: Przedsiębiorstwo Robót Drogowych S.A) based in Toruń (the "PBDI S.A.") with a nominal value of PLN 50 per one share and of the aggregate nominal value of PLN 59,160.00 (fifty-nine thousand one hundred and sixty) representing 6.65% of the share capital of the PBDI S.A.
Following the Definitive Agreement on sale of the Budlex Sp. z o. o. shares (the "Definitive Agreement") signed on 19 February 2010 between the Issuer and Rison Limited on which the Issuer reported in the Current Report No. 9/2010 and the Share Pledge Agreement signed on 19 February 2010 between the Issuer and Rison Limited, the Issuer (the "Pledger") established a possessory and registered pledge to Rison Limited (the "Pledgee"). The total amount of the pledged shares is PLN 5,059 and the total nominal value is PLN 252,950 (two hundred fifty-two thousand nine hundred and fifty Zzlotys), which represents 29% of the share capital of PBDI S.A.
These 5,059 pledged shares is valued in the accounts of the Issuer at PLN 14,372,992.
There is no relationship between the Issuer and persons managing or supervising the Issuer and the Pledgee.
The Issuer holds 94.3% of the share capital and voting rights at a general meeting of PBDI S.A. and considers the investment in the PBDI equity as a long-term one.

The criterion to recognize the burden of assets i.e. shares in PBDI S.A. as significant is: total book value of the pledged shares amounts to more than EUR 1 million.

3.3 Significant insurance agreements

As of the day of the report submitting, the Issuer has the following insurance agreements.

Policy number	Insuring company	Valid from	Valid to	Subject of Insurance	Covering value
2361000337	Chartis Europe S.A.	01-03-2011	28-02-2012	D&O insurance	PLN 20,000,000.00
901006512680	STU Ergo Hestia S.A.	01-01-2012	31-12-2012	Construction and assembly risk insurance	Open cover
901006513151	STU Ergo Hestia S.A.	01-01-2012	31-12-2012	Liability for business conducting insurance	PLN 50,000,000.00 - for one event PLN 100,000,000.00 - for all events

3.4 Significant financing agreements

On 27 June 2011, the Issuer received from the BGŻ Bank S.A., seated in Warsaw, a confirmation on the conclusion of two agreements concerning:
- Working capital loan in the current account,
- Line for providing guarantees.

By the agreement on working capital loan in the current account, the Issuer may, within 12 months from 20 June 2011, borrow under the line provided in the current account up to PLN 15 million. The interest on this loan is WIBOR 1M plus the bank margin. The line granted is secured by:
- the transfer of receivables from Issuer's customers in the amount of a 100 per cent of the loan (silent / global assignment)
- term deposit blockade of 10 per cent of the loan,
- blank promissory note,
- power of attorney to dispose of the Borrower's current accounts with the BGŻ Bank.

Pursuant to the agreement on line for providing guarantees, the Issuer may order to grant guarantees under the revolving limit to the total amount of PLN 65 million, subject that the sublimate for removal of defects warranty is limited to PLN 35 m.
The line granted is secured by:
-the transfer of receivables from Issuer's customers in the amount of a 100 per cent of the loan (silent / global assignment)
- term deposit blockade of 10 per cent of the loan,
- blank promissory note,
- power of attorney to dispose of the Borrower's current accounts with the BGŻ Bank.

Other agreement terms do not differ from market conditions.

The above agreements are a continuation of the agreements signed in June 2010 of which the Issuer has informed in the Current Report No 29/2010 dated 23.06.2010.

4. INFORMATION ON ORGANIZATIONAL AND CAPITAL ASSOCIATIONS OF THE ISSUER WITH RELATED ENTITIES

4.1 Description of capital associations of the Issuer

The ERBUD SA Capital Group consists of the the following consolidated business entities:

- The Parent company
  - Erbud S.A. headquartered in Warszawa

- Subsidiaries:
  - Erbud International Sp. z o.o. seated in Toruń
  - GWI GmbH seated in Düsseldorf, Germany
  - Budlex Group
  - Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.
  - Erbud Energetyka Sp. z o.o. seated in Katowice
  - Ersteel Sp. z o.o.

As at 31.12.2011, the Parent company Erbud S.A. held 100 percent of share capital in the subsidiary Erbud International Sp. z o.o.

As at 31.12.2011, the Parent company Erbud S.A. held 85 percent of share capital in the subsidiary GWI GmbH.

As at 31.12.2011, the Parent company Erbud S.A. held 89.96 percent of share capital in the subsidiary Budlex Sp. z o.o.

As at 31.12.2011, the Parent company Erbud S.A. held 94.27 percent of share capital in the subsidiary PBDI S.A.

As at 31.12.2011, the Parent company Erbud S.A. held 86.36 percent of share capital in the subsidiary Erbud Energetyka Sp. z o.o.

As at 31.12.2011, the Parent company Erbud S.A. held 100 percent of share capital in the subsidiary Ersteel Sp. z o.o.

Erbud Company SA as the Parent company and the companies Erbud International Sp. z o.o, Budlex Sp. z.o.o. and GWI GmbH, PBDI SA and Erbud Energetyka Sp. z o.o. as subsidiaries compose affiliated units within the meaning of IAS/ IFRS.

The Parent company had a Branch in Düsseldorf, Germany, registered on 15 July 1991 and entered in the Commercial Register under the number HRB 4531. The Branch has been resolved.

AGREEMENTS CONCLUDED BY ERBUD S.A. WITH AFFILIATED ENTITIES IN 2011 AND TILL THE PUBLICATION DATE OF THE REPORT

4.2 Description of transactions with affiliated entities

Contracts concluded with Erbud S.A.					
No.	**Company contracting**	**Contract subject**	**Contract value in PLN**	**Contract concluded on**	**Comments**
1	Erbud International	Contract No.15/EI/W-1001/2010 general building works - *Adria in Warszawa*	20 000.00	2010-01-27	
2	Erbud International	Annex to the contract No.12/EI/T-923/2009 general building works - *car parks in Bytom*	6 430.00	2010-04-05	change of the contract value from 900 000,00 to 6 430 000,00
3	Erbud International	Contract No.16/EI/W-1008/2010 general building works - *Nowe Bielany*	5 000.00	2010-05-02	

		phase II in Warszawa - Housing complex			
4	Erbud International	Contract No.17/EI/W-1015/2010 general building works - *Skoroszewska Housing Estate phase I, builging No.3 in Warszawa*	5 000.00	2010-05-02	
5	Erbud International	Contract No.18/EI/W-1018/2010 general building works - *Galeria Park in Warszawa - Reconstruction and modernization of the office building at Obrzeżna St. 5*	3 000.00	2010-06-15	contract concluded on the basis of a letter of intent dated 2010-05-25
6	Erbud International	Contract No.19/EI/W-1020/2010 general building works - *Bayer in Warszawa - Expansion of the office building at. Al. Jerozolimskie 158*	8 000.00	2010-06-24	
7	Erbud International	Contract No.20/EI/W-1029/2010 general building works - *Wilno phase IA in Warszawa- Housing complex*	12 000.00	2010-09-15	
8	Erbud International	Contract No.21/EI/W-1031/2010 general building works - *Galeria Park phase III in Warszawa- multifamily residential building*	16 000.00	2010-09-27	
9	Erbud International	Annex to the contract No. 09/EI/T-0912/2009 general building works - *Invasive Medicine Centre in Gdańsk*	3 878.00	Annex of 2010-07-20	change of the contract value from 2 000 100,00 to 3 878 000,00
10	Erbud International	Contract No.22 /EI/T-1028/2010 general building works - *Willa Ułańska" residential building in Gdynia*	100.00	05.11.2010	
11	Erbud International	Contract No.01/EI/W-1109/2011 general building works - *Blue Center - Shopping Mall in Żyrardow*	7 800.00	2011-02-06	
12	Erbud International	Contract No.02/EI/W-1112/2011 general building works - *Adria phase II in Warszawa*	21 000.00	2011-03-02	
13	Erbud International	Contract No.03/EI/1105/OW/2011 general building works - *Detached house with outbuilding in Chyliczki*	1 700.00	2011-01-31	
14	Erbud International	Contract No.04/EI/W-1115/2011 general building works - *Fish farm facilities in Bońki*	1 100.00	2011-04-02	
15	Erbud International	Contract No.05/EI/W-1119/2011 general building works - *Wilno phase II A*	10 000.00	2011-05-13	
16	Erbud International	Contract No.06/EI/W-1127/2011 general building works - *Nowe Bielany*	14 000.00	2011-07-05	
17	Erbud International	Contract No.01/EI/**T**-1113/2011 general building works - *Alfa Park in Gdańsk*	10 000.00	2011-03-23	
18	Erbud International	Annex to the contract No. 22/EI/**T**-1028/2010 general building works - *Willa Ułańska residential building in Gdynia*	1 000.00	2011-06-01	change of the contract value from 100 000,00 to 1 000 000,00
19	Erbud International	Annex to the contract No. 09/EI/**T**-0912/2009 general building works -*Invasive Medicine Centre in Gdansk*	5 000.00	2011-06-01	change of the contract value from 3 878 000,00 to 5 000 000,00
20	Erbud International	Annex to the contract No. 07/EI/W-0919/2009 shell and core at *Inspektowa St. 1*	2 800.00	2010-01-01	change of the contract value from 1 935 000,00 to 2 800 000,00
21	Erbud International	Contract No.07/EI/W-1128/2011 construction works - *Skoroszewska phase I building 1 and 2 in Warszawa*	13 600.00	2011-07-19	

22	Erbud International	Umowa nr 08/EI/W-1126/2011 construction works - *Inspektowa St. phase II in Warszawa*	2 480.00	2011-08-19	
23	Erbud International	Contract No.09/EI/W-1133/2011 construction works - *Concert Hall for the Music Academy in Łódź*	9 875.00	2011-09-15	
24	Erbud International	Contract No.10/EI/W-1135/2011 construction works - *Wyścigowa St. 8 in Warszawa*	69 750.00	2011-09-15	
25	Erbud International	Annex to the contract No. 04/EI/W-1115/2011 construction works - *Fish farm facilities in Bońki*	9 567.00	Annex of 2011-06-01	change of the contract value from 1 100 000,00 to 9 567 000,00
26	Erbud International	Annex to the contract No. 20/EI/W-1029/2010 - *Wilno I phase I A in Warszawa - Housing complex*	17 930.00	Annex of 2011-11-26	change of the contract value from 12 000 000,00 to 17 930 000,00
27	Erbud International	Contract No.02/EI/T-1117/2011 building works supervising - *Hala Nova Trading w Toruniu*	45.00	2011-11-09	
28	Erbud International	Contract No.01/EI/T-1139/2012 shall and core - *Housing complex in Gdańsk on Cedrowa St.*	1 500.00	2012-01-01	
29	Erbud International	Contract No. s/Sz/07XI11/1 *Construction of the seat of the Marshal Office and the Regional Assembly of Wielkopolska in Poznań*	34.00	2011-11-07	

Contracts concluded with Erbud S.A.					
No.	**Company contracting**	**Contract subject**	**Contract value in PLN**	**Contract concluded on**	**Comments**
1	PBDI SA	tenancy agreement (Wapienna St.10, Toruń)		2011-01-05	
2	PBDI SA	Complex execution of earthworks, substructures for roads, pavements of concrete cobbles	9 121.50	2011-01-05	
3	PBDI SA	Subcontract for building works for the construction of two-level junctions in the Ciechanów LCS area - tender 2C	11 302.31	2011-01-19	
4	PBDI SA	Subcontract for building works for the construction of two-level junctions in the Ciechanów LCS area - tender 2B	11 178.30	2011-01-20	
5	PBDI SA	Consortium agreement to build a wind farm in the municipality of Działoszyn by Flower Enterprise sp. z o.o.	3 056.94	2011-03-31	value of works scope executed PBDI
6	PBDI SA	Consortium agreement to build a wind farm in the municipality of Działoszyn by Bella Enterprise sp. z o.o.	1 859.51	2011-03-31	value of works scope executed PBDI
7	PBDI SA	Contract No. WR-1024/99/2011 replacement contractor for PRI SA Holding seated in Katowice	108.00	2011-08-18	
8	PBDI SA	Consortium agreement to build the Pągów Wind Farm	78 400.00	2011-08-22	value of works scope executed PBDI
9	PBDI SA	Contract No. T-1117/04/2011 earthworks for the construction of a warehouse for Nova Trading	850.00	2011-11-14	

Contracts concluded with Erbud S.A.					
No.	**Company contracting**	**Contract subject**	**Contract value in PLN**	**Contract concluded on**	**Comments**
1	Budlex Invest	Lease agreement	56.00	2011-01-01	
2	Budlex	Sublease agreement	12.50	2011-01-01	
3	Budlex Invest	Contract to renovate the office building in Torun	1.698.00	2011-02-22	
4	Budlex	Loan agreement	1.000.00	2011-04-01	

5. INFORMATION ON GRANTED AND RECEIVED LOANS, BORROWING AND PROVIDED GUARANTEES, IN PARTICULAR THOSE GRANTED TO AFFILIATED ENTITIES

5.1. Information about off-balance sheet loans and liabilities

In 2011, the Company financed out its business exclusively from its own means from operating activities.

Potential debts of the Erbud SA under the contracts signed as at the day of preparing the financial statements were as follows:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
PNB Paraibas Bank	Overdraft credit	4 000	PLN	WIBOR 1M + margin	2012-09-14	In one amount	Erbud S.A.
BGŻ S.A.	Overdraft credit	15 000	PLN	WIBOR 1M + margin	2012-06-19	In one amount	Erbud S.A.
BRE Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2012-12-31	In one amount	Erbud S.A.
PKO BP S.A.	Overdraft credit	20 000	PLN	reference rate of PKO BP + margin	2012-06-29	In one amount	Erbud S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2012-08-20	In one amount	Erbud S.A.; Budlex S.A. PBDI S.A.
Bank Millennium S.A.	Overdraft credit	4.000	PLN	WIBOR 3M + margin	2012-07-05	In one amount	Erbud International Sp. z o.o.

Furthermore, the Company has the possibility to obtain contractual guarantees in the following banks.

Bank name	Type of liability	Amount in PLN '000	Currency umit
BNP Paribas Bank Polska S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	30.000	PLN
PKO BP	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	30.000	PLN
BRE Bank S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee	70.000	PLN/USD
BGŻ S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	65.000	PLN
Kredyt Bank S.A.	Bid bonds, contract performance bonds, payment guarantee repair works and remedying defects guarantee	34.000	PLN
ING S.A.	Bid bonds, contract performance bonds, payment guarantee repair works and remedying defects guarantee	48.000	PLN

6. DESCRIPTION OF THE USE OF PROCEEDS FROM THE ISSUE BY THE PARENT

6.1 Debut on the Stock Exchange

In 2011 the Issuer did not issued any securities.

On 14 July 2011, the National Depository for Securities (KDPW) registered pursuant to § 40 section 2 and § 2 section 1 and 4 of the Rules of NSD bearer bonds of series A issued by ERBUD SA following the Resolution No. 1 of the Management Board dated 29 June 2011, in the amount of 50,000 (fifty thousand) and with a par value of PLN 1,000 (one thousand) each, and coded them as PLERBUD00046, subject to section 2.

On 15 July 2011, Erbud S.A. issued 50 thousand three-year unsecured bearer bonds.

1) Purpose of the issue

The Issuer intends to use funds raised primarily to finance the increased demand for working capital. The value of working capital of the Erbud S.A. Capital Group at the end of March 2011 amounted to PLN 183 million and grown by PLN 105 million in comparison to the end of December 2010, when it amounted to PLN 78 million. The increase in request for working capital is a result of extension of the receivables rotation cycle from 57 days at the end of December 2010 to 86 days at the end of March 2011, and shortening the cycle of rotation of commitments from 63 days at the end of December 2010 to 61 days at the end of March 2011.

Shortening the liabilities rotation cycle against subcontractors of Erbud S.A. and financing the increased demand for working capital associated therewith this is one of the main objectives of the Bonds issue. Shorten the term of payment to subcontractors allows to negotiate lower prices for services, and thus the higher margins for the Erbud S.A. Capital Group. The Issuer intends to continue its working capital management policy consisting on reducing of the liabilities rotation cycles and therefore expects to achieve economic benefits in the form of due improvement in margins generated by the Erbud S.A. Capital Group.

Extending the cycle of receivables rotation is associated with the current situation in the construction market, as well as results from the increase in percentage of public sector entities in the structure of the sale of the Issuer. Payment terms of public sector entities are usually longer than the payment terms of private sector companies. In 2010, the contracts signed by Erbud S.A. with the public sector entities amounted, in value terms, 39% of all concluded agreements.

The Issuer reserves the right to change the above described way of use of the proceeds from Bonds, if there occur unforeseen circumstances which may affect the Group's activities. Any information regarding the changes in use of proceeds from the issued Bonds will be make available to the public in the form provided for by the law, immediately after the relevant decisions will be taken.

2) Type of bonds issued

Series A bearer bonds, dematerialized, unsecured, with floating rate.

3) Issue amount

The aggregate par value of Series A bonds is PLN 50,000,000 (fifty million Zlotys).

4) The par value and issue price of debt instruments or manner of determining

The par value of one bond equals to the bond issue price and amounts to PLN 1000 (one thousand Zlotys) [Par Value).

5) Terms and conditions for Bond's redemption and interest payment

INTEREST

5.1.1 Interest Periods

Bonds shall bear interest. Interest on the Bond par value shall be accrued from the Issue Date (inclusive) and paid for each Interest Payment Date, subject to paragraph 8.8 and paragraph 9.3 of the Issue Conditions annexed to this Information Note. The last date for which interest shall be accrued will be the day just before the Bonds redemption date.

5.1.2 Interest Rate

Interest Rate for a given Interest Period shall equal the sum of the Base Rate defined by the Issue Agent as provided below, and a premium of 3.40% per annum.

The Base Rate, which is a component of the Interest Rate shall be determined by the Issue Agent for the Interest Period on the Date of Fixing Base Interest for this Interest Period according to the following principles:

(i) of WIBOR6M published on the Screen at or about 11:00 on the Date of Fixing Base Interest; or

(ii) if at the time described in point (i) WIBOR6M does not appear on the Screen - in the amount calculated as the arithmetic mean (rounded up, if necessary, to four decimal places up) of interest rates for loans in Polish currency for an amount equal to the par value of one Bond for a period equal to the Interest Period, which will be given the Issue Agent, at its request, by at least two of the Reference Banks at or about 11:00 on the Date of Fixing Base Interest; or

(iii) if the Base Rate for the Interest Period can not be determined in accordance with points (i)-(ii), the Base Rate for this Interest period will be equal to the Base Rate fixed for the preceding Interest Period.

5.1.3 Amount of interest

Interest accrued at the Interest Rate for one Bond for a given Interest Period, subject to paragraph 8.8 of the Issue Conditions annexed to this Information Note will be calculated by the following formula:

$$Ki = \frac{N \times Oi \times Di}{R}$$

where:

Ki means the amount of interest for the Interest Period per one Bond

N means the Par Value of one Bond

Oi means the Interest Rate at a given Interest Period

Di means the number of days during the Interest Period

R means 365 days,

rounded to 1 grosz (half a grosz will be rounded up).

PAYMENT

5.2.1 Any payment for the Bonds shall be made through the NDS and entities managing Securities Accounts in accordance with relevant regulations of the NDS and entities managing Securities Accounts.

5.2.2 If the date, at which any payment for the Bonds is to be effected, falls on a day other than a Business Day, such payment shall be made on the first Business Day after this day, and the Bondholders will not have a claim for interest for that period.

5.2.3 Payment shall be made only to the Bondholder, who will have the bonds at the end of the Record Date.

5.2.4 The Issuer shall effect any payment for the Bonds without making any deduction of claims due to the Bondholder.

5.2.5 All payments shall be made by the Issuer in line with the applicable regulations, including rules specifying the maximum amount of interest arising from legal action.

5.2.6 In case of delay in payment by the Issuer, any payment in respect of the Bonds, the amount of payments for the Bonds will be increased by statutory interest calculated pursuant to provisions of the Civil Code.

5.2.7 Payment of interest shall be made according with the interest table as below:

Interest Period	Record Date	Interest Payment Date
15 July 2011 – 15 January 2012	5 January 2012	16 January 2012
16 January 2012 – 15 July 2012	6 July 2012	16 July 2012
16 July 2012 – 15 January 2013	8 January 2013	16 January 2013
16 January 2013 – 15 July 2013	8 July 2013	16 July 2013
16 July 2013 – 15 January 2014	8 January 2014	16 January 2014
16 January 2014 – 14 July 2014	7 July 2014	15 July 2014

REDEMPTION
The Issuer shall redeem the Bonds on the Redemption Date, i.e. on 15 July 2014 at their Par Value. 7 July 2014 is the Record Date for redemption.

6) The amount and form of security and identification of the entity providing the security

Bonds are not secured.

6.2. Garantees provided by financial institutions to the Issuer

As at 31.12.2011, the Company had the following contingent liabilities:

- Liabilities due to guarantees granted (in thousands of PLN)

Item	31.12.2011	31.12.2010	30.09.2010	30.06.2010
Liabilities repayment guarantee	53,728	35,341	11,000	200
Contract performance bond	181,704	141,587	149,230	120,034
Repair works and remedying defects guarantee	95,702	77,875	81,742	73,660
Total contingent liabilities	**331,134**	**254,803**	**241,972**	**193,894**

- Guarantees provided to subsidiaries (in thousands of PLN)

Item	31.12.2011	31.12.2010
Credit repayment guarantee for Erbud International Sp. z o.o.	4 000	4 000
Budlex Sp. z o.o. - loan	23 974	23 974
Ersteel Sp. z o.o. - loan	0.00	4 313
Ersteel Sp. z o.o. - surety	0.00	900
Budlex Pestalozziego Sp. z o.o. - surety	12 286	0.00
Total contingent liabilities	**4 000**	**4 000**
Total loans	**23 974**	**19 661**

- Guarantees provided to subsidiaries (in thousands of EUR)

Item	31.12.2011	31.12.2010
Credit repayment guarantee for GWI GmbH	2 000	2 000
GWI GmbH – guarantee of BRE Bank S.A. for credit repayment	2 700	2 700
GWI GmbH – guarantee of BRE Bank S.A. for credit repayment	1 000	1 000
Total contingent liabilities	**5 700**	**5 700**

6.3. Risks associated with financial instruments.

6.3.1 Interest rate risk

The Issuer has a debt based on WIBOR reference rates. In case of bank loans it is a shortterm debt. In case of bonds, the debt is a longterm one - with a maturity of 3 years. When observing the variability of reference rates and the current NBP monetary policy, the Issuer does not see the necessity to secure the risk.

6.3.2 Currency risk

The Issuer does not perform contracts which are denominated in foreign currencies. The foreign activity is naturally protected through purchases of materials and services in the contracts currency.

7. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULT SHOWN IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS

The Issuer did not publish separate forecasts.

8. EVALUATION OF MANAGING THE FINANCIAL RESOURCES, INCLUDING POSSIBLE THREATS

The Issuer uses in its activity funds from business operations and debts from working capital loans and issue of bonds.
At present, the Issuer's activity requires a substantial financial commitment. The longer payment terms and the loss caused a negative balance on the cash flows from operating activities.
The Erbud's Management Board will endeavour to restore funds.
Both as at today and in a longer time horizon, the Board does not see risks for the liquidity.

The loss had led to break the convents included in agreements with banks relating to EBIT or net profit. The Company has not received any signals concerning changes in credit agreements in connection with failure to comply in the convents.

Due to the fact that the line of credit with ING SA is granted for three entities of the Erubd Group, in this case covenants are based on consolidated data. In other events, the covenants apply to the separate figures.

No.	Ratio/Bank	BRE
1	Net profit margin - net income / total income -min. 3%	minimum 3%
2	Current liquidity ratio - (inventories + receivables + cash) / short-term liabilities	1,2
3	debt ratio - debt amount / assets	no more than 75%
4	EBITDA	35 million

No.	Ratio/Bank	BGŻ S.A.
1	Return on sales (EBITDA/net revenues an sales)	less than -4,35%
2	Overall debt ratio (total liabilities x 100% / total assets)	no more than 70%
3	Debt-service coverage ratio (net income + interest + amortization / capital instalments (loan) + interest)	no less than 24,7

No.	Ratio/Bank	ING
1	Debt / EBITDA	no more than 3
2	Debt / equity	no more than 1,25
3	Equity / total assets	no less than 0,3

No.	Ratio/Bank	PKO BP SA
1	Return on sales - profit on sales / income on sales	no less than 3%
2	Current liquidity ratio - current assets (less short-term receivables with maturity of over 12 months) - short-term prepayments / current liabilities (less short-term liabilities with maturity of more than 12 months) - special funds	no less than 1,3
3	Debt-to-assets ratio - total liabilities / total assets	no more than 0,8

9. INFORMATION ON SHARE CAPITAL, CHANGES IN EQUITY AND MANAGING AND SUPERVISING BODIES OF THE ISSUER

9.1 Shareholding of the Company, incl. description of movements in equity during 2011 and after the balance sheet date

As at 31 December 2011 the registered share capital amounted to PLN 1,260,271.10 (one million two hundred and sixty thousand, two hundred and seventy-one, point one zero) and was divided into 12,602,711 shares with a face-value of PLN 0.10 each one.

On 10 August 2011, the Issuer's Management Board adopted a resolution to increase the share capital from PLN 1,260,271.10 to PLN 1,264,416.90 under the issue of 41,458 registered shares at PLN 0.10 per share. The increase was due to issue shares of series F under the Employee Incentive Scheme.

The decision to register the capital increase was given on 14 September 2011.

Shares have been acquired in the following manner:

Series	Number of shares	Price in PLN	Value in PLN
A	2,000,000	0.10	200,000.00
B	8,000,000	0.10	800,000.00
C	71,025	0.10	7,102.50
D	2,500,000	0.10	250,000.00
E	31,686	0.10	3,168.60
F	41,458	0.10	4,145.80
Total	**12,644,169**	**0.10**	**1,264,416.90**

In 2011 and until the report publication, there were following movements in the capital structure:

On 19 January 2011, the Issuer's Management Board was notified of the disposal of 152,000 shares of Erbud SA by Wolff & Müller Baubeteiligungen GmbH & Co. KG. Before the transaction Wolff & Müller Baubeteiligungen GmbH & Co. KG together with the associated entity Wolff & Müller Holding GmbH & Co. KG had 4,304,865 Issuer's shares representing 34.16% of the share capital of ERBUD S.A. entitling to the same voting rights at a General Meeting. After the transaction, the Wolff & Müller Group has 4,152,865 shares of ERBUD S.A. representing 32.95% of the Issuer's share capital and entitling to the same voting rights at at the AGM of Erbud SA.

On 04 March 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,125 shares of series D.

On 05 April 2011, the Management Board of the Issuer was informed that Otwarty Fundusz Emerytalny Aviva BZ WBK has increased the shareholding of the Issuer's shares, which as of 31.12.2010 amounted to 927,978 shares of Series D.

On 25 May 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,074 shares of series D.

On 06 July 2011, the Management Board of the Issuer was notified of the disposal of the Issuer's shares by a person related. The procura holder of Erbud S.A. sold 1,000 shares of series C.

On 25 July 2011, the Management Board of the Issuer was notified of the disposal of the Issuer's shares by a person related. The procura holder of Erbud S.A. sold 1,000 ordinary bearer shares.

On 26 July 2011, the Management Board of the Issuer was notified of the disposal of the Issuer's shares by a person related. The procura holder of Erbud S.A. sold 1,200 ordinary bearer shares.

On 26 July 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 2,000 shares of series D.

On 08 September 2011, the Management Board of the Issuer was notified of the disposal of the Issuer's shares by a person related. The procura holder of Erbud S.A. sold 1,000 shares

On 09 September 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by the shareholder Juladal Investment Ltd. (a company controlled by the Issuer's Management Board). Juladal acquired 21.900 shares of Erbud S.A.

On 12 September 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 587 shares.

On 14 September 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by the shareholder Juladal Investment Ltd. (a company controlled by the Issuer's Management Board). Juladal acquired 11,408 shares of Erbud S.A.

On 19 September 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by the shareholder Juladal Investment Ltd. (a company controlled by the Issuer's Management Board). Juladal acquired 2,715 shares of Erbud S.A.

On 29 November 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,000 shares.

On 29 November 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The shareholder Juladal Investment Ltd., a company controlled by the Issuer's Management Board, acquired 21.004 shares.

On 14 December 2011, the Management Board of the Issuer was notified of the purchase of the shares of Erbud S.A. by ING Otwarty Fundusz Emerytalny. After the transaction, the Fund holds 1,269,709 shares, which gives 10.04% of the total votes at the AGM.

On 29 December 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,139 shares.

On 6 January 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 2,702 shares.

On 9 January 2011, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 67 shares.

On 10 January 2012, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,229 shares.

On 11 January 2012, the Management Board of the Issuer was notified of the purchase of the Issuer's shares by a person related. The procura holder of Erbud S.A. acquired 1,742 shares.

On 13 February 2012, the Management Board of the Issuer was notified of the disposal of the Issuer's shares by a person related. The procura holder of Erbud S.A. sold 1,200 shares.

Accordingly, the shareholding (shareholders having more than 5%) as at the date of this report is as follows:

No.	***Shareholder***	***Class of shares***	***Number of shares***	***Per cent of equity***	***Number of votes***	**Per cent of voting rights at the AMS**
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.84%	4 152 865	32.84%
2	Juladal Investment Limited	ordinary	2 818 174	22.29%	2 818 174	22.29%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.36%	1 183 146	9.36%
4	ING OFE	ordinary	1 269 709	10.04%	1 269 709	10.04%
5	Dariusz Grzeszczak	ordinary	750 000	5.93%	750 000	5.93%
6	Free Float	ordinary	2 470 275	19.54%	2 470 275	19.54%

Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

***9.2.* Number of Erbud's shares held or rights to them (options) by persons managing and supervising Erbud SA till the date of audit completion**

By the date of audit completion, the managing staff (members of the Management Board and procura holders) held the following number of shares:

No.	Person related	Type of relationship	Class of shares	Number of shares	% of equity	Number of votes	% of voting rights at the AGM
1	Dariusz Grzeszczak	Board"s member of Erbud SA	Common	750 000	5.93%	750 000	5.93%
2	Józef Adam Zubelewicz	Board"s member of Erbud SA	Common	250 000	1.98%	250 000	1.98%
3	Walenty Twardy	Procurist of Erbud S.A.	Common	12 384	0.10%	12 384	0.10%
4	Piotr Augustyniak	Procurist of Erbud S.A.	Common	8 747	0.07%	8 747	0.07%
5	Bogdan Dürr	Chairman of Erbud International Sp. z o. o.	Common	6 712	0.05%	6 712	0.05%
6	Beata Krzywicka	Spouse of the Erbud S.A. Procurist	Common	3 636	0.03%	3 636	0.03%
7	Tomasz Krzywicki	Procurist of Erbud S.A.	Common	2 750	0.02%	2 750	0.02%
8	Agnieszka Głowacka	Procurist of Erbud S.A.	Common	5 436	0.04%	5 436	0.04%
9	Włodzimierz Czystowski	Procurist of Erbud S.A.	Common	12 463	0.10%	12 463	0.10%
10	Mariola Zielińska	CFO of Erbud S.A.	Common	4 318	0.03%	4 318	0.03%
11	Grzegorz Krzywicki	Procurist of Erbud S.A.	Common	3 033	0.02%	3 033	0.02%
12	Radosław Kałamaga	Procurist of Erbud S.A.	Common	3 704	0.03%	3 704	0.03%
13	Waldemar Kozłowski	Procurist of Erbud S.A.	Common	0	0.00%	0	0.00%
14	Maciej Wyrzykowski	Procurist of Erbud S.A.	Common	1 200	0.01%	1 200	0.01%
15	Mirosław Młynarski	Procurist of Erbud S.A.	Common	4 479	0.04%	4 479	0.04%
TOTAL				**1 068 862**	**8.45%**	**1 068 862**	**8.45%**

By the date of audit completion, members of the Management Board and procura holders do not have any options on shares of Erbud SA.

Erbud SA conducts the Employee Incentive Program which has been introduced following the Resolution adopted by the Extraordinary General Meeting of Shareholders on 8 December 2009. The program concerned the financial results generated in three years: 2008, 2009, 2010.
Till submitting the report, two tranches of shares were released, and namely of Series E and F, related respectively 2008 and 2009.
In 2012, the third tranche for results achieved in 2010 will be released .
The implementation of the program is controlled by the Management and the Supervisory Board.

9.3. Description of any decisions which implementation may result in future changes in way of controlling Erbud SA

No arrangements, which implementation could bring changes in the way of controlling, have been made between the shareholders. There are no restrictions against the Issuer's shares to transfer ownership rights.

9.4. Supervisory Board of Erbud S.A..

Pursuant to Article 11 item 2 of the ERBUD S.A. Statutes, 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 General Meeting of the Issuer.

However, the first Supervisory Board of ERBUD, was established due to conversion of the legal predecessor - Erbud Sp. z o.o. into ERBUD S.A. according to Resolution No. 1 of the Shareholders' Extraordinary Meeting of ERBUD Sp. z o.o. of 15 November 2006 on the conversion and acceptance of the Issuer's Articles of Association. The first Issuer's Supervisory Board was appointed as follows:

Name and surname	Position/Function	Term beginning	Term ending
Gerhard Kässmann	President of the Supervisory Board	15.11.2006	15.11.2009
Wojciech Rzepka	Vice-President of the Supervisory Board	15.11.2006	15.11.2009
Albert Dürr	Member of the Supervisory Board	15.11.2006	15.11.2009
Gabriel Główka	Member of the Supervisory Board	15.11.2006	15.11.2009
Lech Wysokiński	Member of the Supervisory Board	15.11.2006	15.11.2009
Józef Olszyński	Member of the Supervisory Board	05.12.2009	15.11.2009

On 8 December 2009, the Extraordinary General Meeting of Shareholders of Erbud SA appointed the Supervisory Board of Erbud SA composed of:

Name and surname	Position/Function	Term beginning	Term ending
Udo Berner	President of the Supervisory Board	08.12.2009	08.12.2012
Józef Olszyński	Vice-President of the Supervisory Board	08.12.2009	08.12.2012
Albert Dürr	Member of the Supervisory Board	08.12.2009	08.12.2012
Gabriel Główka	Member of the Supervisory Board	08.12.2009	08.12.2012
Lech Wysokiński	Member of the Supervisory Board	08.12.2009	08.12.2012

On 21 June 2011, the Annual General Meeting of Shareholders appointed a new Supervisory Board member Erbud SA in the person of Ms. Zofia Dzik. The Issuer informed about it in the Current Report No. 27/2011 on 22 June 2011.

As at the day of publication of the Report, the composition of Supervisory Board Erbud SA is as follows: :

Name and surname	Position/Function	Term beginning	Term ending
Udo Berner	President of the Supervisory Board	08.12.2009	08.12.2012
Józef Olszyński	Vice-President of the Supervisory Board	08.12.2009	08.12.2012
Albert Dürr	Member of the Supervisory Board	08.12.2009	08.12.2012
Gabriel Główka	Member of the Supervisory Board	08.12.2009	08.12.2012
Lech Wysokiński	Member of the Supervisory Board	08.12.2009	08.12.2012
Zofia Dzik	Member of the Supervisory Board	21.06.2011	08.12.2012

Remuneration of the Supervisory Board members of ERBUD SA paid by ERBUD SA and its subsidiaries in 2011

Name and surname	Position/Function	Total value of remuneration paid (including any contingent or deferred benefits) and benefits in kind granted by the Issuer for any kind of services provided to the Issuer in 2011 (in PLN)
Berner Udo	President of the Supervisory Board	60,000
Albert Dürr	Member of the Supervisory Board	39,600
Gabriel Główka	Member of the Supervisory Board	39,600
Lech Wysokiński	Member of the Supervisory Board	39,600
Józef Olszyński	Vice-President of the Supervisory Boardj	44,400
Zofia Dzik	Member of the Supervisory Board	20.900
TOTAL:	**Supervisory Board of the Issuer**	**244.100**

9.5. Management Board of Erbud S.A.

In accordance with Resolution No. 1 of the Extraordinary General Meeting of the ERBUD Sp. z o.o. (the legal predecessor of ERBUD SA) dated 15 November 2006 on the conversion of ERBUD Sp. z o.o. into ERBUD S.A. and on acceptance of the ERBUD S.A. Statutes, the Management Board of ERBUD S.A. was appointed as follows:
- Dariusz Grzeszczak,
- Józef Adam Zubelewicz.

No changes occurred in the composition of the Management Board of the Company in 2011.

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries in 2011

Name and surname	Position/Function	Total value of remuneration paid (including any contingent or deferred benefits) and benefits in kind granted by the Issuer for any kind of services provided to the Issuer in 2011 (in PLN)
Dariusz Grzeszczak	Member of the Management Board	1,282,309.06
Józef Adam Zubelewicz	Member of the Management Board	1,216,287.10
TOTAL:	**Management Board of the Issuer**	**2,498,596.16**

Members of the Management Board of Erbud SA were appointed by the Supervisory Board of Erbud SA on 12 November 2009 for a new three-year term agreement.
Each of member of the Board shall be entitled to terminate the contract at 12 months notice.

In the event that the contract is terminated by the Company with the observance of a notice period, where the dismissal of a Board member is a reason justifying the contract termination and which termination is effected before the expiry of the office term of the Company's Board, the Company shall be obliged to pay a compensation amounting to the product of the equivalent of EUR 14,000.00 and the number of months remaining by the end of term.

Moreover, members of the Management Board of Erbud SA shall be obliged to observe non-competition clauses during the employment period and for a period of 1 year from the date of termination of employment contract. Moreover, the Company shall agree to pay a person covered by the prohibition of competition a compensation in the

amount equal to EUR 14,000.00 for each month after the termination of the employment contract by the fixed non-competition period. Compensation will be paid in equal monthly installments.

Upon request, the Company may withdraw or reduce the non-competition clause and then desist the payment of compensation.

The Issuer covers the costs of retirement severance of the Management Board members for a total of PLN 142,114.42.

Remuneration of the senior managing personal of ERBUD SA paid by ERBUD SA and its subsidiaries in 2011

Name and surname	Position/Function	Total value of remuneration paid (including any contingent or deferred benefits) and benefits in kind granted by the Issuer for any kind of services provided to the Issuer in 2011 (in PLN)
Agnieszka Głowacka	Joint prokurist	294,000
Piotr Jan Augustyniak	Joint prokurist	830,728
Walenty Twardy	Joint prokurist	847,849
Maciej Piotr Wyrzykowski	Joint prokurist	241,764
Grzegorz Krzywicki	Joint prokurist	265,250
Bogdan Durr	Joint prokurist	**357,705 PLN** (86.400 EUR*4.1401)
Tomasz Krzywicki	Joint prokurist	**372,406.37 PLN** (27,474 EUR*4.1401 +258,661.26 PLN)
Włodzimierz Czystowski	Joint prokurist	176,587
Waldemar Kozłowski	Joint prokurist	336,250
Radoslaw Kałamaga	Joint prokurist	599,000
Mirosław Młynarski	Joint prokurist	293,432
TOTAL	**Senior managing personal**	**4,615,021.37**

10. PROCEEDINGS IN PROGRESS BEFORE COURTS, COMPETENT ARBITRATION BODIES OR PUBLIC ADMINISTRATION ENTITIES AS AT THE DATE OF PREPARING THE FINANCIAL STATEMENTS

Currently, there are no proceedings in progress before the authorities of public administration (government and local), no litigations or arbitration proceedings which could essentially impact the financial position or profitability of the Group and which claim amount would have exceed 10% of the shareholders' equity of the Group or Erbud SA..

11. INFORMATION ON THE ENTITY AUTHORISED TO REVIEW AND AUDIT THE FINANCIAL STATEMENTS

At the meeting on 21 June 2011, the Supervisory Board of the Company selected the auditor.
After became acquainted with the recommendation and justification prepared by the Audit Committee, the Supervisory Board, has chosen Horodko TPA Horwath Audit Sp. z o.o., based in Poznań, Murawa 12-18 St., 61- 655 Poznan, entered on the list of entities authorised to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements of the Company for 2011.

The auditor conducted the review of the separated financial statements of Erbud SA and the consolidated financial statements prepared as at 30 June 2011 and audited the annual separated financial statement of Erbud SA. for the FY 2011 and the consolidated report for the FY 2011.
The total remuneration for reviewing the statements as referred to above, for the period from 1 January 2011 to 30 June 2011 amounted to PLN 222,000.00.

The total remuneration for auditing the annual statements as referred to above, for the year ended 31 December 2011 amounted to PLN 195,000.00.
The total remuneration due to the agreement was PLN 417,000.00.

Annotation on the entity authorised to review and audit the financial statements in 2010

At the meeting on 29 June 2010, the Supervisory Board of the Company selected the auditor.
After became acquainted with the recommendation and justification prepared by the Audit Committee, the Supervisory Board, has chosen Horodko TPA Horwath Audit Sp. z o.o., based in Poznań, Murawa 12-18 St., 61- 655 Poznan, entered on the list of entities authorised to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements of the Company for 2010.

The auditor conducted the review of the separated financial statements of Erbud SA and the consolidated financial statements prepared as at 30 June 2010 and audited the annual separated financial statement of Erbud SA. for the FY 2010 and the consolidated report for the FY 2010.
The total remuneration for reviewing the statements as referred to above, for the period from 1 January 2010 to 30 June 2010 amounted to PLN 221,700.00.
The total remuneration for auditing the annual statements as referred to above, for the year ended 31 December 2010 amounted to PLN 194,000.00.
The total remuneration due to the agreement was PLN 415,000.00.

12. OTHER INFORMATION THAT WOULD HAVE A SIGNIFICANT IMPACT ON THE ISSUER'S OPERATIONS AND PROFITABILITY

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496.
The respondent: Bank Millennium S.A. in Warsaw.
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.
The product was presented by the Bank as an instrument optimally adapted to the requirements of Erbud S.A. 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 call 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.

The were three trials till the date of publication of the report, on which two witnesses have been heard.

Member of the Management Board	***Member of the Management Board***
Józef Adam Zubelewicz	***Dariusz Grzeszczak***