ERBUB S.A.

MANAGEMENT ANNUAL REPORT ON OPERATIONS OF THE ERBUD CAPITAL GROUP FOR 2011

1. Presentation of the Capital Group - introduction

The Capital Group ERBUD S.A. consists of the the following consolidated business entities:

- The Parent company (Issuer):
  Erbud S.A. (Joint Stock Company) headquartered in Warszawa
- Subsidiaries:
  - Erbud International Sp. z o.o. (Limited Liability Company) seated in Toruń
  - GWI GmbH (Limited Liability Company) seated in Düsseldorf, Germany
  - Budlex Sp. z o. o. (Limited Liability Company) seated in Warszawa
  - PBDI SA (Joint Stock Company) seated in Toruń
  - Erbud Energetyka Sp. z o.o. (Limited Liability Company) seated in Katowice
  - Ersteel Sp. z o.o. (Limited Liability Company) seated in Toruń.

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, after disposal of 15 percent of the shares to the President of GWI GmbH on 5 March 2009. The shares were sold at its face value, i.e. EUR 15 thousand.

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.

Audit of the consolidated financial statements has been conducted by Horodko TPA Horwath Audit Sp. z o.o., based in Poznan.

The consolidated financial statements have been prepared taking into account that the units included in the Capital Group will continue their activity.

After the balance sheet date 31.12.2011 till the date of preparation of the consolidated financial statements for 2011 not any events has occurred in the opinion of the Management Board that could significant impact on the financial standing and assets of the Group, except as described in this report.

The following table provides information with respect to shares in consolidation of subsidiaries:

No.	Subsidiary	Shareholding by ERBUD S.A. Parent Company					Consolidation method
		2011-12-31	2011-09-30	2011-06-30	2011-03-31	2010-12-31	
1	Erbud International Sp. z o.o.	100%	100%	100%	100%	100%	full
2	GWI GmbH	85%	85%	85%	85%	85%	full
3	Budlex S.A.	89.96%	89.96%	89.96%	89.96%	89.96%	full
4	Erbud Energetyka	86.36%	86.36%	86.36%	86.36%	86.36%	full
5	Ersteel Sp. z o.o.	100%	100%	100%	100%	100%	full
6	PBDI S.A.	94.27%	94.27%	94.27%	94.27%	94,27%	full

The following table presents the shares of subsidiaries excluded from consolidation due to their immateriality.

No.	Subsidiary	Seat	Kind of relationship	Consolidation method	Shareholding by ERBUD S.A. Parent Company
1.	Delta Sp. z o.o.	Toruń	Subsidiary	not consolidated - not relevant	100%
2.	Erbud Construction Sp. z o.o.	Toruń	Subsidiary	not consolidated - not relevant	100%
3.	Toruńska Sportowa S A w likwidacji	Toruń	Associated company	not consolidated - not relevant	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Subsidiary	not consolidated - not relevant	79%
5.	ER Services Sp. z o.o.	Toruń	Subsidiary	not consolidated - not relevant	100%
6.	Erbud Ireland Limited*	Dublin, Ireland	Indirect subsidiary	not consolidated - not relevant	100%

* Erbud S.A. is an indirect owner of Erbud Ireland Limited

1.1 ERBUD S.A. – The Parent Company

The Parent company operates under the name of Erbud SA. Its registered office is in Warsaw.

The Parent company operates as a joint stock company established as a result of legal form conversion of Erbud Spółka z ograniczoną odpowiedzialnością [Erbud Limited Liability Company] by a notarial deed before the notary public Krystyna Krystek in the State Notarial Office in Torun (Index A 10071/1190) on 17.08.1990.

The conversion of the legal form took place on 15 November 2006 at the Extraordinary Meeting of Shareholders in the Notary Office managing by Dorota Kałowska in Warsaw at Grzybowska Street 12/14 room B-2 (Index A 13158/2006). Decree of the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register, file No. WA.XIII NS-REJ.KRS/036772/06/221.

The company has been registered by the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register under the KRS number 0000268667.
The Company is a holder of Tax Identification Number (NIP) 879-017-22-53 granted by the II Mazowiecki Urząd Skarbowy in Warsaw (the II Mazovian Tax Office).

The Statistical Office has granted to the Company a National Business Register Number (REGON) 005728373.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

As at 31 December 2011 the registered share capital amounted to PLN 1,260,271.10 (say: one million two hundred sixty thousand, two hundred seventy one 10/100) and was divided into 12,602,711 shares at face-value of PLN 0.10 each share.

The 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**

During the reporting period, the Management Board of the Company acted without any personal changes and was consisted of two persons:

- Management Board Member – Dariusz Grzeszczak
- Management Board Member – Józef Adam Zubelewicz.

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.

1.2 Erbud International Sp. z o. o. – a subsidiary

The company operates under the name of Erbud International Sp. z o.o. and is based in Toruń.

The company operates in the form of a company with limited liability that has been established by a notarial deed on 7 January 2000, before the notary public Mirosława Syczewska in Torun (Index No. 95/2000).

The company has been registered in the District Court in Torun, VII Economic Division under the KRS number 0000268667.

The company is a holder of Tax Identification Number (NIP) PL 956-200-55-85 granted by Kujawsko-Pomorski Tax Office in Bydgoszcz.

The Statistical Office granted a National Business Register Number (REGON) 871222476.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

The share capital of the Company as at 31 December 2011 amounted to PLN 50,000.00 and was divided into 1,000 shares with a nominal value of of PLN 50.00 each one.

No.	Shareholder	Number of votes (in units)	Nominal share value (in PLN)	Percentage of capital/votes
1.	Erbud S.A.	1 000	50.00	100
	Total	**1 000**	**50.00**	**100.00**

During the period 01.01.2000 - 20.02.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Dariusz Grzeszczak.

During the period 20.02.2003 – 31.12.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Jacek Pięta.

During the period 01.01.2004 – 31.12.2004, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

During the period 01.01.2005 – 31.12.2006, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

Over the period from 01.01.2007 until the date of report publication, Bogdan Durr served the position of President of the Management Board of Erbud International Sp. z o.o.

The company has a Branch in Düsseldorf, Germany registered on 10 April 2000 and entered in the Commercial Register under the number HRB 713.

Employment structure in Erbud International Sp. z o.o.

The average number of persons in employment in the Company in 2011 amounted to 476.77.

In 2011 the company employed an average of 476.77 persons, of which in the country were employed an average of 176.48 persons (37.02% of total employment), while employment in export area amounted to an average of 300.29 persons (62.98% of employees in total).

Occupational groups

The structure of employment by occupational groups

As at 31.12.2011

Item	Employment	Structure (in %)
White-collar workers	91.00	14.72
Other, blue-collar workers	527.40	85.28
TOTAL	**618.40**	**100.00**

Volume and kind of production and services

In 2011, the Company's activity included:

1. general building
2. export services

Key sale markets of Erbud International

In 2011, the company’s main operating area was the export of construction services to Belgium and Germany

The home operations of the company cover shall and core constructions.

Customer	Project	Contract value in €
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Kobra BE1101	600,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Lommel, BE1102	410,000.00€
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Jette, BE1103	730,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Winksele, BE1104	1,456,000.00€
Vanhout nv., Lammerdries 12, B-2440 Geel	Westerlo, BE1105	1,100,000.00€
Van Laere N.V., Antwerpsesteenweg 320, B-2070 Zwijndrecht (Bucht)	Brugge, BE1106	368,000.00€
Vanhout nv., Lammerdries 12, B-2440 Geel	Jette Windros, BE1107	947,000.00€
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Gent Appartament, BE1108	1,969,000.00€
N.V. Pellikaan Bouwbedrijf, Excelsiorlaan 1, B-1930 Zaventem	Essen, BE1109	205,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Mortsel, BE1110	929,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Rostelaar, BE1111	170,000.00€
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Mechelen, BE1112	530,000.00€

Besix, Gemeenschappenlaan 100, B-1200 Brussel	Planckendael, BE1113	911,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Lagertanks, BE1114	21,000.00€
THV Imec Toren, Lammerdries 12, B-2440 Geel	Imec Toren, BE1115	1,595,000.00€
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	MHA, BE1116	1,322,000.00€
Van Laere N.V., Antwerpsesteenweg 320, B-2070 Zwijndrecht (Bucht)	Regatta, BE1117	872,000.00€
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Oude Kaars, BE1118	1,200,000.00€
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Kanal View, BE1119	1,089,000.00€
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Onyx, BE1120	1,090,000.00€
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Zoersel, BE1121	747,000.00€
Prefaco, Hoeksken 5a, B-9280 Lebbeke (Wieze)	Prefaco, BE1123	400,000.00€
	TOTAL	**18,661,000.00**

Customer	**Project**	**Contract value in €**
Heitkamp	Stade	**600,000.00 €**

Plans for 2012-2015

1. In 2011, Erbud International performed in Germany for the customer Heitkamp two industrial projects: BE7594 Stade and BE7593 Wilhelmshaven (power plants). Constructions completed in 2011.
2. Erbud International has decided to implement only such projects which would bring a marginal return of minimum 10%.
3. Basing on rich experience in the energy sector construction gained in previous years on sites in France, Holland and Germany, Erbud International assumed that in the period of 2012-2015 it will focus on offering in Germany only industrial projects giving a possibility to obtain projected margin.
4. The energy policy on the German market has been changed. It was decided to depart from power plants towards plants using gas and alternative energy sources. In addition, to ensure the covering of the power demand it will be needed and is planned to modernize already operating power plants. Erbud International has experience in implementing such projects.
5. Due to changes in economic situation, we expect that the number of tenders in the energy sector will increase. We estimate our market share of around 5 million per year., we expect an increasing number of tenders in the energy sector. We estimate our market share of around € 5 million per year.
6. In 2012, we bidding as yet the second stage of gas power plant in Stade for Heitkamp. Because in the first stage we have reached the target margin, we are interested in wining this order.
7. Cooperation with the Heitkamp company has been very good. Since February 2012, it will be implemented for Heitkamp the project in Maasvlakte/Netherlands (gas plant for EON). As the construction will be erected out of Germany, works will executed by Erbud SA Export.

1.4 GWI GmbH – a subsidiary

The company operates under the name GWI GmbH and is based in Düsseldorf, Germany.

The company operates in the form of a company with limited liability that has been established by a notarial deed on 3 August 1993 in the presence of a notary Dr. Manfred Lamers in Krefeld (Index No. 1239/1993).

The company has been registered in the District Court in Krefeld (Amtsgericht Krefeld) under HRB 55624.

The company is a holder of Tax Identification Number DE 158567149 granted by Tax Office in Saarlouis, Germany.

The key business of the company is general construction.

The share capital of the Company as at 31 December 2010 amounted to EUR 250,000.00, what converted at balance sheet exchange rate as of 31.12.2010 gives a value of PLN 990,075.00.

As at the date of preparing the report, Erbud S.A. held 85 percent of share capital in GWI GmbH, after disposal of 15% stake to the President of GWI GmbH on 5 March 2009. The shares were sold at its face value, i.e. EUR 15 thousand.

During the period 01.01.2006 - 31.12.2006, the Management Board of GWI GmbH acted as two-person management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2007, the Management Board of GWI GmbH acted as two-person management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2011, the Management Board of GWI GmbH acted as one-person management
- President of the Board – Axel Wahl

Customer	Project	Contract value in €
PDI Düsseldorf Beuth Lofts & Houses GmbH	Construction of 51 flats and houses, incl. underground parking in Düsseldorf	6,671,429.42
RS & Partner Immobiliengesellschaft mbH	Shell works and rebuilding - office building in Ratingen at 5 Kokkolastrasse	61,200.00
NAT GmbH & Co. KG	Shell works - residential building in Düsseldorf at Schanzenstraße 80-82	2,559,314.73
BAM Deutschland AG	Reconstruction of the exhibition hall No 4 in Dusseldorf, shell works	612,164.00
	TOTAL	**9,904,108.15**

2011 was a relatively difficult year in contracting and was characterized by falling prices of construction works in Germany. A priority for GWI in 2011 was to obtain the planned gross profit and the growth of its technology potential. The Company has not engaged in new projects with no hope for achieving the planned marginal coverage and which were characterized by a high price risk. The company has operated in the residential segment in which the price decline was the least visible. The company has focused on the relevant technical and commercial conduction of ongoing projects and minimizing risks in the building process. This resulted in the achievement of expected results, while the volume of works was lower than planned.

1.5 Budlex S.A. – a subsidiary

Presentation of the Capital Group – introduction

BUDLEX S.A. – the Dominant Entity

Name: **Budlex S.A.**
Address: 02-676 Warszawa, ul. Postępu 21
Management: one-person
President - Igor Pawłowski

Register of Entrepreneurs - KRS number: 397843, District Court in Warsaw, XII Economic Department
The company operates under the name of Budlex Sp. z o.o. and is headquartered in Warsaw.

Since 2011 the company operates in the form of a joint-stock company. The company was established in result of the transformation of Budlex limited liability company, which was on the the market since 1987. The transformation, registered in the District Court in Warsaw on 30 September 2011, has been done pursuant to Art. 551 et seq. and 575 - 576 of the Code of Commercial Companies.

The composition of the Board of Budlex Sp. z o.o. has changed during the fiscal year. Ms. Beata Kiowska was dismissed from the position of Vice President of the Board under the resolution of the Extraordinary Meeting of Shareholders of 19 May 2011; whereas the resolution on transforming Budlex sp. z o.o. in Budlex S.A. appointed a one-man board in the person of Mr. Igor Pawłowski.

In the financial year ended 31 December 2011, the composition of the Group has changed. The Dominant Entity set up six special purpose companies to carry out housing development projects: Budlex Pestzlozziego 1 Sp. z o.o., Budlex Glinki A3 Sp. z o.o., Budlex Glinki A3/3 Sp. z o.o., Budlex Powstania Listopadowego Sp. z o.o., Budlex Strzałowa 1 Sp. z o.o., Budlex Strzałowa 2 Sp. z o.o.

Additionally, PB Budlex Nova Sp. z o.o. and Budlex Winnica Sp. z o.o., as entities that have taken over the assets of the companies under business combination, were merged with subsidiaries of the Dominant Entity:

- On 3 October 2011 Przedsiębiorstwo Budowlane Budlex Nova Sp. z o.o. seated in Warsaw, merged pursuant to Art. 492 § 1 item 1 of the CCC by transferring all assets of: Bydgoska Spółka Budowlana Budlex Sp. z o.o. seated in Bydgoszcz, Toruńska Spółka Budowlana Budlex Sp. z o.o. seated in Toruń, Prodrew Budlex Sp. z o.o. seated in Toruń, Santorin Sp. z o.o. seated in Toruń, Torinel Sp. z o.o. seated in Toruń, Budlex Serwis Sp. z o.o. seated in Toruń, Budlex Zbożowa Sp. z o.o. seated in Toruń, Budlex Gardenia Sp. z o.o. seated in Toruń, Budlex Traugutta Sp. z o.o. seated in Toruń (target companies) to P.B. Budlex Nova Sp. z o.o. seated in Warszawa (the acquiring company) with the capital increase of the acquiring company. Due to the fact that the combination did not result in loss of control by existing shareholders of merged entities, the company accounted for the combination in accordance with Art. 44a. item 2 of the Accounting Act, i.e, using the pooling of interests method.

- On 1 December 2011 Budlex Winnica Sp. z o.o. seated in Warsaw, merged pursuant to Art. 492 § 1 item 1 of the CCC by transferring all assets of: Budlex Invest Sp. z o.o. seated in Toruń, Budlex Winnica 8 Sp. z o.o. seated in Toruń, Budlex Słowackiego Sp. z o.o. seated in Warszawa, against shares of the acquiring company. Following the business combination the company's share capital was changed (increased).

As at 31 December 2011 the following entities comprised the Budlex SA Capital Group:

Company business name	Name of person managing
Budlex S.A.	Igor Pawłowski
Przedsiębiorstwo Budowlane Budlex Nova Sp. z o.o.	Krystyna Brzezińska, Andrzej Beński
Budlex Construction Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Partner Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Azalia Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Traugutta Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Bratek Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Brzoskwiniowa Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Winnica Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Waryńskiego Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Osiedle Nasze Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Sielanka Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Koszarowa Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Winnica L4 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Pestalozziego sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Glinki A3 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Domator Łódź Sp. z o.o.	Igor Pawłowski, Artur Kozieja
Deptak Projekt P2 Sp. z o.o.	Beata Kijowska, Karl-Heinz Gosch
Budlex Pestalozziego 1 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Glinki A3 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Glinki A3/3 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Powstania Listopadowego Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski

Budlex Strzałowa 1 Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Strzałowa 2 Sp. zo .o.	Krystyna Brzezińska, Maciej Kiełkowski

Description of individual companies

Subsidiaries of Budlex sp o.o. are established to implement specific development projects. They do not employ any persons. The projects are performed under the following agreements:

- Agreement on substitute project management with Budlex SA
Under the agreement Budlex SA conducts the process of preparing the project: coordinates the designing, obtaining permits and administrative decisions, runs promotions, marketing and sales the premises, coordinates and supervises the execution of contracts;

- Contract for construction work with companies acting as a general contractor
Under the agreement there is carried out comprehensively the construction process (preparation of building site, including demolition, erection of building and development of yards and parking spaces);

- Loan agreement with the bank financing the development project

After completion the project is settled within the company. The company may be dissolved or may start another development project.

Shareholding of the Dominant Entity as at the date of the Report on the Group activities

Shareholder	Number of shares	Number of votes	Nominal value per share (in PLN)	Percentage of capital	Capital value (in PLN)
Erbud S.A.	10 040 000.00	17 068 000.00	0.10	89.96%	1 004 000.00
Igor Pawłowski	1 120 000.00	1 904 000.00	0.10	10.04%	112 000.00
Total	**11 160 000.00**	**18 972 000.00**	**0.10**	**100.00%**	**1 116 000.00**

Employment structure

Employment as at 31 December 2010

White-collar workers: 21
Blue-collar workers: 08
Total: 29

Employment as at 31 December 2011

White-collar workers: 23
Blue-collar workers: 08
Total: 31

Development projected

The Group will continue its development activity, both residential and commercial. It is planned to start new development projects in Torun and Bydgoszcz. A commercial project will be implemented in Poznań.

Significant events affecting the development in 2011 and until the date of preparing the report

The following development projects were completed in 2011:

- Toruń, „Osiedle Nasze" B4, residential building
- Toruń, „Osiedle Winnica" L8, Phase II, residential building
- Toruń, „Osiedle Sielanka" 2A, residential building
- Bydgoszcz, „Osiedle Zielone Tarasy" B1/1, residential building.

The following development projects in which the company carries out contracts for replacement management were commenced and continued in 2011:

- Toruń, Broniewskiego/Sienkiewicza, housing complex
- Toruń, Broniewskiego, office building
- Bydgoszcz, Koszarowa 7, residential building
- Toruń, „Osiedle Centrum" W3,residential building
- Toruń, „Osiedle Sielanka" 2 A,residential building
- Toruń, „Osiedle Winnica" L4,residential building
- Bydgoszcz, „Osiedle Zielone Tarasy" A3, residential building.

In 2011, the company also provided substitute management services for a development project (commercial and office) which is performed by a subsidiary Deptak Projekt P2 Sp. z o.o.

On 5 January 2011, the Deptak Projekt P2 Sp. z o.o. signed an agreement to buy two parcels located in Poznan, 2 Półwiejska St. /Krysiewicza St., incl. the transfer of ownership to them. The purchase price was equal to EUR 5,000,000 net. On the property being the subject of the contract the Deptak Projekt P2 Sp. z o.o. will built a retail and office building with an lease area of 9.7 thousand sq. m. The estimated cost totals EUR 22.65 million.

On 20 January 2011, Budlex Pestalozziego Sp. z o.o. signed a preliminary agreement to purchase rights to perpetual lease of the property situated in Bydgoszcz, Pestalozzi St. with a total area of 18,748 m^2. The definitive agreement will be concluded no later than on 20 December 2011. The net purchase price will amount to PLN 10,931,400.00. The property is acquired from third party - a company of commercial law. On this plot the Budlex Group will be implementing a development project - housing estate with a total net sellable area of 25,000 m^2.

On 19 May 2011, the Extraordinary General Meeting of Shareholders dismissed Ms. Beata Kijowska from the position of Vice President of the Board of Budlex Sp. of o.o.

On 30 September 2011, the District Court in Warsaw, XIII Commercial Division registered the transformation of the Dominant Entity into the joint stock company.

On 3 October 2011, Budlex SA concluded a preliminary agreement to buy rights to perpetual lease of the property situated in Torun, with an area of 3,863 m^2 and a preliminary agreement to purchase participation right of 4265/10000 in the real property of 6,230 m^2 located in Torun, The condition for concluding a final agreement is, i. a., to obtain satisfactory development terms. The property is acquired from third party - a company of commercial law. On this plot the Budlex Group will be implementing a development project - housing estate

On 8 November 2011, the companies Budlex Strzałowa 1 Sp. z o.o. and Budlex Strzałowa 2 Sp. z o.o. entered into an agreement to acquire the share amounting to a total of 50 percent of the real estate located in Torun on Strzałowa St. Area of the purchased share is: 10538.5 m^2. The property has been acquired from a third party. The Budlex Group will will be implementing a development project here - residential complex.

Key markets of development activities

The development activity of the group focused on the market of Torun and Bydgoszcz. In these two cities were carried out development projects. The company has there its sales offices, and Budlex brand is the most recognizable developer's brand.
There has been continued acquisition of commercial projects. The erection of office and commercial building in Poznan has started and in progress are works to benign commercial project in Łódź.

Information about legal proceedings pending before court, an authority competent to conduct arbitration or a public administration authority as of 31 December 2011 and to the date of publishing the report

No proceedings were held before a court, appropriate arbitration authority or state administration authority concerning liabilities or receivables of the Issuer and its subsidiaries, the value of which would individually constitute at least 10 per cent of the Issuer's equity (4.6 million of 46 million)
There were no proceedings as well, where the jointly value amounted respectively to at least 10% of the equity (4.6 million).

Brief market and competition description

The development offer of the Budlex Group covers flats in varying standards in Bydgoszcz and Torun. Usually, apartments are purchased from mortgage credits funds.

In 2011, developers in Bydgoszcz and Torun continued investments in progress and started new projects. The offer included
first of all small and medium-sized flats.

The housing development activity in Toruń is carried out mainly by companies of commercial law, and seldom by the housing co-operatives, as opposed to Bydgoszcz where the activity of housing co-operatives in the construction of new residential buildings is very dynamic.

The largest rival companies in Toruń are: Marbud Grupa Budowlana S.A., GM-Dom Sp. z o.o., Pomorski Dom Sp. z o.o., Calor Developer, Spółdzielnia Mieszkaniowa „Zieleniec".

The largest rival companies in Bydgoszcz are: Arkada Invest Sp. z o.o., AWZ - AWZ - ET Sp. z o.o. Sp. komandytowa, Marbud Grupa Budowlana S.A., Ogbud Sp. z o.o., Pomorska Spółdzielnia Mieszkaniowa, SM Komunalni, Folwark Deweloper Sp. z o.o., Nordic Development S.A., Press Development sp. z o.o.

1.6 Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. (PBDI) – a subsidiary (94,3%)

The company operates in the form of a joint stock company and has been established by a notarial deed on 25.09.1998 before a notary public Krystyna Krystek (Index No. 6271/1998).

On 31 December 2010, it was a business combination through acquisition by Przedsiębiorstwo Robót Drogowych S.A. (Acquiring Company) of Rembet Plus sp. z o.o. (Acquired Company), as specified in Art. 492 § 1 point 1 of the Commercial Companies Code dated 15 September 2000 (Journal of Laws No. 94, item. 1037) i.e. by transferring all the assets of the Acquired Company to the Acquiring Company and simultaneously increasing the share capital of the Acquiring Company in exchange for shares.
As a result of this merger, Przedsiębiorstwo Robót Drogowych S.A. changed its business name for Przedsiębiorstwo Budownictwa Inżynieryjno Drogowego S.A. The company was operating throughout 2011.

The registered office of the Company is in Toruń.

The company is entered into the Register of Entrepreneurs of the National Court kept by the District Court in Toruń, VII Commercial Division of the National Court Register under the KRS number 0000028071.

The company was granted a National Business Register Number (REGON) 871098102 and Tax Identification Number (NIP) 8792070054.

The key business of the company is construction of roads and streets and earthworks. A significant part of the company's evenue the company comes from construction works executed on wind farms.

The share capital of the company as of 01 January 2011 amounted to PLN 872,100.00 and by 31 December 2011 there were no changes.

During the period 01.04.2010 - 04.01.2011 the Board acted as two-person management and consisted of:

- President of the Board - Grzegorz Ślesiński,
- Vice-President of the Board - Roman Rubach.

By the Resolution No. 1/2011 of 4 January 2011, the following Management Board was appointed to a three-year common term:

- President of the Board - Jacek Leczkowski
- Vice-President of the Board - Roman Rubach
- Vice-President of the Board -.Grzegorz Ślesińskii

Until publication of the report there were no changes in the composition of the Board.

Employment structure

Average annual employment in 2011 was 253.22 persons, which corresponds to reduction by 3,35% in comparison with 2010.

As at 31 December 2011 the company employed 245 people of which:

Board members	3 persons,
blue-collar workers	80 persons,
blue-collar workers	162 persons.

Occupational groups

The structure of employment by occupational groups

As at 31.12.2011.

Item	Employment	Structure (in %)
Board	3	1,2
Blue-collar workers	80	32,7
White-collar workers	162	66,1
Total	245	100

Market 2011 description

On 31 December 2010, Przedsiębiorstwo Robót Drogowych S.A. merged with Rembet Plus Sp. o.o. Since that date the combined companies operate under the business name of Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. The consolidation was aimed at strengthening the economic and production potential as well as using the economies of scale to further dynamic growth in the segment of road-engineering. Technical background, experience and references, and also high-class managers and executives of merged entities are the basis for expansion of PBDI SA both locally and countrywide. Business combination of the companies in 2011 resulted in more efficient use of available equipment and personnel. One of its effects was to increase volume of works by over 15 percent y/y.
The company deals with earthworks and roadworks, including bituminous works. The company successfully executes construction works for wind farms.
The economic situation in the road market is formed by the range of real implementation of the government road construction programs. In January 2011, the Council of Ministers adopted the "National Road Construction Programme for the years 2011÷2015" which replaced the previous, much more optimistic, program relating to the period of 2008-2012. The government justified the change in program referring to need to link the substantial plans with financial possibilities. The same we observe in relation to investments funded by local budgets. This results in strong competition between contractors. According to the analysis done by ARCATA and based on data collected from 460 companies, 2011 was another year (since 2008), which recorded a deterioration of prices at auctions. 460 companies in the, year 2011 was another (from 2008), in which was noted further deterioration of prices quoted in tenders. Linking this with the significantly growing asphalt and fuel prices leads to the conclusion that there is more and more difficult to obtain satisfactory profitability from road contracts.
Watching trends in road construction, the company conducted in 2011 acquisition in other business segments. More than 59% of the company's income in 2011 came from the construction works other than road ones (mostly from contracts executed in the wind energy segment).
Currently, the Company has an order backlog for 2012 worth over PLN 120 million, and keeps continuing acquisition to build a safe portfolio ensuring revenues on the level that will be not lower than in 2011.

Contracts signed by PBDI S.A. from 01.01.2011 to the report publishing
(with a single value of more than PLN 500,000)

No.	Customer	Agreement subject	Contract concluded on	Net contract value (in PLN)
1	ERBUD S.A.	Works for the construction of new grade separated crossings within the area of the LCS (Local Control Centre) Ciechanów covering railway overbridge at km 74.417 with access road - in connection with the liquidation of the crossing at 73.031 km; underpass at 75.713 km; road overpass at 76.294	19.01.2011	11 302

		km with the access road from 74.417 km to 76.294 km - in connection with the liquidation of the crossings at 75.150 km and 75.722 km; railway overbridge at 77.400 km - Contract 2C - performed under the project "Modernization of the E 65/C-E 65 railway line, section Warsaw - Gdynia on the LCS Ciechanów area".		
2	ERBUD S.A.	Works for the construction of new two-level junctions, within the area of LCS Ciechanów - Tender 2B: railway overbridge at 79.277 km, railway overbridge at 80.417 km, road overpass at 81.684 km, railway overbridge at 82.747 km, railway overbridge at 84.424 km, railway overbridge at 85.350 km, within the framework of the project named "Modernization of the E 65/C-E 65 railway line, section Warsaw - Gdynia on the LCS Ciechanów area".	20.01.2011	11 178
3	Powiat Chełmiński	Reconstruction of the county road Chełmno – Sztynwag	03.03.2011	2 854
4	Powiatowy Zarząd Dróg w Toruniu	Reconstruction of the county road Łążyn – Zarośle Cienkie - Smolno	11.03.2011	2 153
5	Miejski Zarząd Dróg w Toruniu	Reconstruction of Letnia St. in Toruń	21.03.2011	761
6	Miejski Zarząd Dróg w Toruniu	Repair of Św. Katarzyny Sq. in Toruń on the section from Dąbrowskiego St. to Dobrzyńskiej St. –north side	07.04.2011	1053
7	Gmina Kijewo Królewskie	Reconstruction of the municipal road Bajerze – Trzebcz Królewski, phase I.	10.05.2011	891
8	Miejski Zarząd Dróg w Toruniu	Renovation and partial repair of roads and sidewalks in Torun for regions I, II, IV, V over 2011-2014.	12.05.2011	9 826
9	Bella Enterprise Sp. z o.o. *	Construction of a 2 MW wind farm in the municipality of Działoszyn	03.06.2011	1 860
10	Flower Enterprise Sp. z o.o.*	Construction of a 2 MW wind farm in the municipality of Działoszyn	03.06.2011	3 057
11	Marbud Budownictwo Sp. z o.o.	Construction of APATOR Production and Development Center	20.06.2011	2 750
12	Miejski Zarząd Dróg w Toruniu	Repair of Polna St. in Toruń on the section from Chrobrego St. to the railway – south roadway	09.08.2011	888
13	Miejski Zarząd Dróg w Toruniu	Reconstruction of Harcerska St. in Toruń	11.08.2011	933
14	Miejski Zarząd Dróg w Toruniu	Repair of Łąkowa St. in Toruń	26.08.2011	614
15	Miejski Zarząd Dróg w Toruniu/Toruńskie Wodociągi	Repair of Bażyńskich St. in Toruń	31.08.2011	649
16	Miejski Zarząd Dróg w Toruniu	Repair of Matejki St. in Toruń	12.09.2011	830
17	Miejski Zarząd Dróg w Toruniu	Repair of Armii Ludowej St. in Toruń	13.09.2011	629
18	Miejski Zarząd Dróg w Toruniu	Reconstruction of Turystyczna St. in Toruń	15.09.2011	2 901
19	Miejski Zarząd Dróg w Toruniu	Repair of Szosa Lubicka St. in Toruń	22.09.2011	2 436
20	Gmina Ciechocinek	Land development on Kolejowa St. in Ciechocinek	19.09.2011	5 865
21	Lewanter Sp. z o.o.* (now GDF SUEZ Zielona Energia Sp. z o.o.)	Construction of a wind farm in the municipality of Wilków and Oleśnica, Provinz Opole	14.10.2011	78 400

22	ERBUD S.A.	Earth and road works for the construction of the production and warehouse hall of flat products in Toruń at 7 Starotoruńska St.	14.11.2011	850
23	ERBUD S.A.	Comprehensive earthworks and macro-leveling for the construction of AUCHAN BRONOWICE Commercial Centre in Kraków	11.01.2011	15 880
	Eurowind Project **	Construction of the Złotów Wind Farm	23.02.2012	7 072
	Eurowind Project**	Construction of the Niewolno Wind Farm	23.02.2012	1 455
	Eurowind Project**	Construction of the Kłębowo Wind Farm	23.02.2012	2 593
24	Powiat Toruński	Reconstruction of the county road Turzno- Papowo Toruńskie	15.03.2012	2 990
25	Miejski Zarząd Dróg w Toruniu	Repair of Kraszewskiego St. in Toruń	10.04.2012	595
26	Miejski Zarząd Dróg w Toruniu	Repair of Szosa Lubicka St. in Toruń and rebuilding the pavement to the bike-road	17.04.2012	1 625

* Tasks performed in the consortium, specified value relates to the scope of works of PBDI SA
** Conditional contracts

1.7 Ersteel Sp. z o.o. – a subsidiary (100%)

The company operates in the form of a limited liability company and has been established by a notarial deed on 11.12.2000 before a notary public Teresa Tuszyńska (Index No. A NR 5774/2000).

The company is registered by the District Court in Toruń, VII Economic Department of the National Court Register under the KRS number 0000042078.

The company is a holder of Tax Identification Number (NIP) 879-229-45-52 granted by the II Tax Office in Toruń.

On 27.10.2011, the Extraordinary Meeting of Shareholders decided to increase share capital by the amount of PLN 4.900.000,00, i.e. from PLN 2,550,000.00 to PLN 7.450.000,00, creating new shares in the amount of 49,000 with nominal value of PLN 100,00 per share. All 49,000 shares in the increased share capital were covered by Erbud SA., the present sole shareholder.

The share capital of the company as at 31 December 2011 amounted to PLN 7,450,000.00

During the period from 01.01.2011 to 31.12.2011 and at the date of publication of the report, the Board was acting as one-person management:

- President of the Board - Jerzy Polaszek.

Employment structure

In the period from 1 January 2011 to 31 December 2011, the average number of persons employed was 64, while FTE was 61.80. Employment as at 31.12.2011 amounted to 5 persons. Between 1 October and 30 November 2011 there have been group lay-offs due to changes in the business profile of Ersteel Sp. o.o.

Occupational groups

The structure of employment by occupational groups

As at 31.12.2011

Item	Employment	Structure
Blue-collar workers	2	40%
White-collar workers	3	60%
Total	5	100%

The scope of the company's activity

In 2011, the Company's operations covered steel structures and joinery manufacturing, sales of own products and rendering the design services as well as assembling and installing its own products. In 2012 it is planned to change the profile of activity and to involve in the maintenance services for production companies.

Projected development and market description

The year 2011 was characterized by an exceptionally a sharp struggle for inquiries and orders. Demand for steel constructions and related services (design, assembly) depended primarily on infrastructure construction, which increased slower than expected. Business situation on the construction market continued to deteriorate. Initial projections saying about a cautious growth in investments and thus strengthening the position of the steel industry did not prove to be true.

In order to reach additional margin, great emphasis was placed on communication with suppliers / manufacturers of steel structures (reduction of monthly throughput of own plant and sale of acquired dealings).
Regularly since the beginning of 2011, the Company adopted the sales direction based on small and medium sized suited contracts that are suited to the technological capability of the plant.
At the same time there were taken efforts to lower costs and change the cost structure of the company, including restructuring and staff reduction, reduction of external services costs, change of assembly service, reduction of overtime.

The following table shows contracts for steel structures signed by ERSTEEL in 2011.

Contract entered into during the period from 01.01.2011 till 31.12.2011

No.	Project	Customer	Duration	Net value in PLN
1	Annex - chemical warehouse in Modlin	ABB-FDO	24.01.2011 - 14.02.2011	3 200.00
2	Car Dealer in Łodź	Agmet	15.07.2011 - 20.11.2011	741 327.10
3	Steel hooks/fasteners in Torun	Baumat	13.07.2011 - 27.07.2011	76 871.69
4	Sports arena in Police	Budchem	17.03.2011 - 12.07.2011	830 000.00
5	Aggregate Sorting and Storage Facility in Kosiny	Concret	22.03.2011 - 05.06.2011	1 884 000.00
6	Fiat Factory in Tychy	Concret	19.09.2011 - 29.09.2011	327 000.00
7	Pasaż Łódzki in Łódź	Daldehog	10.03.2011 - 31.03.2011	732 247.80
8	Annex - Tesco in Świebodzice	Elektrobudowa	21.02.2011 - 08.10.2011	51 951.06
9	Annex - Tesco in Świebodzice	Elektrobudowa	21.02.2011 - 08.10.2011	7 340.00
10	Annex - Tesco in Świebodzice	Elektrobudowa	21.02.2011 - 08.10.2011	10 125.00
11	Annex - Tesco in Świebodzice	Elektrobudowa	21.02.2011 - 08.10.2011	1 305.00
12	Annex - Tesco in Świebodzice	Elektrobudowa	21.02.2011 - 08.10.2011	9 990.00
13	Dekada Shopping Mall in Warszawa	Erbud	08.08.2011 - 30.09.2011	173 945.30
14	Modernisation of a pole footing	Grupa CB	01.19.2011 - 24.01.2011	21 000.00
15	Frames and beams under the mansards in Torun	Hiram	09.06.2011 - 10.06.2011	71 300.00
16	Biomass unloading terminal in Łódź	Inbud	15.07.2011 - 30.07.2011	209 970.80
17	Biomass unloading facility in Łódź	Inbud	01.08.2011 - 20.08.2011	236 212.80
18	Hall in Szczecin	Mac Bud	15.06.2011 - 30.06.2011	448 000.00
19	Collegium Humanisticum - Nicolaus Copernicus University in Torun	Mostostal	14.06.2011 - 20.06.2011	7 800.00
20	Collegium Humanisticum - Nicolaus Copernicus University in Torun	Mostostal	14.06.2011 - 20.06.2011	9 500.00
21	Hooks/fasteners in Grudziądz	Mostostal	04.08.2011 - 10.08.2011	7 957.14
22	Hooks/fasteners in Grudziądz	Mostostal	19.09.2011 - 25.09.2011	1 515.00
23	Steel structure in Torun	Necks	10.05.2011 - 19.05.2011	5 949.48
24	Warehouse in Pruszkow	Probis	04.04.2011 - 30.04.2011	167 901.60
25	Painting the structure provided by the customer in Torun	Probis	27.04.2011 - 13.05.2011	21 000.00
26	Sports hall at school (additional steel structure) in Minsk Mazowiecki	Remex	01.08.2010 - 26.05.2011	10 000.00
27	Biocentre in Poznan	Skanska	09.10.2010 - 30.10.2011	5 304.69
28	Biocentre in Poznan	Skanska	09.10.2010 - 30.10.2011	2 000.00
29	Acoustic screens in Kolobrzeg	Via Polonia	26.08.2011 - 31.08.2011	291 481.01

30	ARMAT Hall in Kozienice	Wojtpol	10.09.2011 - 25.09.2011	507 906.41
31	Shelter for power plant in Kozienice	Wojtpol	18.08.2011 - 20.09.2011	52 526.97

Market observation, results achieved, the further outlook for the sector and focusing by the Erbud's Board on the development of the Erbud Group led to changes in assumptions regarding the continued functioning in the steel construction industry. Keeping guidelines which were formed in late 2010 and analysis of the maintenance service market began in early 2011 allowed to evaluate this segment as very promising and creating the opportunity for sustainable development. In order to implement the new strategy, i.e. to close down the current business and start the another one in the industry subjected to analysis, the process of consolidation of Ersteel with Er Services has been initiated. Both entities acting independently up to now will join their range of services in 2012 and become one company offering maintenance services and Facility Management services.

The company wants to reach out to as many recipients of its services as possible. For this purpose, measures were taken to identify potential customers and industries where the maintenance services recipients will be operating. Finally, it were selected segments: power, chemical, cement and paper. The Management Board and Supervisory Board of the Erbud Group decided, that in the early stage of growth Ersteel will provide maintenance services for customers from the energy and chemical industry (it is based on close cooperation with companies dealing with technical services and repairs for customers from the power and chemical sector).

1.8 Erbud Energetyka Sp. z o.o. – a subsidiary (86,36%)

The company operates under the name ERBUD ENERGETYKA Spółka z ograniczoną odpowiedzialnością and is seated in Katowice.

Since 2009, the company conducts business in the form of a company with limited liability.
The company has been registered in the District Court Katowice-Wschód in Katowice, VIII Economic Division under the KRS number 0000324222.

The company deals with repairs to power plants and building works related to construction of residential and non-residential buildings, performing wiring, plumbing, heating, gas and air installations, demolition of buildings, etc.

The Management Board consist of one person.
President of the Board: Tomasz Ryborz

Shareholding of Erbud Energetyka sp. z o.o.

No.	Shareholder	Number of shares	Nominal share value (in PLN)
1	ERBUD SPÓŁKA AKCYJNA	285	14,250.00
2	FILIP RYBORZ	45	2,250.00

The company carries out repairs of power facilities and specializes in the repair of chimneys and cooling towers in power plants in southern Poland.
It also provides building and repairs services, mostly in the field of construction and repair of water and sewage networks in the construction industry

Employment structure

In 2010, employed were 4 persons as white collar workers.
In 2011, employed were 5 persons as white collar workers.

Expansion projected

The Company intends to continue its present activities. It intensively strives to win contracts in the energy sector. Measures are taken to start operating in a distributed energy resources (low power). Efforts have also been made to cooperate with the companies rendering maintenance services in the steel and copper industry to synergy of the activity by large volume of building energy facilities.
Further, action is taken to acquire small entities operating in the renewable energy sector.

2. Financial highlights of the Group - Economic and financial position of the Capital Group for 2011 (in PLN '000)

	Item	Value in 2011	Value in 2010	Change	Change in %
A	Sales income	1 527 832	1 103 907	423 925	38.40
B	Cost of products, goods and materials sold	1 491 405	1 028 031	463 374	45.07
C	Gross profit from sales	36 427	75 876	-39 449	-51.99
D	**Gross profit**	**-21 003**	**18 988**	**-39 991**	-210.61
E	**Net profit**	**-19 715**	**12 150**	**-31 865**	-262.26
E1	*of which attributable to the majority shareholder*	**-20 358**	**12 094**	**-32 452**	-268.33
ROS (C/A)		0.02	0.07	-0.04	
Gross ROR (D/A)		-0.01	0.02	-0.03	
Net ROR (E/A)		-0.01	0.01	-0.02	

In 2011, the Group achieved revenue of PLN 1,527,832 thousand. Compared to the previous period, the increase in revenues reached by 45.07%. Generated loss caused negative gross and net operation profitability.

Information on basic products, goods and services, including value and quantity, as well as information on selling markets, including a division into domestic and foreign markets is presented in Note 5 of the Consolidated Financial Statements of the Group.

Financial position

The Group assets structure as at the end of 2011 was as follows (in PLN '000):

ASSETS	2011	
Item	**Value in PLN**	**Percentage**
Fixed assets	126 702,00	16.35
Current assets	648 060,00	83.65
Total assets	**774 762,00**	**100.00**
LIABILITIES		
Item	**Value in PLN**	**Percentage**
Equity, incl.	230 447,00	29.74
Minority interests	9 983,00	*1.29*
Long-term liabilities	108 668,00	14.03
Short-term liabilities	435 647,00	56.23
Total liabilities	**774 762,00**	**100.00**

ASSETS				
Item	**Value in PLN as at 31.12.2011**	**Value in PLN as at 31.12.2010**	**Change in PLN 2011-2010**	**Change in % 2011/2010**
Fixed assets	126 702,00	112 611,00	14 091,00	12.51
Current assets	648 060,00	511 275,00	136 785,00	26.75
Total assets	**774 762,00**	**623 886,00**	**150 876,00**	**24.18**
LIABILITIES				
Item	**Value in PLN**	**Value in PLN**	**Value in PLN**	**%**
Equity, incl.	230 447,00	248 580,00	-18 133,00	-7.29
Minority interests	9 983,00	9 381,00	*602,00*	*0.00*
Long-term liabilities	108 668,00	53 904,00	54 764,00	101.60
Short-term liabilities	435 647,00	321 402,00	114 245,00	35.55
Total liabilities	**774 762,00**	**623 886,00**	**150 876,00**	**24.18**

The Group's assets increased by 24.18% in 2011 which is the result of significant increase in turnover and therefore in such balance sheet items as payables and receivables.

Cash flow account

The Erbud Group began the fiscal year 2011 with cash amounted to PLN 147,229 thousand and ended with closing balance of PLN 161,291 thousand.

The Group achieved a positive value on the flows from investment activities (PLN 1,430 thousand) and from financial activities (PLN 80,978 thousand).

Off-balance sheet items

Group's off- balance sheet items due to receivables, contingent liabilities and other off-balance items are as follows:

	31 December 2011	**31 December 2010**
Contingent receivables	**28 018**	**0**
From affiliates	**25 176**	**0**
Guarantees and sureties received	25 176	0
Lawsuits	0	0
Bills received as collaterals	0	0
From other entities	**2 842**	**0**
Guarantees and sureties received	2 842	0
Lawsuits	0	0
Bills received as collaterals	0	0
Total contingent receivables	**28 018**	**0**
		0
Contingent liabilities	**362 088**	**301 712**
To affiliates	**30 847**	**1 203**
Guarantees and sureties granted	30 847	1 203
Lawsuits	0	0
Promissory notes	0	0
To other entities	**331 241**	**300 509**
Guarantees and sureties granted	331 241	300 509
Lawsuits	0	0
Promissory notes	0	0
Total contingent receivables	**362 088**	**301 712**
Off-balance sheet items total	**362 088**	**301 712**

3. Exceptions on development of entities of the Capital Group

Boards of the companies constituting the Group will continue measures taken in previous years, designed to:

1. Further strengthening of all players in construction markets home and abroad;
2. Diversification of operations by geographical region and by business segments;
3. Make efforts to maintain and improve margins achieved on sales, particularly on contracts related to road construction.
4. Intensification of the reorganization of a subsidiary Ersteel Sp. z o. o. - enhancing activities in the development of a new business - maintenance services.
5. Expansion of commercial property development projects initiated in the Group in 2010 (project implemented by Budlex - Deptak in Poznan and the construction of a housing estate in Düsseldorf, Germany, where the subsidiary GWI GmbH is a co-developer.)

The task of the boards of subsidiaries, as well as the Parent company is to strengthen the market position of all entities acquired. Implemented should be plans of territorial expansion of companies operating on the road-engineering and power markets.

4. Significant events affecting the operations of the entities of the Capital Group in 2011 and until the report approval

4.1. Internal factors

In 2011, there were no economic events that may affect the Erbud Group operations.

4.2. External factors

4.2.1. Characteristics of sales market

According to preliminary data as regards the year 2012, the construction and assembly output (in constant prices) - including investment and renovation works - completed in the country by building companies employing more than 9 persons, was in February by 12.0% higher than last year and by 5.5% lower as compared with January this year. After eliminating the influence of seasonal factors, the production in construction industry ran into the level higher by 13.3% than in the corresponding month last year and lower by 2.0% in comparison to January this year.

The decrease in production in all sectors of construction occurred in comparison to January this year. The companies whose main activity are works related to construction and civil engineering recorded a decrease of 8.9%, those dealing with specialized construction - 4.7%, and those erecting buildings - 3.4%.

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

It is estimated that prices of construction and assembly production in February 2012 were 0.1% lower than in the previous month. The same decrease has been observed in all sectors, i.e. construction of buildings, civil and water engineering objects and specialist structures.
Compared with February last year, prices of construction and assembly output rose by 1.4% (against 0.4% last year). [1]

Construction market in Europe

The analysts estimate that GDP in the Euro area in 2012 will growth to 1.1% while in 2013 to 1.7%. Adverse macroeconomic climate will impact the market of construction works. It is estimated that the increase in construction market output, although higher than GDP growth, will not exceed 2% in two next years.

Characteristics of the EU construction markets on which the Issuer operates

In 2011, Erbud S.A. stopped to carry out projects in the countries of Western Europe. All foreign operations are conducted by subsidiaries of Erbud SA: Erbud International Sp.z o.o. and GWI GmbH.

[1] www.egospodarka.pl

Construction market in the nearest future

Factors having a significant influence over the situation in the Polish construction market in the near future are:

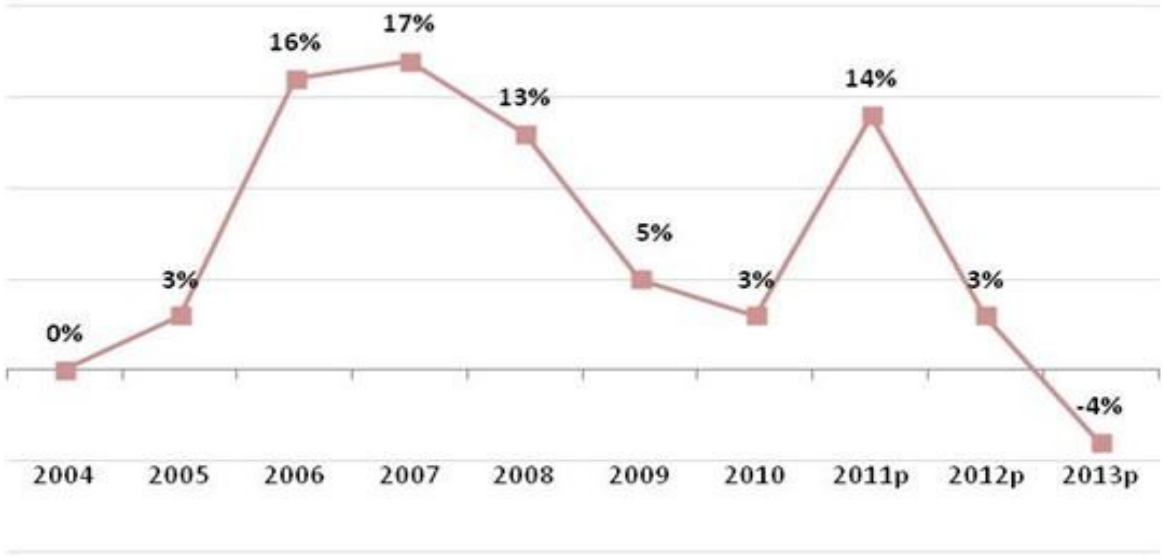
- impact of the world financial market crisis on the Polish economy;

- 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.[2]

[2] Source: regionom.pl. Author: regiodom editor's office. Source: Emmerson S.A.

5. The organizational structure in relation to the sales structure and information on contracts concluded

The Parent entity Erbud SA has expanded its business operations to new areas as compared to the previous year. The company has founded a technical office in Katowice and entered the marked with first tenders. The task of the office is to activate the company's operations on the construction market for the energy sector.

Erbud International Sp. z o.o., a subsidiary, operates through a Branch in Düsseldorf and directly provides exports of construction services in France, Belgium and Luxembourg.

GWI GmbH, a subsidiary. This is a company under German law and operates in the construction business in Germany and Belgium.

Budlex S.A., a subsidiary, operates on the housing development market through target companies controlled in 100% by the dominant entity Budlex Sp. z o.o. In the opinion of the Management Board, it is a common mode of developers' operating created by institutions funding such entities.

PRD SA, a subsidiary, operates in the road -engineering segment..

Erbud Energetyka Sp. z o.o., a subsidiary, operates in the market of construction for power industry. Acquisition and expansion in new branch is a goal of the boards of this new entity in the Erbud Group.

Ersteel Sp. z o.o., a subsidiary, is active in the field of steel structures and outsourcing services related to the maintenance.

The value of agreements signed in 2011 in Poland by the Parent is as follows (figures in thousands of 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.

The Management Board presents an opinion, that neither subsidiaries nor related entities are not dependent on one supplier and one customer. Entities associated pursue a common policy the same as the policy of the Parent, i.e. at least there should be four qualified suppliers or contractors from any range of goods and services. In addition, the geographical dispersal within the Group and the Parent and the relevant technical conditions forces the broad range of suppliers and subcontractors.

Significant insurance agreements

As of the day of the report publication, 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

6. Description of intra-Group transactions with affiliated entities:

In 2011 they were concluded the following agreements with affiliated entities:
Domestic agreements

List of contracts concluded by Erbud SA with affiliated entities in 2011 and till the report publication date

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 phase II in Warszawa - Housing complex*	5 000.00	2010-05-02	
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 Boński*	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	Contract No.06/EI/W-1127/2011	14 000.00	2011-07-05	

	International	general building works - *Nowe Bielany*			
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	

Contracts concluded within the Budlex Group

Parties to the contract		Contract subject	Contract value in PLN	Contract concluded on
Budlex Invest Sp. z o.o. - the Customer	ER Services Sp. z o.o.	Property management	10 400/per month	2011-01-22
Budlex Invest Sp. z o.o. - the Seller	Wapienna PWB Sp. z o.o.	Contingent sale of real estate located in Toruń on Szosa Lubicka St.	18 830.00	2011-01-24
Budlex Sp. z o.o. - the Lender	Budlex Winnica Sp. z o.o.	Loan	100 000.00	2011-01-25
Budlex Sp. z o.o. -	Wapienna PWB Sp. z o.o.	Loan	2 300 000.00	2011-01-27

the Lender				
Budlex Invest Sp. z o.o. - tthe Customer	Wapienna PWB Sp. z o.o.	Sale of real estate located in Toruń on Szosa Lubicka St.	2 067 170.00	2011-01-24
Budlex Sp. z o.o. - the Contractor	Budlex Winnica L4 Sp. z o.o.	Replacement investment	1 278 720.00	2011-01-28
Budlex Invest Sp. z o.o. - the Lender	Budlex Sp. z o.o.	Loan	2 230 000.00	2011-02-11
Budlex Sp. z o.o. - the Lender	Budlex Partner Sp. z o.o.	Loan	5 700 000.00	2011-02-24
Budlex Sp. z o.o. - the Lender	Budlex Partner Sp. z o.o.	Loan	2 000 000.00	2011-02-24
Budlex Sp. z o.o. - the Lender	Budlex Traugutta Sp. z o.o.	Loan	220 000.00	2011-02-21
Buldex Sp. z o.o. - the Lender	Budlex Serwis Sp. z o.o.	Loan	15 000.00	2011-02-25
Budlex Sp. z o.o. – the Customer	Ersteel Sp. z o.o.	Providing consultancy services	100 000.00	2011-02-25
Budlex Sp. z o.o. – the Lender	Domator Łódź Sp. z o.o.	Loan	100 000.00	2011-03-07
Budlex Serwis Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in BSB Budlex	1.00	2011-03-11
Budlex Serwis Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in Prodrew Budlex	1.00	2011-03-11
Budlex Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in TSB Budlex	1.00	2011-03-22
Budlex Sp. z o.o. - the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in Santorin	1.00	2011-03-22
Budlex Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in Torinel	1.00	2011-03-22
Budlex Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in Budlex Serwis	130 000.00	2011-03-22
Budlex Sp. z o.o. – the Customer	PB Budlex Nova Sp. z o.o.	Acquisition of shares in Budlex Traugutta	1.00	2011-03-22
Budlex Sp. z o.o. – the Customer	Budlex Powstania Listopadowego Sp. z o.o.	Sale of real estate located in Bydgoszcz on Powstania Listopadowego St.	984 860.00	2011-03-22
Budlex Sp. z o.o. – the Contractor	Budlex Powstania Listopadowego Sp. z o.o.	Replacement investment	1 809 600.00	2011-03-22
Budlex Sp. z o.o. – the Lender	Budlex Waryńskiego Sp. z o.o.	Loan	250 000.00	2011-03-30
Budlex Sp. z o.o. – the Lender	Budlex Powstania Listopadowego Sp. z o.o.	Loan	1 000 000.00	2011-04-04
Budlex - Sp. z o.o. the Lender	Budlex Koszarowa Sp. z o.o.	Loan	1 300 000.00	2011-04-04
Budlex Glinki A3 Sp. z o.o. – the Lender	Budlex Sp. z o.o.	Loan	40 000.00	2011-04-04
Budlex Sp. z o.o. – the Contractor	Budlex Pestalozziego Sp. z o.o.	Replacement investment	12 552 000.00	2011-04-06
Budlex Sp. z o.o. – the Contractor	Budlex Glinki A3 Sp. z o.o.	Replacement investment	3 385 600.00	2011-05-09
Budlex Bratek Sp. z o.o. - the Customer	Małgorzata Mellem (Prokurent)	Sale of a dwelling	200 518.68	2011-05-27
Budlex Sp. z o.o. – the Lender	Budlex Powstania Listopadowego Sp. z o.o.	Loan	1 000 000.00	2011-06-10
Budlex Sp. z o.o. – the Lender	Budlex Winnica Sp. z o.o.	Loan	100 000.00	2011-07-08
Budlex Sp. z o.o. – the Lender	Budlex Pestalozziego Sp. z o.o.	Loan	600 000.00	2011-07-08
Budlex Sp. z o.o. – the Lender	Budlex Glinki A3 Sp. z o.o.	Loan	2 200 000.00	2011-07-14
Budlex Construction Sp. z o.o. - the Customer	Budlex Glinki A3/3 Sp. z o.o.	Sale of real estate located in Bydgoszcz on Łomżyńska St with an area of 0.2673 ha	1 726 089.75	2011-07-22
Budlex Winnica 8 Sp. z o.o. - the Lender	Budlex Sp. z o.o.	Loan	1 100 000.00	2011-07-22
Er-services Sp. z o.o. - Service Provider	Budlex Sp. z o.o.	Documentation development	72 000.00	2011-08-01
Budlex Winnica 8 Sp. z o.o. - the Lender	Budlex Sp. z o.o.	Loan	700 000.00	2011-08-29
Budlex Winnica Sp. z o.o. – Pożyczkobiorca	Budlex S.A.	Loan	1 060 000.00	2011-09-01
Budlex Sielanka Sp. z o.o. – the Customer	Budlex S.A.	Warranty service support	152 150.00	2011-09-02
Budlex Invest Sp. z o.o. – the Borrower	Budlex S.A.	Loan	400 000.00	2011-09-12

Budlex Waryńskiego Sp. z o.o. - the Borrower	Budlex S.A.	Loan	350 000.00	2011-09-14
Budlex Pestalozziego 1 Sp. z o.o. - the Borrower	Budlex S.A.	Loan	2 650 000.00	2011-09-14
Budlex Strzałowa 2 Sp. z o.o. - the Borrower	Budlex S.A.	Loan	830 000.00	2011-09-21
Budlex Strzałowa 1 Sp. z o.o. - the Borrower	Budlex S.A.	Loan	830 000.00	2011-09-21
Budlex Pestalozziego 1 Sp. z o.o. - the Buyer	Budlex Pestalozziego Sp. z o.o.	Contingent sale of real estate located in Bydgoszcz	2 635 405.38	2011-09-22
Budlex S.A. - The guarantor	Budlex Glinki A3 Sp. z o.o.	Surety	373 000.00	2011-10-10
Budlex Pestalozziego 1 Sp. z o.o. - the Buyer	Budlex Pestalozziego Sp. z o.o.	Sale of real estate located in Bydgoszcz	2 635 405.38	2011-10-27
Budlex Glinki A3 Sp. z o.o. - the Lender	Budlex S.A.	Loan	1 400 000.00	2011-10-27
Budlex Winnica 8 Sp. z o.o. - the Lender	Budlex Winnica Sp. z o.o.	Loan	700 000.00	2011-11-25
Budlex - the Lender	Budlex Bratek Sp. z o.o.	Loan	500 000.00	2011-11-28
Budlex S.A. - the Lender	Budlex Glinki A3 Sp. z o.o.	Loan	500 000.00	2011-11-28
Budlex S.A. - the Buyer	Ersteel Sp. z o.o.	Sale of real estate located in Torun at Wapienna 10 St.	3 854 767.11	2011-12-07
Budlex S.A. - the Lender	Budlex Partner Sp. z o.o.	Loan	50 000.00	2011-12-12
Budlex S.A.- the Lender	Budlex Glinki A3 Sp. z o.o.	Loan	500 000.00	2011-12-21
Budlex S.A. - the Lender	Budlex Brzoskwiniowa Sp. z o.o.	Loan	5 000.00	2011-12-28
Budlex S.A.- the Lender	Budlex Nova Sp. z o.o.	Loan	1 840 000.00	2011-12-30
Budlex S.A. - the Contractor	Budlex Bratek Sp. z o.o.	Warranty service support	185 869.00	2011-12-30

In 2011, the Issuer and its subsidiaries did not conclude any agreements on non-market conditions.

7. Description of risk factors

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. It will not be easy to fulfil this criterion because of decline in construction output prices. Therefore, the acquisition of contracts with satisfactory margin is very important in 2012.

Today , an increase in debts in building industry is observed. 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 2011, the Group eliminated unprofitable activity sector of steel structures production. At present, in course is the process of changing business profile of the company which was involved in production of steel structures. The entity has to deal with widely understood Facility Management.

In addition to the above mentioned sources of threats, the Issuer's Board sees no other risks.

8. Evaluation of forecasts performance and investment projects

The Management Board of Erbud S.A. did not publish any projections for 2011.

9. Financial resources management and information on credits, loans and guarantees

In 2011, the Parent company financed out its business exclusively from its own means from operating activities, means from short-term bank loans and funds from the bond issue.
The company has an access to multi-target credit lines in several banks.
In the reported period the subsidiaries Erbud International Sp. z o.o. and GWI GmbH used money borrowed. The loans contracted were needed to pre-finance operations in Western Europe.
Similarly, the companies consisting the Budlex Group used loans, what according to the Management Board belongs to this type of business.
The Parent's Board does not recognize any risks associated with the liquidity of the Budlex Group due to received loans.

Potential debts of the Erbud SA Group under the signed contracts were as follows:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
Fortis 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./PBDI S.A./Budlex S.A.
Bank Millennium S.A.	Overdraft credit	4 000	PLN	WIBOR 1M + margin	04.07.2012	In one amount	Erbud International Sp. z o.o.
Deutsche Bank A.G.	Investment credit	69	EUR	2.99% fixed	30.05.2017	In equal monthly instalments	GWI
KBC	Overdraft credit	1 000	EUR	EONIA + margin	21.10.2012	In one amount	GWI
Fortis Bank	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2012-08-30	In one amount	PBDI S.A.
Deutsche Bank AG	Investment credit	2 700	EUR	2.59% per annum fixed	2012-06-30	In one amount	GWI
Commerzbank	Overdraft credit	1 000	EUR	5.50 % fixed	31.05.2012	In one amount	GWI

List of loan agreements concluded by the entities of the Budlex Group:

No.	The Borrower	The Lender	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
1	Budlex S.A.	Bank PKO BP SA	Overdraft credit	1,000	WIBOR 1M+margin	2013-01-24
2	Budlex S.A.	ING Bank Śląski	Working capital credit	12,000	WIBOR 1M+ margin	2012-08-20
3	Budlex Construction Sp. z o.o.	BRE BANK HIPOTECZNY SA	Mortgage credit for buying land	8,367	WIBOR 6 M+ margin	2012-12-28
4	Budlex Koszarowa Sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment credit	9,200	WIBOR 3M+ margin	2015-01-31
5	Budlex Partner Sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment credit	10,000	WIBOR 6M+ margin	2014-05-15
6	Budlex Waryńskiego Sp. z o.o.	PKO BP SA	Investment credit	11,436	WIBOR 3M+ margin	2012-09-30
7	Budlex Winnica L4 Sp. z o.o	Bank Pocztowy SA	Non-renewable revolving credit	9,300	WIBOR 1M + margin	2012-12-31
8	Budlex Winnica L4 Sp. z o.o	Bank Pocztowy SA	Revolving credit	600	WIBOR 1M + margin	2012-10-31
9	Budlex Sielanka Sp. z o.o.	PKO BP SA	Developer credit	9,007	WIBOR 3M+ margin	2012-12-31
10	Budlex Pestalozziego Sp. z o.o.	BOŚ BANK SA	Non-renewable revolving credit	12,286	WIBOR 6M+ margin	2014-11-30

11	Budlex Glinki A3 Sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment credit	26,000	WIBOR 3M+ margin	2015-09-15
12	Budlex Powstania Listopadowego Sp. z o.o.	Bank Pocztowy SA	Non-renewable revolving credit	11,400	WIBOR 1M+ margin	2013-08-13
13	Budlex Powstania Listopadowego Sp. z o.o.	Bank Pocztowy SA	Revolving credit	1,000	WIBOR 1M+ margin	2013-03-29

Furthermore, the Group is able to obtain contract guarantees in the following banks:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Company
Fortis Bank S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	19,000	PLN	ERBUD S.A.
PKO BP	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	30,000	PLN	ERBUD S.A.
BRE S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	55,000	PLN	ERBUD S.A.
BGŻ S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	55,000	PLN	ERBUD S.A.
Kredyt Bank S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	34,000	PLN	ERBUD S.A.
ING S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	30,000	PLN	ERBUD S.A. / PBDI S.A.
Fortis Bank S.A.	Bid bonds, contract performance bonds, repair works and remedying defects guarantee, repayment of advances, re-guarantees	4,000	PLN	PBDI S.A.
KBC	Contract performance bonds, repair works and remedying defects guarantee, payment guarantee	1,000,000.00	EUR	GWI GmbH

As at 31.12.2011 , the following obligations of the Group due to guarantees has been reported:

- Liabilities due to guarantees provided in thousands of PLN

Item	31.12.2011	Company
Contract performance bonds, repair works and remedying defects guarantee	331,134 PLN	Erbud S.A.
Contract performance bonds, repair works and remedying defects guarantee	5,194 PLN	PBDI S.A.
Contract performance bonds, repair works and remedying defects guarantee	1,495 EUR	Erbud International Sp. z o.o.
Contract performance bonds, repair works and remedying defects guarantee	3,000 EUR	GWI GmbH

- 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	4,313
Ersteel Sp. z o.o. - guarantee	0	900
Budlex Pestalozziego Sp. z o.o. - guarantee	12,286	0
Total contingent liabilities	**40,260**	**33,187**

- Guarantees provided to subsidiaries in thousands of PLN

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**

Interest rate risk – The Erbud Capital Group has 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. The observed variability of the reference rates and the current NBP monetary policy does not cause that the Capital Group sees the need to secure the risk.

Currency risk – The Erbud Capital Group does not execute contracts which are denominated in foreign currencies. The foreign activity is naturally protected through purchases of materials and services in the contracts currency. In addition, on 31 December 2011 the Capital Group granted two loans in Euros to affiliated and non-consolidated target companies. One of the loan was secured by a future contract denominated in Euro and protected from exchange rate risk for a period of 3 years.

The companies of the Group do not use hedge accounting.

10. Description of the use of proceeds from the issue by the Parent

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 Company 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.

11.0 Explanation of differences between the financial result shown in the annual report and previously published forecasts

The Management Board of the Parent company did not publish forecasts or estimates for 2011.

12.0 Information on the share capital of the Parent, changes in equity and the bodies of the Issuer

12.1. Shareholding of the Company, including a description of changes 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.

The 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 1,700 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.

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

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.

12.3. Description of any decisions which implementation may result in future changes in way of control of Erbud SA

No decisions, which may result in capital movements capital, took place in 2011. There are no restrictions on the disposal of ownership rights to the shares of the Issuer.

12.4 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 Statute.

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**

12.5. 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	1,480,613.70
Józef Adam Zubelewicz	Member of the Management Board	1,445,583.91
TOTAL:	**Management Board of the Issuer**	**2,926,197.61**

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	257,432
TOTAL	**Senior managing personal**	**4,578,971.37**

13. 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.

14. 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.

15. Other information that would have a significant impact on operations and profitability of the Erbud Group

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
of the Parent Company

Member of the Management Board
of the Parent Company

Warsaw, 25 April 2012