Translation from Polish

STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE BY ERBUD S.A. IN 2011

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1. INTRODUCTION

In December 2006, the Extraordinary General Meeting resolved to adopt the principles of corporate governance in the version in force and in accordance with § 1 of the above said resolution obligated all bodies of the Company to ensure their observance.

In the current report No. 5/2007 of 27 April 2007, the Management Board of Erbud S.A. made available to the public a statement on complying with the rules of corporate governance in the Company and attached a detailed list of these rules.

2. SET OF CORPORATE GOVERNANCE PRINCIPLES APPLICABLE TO ERBUD SA

Principles of corporate governance applied by Erbud SA have been identified in "Best Practice of WSE Listed Companies" approved by the Stock Exchange Council in Resolution No. 12/1170/2007 dated 4th July 2007.

These rules are available on the website of the Warsaw Stock Exchange SA and on Erbud's website under "Corporate governance".

3. INDICATION OF CORPORATE GOVERNANCE RULES, WHICH WERE NOT OBSERVED BY THE COMPANY

In 2011, the Company applied the principles of "Best Practice for WSE Listed Companies" with the permanent exception of Rule. I.1, saying that "a company should enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website".

Justifying the lack of application of this rule the Management Board of Erbud SA states that the Company do not have the technical infrastructure to broadcast the proceedings of General Meetings on the Internet.

The Meeting is recorded in the form of a notarial deed and then published on the Company's website, which meets the requirement of making public the course of the General Meeting.

4. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT IN RELATION ON THE FINANCIAL STATEMENTS

Separate financial statements are drawn up by a qualified staff of financial and accounting departments in companies forming the Erbud Group and audited by independent certified auditors.

Consolidated financial statements of the Erbud Group are prepared by a trained and experienced personnel of Erbud SA. Both the separated and consolidated statements are subject to the internal control made by the Financial Director and the Management Board of the Company prior to audit them by auditors selected by the Supervisory Board.

The risk management in relation to the valuation of assets and liabilities, including valuation of ongoing projects and in relation to the reserves created consists in current monitoring of their value and making adjustments in the interim and annual reports adequately to changes in the fair value of these items.

Tangible and valuable progress in projects is determined on the basis of a system of "Evaluation of the effectiveness of projects executed as General Contractor" (WIB) which runs directly on the individual projects (construction sites) after verification of the data by a person responsible for the operational controlling.

The risk of incorrect showing of sales of the development projects is eliminated through the application of the principle of recognition of these sales only on the basis of contracts signed in the form of notarial deeds.

5. SPECIAL INSPECTION POWERS

All issued shares are ordinary ones and not associated with special powers of inspection.

6. RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS

Restrictions on voting rights had not occurred in 2011.

7. RESTRICTIONS ON TRANSFER OF OWNERSHIP OF SHARES

Restrictions on transfer of ownership of shares are only in contracts with employees acquiring the shares under the Management Stock Options Scheme. These restrictions are limited to a period of 6 months from the acquisition date.

8. RULES OF APPOINTMENT AND DISMISSAL OF THE MANAGEMENT BOARD MEMBERS AND THEIR POWERS

According to section 8 of the statutes of Erbud S.A. the members of the Management Board are appointed and dismissed by the Supervisory Board of the Company.

The Management Board consists of 2 to 5 members. A common office term of Board members lasts three years.

The Management Board manages Company's affairs and represents it outside. Two members of the Management Board acting jointly or one member of the Board acting together with the proxy are authorized to make a declaration of will on behalf of the Company.
When making decisions, the Management Board is guided by the interest of the Company and acts within the limits of reasonable economic risk, after consideration of all information, relevant analysis and opinions.

When determining the Company's interest, into account are taken long-term reasonable interests of shareholders, creditors, employees and other entities and individuals which cooperate with the Company on the field of its economic activity, as well as interests of local communities.

Dariusz Grzeszczak and
Józef Zubelewicz

were Members of the Management Board in 2011 and so they are now.

The powers of the Board include all matters relating to conduct of the Company's affairs not reserved by provisions of the Commercial Companies Code or Articles of Association to the competence of the Supervisory Board and the General Meeting.

The authority to conduct specified affairs may be delegated by the Management Board to the individual Board members or employees of the Company, subject to matters that:

1. have been assigned to the exclusive competence of the Board by law in force or provisions of the Statute

2. have been entrusted by the General Meeting or the Management Board to the Supervisory Board.

In accordance with the Rules, the Management Board makes decisions in form of written resolutions taken at a meeting. Resolutions of the Management Board are required to make decisions on matters exceeding normal management, such as:

1. to outline the strategy and main objectives of the Company's activity;

2. to adopt projects of the Company's long-term strategic plans, projects of annual plans of works and financial schedule and investment projects plans;

3. to sett up corporate chart of accounts;

4. to convene the General Meeting;

5. to adopt Rules of the Management Board;

6. to adopt Rules of work;

7. to adopt Rules of salaries;

8. to set up principles of creating and using the social benefits fund;

9. to make obligations on loans, credits, guarantees or securities;

10. to acquire and sell real estate, perpetual usufruct right or share in real estate;

11. to lien and transfer of title to secure of all kinds of movables;

12. to shift the production, to establish and to dissolve plants and subsidiaries, to acquire new enterprises, to dispose or lease the whole or a part of the company, to acquire shares in other companies, to buy, alienate or burden shares, and to change the percentage rate of shares, to participate in capital increases and to exercise of voting rights in corporations;

13. to dispose, lien or split shares, to conclude company's agreements, in particular agreements on transfer of profits;

14. to appoint and disappoint executive boards in subsidiaries;

15. to employ the staff with an annual remuneration exceeding the equivalent amount of Euro 100,000, unless the employment of staff is included in the investment plan, which has been approved by the General Meeting;

16. to apply and revoke proxy;

17. to commence legal proceedings with a value of the object of issue over the equivalent of amount of Euro 500,000, excepting claim proceedings for the recovery of uncontested claims;

18. to entry to the stock-book of the Company;

19. other matters for which consideration by the Board requests the Board member.

Within the division of tasks, the Board members, i.a., manage subordinate to them organizational units of the Company and control execution of matters by these units.

The Board meeting may be attended by other persons invited by the Management Board. Minutes of the Management Board meeting are drawn up and signed by all Board members present at the meeting and by the minuter. Minutes of the meetings of the Board are kept at the seat of the Company.

9. OPERATION OF THE GENERAL MEETING

General meetings are held at place and time to enable the most wide circle of the shareholders to participate at the meeting.

Mode of operating and powers of the General Meeting are regulated by the Statute and Rules of the General Meeting. In accordance with the Statute mentioned above, the powers of the General Meeting are as follows:

1. examination and approval of the Management Board report on the Company's operations and financial statement for the previous financial year;

2. taking the resolution on the distribution of profits or covering losses;

3. acknowledgement of the fulfilment of duties by the members of the Company;

4. adopting the Company's long-term strategic plans, annual plans of work and financial schedule and investment plans;
5. adopting the Rules of the Supervisory Board and the arrangements for remuneration of members of the Supervisory Board;

6. increase or reduction of share capital;

7. revision of the Statute of the Company;

8. merger of the Company with another commercial company;

9. dissolution and liquidation of the Company;

10. issuance of convertible bonds, pre-emption bonds or subscription warrants;

11. disposal and lease of the enterprise or its organized part and establishment of restricted property law on them;

12. deciding on other matters which in accordance with the provisions of the Code of Commercial Companies or the Statutes fall within competence of the General Meeting.

In accordance with the above mentioned Rules of the General Meeting, to the participation at the General Meeting are entitled owners of bearer shares, who deposited certificates of deposit issued by entities carrying out securities accounts at the headquarters of the Company at least one week before the General Meeting.

A list of shareholders entitled to participate at the General Meeting is made available to the public at the seat of the Management Board of the Company for three working days immediately preceding the General Meeting and at the time and place of the General Meeting.

The Rules of the General Meeting also regulate course of debate, election of Chairman and Scrutiny Committee, participation of members of the Management Board and Supervisory Board of the Company at the General Meeting and taking of decisions.
Each shareholder has the right to make proposals for changes and additions to the draft resolutions covered by the agenda of the Meeting. Ballot is done through a computer system for casting and counting of votes to ensure voting in the correspondence to the number of shares held. Resolution not to deal with the matter placed on the agenda could be taken only in the event if there are any essential, motivated reasons. In order to pass such a resolution is required a support of 75% votes of the General Meeting.

A notarial deed of the General Meeting is prepared, and then issued to the shareholders and published on the website of the Company.

10. RULES OF MAKING CHANGES IN THE STATUTES OF THE COMPANY

The members of the Supervisory Board have proper education and professional experience, including the construction industry.

At least one person of the Audit Committee meets requirement for an independent member with appropriate qualifications in the field of finance.

In accordance with the Statute of the Company within the competence of the Supervisory Board are:

1. acceptance of projects of the Company's long-term strategic plans;

2. acceptance of projects of annual plans of work and financial schedule;

3. acceptance of projects of Company's investment plans;

4. granting approval for the acquisition, disposal and charging real estate and other similar rights;

5. granting approval for shift of production, foundation and dissolution of plants and subsidiaries, acquisition of new enterprises;

6. giving consent to grant by the Company guarantees, property securities and to issue promissory notes, to assume guarantees, open letters of credit with a value exceeding each time the equivalent of amount of Euro 2,000,000.00;

7. giving consent for capital investments exceeding the equivalent of amount of Euro 100,000.00, excluding equity investments, treasury bills and bonds issued in Poland or the countries on the territory of which the Company operates;

8. granting approval to acquire, sale and burden shares in other entities;

9. determination of the method of voting by the Company representatives in the bodies of the Company subsidiaries and associates regarding the appointment and recall of members of the subsidiaries and associates, dissolution or liquidation of these companies, change of the subject of enterprises, and mode of division or merger of subsidiaries and associates;

10. granting permission to engage in any activity unrelated to the objects of the company's operations and extraordinary acts which value exceeds the equivalent of amount of Euro 100,000.00;

11. authorization to enter into arrangements with:

    a) employees of the shareholders;

    b) dominant companies with relation to the Company, the sub-units to the parent or the spouse or person remaining with him/her in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management;

c) other shareholders having more than 5% of votes at the General Meeting of the Company, as well as their subsidiaries or entities in which are managers,

d) sub-units to the Company,

e) persons managing or supervising the Company, their spouses or persons remaining with them in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management;

12. granting permission for investments exceeding the equivalent of amount of Euro 100,000.00, except that these investments are included in the investment plan approved by the General Meeting;

13. authorization for the lease, rental and license agreements with the duration of over 36 months;

14. granting approval to submit tenders and sign construction contracts with a value exceeding the equivalent of amount of Euro 15,000,000.00; in the case of joint tenders, authoritative is the sum of the net bid and not the Company's participation in the tender;

15. authorization to dispose of rights or incur liabilities with a value exceeding the equivalent of amount of Euro 2,000,000.00;

16. employing a staff person with an annual remuneration exceeding the equivalent of amount of Euro 100,000.00.

The manner of performance of operations by the Supervisory Board of Erbud S.A. is defined by Rules of the Supervisory Board available on the website of the Company.

11. COMPOSITION AND POWERS OF THE SUPERVISORY BOARD

According to section 11 item 2 of the Statutes of ERBUD S.A. the term of office of the Supervisory Board is common and lasts 3 years. Members of the Supervisory Board are appointed on the basis of a decision made by the General Meeting.

The Extraordinary General Meeting Resolution appointed by Resolution No. 3/2009 of

8 December 2009 a new Supervisory Board in the following composition:

Udo Berner	Supervisory Board
Józef Olszyński	Vice-Chairman of the Supervisory Board
Albert Dürr	Member of the Supervisory Board
Gabriel Główka	Member of the Supervisory Board

Lech Wysokiński	Member of the Supervisory Board

On 21 June 2011, the Annual General Meeting appointed by Resolution No. 13/2011 Ms. Zofia Dzik as a new Supervisory Board member. Therefore, the Erbud's Supervisory Board is as follows:

Udo Berner	Supervisory Board
Józef Olszyński	Vice-Chairman of the Supervisory Board
Zofia Dzik	Member of the Supervisory Board
Albert Dürr	Member of the Supervisory Board
Gabriel Główka	Member of the Supervisory Board
Lech Wysokiński	Member of the Supervisory Board

By the Resolution No. 18/2009 of 25 June 2009, the Supervisory Board changed the composition of the Audit Committee, which since that date consists of:

Gabriel Główka	-	Chairman of the Committee
Albert Dürr	-	Committee member
Józef Olszyński	-	Committee member.

The members of the Supervisory Board have proper education and professional experience, including the construction industry.

At least one person of the Audit Committee meets requirement for an independent member with appropriate qualifications in the field of finance.

In accordance with the Statute of the Company within the competence of the Supervisory Board are:

1. acceptance of projects of the Company's long-term strategic plans;
2. acceptance of projects of annual plans of work and financial schedule;
3. acceptance of projects of Company's investment plans;
4. granting approval for the acquisition, disposal and charging real estate and other similar rights;

5. granting approval for shift of production, foundation and dissolution of plants and subsidiaries, acquisition of new enterprises;

6. giving consent to grant by the Company guarantees, property securities and to issue promissory notes, to assume guarantees, open letters of credit with a value exceeding each time the equivalent of amount of Euro 2,000,000.00;

7. giving consent for capital investments exceeding the equivalent of amount of Euro 100,000.00, excluding equity investments, treasury bills and bonds issued in Poland or the countries on the territory of which the Company operates;

8. granting approval to acquire, sale and burden shares in other entities;

9. determination of the method of voting by the Company representatives in the bodies of the Company subsidiaries and associates regarding the appointment and recall of members of the subsidiaries and associates, dissolution or liquidation of these companies, change of the subject of enterprises, and mode of division or merger of subsidiaries and associates;

10. granting permission to engage in any activity unrelated to the objects of the company's operations and extraordinary acts which value exceeds the equivalent of amount of Euro 100,000.00;

11. authorization to enter into arrangements with:

    a) employees of the shareholders;

    b) dominant companies with relation to the Company, the sub-units to the parent or the spouse or person remaining with him/her in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management;

    c) other shareholders having more than 5% of votes at the General Meeting of the Company, as well as their subsidiaries or entities in which are managers;

    d) sub-units to the Company;

    e) persons managing or supervising the Company, their spouses or persons remaining with them in cohabition, relatives and related to the second degree, adopted or being adopted, those relating to the care or guardianship, as well as entities in which one of them is the parent entity or a person in management.

12. granting permission for investments exceeding the equivalent of amount of Euro 100,000.00, except that these investments are included in the investment plan approved by the General Meeting;

13. authorization for the lease, rental and license agreements with the duration of over 36 months;

14. granting approval to submit tenders and sign construction contracts with a value exceeding the equivalent of amount of Euro 15,000,000.00; in the case of joint tenders, authoritative is the sum of the net bid and not the Company's participation in the tender;

15. authorization to dispose of rights or incur liabilities with a value exceeding the equivalent of amount of Euro 2,000,000.00;

16. employing a staff person with an annual remuneration exceeding the equivalent of amount of Euro 100,000.00.

The manner of performance of operations by the Supervisory Board of Erbud S.A. is defined by Rules of the Supervisory Board available on the website of the Company.

12. INFORMATION POLICY

The Company maintains a transparent and open information policy and provides efficient access to information necessary to evaluate the situation and prospects of the Company and how it acts.

This above information policy is implemented through the use of traditional methods of information as timely submitting of reports and statements, making available to the public of interim reports, organization and participation in conferences and meetings, giving information and explanations in the media.

In addition, the Company conducts a corporate website, which includes a basic corporate documents, professional CV's of the Board members, current and periodic reports, information on general meetings, as well as other important information on corporate events.

Warsaw, 25 April 2012

Board Member	Board Member
Dariusz Grzeszczak	Józef Zubelewicz