MANAGEMENT REPORT FOR THE FIRST QUARTER OF 2012

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

1. Parent Company

Erbud S.A. is a parent company of the Erbud Group [the "Parent Company"]

The core business of the Group activities are broadly understood construction, erection and assembly services performed in general contracting and subcontracting in the country and abroad. ERBUD S.A. is the dominant entity in the Group.

1.2 Consolidated related parties

As at 31 March 2012 the structure of Erbud Group was as follows.

The following table shows the shares in the consolidated subsidiaries.

No.	Subsidiary name	Shares held by Erbud S.A. as at					Consolidation method
		2012.03.31	2011.12.31	2011.09.30	2011.06.30	2011.03.31	
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

In the first quarter of 2012, there were no changes in the shares held by the Issuer.

On 4 April 2012, Erbud S.A. purchased at a nominal price 45 shares of Erbud Energetyka Sp. z o.o from a natural person. After this transaction Erbud S.A. holds 100 percent interest in Erbud Energetyka Sp. z o.o.

2. Opinion of the Erbud's S.A. Management Board regarding the implementation of forecasts published in the prospectus in light of the results presented in this report

The Management Board of Erbud S.A. did not publish any projections or estimates for 2012.

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3. Shareholders of the Parent

According to information held by ERBUD S.A. there were following changes in the shareholding of the Issuer by 31 March 2012 and to the report publication date:

On 6 January 2012, the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 2,702 shares.

On 9 January 2012, the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 67 shares.

On 10 January 2012 , the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 1,229 shares.

On 11 January 2012 , the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 1,742 shares.

On 13 February 2012, the Erdud's Management Board was informed of the disposal of the Issuer's shares by a person related. The proxy of Erbud S.A. sold 1,700 shares.

Therefore, as at the date of publication date, the Issuer's share capital consists of the following series of shares:

Series	Number of shares	Price in PLN	Amount
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

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

Shareholders holding over 5 percent of ERBUD SA shares as at 15.05.2012

Aggregate number of Erbud shares: 12 644 169

No.	Shareholder	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at the GM
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%
			12 644 169	100%	12 644 169	100%

On 23 April 2012, the Management Board of Erbud S.A. passed a resolution on increasing the share capital under the authorised capital by the issuance of shares of Series G and depriving the existing shareholders of their pre-emptive rights to Series G shares. The capital will be increased by not more than PLN 5,000.00 through the issuance by maximum 50,000 shares with of G Series with a nominal value of PLN 0.10.:

The Issuer's Management Board acted within its statutory mandate and pursuant to the resolution of the Supervisory Board of Erbud SA No. 22/2012 of 19 April 2012.
The capital increase is related to the implementation of the Employee Incentive Program.

4. The Erbuds S.A. shares or rights to them (options) held by the managing and supervising staff as at the date of the report submission, including changes in ownership in IQ 2012

As of 31 March 2012, the members of managing and supervising staff held the following number of shares:

Persons related holding shares of ERBUD SA as at 15.05.2012

Aggregate number of Erbud shares: **12 644 169**

No.	Person related	Relationship	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at the GM
1	Dariusz Grzeszczak	Board member of Erbud S.A.	ordinary	750 000	5.93%	750 000	5.93%
2	Józef Adam Zubelewicz	Board member of Erbud S.A.	ordinary	250 000	1.98%	250 000	1.98%
3	Walenty Twardy	Proxy of Erbud S.A.	ordinary	18 124	0.14%	18 124	0.14%
4	Piotr Augustyniak	Proxy of Erbud S.A.	ordinary	8 747	0.07%	8 747	0.07%
5	Bogdan Dürr	President of Erbud International Sp. zo. o. / Proxy of Erbud S.A.	ordinary	6 712	0.05%	6 712	0.05%
6	Beata Krzywicka	Proxy's of Erbud S.A. spouse	ordinary	3 636	0.03%	3 636	0.03%
7	Tomasz Krzywicki	Proxy of Erbud S.A.	ordinary	2 750	0.02%	2 750	0.02%
8	Agnieszka Głowacka	Proxy of Erbud S.A.	ordinary	5 436	0.04%	5 436	0.04%
9	Włodzimierz Czystowski	Proxy of Erbud S.A.	ordinary	12 463	0.10%	12 463	0.10%
10	Mariola Zielińska	Chief Accountant of ERBUD S.A.	ordinary	4 318	0.03%	4 318	0.03%
11	Grzegorz Krzywicki	Proxy of Erbud S.A.	ordinary	3 033	0.02%	3 033	0.02%
12	Radosław Kałamaga	Proxy of Erbud S.A.	ordinary	3 704	0.03%	3 704	0.03%
13	Waldemar Kozłowski	Proxy of Erbud S.A.	ordinary	0	0.00%	0	0.00%
14	Maciej Wyrzykowski	Proxy of Erbud S.A.	ordinary	0	0.00%	0	0.00%
15	Mirosław Młynarski	Proxy of Erbud S.A.	ordinary	4 479	0.04%	4 479	0.04%
TOTAL				**1 073 402**	**8.49%**	**1 073 402**	**8,49%**

The Board members and holders of a commercial power of attorney did not have any Erbud's shares options.

5. Information about the proceedings pending before a court, authority responsible for arbitration or public administration as at 31 March 2012

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.

As at the report publishing date, the case is stated as follows. There were three sessions, on which two witnesses - one from Erbud SA and one from Bank Millennium SA - have been heard. The next hearing is scheduled for 25 May 2012.

6. Information about the concluding by the Issuer and its subsidiaries transactions of a non-routine and unusual nature with associates of a value exceeding EUR 500,000.00

In IQ 2012, there took place transactions with related parties, that value in the period from the beginning of the fiscal year exceeded the PLN equivalent of EUR 500,000. Most transactions were of a routine nature and resulted from the statutory activities of the companies of the Group.

7. Information about loan pledges or guarantees granted by the issuer or its subsidiary

Guarantees and loans granted by the Issuer are summarized below:

Description	31.03.2012	31.12.2011	30.09.2011	30.06.2011	31.03.2011
Guarantee to repay the loan for Erbud International Sp. z o.o.	4,000	4,000	4,000	4,000	4,000
GWI GmbH – guarantee to repay the loan	10,557	10,557	10,557	10,557	10,557
GWI GmbH – guarantee to repay the loan isued by BRE Bank S.A.	10,750	10,750	10,750	10,750	10,750
GWI GmbH – guarantee to repay the loan	4,000	4,000	4,000	4,000	0,00
Budlex Sp. z o.o. - loan	24,974	24,974	24,974	23,974	23,974
Ersteel Sp. z o.o. - loan	0	0	5,113	5,113	5,113
Ersteel Sp. z o.o. - guarantee	0	0	900	900	900
Budlex Pestalozziego Sp. z o.o.	12,286	12,286	12,286	0,00	0,00
Total contingent liabilities	**65,567**	**65,567**	**71,580**	**59,294**	**55,294**

The guarantee for the subsidiary GWI GmbH GWI amounts to EUR 2.5 million. The conversion is at the rate as of 30.09.2009 (4.2226). The guarantee agreement was signed on 28 September 2009.

The guarantee for the subsidiary GWI GmbH GWI amounts to EUR 2.7 million. The conversion is at the rate as of 23.09.2010 (3.9813). The guarantee agreement was signed on 23 September 2010.

The list of guarantees in the Budlex Group:

Liability	Amount	Guarantor	Debtor	Bank
Guarantee to the loan amount, incl. interest and other receivables due to the bank	1 000 000.00	Budlex Winnica Sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill guarantee	8 367 000.00	Budlex S.A.	Budlex Construction sp. z o.o.	BRE Bank Hipoteczny S.A.
Bill guarantee	9 200 000.00	Budlex S.A.	Budlex Koszarowa sp. z o.o.	BRE Bank Hipoteczny S.A.
Bill guarantee	10 000 000.00	Budlex S.A.	Budlex Partner Sp.zo.o.	BRE Bank Hipoteczny S.A
Bill guarantee	11 436 809.00	Budlex S.A.	Budlex Waryńskiego sp. z o.o.	PKO BP SA
Bill guarantee	9 300 000.00	Budlex S.A.	Budlex Winnica L4 sp. z o.o.	Bank Pocztowy SA
Bill guarantee	600 000.00	Budlex S.A.	Budlex Winnica L4 sp. z o.o.	Bank Pocztowy SA
Bill guarantee	9 007 931.00	Budlex S.A.	Budlex Sielanka Sp. z o.o.	PKO BP S.A
Bill guarantee	26 000 000.00	Budlex S.A.	Budlex Glinki A3 sp. z o.o.	BRE Bank Hipoteczny S.A
Bill guarantee	11 400 000.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA
Bill guarantee	1 000 000.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA

Off-balance sheet liabilities in the form of guarantees:

Description	31.03.2012	31.12.2011	30.09.2011	30.06.2011	31.03.2011
Liabilities payment guarantee	64,783	53,728	53,728	39,894	44,309
Performance bond	130,428	181,704	189,586	131,934	147,553
Defects remedying guarantee	98,705	95,702	127,001	116,003	105,119
Total contingent liabilities	**293,916**	**331,134**	**370,315**	**287,831**	**296,981**

8. Key events occurred in the IQ 2012 and the significant events after 31.03.2013

Contracts concluded by:

Erbud S.A. - in Poland

Investor/ZN	Branch Toruń	Branch Warszawa	Branch Rzeszów	Branch Wrocław	Branch Kraków	Power Construction Division	Branch Szczecin	Road-engineering	
Dakota Investment		312							
Novum Apartaments					93 359				
LC Corp Wrocław				20 200					
Alfa Investment	27 600								
Siding modernisation, Rybnik						10 032			
Tauron Renewable Energy Sources						5 016			
Ulma		26 000							
FSB Bakeries				24 450					
Wond Farm, Rząśnia	41 852								
TOTAL	69 452	26 312	0	44 650	93 359	15 048	0	0	248 821
	28%	11%	0%	18%	38%	6%	0%	0%	100%

1) Erbud International
PLN 14.5 thousand

2) GWI GmbH
PLN 56.6 thousand

3) PBDI SA
PLN 19.8 thousand

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

9.1.1 List of signed loan agreements and agreements for multi-purpose guarantee lines

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

Bank name	Type of liability	Amount in PLN '000	CU	Interest rate	Maturity date	Instalments payment	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	Call rate of PKO BP + margin	2012-06-29	In one amount	Erbud S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2012-08-20	In one amount	Erbud S.A.; Budlex Sp. z o.o., PBDI SA
Bank Millennium S.A.	Overdraft credit	4.000	PLN	WIBOR 3M + margin	2012-07-05	In one amount	Erbud International Sp. z o.o.
KBC Bank	Overdraft credit	1 500	EUR	EURIBOR + 2,5%	2012-10-25	In one amount	GWI
Fortis Bank S.A.	Overdraft credit	3 000	PLN	WIBOR 3M + margin	2012-08-30	In one amount	PBDI S.A.
Deutsche Bank AG	Investment loan	2 700	EUR	2,59% pa - fixed rate	2012-06-30	In one amount	GWI GmbH
Deutsche Bank AG	Investment loan	71.8	EUR	2,99% pa - fixed rate	2017-06-30	Equal monthly instalments	GWI GmbH
Commerzbank	Overdraft credit	1 000	EUR	5,5% pa - fixed rate	2012-05-31	In one amount	GWI GmbH

Moreover, the Company can obtain contractual guarantees in the above said banks.

Bank name	Type of liability	Amount in PLN '000	CU	Company
Fortis Bank S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	30.000	PLN	Erbud S.A.
BGŻ S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	55.000	PLN	Erbud S.A
BRE Bank S.A.	Bid bond, performance bond, repair works guarantee	70.000	PLN/USD/USD	Erbud S.A
PKO BP	Bid bond, performance bond, repair works guarantee	30.000	PLN	Erbud S.A
Kredyt Bank S.A.	Performance bond, payment guarantee, repair works guarantee	34.000	PLN	Erbud S.A
ING S.A.	Performance bond, payment guarantee, repair works guarantee	48.000	PLN	Erbud SA; PBDI SA
Fortis Bank S.A.	Bid bond, performance bond, repair works guarantee, repayment of advances, re-guarantee	4.000	PLN	PBDI S.A.
KBC Bank	Performance bond, payment guarantee, repair works guarantee	1.000	EUR	GWI GmbH

9.1.2 Credit agreements signed by the companies of the Budlex Group

No.	Borrower	Creditor	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	Revolving credit	12 000	WIBOR 1M +margin	2012-08-20
3	Budlex Construction Sp. z o.o.	BRE BANK HIPOTECZNY SA	Land purchase loan	8 367	WIBOR 6 M +margin	2012-12-28
4	Budlex Bratek sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	9 850	WIBOR 3M +margin	2014-10-15
5	Budlex Koszarowa sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	9 200	WIBOR 3M +margin	2015-01-31
6	Budlex Partner Sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	10 000	WIBOR 6M +margin	2014-05-15
7	Budlex Waryńskiego	PKO BP SA	Investment loan	11 436	WIBOR 3M +margin	2012-09-30
8	Budlex Winnica L4 Sp.zo.o	Bank Pocztowy SA	Non- renewable revolving credit	9 300	WIBOR 1M +margin	2012-12-31
9	Budlex Winnica L4 Sp.zo.o	Bank Pocztowy SA	Revolving credit	600	WIBOR 1M +margin	2012-10-31
10	Budlex Sielanka sp. z o.o.	PKO BP SA	Development loan	9 007	WIBOR 3M +margin	2012-12-31
11	Budlex Pestalozziego sp. z o.o.	BOŚ BANK SA	Non- renewable revolving credit	12 286	WIBOR 6M +margin	2014-11-30
12	Budlex Glinki A3 sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M +margin	2015-09-15
13	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA	Non- renewable revolving credit	11 400	WIBOR 1M +margin	2013-08-13
14	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA	Revolving credit	1 000	WIBOR 1M +margin	2013-03-29
				131 446		

9.2. Significant financial agreements

In the first quarter of 2012, neither the Issuer nor its subsidiaries did sign any significant financial agreements.

9.3. Important information about subsidiaries

9.3.1. General information

By 31.03.2012 and by the date of report publication, there were no events that could affect the situation in the Group Erbud.

9.3.2 Information about the transactions concluded with related parties in the Issuer's Group

By 31 March 2011 and by the date of report publication, the Issuer and its subsidiaries have not concluded any transactions with its affiliates under conditions other than market conditions.

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

9.5. The Issuer's Supervisory Board

On 21 June 2011, the Annual General Meeting of Shareholders appointed Mrs Zofia Dzik as a new member of the Supervisory Board of Erbud S.A. The Issuer informed of the event in the Current Report No. 27/2011 dated 22 June 2011.

As at the day of publication of the Report, the Supervisory Board Erbud SA consists of:

Full name	Post/Function	Term beginning	Term ending
Udo Berner	Chairman of the Supervisory Board	08.12.2009	08.12.2012
Józef Olszyński	Vice-Chairman 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
Zofa Dzik	Member of the Supervisory Board	21.06.2011	08.12.2012

Signatures of Board Members

Józef Zubelewicz
/Board Member/

Dariusz Grzeszczak
/Board Member/

Warszawa, 15 May 2012