ERBUD CAPITAL GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY TO 30 JUNE 2012

PREPARED PURSUANT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME....3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION....4
CONSOLIDATED STATEMENT OF CASH FLOW....5
CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY....7
KEY ITEMS CONVERTED TO THE EURO....10
ADDITIONAL INFORMATION AND EXPLANATIONS....12
1 General information....12
1.1 Composition of the Group....12
1.2 Joint controlled entities....13
1.3 Membership of the Management Board of the Parent....13
1.4 Shareholders of the Parent....13
1.5 Going-concern assumption....14
2 Basis of preparing the statements and accounting policy (principles)....15
3 Seasonality....18
4 Rules applied to convert selected financial data to the Euro....18
5 Changes in accounting policy applied....18
5.1 Error adjustment....18
5.2 Changes in estimates....18
5.3 Discontinued operations....19
6 Operating segments information....19
7 Information on significant transactions related to acquisition or disposal of tangible fixed assets and other material liabilities in respect of tangible fixed assets acquisition....22
8 Inventories....23
9 Trade receivables and other receivables....23
10 Cash and cash equivalents....24
11 Impairment of other financial assets (long term)....25
12 Bank credits and loans....25
13 Provision for liabilities and other debts....41
14 Trade and other liabilities, income tax liabilities....42
15 Current and deferred income tax....42
16 Transactions with associates....43
17 Transactions with key members of the company's management....44
18 Dividends paid and proposed, dividend per share....45
19 Liabilities arising from issuance of debt and equity securities....45
20 Changes in the composition of the Capital Group....45
21 Contingent liabilities and receivables....46
22 Objectives and principles of financial risk management....46
23 Asset-backed securities....47
24 Litigation and claims....48
25 Events subsequent to the balance sheet date....48
26 Information on changes in economic and business conducting conditions, which have a significant impact on the fair value of financial assets and financial liabilities of the company....48
27 Information on changing in measurement of value of financial instruments valued at their fair value....48
28 Information on changes in the classification of financial assets as a result of changes in goal or use of the assets....48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 6-month period ended 30 June 2012 (in thousands of PLN)

	Note	6- month period ended 30.06.2012	6- month period ended 30.06.2011
CONTINUING OPERATIONS	6		
Revenues from sales of products and services and of goods and materials		603 412	684 487
Cost of sold products and services and of goods and materials		563 293	690 081
Profit (loss) from sales before tax		**40 119**	**-5 594**
Cost of sales		1 205	1 616
General and administrative costs		25 464	22 776
Other operating income		2 374	4 029
Other operating expenses		1 641	1 809
Profit (loss) on operating activities		**14 183**	**-27 766**
Financial income		3 265	3 249
Financial expenses		6 635	7 737
Profit (loss) on continuing operations before tax		**10 813**	**-32 254**
Income tax	15	2 479	-3 666
Net profit (loss) on continuing operations		**8 334**	**-28 588**
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial period		**8 334**	**-28 588**
attributable to:			
- Shareholders of the parent company		7 945	-28 668
- Minority shareholders		389	80
Weighted average number of ordinary shares / Diluted weighted average number of ordinary shares (in units)		12 644 169/ 12 745 653	12 602 711/ 12 680 526
Earnings (loss) per share (in PLN) / Diluted earnings (loss) per share (in PLN) on continuing operations		0.659 / 0.654	-2.27 / -2.25

Consolidated net profit	**8 334**	**-28 588**
Foreign exchange differences from translation of foreign branches and entities	-408	74
Deferred income tax due to items of other total incomes	0	0
Other total net incomes	**-408**	**74**
Total revenue	**7 926**	**-28 514**
attributable to:		
Shareholders of the parent company	7 588	-28 435
Minority shareholders	338	-79

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012 (in thousands of PLN)

	Note	30.12.2012	31.12.2011	30.06.2011
ASSETS		**758 548**	**774 762**	**780 803**
Fixed assets		**138 317**	**126 702**	**119 558**
Intangibles		29 649	29 666	32 944
Tangible fixed assets		5 536	5 693	5 770
Goodwill		20 102	20 102	20 102
Tangible fixed assets		588	602	531
Other non-current financial assets	11	31 780	31 770	28 148
Non-current receivables	9	770	120	30
Deferred tax assets		49 892	38 749	32 033
Current assets		**620 231**	**648 060**	**661 245**
Inventory	8	128 806	107 943	113 936
Delivery, services and other receivables	9	255 941	235 606	386 994
Income tax receivables	9	3 330	6 957	6 270
Financial assets		792	571	3 936
Cash and cash equivalents	10	70 232	161 291	60 698
Construction contracts		122 164	92 896	55 402
Short-term prepayments and accruals		1 975	729	515
Building securities		36 991	42 067	33 494
LIABILITIES		**758 548**	**774 762**	**780 803**
Equity attributable to shareholders of the parent company		**228 148**	**220 464**	**210 674**
Share capital		1 264	1 264	1 260
Exchange rate differences on translation of foreign entities		657	1 014	164
Capital reserves		215 067	240 255	239 640
Undistributed profits		11 160	-22 069	-30 390
Minority interests		**10 129**	**9 983**	**9 302**
Total shareholders' equity		**238 277**	**230 447**	**219 976**
Long-term liabilities		**113 555**	**108 668**	**61 161**
Bank loans and borrowings	12	11 870	12 564	18 988
Other financial liabilities		3 820	5 182	5 547
Provision for retirement and similar benefits	13	1 346	1 320	2 162
Other provisions	13	1 910	1 816	1 118
Other liabilities		820	6 859	8 544
Liabilities due to bonds issue	19	50 000	50 000	0
Deferred tax provision		43 789	30 927	24 802
Short-term liabilities		**406 716**	**435 647**	**499 666**
Credits and loans	12	55 414	66 978	63 777
Trade and other liabilities	14	211 422	223 493	303 134
Current tax liabilities	15	205	1 311	1 380
Provision for retirement and similar benefits	13	4 221	4 826	3 879
Other provisions	13	10 433	10 960	13 058
Building securities		78 549	79 211	72 311
Construction contracts		17 418	29 034	14 618
Other accruals		29 054	19 834	27 509

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2012

CONSOLIDATED STATEMENT OF CASH FLOW
for the 6-month period ended 30 June 2012 (in thousands of PLN)

	Note	6- month period ended 30.06.2012	6- month period ended 30.06.2011
Cash flow from operating activities			
Profit (loss) before tax		**10 813**	**-32 254**
Total adjustments:		**-68 028**	**-89 222**
Depreciation and amortization		3 669	3 884
Gains / losses from exchange rate differences		-410	-28
Interest and share in profit (dividends)		2 477	239
Profit / loss on investment activities		48	3 233
Change in provisions		-1 013	6 900
Change in inventory	**10**	-19 729	-17 325
Change in receivables	**10**	-5 557	-215 229
Change in short-term liabilities, excluding loans and borrowings	**10**	-16 876	113 302
Change in prepayments and accruals		-32 909	17 378
Income tax		1 763	65
Other adjustments		509	-1 641
Net cash used in operating activities		**-57 215**	**-121 476**
Cash flow from investment activities			
Inflows		**1 235**	**3 908**
Disposal of intangible and tangible fixed assets		502	528
Disposal of investments in real property		81	0
Disposal of financial assets		20	445
Repayment of loans		48	14
Dividends and interest received		584	871
Other		0	2 050
Outflows		**16 000**	**6 751**
Acquisition of intangible and tangible fixed assets		1 177	1 971
Investments in real property		14 004	0
Acquisition of financial assets		819	0
Other		0	4 780
Net cash flow from investment activities		**-14 765**	**-2 843**
Cash flow from financial activities			
Inflows		**44 312**	**62 716**
Credits and loans		44 312	62 702
Other		0	14
Outflows		**63 391**	**25 068**
Repayment of credits and loans		55 976	20 596
Due to other financial liabilities		0	4
Payment of liabilities arising from financial leases		2 506	2 092
Interest paid		4 743	1 835
Other		166	541
Net cash flow from financial activities		**-19 079**	**37 648**
Total net cash flow		**-91 059**	**-86 671**
Balance sheet change in cash, including:		**-91 059**	**-86 531**
- change in cash due to exchange differences		0	140
Cash opening balance		**161 291**	**147 229**
Closing balance of cash, including:		**70 232**	**60 698**
- restricted cash		41 711	20 454

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

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Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2012

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the parent company for the 6-month period ended 30 June 2012 (in thousands of PLN)

	Capital attributable to shareholders of the parent company								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Non-controlling interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net earnings / net loss			
As at 1 January 2012	**1 264**	**0**	**240 255**	**1 014**	**-22 069**	**0**	**220 464**	**9 983**	**230 447**
Profit/loss for the period	0	0	0	0	0	7 945	**7 945**	389	**8 334**
Other total incomes	0	0	0	-357	0	0	**-357**	-51	**-408**
Total revenue	**0**	**0**	**0**	**-357**	**0**	**7 945**	**7 588**	**338**	**7 926**
Dividend to minority interests	0	0	0	0	0	0	**0**	-132	**-132**
Payment in form of shares in subsidiaries	0	0	38	0	0	0	**38**	0	**38**
Covering of loss of the Parent from the capital reserve	0	0	-25 284	0	25 284	0	**0**	0	**0**
Acquisition of shares in Erbud Energetyka	0	0	58	0	0	0	**58**	-60	**-2**
As at 30 June 2012	**1 264**	**0**	**215 067**	**657**	**3 215**	**7 945**	**228 148**	**10 129**	**238 277**

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 30 August 2012

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the Parent Company as at 31 December 2011 (in thousands of PLN)

	Capital attributable to shareholders of the parent company								
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Non-controlling interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net earnings / net loss			
As at 1 January 2011	**1 260**	**0**	**209 558**	**0**	**28 381**	**0**	**239 199**	**9 381**	**248 580**
Profit/loss for the period	0	0	0	0	0	-20 358	**-20 358**	643	**-19 715**
Other total incomes	0	0	0	1 014	0	0	**1 014**	127	**1 141**
Total revenue	**0**	**0**	**0**	**1 014**	**0**	**-20 358**	**-19 344**	**770**	**-18 574**
Dividend to shareholders of GWI	0	0	0	0	0	0	**0**	-168	**-168**
Initial capital increase	4	0	451	0	0	0	**455**	0	**455**
Payment in form of shares	0	0	154	0	0	0	**154**	0	**154**
Parent's result of the previous year brought forward to capital reserve	0	0	30 004	0	-30 004	0	**0**	0	**0**
Presentation adjustment	0	0	88	0	-88	0	**0**	0	**0**
As at 31 December 2011	**1 264**	**0**	**240 255**	**1 014**	**-1 711**	**-20 358**	**220 464**	**9 983**	**230 447**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

attributable to shareholders of the Parent Company as at 30 June 2011 (in thousands of PLN)

	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Non-controlling interests	Total shareholders' equity
					Retained profit / accumulated loss brought forward	Net earnings / net loss			
As at 1 January 2011	**1 260**	**0**	**209 558**	**0**	**28 381**	**0**	**239 199**	**9 381**	**248 580**
Profit/loss for the period	0	0	0	0	0	-28 668	**-28 668**	80	**-28 668**
Other total incomes	0	0	0	164	69	0	**233**	-159	**74**
Total revenue for the period	**0**	**0**	**0**	**164**	**69**	**-28 668**	**-28 435**	**-79**	**-28 514**
Dividend to shareholders of GWI	0	0	0	0	-168	0	**-168**	0	**-168**
Payment in form of shares	0	0	78	0	0	0	**78**	0	**78**
Previous years result of the Parent brought forward to capital reserve	0	0	30 004	0	-30 004	0	**0**	0	**0**
As at 30 June 2011	**1 260**	**0**	**239 640**	**164**	**-1 722**	**-28 668**	**210 674**	**9 302**	**219 976**

KEY ITEMS CONVERTED TO THE EURO

	30.062012		31.12.2011		30.06.2011	
	PLN	**EUR**	**PLN**	**EUR**	**PLN**	**EUR**
Fixed assets	138 317	32 459	126 702	28 686	119 558	29 990
Current assets	620 231	145 550	648 060	146 726	661 245	165 867
Shareholders' equity	238 277	55 917	230 447	52 175	219 976	55 179
Liabilities and provisions for liabilities	520 271	122 092	544 315	123 237	560 827	140 678

Items of the balance sheet data as at 30 June 2012 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.2613 PLN/EUR.

Items of the balance sheet data as at 31 December 2011 were converted at the Euro rate which was set by the NBP as of that day i.e. 4.4168 PLN/EUR.

Items of the balance sheet data as at 30 June 2011 were converted at the Euro rate which was set by the NBP as of that day i.e. 3.9866 PLN/EUR.

	6- month period ended 30.06.2012		6- month period ended 30.06.2011	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	603 412	142 833	684 487	172 532
Cost of products, services, goods and materials sold	563 293	133 336	690 081	173 942
Profit on sales before tax	40 119	9 497	-5 594	-1 410
Profit on operating activities	14 183	3 357	-27 766	-6 999
Profit (loss) before tax	10 813	2 560	-32 254	-8 130
Net profit (loss)	8 334	1 973	-28 588	-7 206

Items of the profit and loss statement for the period from 1.01.2012 to 30.06.2012 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2246 PLN/EUR.

Items of the profit and loss statement for the period from 1.01.2011 to 30.06.2011 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 3.9673 PLN/EUR.

	6- month period ended 30.06.2012		6- month period ended 30.06.2011	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	-57 215	-13 543	-121 476	-30 619
Cash flows from investment activities	-14 765	-3 495	-2 843	-717
Cash flows from financial activities	-19 079	-4 516	37 648	9 489
Net cash flows	-91 059	-21 554	-86 671	-21 846
Cash opening balance	161 291	36 518	147 229	37 176
Cash closing balance	70 232	16 481	60 698	15 225

Items of the cash flow for the period from 1.01.2012 to 30.06.2012 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 4.2246 PLN/EUR.

Items of the cash flow for the period from 1.01.2011 to 30.06.2010 were translated at the rate which was calculated as an arithmetic mean of average rates prevailing on the last day of given month in the period, set by the NBP as of that day, i.e. 3.9673 PLN/EUR.

For translating cash as at 30 June 2012, the exchange rate set by the NBP as of that day, i.e. 4.2613 PLN/EUR, was applied.

For translating cash as at 30 June 2011, the exchange rate set by the NBP as of that day, i.e. 3.9866 PLN/EUR, was applied.

ADDITIONAL INFORMATION AND EXPLANATIONS

1 General information

The joint stock company ERBUD SA is the Parent Company (the "Parent", the “Company”) of the ERBUD Group (the "Group"). ERBUD SA was established in way of conversion of the Erbud limited liability company and registered in the National Court Register on 29 November 2006 under the KRS number 0000268667 (District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register) and based in Warsaw, 300 Puławska St.

The Erbud limited liability company was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

The subject of the Parent main activity are services in the field of large scale civil engineering (PKD 4521A).

The core businesses of the Group are widely understood construction and assembly works performed as general contractor in Poland and abroad. Erbud S.A. is the management, financial and advisory centre of the Group.

The duration of the Parent and entities of the Group and is not definite.

These consolidated financial statements have been approved for publication by the Management Board on 29 August 2012.

These consolidated financial statements have been prepared as of 30 June 2012 for the six month period ended 30 June 2012, and the comparative figures as of 30 June 2011 and for the six month period ended 30 June 2011, and as of 31 December 2011.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard applicable to interim financial reporting (IAS 34), which was approved by the European Union.

The items of consolidated financial statement are presented in Polish currency ("PLN") and all figures are given in thousands of PLN.

1.1 Composition of the Group

The Group consists of the Parent Company ERBUD S.A. based in Warsaw and the following subsidiaries:

Name	Registered office	Activity range	Percentage share of the Parent in the share capital and voting rights at the AGM as at		
			30. 06.2012	31.12.2011	30.06.2011
Erbud International Sp. z	Toruń	Construction	100%	100%	100%
ER Services Sp. z o.o. (formerly TOPLUX Sp. z	Toruń	Construction	100%	100%	100%
GWI GmbH	Germany	Construction	85%	85%	85%
Ersteel Sp. z o.o.	Toruń	Steel structures	100%	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and entertainment	39%	39%	39%
Erbud Ireland.	Ireland	Construction	100%	100%	100%
Grupa Budlex S.A.	Warszawa	Housing development	90%	90%	90%

Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%	94.27%
Erbud Energetyka sp. z o.o.	Toruń	Construction	100%	86.36%	86.36%
Erbud Construction	Toruń	Construction	100%	100%	100%

The Parent

The Parent Company ERBUD S.A is not controlled by any other unit.

Subsidiaries included in the consolidated financial statements of the Group by full method:

- Erbud International Sp. z o.o.
- GWI GmbH
- The Budlex Group
- Przedsiębiorswo Budownictwa Drogowo Inżynieryjnego S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.

Subsidiaries excluded from the consolidated financial statements:

- Erbud Rzeszów Sp. z o.o.
- Erbud Construction Sp. z o.o.
- Delta Sp. z o.o.
- Erbud Ireland LTD.
- ER Services Sp. z o.o.

The above subsidiaries were not consolidated in view of the immateriality.

1.2 Joint controlled entities

Within the Group there are no entities under common control.

1.3 Membership of the Management Board of the Parent

During the period from 1 January 2012 to the date of preparing this financial statement the composition of the Management Board of the Company was constant.

As at 30 June 2012 the Management Board of the Parent consisted of:

Dariusz Grzeszczak - Board Member

Józef Zubelewicz - Board Member

1.4 Shareholders of the Parent

The share capital of the Parent Company as at 30 June 2012 consists of 12,644,169 shares with a total value of PLN 1,264,416.90. The structure of the share capital of the Parent as at 30 June 2012 is as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Percentage in equity	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.23%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.68%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.93%	None
	Total		None	None	**4 152 865**	**32.84%**	None
B	Juladal Investment Ltd	Ordinary	None	None	2 818 174	22.29%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.12%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.36%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 269 709	10.04%	None
D,E,C,F	Free Float	Ordinary	None	None	2 446 375	19.35%	None
	Total				**12 644 169**	**100%**	
	Nominal value of shares of all series	PLN 0.10		Share capital value	PLN 1, 264, 416.90		

A detailed description of the shareholding as at 31 December 2011 is included in the Annual Financial Statements for the year ended 31 December 2011.

This table presents the shareholders holding over 5% of the share capital and has been prepared on the basis of the stocks book.

Number of shares comprising the authorized capital is equal to the number of shares issued. The nominal value of each share is PLN 0.10. Subsidiaries do not hold any shares of the Parent.

No shares have been reserved for the purpose of issuance under options of sale contracts.

In addition to the powers arising from directly held shares of Erbud S.A., the major shareholders have no other voting rights at a general meeting.

Shares of Erbud S.A. held by the above mentioned persons are not preferred ones.

The Company's Statute does not give any personal rights in relation to Erbud S.A., Company's to the shareholders referred to above, in particular, does not give the right to appoint members of the Management Board or members of the Supervisory Board of the Company.

1.5 Going-concern assumption

The Consolidated Financial Statements of the Capital Group as at 31 June 2012 were prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

2 Basis of preparing the statements and accounting policy (principles)

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and in line with relevant International Financial Reporting Standards ("IFRS") as well as with IFRS as adopted by the EU for financial statements beginning on 1 January 2008. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

Taking into account the approval process for IFRS by the European Union, as at the day of publication of this consolidated financial report, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

The detailed accounting policies adopted by the Group have been described in the Group's consolidated financial statements for the year ended 31 December 2011 and published on 27 April 2012. In this report, it has been observed the same rules (policies) and methods of computation that were used in the last annual financial statements.

New and revised standards and interpretations

Principles (policy) applied for the preparation of these condensed consolidated financial statements for the first half of 2012 are consistent with those applied when preparing the annual consolidated financial statements for 2011, except as described below.

- **Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates**

An amendment to IFRS 1 was issued on 20 December 2010 and is applicable to for annual periods beginning on or after 1 July 2011. The amendment relates to the reference to fixed day of "1 January 2004" as the IFRS first-time-adoption day and changes it to "First-Time-Adoption of IFRS" in order to eliminate the necessity to transform the transactions, which took place before the day of adopting the IFRS by the entity. In addition, a guidance on application of IFRS in the periods that follow periods of severe hyperinflation, what prevents full compliance with IFRS, has been added to the standard .

The Group will apply the revised IFRS 1 from the date of entry into force adopted by the European Commission. The revised IFRS 1 does not affect the Group’s financial statements.

- **Amendments to IFRS 12: Deferred Tax: Recovery of Underlying Assets**

An amendment to IAS 12 was issued on 20 December 2010 and is applicable to for annual periods beginning on or after 1 January 2012. The amendment clarifies, among other items, method of valuation of assets and provisions due to deferred tax for investment properties measured under the fair value in accordance with the model specified by IAS 40 Investment Property. The entry into force of the revised standard will result in a withdrawal of SIC - 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets.

The Group will apply the revised IAS 12 from the date of entry into force adopted by the European Commission. The revised IAS 12 does not affect the Group’s financial statements.

- **Amendments to IFRS 7 Disclosures - Transfers of Financial Assets**

An amendment to IFRS 7 was issued on 7 October 2011 and is applicable to for annual periods beginning on or after 1 July 2011. The amendment to the standard shall help users of financial statements in better understanding the transactions of financial assets (for example securitizations), including understanding the potential effects of risks for an entity that has transferred assets. The amendment also impose additional disclosure in the event of a transfer of assets of significant value which take place close to the end of the reporting period.

The revised IFRS 7 does not affect the Group’s financial statements.

Applying the amendments did not have any impact on the financial position or results of operations of the Group, and only resulted in changes in accounting policies or possible extending the scope of required disclosures or changes in the terminology used.

Published standards that are not yet effective

Below are listed new accounting standards, amendments to existing standards and interpretations that are not applicable in 2012:

- **IFRS 9 Financial Instruments**

A new standard was issued on 12 November 2009 and it was the first step made by IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. After the publication, the new standard was subject to further development and has been partially changed. The new standard will come into force on 1 January 2015.

- **IFRS 10 Consolidated Financial Statements**

A new standard was published on 12 May 2011 and will replace the SIC 12 Consolidation - Special Purpose Entities, and some of the provisions of IAS 27 Consolidated and Separate Financial Statements. The standard defines the concept of control as a factor determining whether an entity should be included in the consolidated financial statements and provides guidance to help determine whether an entity has control over another entity or not.

- **IFRS 11 Joint Arrangements**

A new standard was published on 12 May 2011 and will replace SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures and IAS 31 Interests in Joint Ventures. The standard focuses on the rights and obligations arising from the common agreement, regardless of its legal status and eliminates inconsistencies in reporting by identifying the method of accounting for interests in jointly controlled entities.

- **IFRS 12 Disclosure of Interests in Other Entities MSSF**

The new standard was published on 12 May 2011 and includes requirements for disclosure of information on the relationship between the parties.

- **IFRS 13 Fair Value Measurement**

A new standard was published on 12 May 2011 and the assumption is that they will facilitate the use of fair value by reducing the complexity of solutions and increasing the consistency in applying the principles of fair value measurement. The standard clearly defines the objective of such evaluation and clarifies the definition of fair value.

- **IAS 27 Separate Financial Statements**

A new standard was published on 12 May 2011, primarily due to the transfer of certain provisions of the existing IAS 27 and IFRS 10 and the new IFRS 11. The standard contains requirements for the presentations and disclosures in the financial statements of investments in associates, subsidiaries and joint ventures. Te standard replaces the previous IAS 27 Consolidated and Separate Financial Statements.

- **IAS 28 Investments in Associates and Joint Ventures**

A new standard was published on 12 May 2011 and addresses the accounting for investments in associates. It also defines the requirements for the application of the equity method for investments in associates and joint ventures. The standard replaces the previous IAS 28 Investments in Associates.

- **Improvements to IAS 19 Employee Benefits**

The amendments to IAS 19 were published on 16 June 2011 and are effective for annual periods beginning on 1 January 2013 or later. The amendments eliminate the option of recognition of gains and losses on a delayed basis known as the corridor method. Moreover, they improve the presentation of changes in the balance sheet due to the employee benefit schemes and the necessary estimates as recognised in other comprehensive income, as well as they expand the scope of required disclosures thereof.

- **Improvements to IAS 1 Presentation of Items of Other Comprehensive Income**

An amendment to IAS 1 was issued on 16 June 2011 and is effective for annual periods beginning on 1 July 2012 or later. The amendment concerns the classification of items of other comprehensive income that can be transferred to the profit or loss account. The amendment also confirms the possibility of presentation of items of other comprehensive income and profit or loss as a single or as two separate statements.

- **Improvements to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities**

An amendment to IFRS 7 was issued on 16 December 2011 and is applicable for annual periods beginning on 1 January 2013 or later. The general rules for offsetting financial assets and liabilities remain the same, but the scope of disclosures regarding the amounts offsetted has been extended. The improvement also requires enhancing the disclosures (higher transparency) related to credit risk management with use collaterals (pledges) received or granted.

- **Improvements to IAS 32 Offsetting Financial Assets and Liabilities**

An amendment to IAS 32 was published on 16 December 2011 and is effective for annual periods beginning on 1 January 2014 or later. The improvement is a response to the existing inconsistencies in applying of existing offset criteria provided by IAS 32.

- **IFRIC 20 Interpretation Stripping Costs in the Production Phase of a Surface Mine**

The IFRIC 20 Interpretation was issued on 19 October 2011 and is effective for annual periods beginning on or after 1 January 2013. This interpretation provides guidance on recognizing stripping costs of a surface mine in order to gain access to mineral ore deposits.

- **Improvements to IFRS 1**

The amendments to IFRS 1 were issued on 13 March 2012 and are applicable for annual periods beginning on 1 January 2013 or later. The aim of the changes is to allow entities applying IFRS for the first time to be exempt from a full retrospective application of IFRSs when such entities benefit from the government loans with interest rates are below market ones.

- **Improvements to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011)**

On 17 May 2012 were published subsequent amendments to seven standards resulting from the draft improvements to International Financial Reporting Standards, issued in June 2011. Mainly, they are effective for annual periods beginning on or after 1 January 2013 (depending on the standard).

- **Transitional provisions guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidelines were published on 28 June 2012 and provide additional information regarding the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data for the first-time-adoption of the above standards.

The Group is in the course of assessing the impact of these standards and interpretations on the Group's reporting.

The following new or amended standards and interpretations of IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the below mentioned standards, interpretations and amendments thereto, that as at the date of approval of these financial statements for publication have not yet been adopted by the EU for use:

- IFRS 9 Financial Instruments, published on 12 November 2009 (as amended)
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates, issued on 20 December 2010
- Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets, issued on 20 December 2010

- IFRS 10 Consolidated Financial Statements, published on 12 May 2011
- IFRS 11 Joint Arrangements, issued on 12 May 2011
- IFRS 12 Disclosure of Interests in Other Entities, published on 12 May 2011
- IFRS 13 Fair Value Measurement, published on 12 May 2011
- IAS 27 Separate Financial Statements, published on 12 May 2011
- IAS 28 Investments in Associates and Joint Ventures, issued on 12 May 2011
- Amendments to IFRS 7 Disclosures - Offsetting of Financial Assets and Financial Liabilities, issued on 16 December 2011
- IFRIC 20 Interpretation Stripping Costs in the Production Phase of a Surface Mine, published on 19 October 2011
- Amendments to IFRS 1, published on 13 March 2012
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011), published on 17 May 2012
- Guidelines to transitional provisions (Amendments to IFRS 10, IFRS 11 and IFRS 12), published on 28 June 2012.

The following new or amended standards and interpretations of IFRS adopted by the International Accounting Standards Board (IASB) or by the IFRS Interpretations Committee are effective from 1 January 2012, but not yet adopted by the EU, and therefore have not been applied by the Group in these financial statements:

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates, issued on 20 December 2010
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets, published on 20 December 2010.

3 Seasonality

Sale of civil-engineering services in Poland is characterized by some seasonality related primarily to weather conditions. Typically, the highest revenues are achieved in the third quarter, while the lowest - in the first quarter. However, construction works cannot be regarded as typical seasonal activities.

4 Rules applied to convert selected financial data to the Euro

The selected financial data were converted into the Euro according to the following principles:

Items of assets and liabilities - at the average exchange rate prevailing as at 30 June 2012, i.e. 4.2613 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2012 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2012, i.e. 4.2246 PLN/Euro.

Items of assets and liabilities of comparable financial data in 2011 - at the average exchange rate prevailing on 31 December 2011, i.e. – 4.4168 PLN/Euro.

Items of the profit or loss and the cash flows statement for the first half of 2011 - at the arithmetic average of average exchange rates published by the Polish National Bank on the last day of each month during the period from 1 January to 30 June 2011, i.e. 3.9673 PLN/Euro.

5 Changes in accounting policy applied

5.1 Error adjustment

No error adjustment that would impact on the current or next periods was recognised during the reporting period ended 30 June 2012.

5.2 Changes in estimates

During the reporting period ended 30 June 2012 there were no changes in the methodology for making estimates.

5.3 Discontinued operations

There were no discontinued operations under provisions of IFRS 5 during the reporting period ended 30 June 2012.

6 Operating segments information

During the reporting period ended 30 June 2012 the Group has conducted business under the following business segments:

- civil engineering - large scale construction
- housing development
- road-engineering
- construction for the power industry
- production of steel structures

During the reporting period ended 30 June 2012 the Group has conducted business in the following geographical segments:

- domestic
- abroad (Germany, Belgium, Luxembourg, Holland).

The segmentation was made on the basis of statutory activities of the individual entities. The Group applies an uniform accounting policy for all segments.

Business segments

The following tables present figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2012:

Incomes and expenses by business segments

Period from 1 January to 30 June 2012	Large scale construction	Housing development	Road engineering	Construction for power industry	Other segments	Exclusions	Total
Sale to external clients	518 413	17 962	53 361	13 625	51	0	**603 412**
Sale between segments	0	0	61 915	0	0	-61 915	**0**
Total income	**518 413**	**17 962**	**115 276**	**13 625**	**51**	**-61 915**	**603 412**
Cost of products, goods and materials sold to external clients	503 652	14 529	33 098	11 994	20	0	**563 293**
Cost of products, goods and materials sold to other segments	0	0	61 915	0	0	-61 915	**0**
Total cost of products, goods and materials sold	**503 652**	**14 529**	**95 013**	**11 994**	**20**	**-61 915**	**563 293**
Total gross sales	**14 761**	**3 433**	**20 263**	**1 631**	**31**	**0**	**40 119**
Cost of sales	0	1 109	96	0	0	0	**1 205**
General and administrative costs	18 189	1 398	4 385	809	683	0	**25 464**
Profit (loss) on other operating activity	-511	1 295	-115	97	-33	0	**733**
Segment profit (loss)	**-3 939**	**2 221**	**15 667**	**919**	**-685**	**0**	**14 183**
Profit (loss) on other financing activity	-3 848	542	-24	-6	-34	0	**-3 370**
Income tax	2 261	-13	283	18	-70	0	**2 479**
Net profit	**-10 048**	**2 776**	**15 360**	**895**	**-649**	**0**	**8 334**

Business segments

The following tables present figures on income and profit of particular business segments of the Group for the period from 1 January to 30 June 2011:

Incomes and expenses by business segments

Period from 1 January to 30 June 2011	Large scale construction	Housing development	Road engineering	Construction for power industry	Other segments	Exclusions	Total
Sale to external clients	583 020	11 502	59 540	24 000	6 427	0	**684 487**
Sale between segments	0	0	46 791	0	0	-46 791	**0**
Total income	**583 020**	**11 502**	**106 331**	**24 000**	**6 427**	**-46 791**	**684 487**
Cost of products, goods and materials sold to external clients	596 911	10 927	54 088	21 236	6 919	0	**690 081**
Cost of products, goods and materials sold to other segments	0	0	46 791	0	0	-46 791	**0**
Total cost of products, goods and materials sold	**596 911**	**10 927**	**100 879**	**21 236**	**6 919**	**-46 791**	**690 081**
Total gross sales	**-13 893**	**575**	**5 452**	**2 764**	**-492**		**-5 594**
Cost of sales	0	1 026	514	0	76	0	**1 616**
General and administrative costs	18 776	833	2 827	340	0	0	**22 776**
Profit (loss) on other operating activity	2 169	-91	333	-9	-182	0	**2 220**
Segment profit (loss)	**-30 500**	**-1 375**	**2 444**	**2 415**	**-750**		**-27 766**
Profit (loss) on other financing activity	-4 413	316	-335	-3	-53	0	**-4 488**
Income tax	-4 050	331	180	-3	-124	0	**-3 666**
Net profit	**-30 863**	**-1 390**	**1 929**	**2 415**	**-679**	**0**	**-28 588**

Geographical segments

The following tables present figures on income and profit of particular geographical segments of the Group for the period from 1 January to 30 June 2012:

Incomes and expenses by geographical segments

Period ended 30 June 2012	Domestic market	Abroad	Total
Sale to external clients	539 489	63 923	**603 412**
Total income	**539 489**	**63 923**	**603 412**
Cost of products, goods and materials sold to external clients	504 949	58 344	**563 293**
Total cost of products, goods and materials sold	**504 949**	**58 344**	**563 293**
Total gross sales	**34 540**	**5 579**	**40 119**
Sales costs	1 205	0	**1 205**
General and administrative costs	21 889	3 575	**25 464**
Result on other operating activity	434	299	**733**
Segment result	**11 880**	**2 303**	**14 183**
Result on financing activity	-3 038	-332	**-3 370**
Income tax	1 687	792	**2 479**
Net profit	**7 155**	**1 179**	**8 334**

The following tables present figures on income and profit of particular geographical segments of the Group for the period from 1 January to 30 June 2011:

Incomes and expenses by geographical segments

Period ended 30 June 2012	Domestic market	Abroad	Total
Sale to external clients	646 215	38 272	**684 487**
Total income	**646 215**	**38 272**	**684 487**
Cost of products, goods and materials sold to external clients	649 575	40 506	**690 081**
Total cost of products, goods and materials sold	**649 575**	**40 506**	**690 081**
Total gross sales	**-3 360**	**-2 234**	**-5 594**
Sales costs	1 616	0	**1 616**
General and administrative costs	19 409	3 367	**22 776**
Result on other operating activity	-73	2 293	**2 220**
Segment result	**-24 459**	**-3 307**	**-27 766**
Result on financing activity	-3 437	-1 051	**-4 488**
Income tax	-4 241	575	**-3 666**
Net profit	**-23 655**	**-4 933**	**-28 588**

In the period from 1 January to 30 June 2012, the Group did not achieve from any customer incomes exceeding 10% of total revenue.

7 Information on significant transactions related to acquisition or disposal of tangible fixed assets and other material liabilities in respect of tangible fixed assets acquisition

There were no significant acquisitions and disposals of tangible fixed assets during the reporting period.

As of 30 June 2012, the Group has no material liabilities due to the acquisition of tangible fixed assets

8 Inventories

	30.06.2012	31.12.2011	30.06.2011
Materials	5 950	7 601	7 879
Semi-products and unfinished products	38 953	54 244	47 602
Finished products	47 277	17 916	33 692
Goods	36 885	28 342	23 874
Advances for deliveries	1 390	1 779	1 455
Gross book value of inventories at the end of the period	**130 455**	**109 882**	**114 502**
Write-offs of inventories at the beginning of the period	**1 939**	**976**	**976**
Created in other operating costs	0	1 282	0
Created in production cost of products sold	0	0	0
Reversed into other operating costs	0	0	0
Used	290	319	410
Write-offs of inventories at the end of the period	**1 649**	**1 939**	**566**
Net book value of inventories at end of the period	**128 806**	**107 943**	**113 936**

9 Trade receivables and other receivables

	30.06.2012	31.12.2011	30.06.2011
Short-term receivables before tax			
Due to deliveries and services	265 934	267 068	412 460
From associates	110	90	62
From other entities	265 824	266 978	412 398
From the public sector	18 980	16 526	10 664
Other	18 141	7 822	10 749
Impairment of receivables	**6 793**	**6 786**	**7 115**
Short-term net receivables	**296 262**	**284 630**	**426 758**

The fair value of trade receivables and other receivables is nearly equal to their carrying amount.

The Group creates impairment on receivables, when there is objective evidence that the Group will not receive all amounts due under the original terms of receivables.

The following table presents the value of write-offs from trade receivables and other receivables:

	30.06.2012	31.12.2011	30.06.2011
Write-offs at the beginning of the period	**6 786**	**9 400**	**9 400**
Created in other operating costs	234	639	0
Reversed into other operating costs	110	3 672	2 301
Used	0	37	0
Currency translation differences	-117	456	16
Write-offs at the end of the period	**6 793**	**6 786**	**7 115**

As the Group has a large number of customers both on domestic and foreign market, there is no concentration of credit risk for trade receivables.

10 Cash and cash equivalents

	30.06.2012	31.12.2011	30.06.2011
Cash in hand	56	98	83
Cash at bank	48 496	148 949	41 021
- current accounts	18 194	80 838	35 149
- overnight deposits	23 331	19 090	2 209
- other deposits	6 952	2 789	342
- term investments	19	46 232	3 321
Other cash	21 680	12 244	19 594
Cash total	**70 232**	**161 291**	**60 698**
Restricted cash and cash equivalents	41 711	35 437	32 455
Cash for cash flow markets	**70 232**	**161 291**	**60 698**

Cash and restricted cash equivalents were as follows:

	30.06.2012	31.12.2011	30.06.2011
Cash deposits to secure bank guarantees	26 765	13 097	20 211
Works Staff Welfare Fund	202	185	245
Cash to secure repayment of credits	0	0	0
Other	0	1 935	0
Funds accumulated on trust accounts	14 744	20 220	11 999
Total	**41 711**	**35 437**	**32 455**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the first half of 2012 is presented below:

	30.06.2012
Change in balance accounts receivable	**-15 909**
Receivables due to acquisition of financial assets	10 270
Receivables discount	82
Change in receivables in the cash flow account	**-5 557**

	30.06.2012
Change in balance inventories	**-20 863**
Capitalised financing costs	1 134
Change in inventories in the cash flow account	**-19 729**

	30.06.2012
Change in balance liabilities	**-12 733**
Liabilities discount	-255
Payment of obligations arising from the acquisition of shares in Budlex	-1 742
Liability due to the asset acquisition	-2 146
Change in liabilities in the cash flow account	**-16 876**

11 Impairment of other financial assets (long term)

In the reporting period, there were no write-downs due to other long-term financial assets.

12 Bank credits and loans

	30.06.2012	31.12.2011	30.06.2011
Long-term	**11 870**	**12 564**	**18 988**
Bank credits	11 870	12 564	18 988
Short-term	**55 414**	**66 978**	**63 777**
Credits in current account	24 565	39 483	52 984
Bank credits and loans	30 849	27 495	10 793
Total bank credits and loans	**67 284**	**79 542**	**82 765**

The maturity structure of long-term credits and loans was as follows:

	30.06.2012	31.12.2011	30.06.2011
a) up to 1 year	55 414	66 978	63 777
b) between 1 and 3 years	5 898	7 008	15 204
c) between 3 and 5 years	5 972	5 239	3 784
d) over 5 years	0	317	0
Total	**67 284**	**79 542**	**82 765**

The carrying amount of long-term loans approximates their fair value because contract conditions of interest rates of credit are based on the variable rate of interest. In the reporting period, the Group had no outstanding borrowings and credits.

Liabilities due to loans and credits as at 30 June 2012

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	12 000	PLN	PLN	11 658	PLN	Wibor 1M+2.00%	2012-08-20	ING Bank Śląski SA

Loan repayment collaterals/guarantees - Budlex

Final collaterals:

Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA

Security deposit established by ERBUD SA

Assignment of rights under insurance policy for real estate, on which a conventional mortgage has been established

Temporary collateral:

Statement on submission to execution up to PLN 60,000,000 expired on 20.03.2022

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex	1 000	PLN	PLN	617	PLN	Wibor 1M+2.3%	2013-01-24	Bank PKO BP SA

Final collaterals:

Blank promissory note together with note declaration

Aggregate mortgage up to PLN 1,500,000

Civil law guarantee by Budlex Winnica Sp. z o.o.

Claim deductions clause from the accounts held at PKO BP

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Construction	8 367	PLN	PLN	1 648	PLN	Wibor 6M+5.5%	2012-12-28	BRE BANK HIPOTECZNY SA

Final collaterals:

Capped mortgage up to PLN 10,556,246.98

Registered pledge on all shares of the Company established by the shareholders together with a statement on submission to enforcement of the shareholders as Assets Debtors

Guarantee covering the loan amount, including interests, granted by the Shareholders of the Borrower until the final entry of mortgages and the establishment of a registered pledge

Deposit of PLN 360, 000 which will be supplemented and from which interest will be paid

Subordination of all commitments and payments of the Borrower to the Shareholder with respect to the payments under the Loan Agreement

Attorney for the Bank to dispose of all the Borrower's bank accounts

Attorney for the Bank to operate the escrow accounts until the total loan repayment of Budlex Magnuszewska and Budlex Partner

Statement of the Borrower on submission to enforcement up to PLN 16,733,692

Blank promissory note issued by the Shareholder

Agreement on Supporting the Project by the Borrower's Shareholder which is obliged to provide funds for the required interest installment from the date due

Agreement on escrow account held by the Bank for all settlements connected with the Project

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Glinki A3	26 000	PLN	PLN	5 693	PLN	Wibor 3M+2.95%	15.09.2015	BRE BANK HIPOTECZNY SA

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

Blank promissory note issued by the Borrower, incl. bill declaration issued by the Borrower and guaranteed by the Shareholder until the effective establishment of deposit mortgage and registered pledge for the benefit of the Bank

Assignment of rights from sales agreements and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Attorney for the Bank to operate the escrow accounts

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to enforcement up to PLN 52,000,000

Statement by the owner of shares in the Borrower’s company to submit to the enforcement of the shares up to PLN 26,000,000.00 issued under Article. 97 of Banking Law, authorizing the Bank to apply for granting a writ of execution to the bank enforcement title

Authorisation to dispose of the account in Bre Bank Hipoteczny S.A. and all accounts of the Borrower in other banks

Agreement on sharing the mortgage

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Koszarowa	9 200	PLN	PLN	2 018	PLN	Wibor 3M+3.3%	2015-01-15	BRE BANK HIPOTECZNY SA

Final collaterals:

Capped mortgage up to PLN 18,400,000

Registered pledge on all shares of the Borrower

Blank promissory note and bill declaration issued by the Borrower and guaranteed by the shareholders until the effective establishment of capped mortgage and registered pledge to the Bank

Assignment of rights under sale contracts and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Bank account agreement, including a power of attorney for the Bank to dispose of the balance of bank account

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to execution up to PLN 18,400,000

The Shareholders' commitment not to made additional payments into the escrow account according to the income schedule, distribute dividends before credit repayment, incur debts, redeem shares and give guarantees

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks

Agreement on sharing the mortgage

The Lender is entitled to demand repayment of debts due to the loan granted when the Borrower will a have negative equity, or the Borrower's loss listed in the quarterly reports F-01-GUS will exceed 5% of the equity

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Pestalozziego	12 286	PLN	PLN	7 804	PLN	Wibor 6M+2.6%	30.11.2014	Bank Ochrony Środowiska S.A.

Final collaterals:

Mortgage up to PLN 13,397,535 since releasing the second tranche of the loan

Deposit of PLN 350 000, - PLN since releasing the second tranche of the loan

Blank promissory note and bill declaration guaranteed by ERBUD SA

Power of attorney to dispose of the account at Bank Ochrony Środowiska SA

Temporary collateral:

Mortgage up to PLN 14,491,585 since releasing the second tranche of the loan

Deposit of PLN 120 000 since releasing the second tranche of the loan

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Winnica L4	9 300	PLN	PLN	744	PLN	Wibor 1M+2.4%	2012-12-31	Bank Pocztowy SA

Final collaterals:

Fixed-rate mortgage up to PLN 14,880,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by a shareholder

Assignment of the sale receivables

Assignment of rights from engineering documentation

Renewable deposit in the amount of PLN 250,000.00

Power of attorney to dispose of the current account and of all other accounts held by the Bank

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Statement of the Borrower on submission to execution up to PLN 13,950,000

Statement by the Borrower to submit to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Winnica L4	600	PLN	PLN	0	PLN	Wibor 1M+2.4%	2012-10-31	Bank Pocztowy SA

Final collaterals:

Fixed-rate mortgage up to PLN 14,880,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by a shareholder

Assignment of the sale receivables

Assignment of rights from engineering documentation

Renewable deposit in the amount of PLN 250,000.00

Power of attorney to dispose of the current account and of all other Borrower's accounts held by the Bank

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Statement of the Borrower on submission to execution up to PLN 900,000

Statement by the Borrower to submit to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Partner	11 400	PLN	PLN	1 190	PLN	Wibor 1M+2.55%	2013-08-31	Bank Pocztowy S.A.

Final collaterals:

Fixed-rate mortgage up to PLN 18,240,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by Budlex SA

Power of attorney to dispose of the current account and of all other Borrower's accounts held by the Bank

Assignment of the sale receivables

Assignment of rights form technical and design documentation related to the project

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Renewable deposit in the amount of PLN 420,000.00

Statement by the Borrower on submission to execution up to PLN 17,100,000

Statement by the Borrower on submission to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Partner	1 000	PLN	PLN	57	PLN	Wibor 1M+2.55%	2013-03-29	Bank Pocztowy S.A.

Final collaterals:

Capped mortgage up to PLN 1,800,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by Budlex SA

Power of attorney to dispose of the current account and of all other Borrower's accounts held by the Bank

Assignment of the sale receivables

Assignment of rights form technical and design documentation related to the project

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Renewable deposit in the amount of PLN 420,000.00

Statement by the Borrower on submission to execution up to PLN 1,500,000

Statement by the Borrower on submission to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Sielanka Sp. z o.o.	9 008	PLN	PLN	5 703	PLN	Wibor 3M+2.8%	2012-12-31	Bank PKO BP SA

Final collaterals:

Fixed-rate mortgage up to PLN 15,313,480

Claim deductions clause from the accounts held by PKO BP

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Agreement on the transfer of receivables for the benefit of the Bank due to already concluded and future contracts for the sale of apartments, parking places and utilities

Statement of the Borrower on submission to execution up to PLN 13,511,897

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Budlex Sielanka	11 437	PLN	PLN	1 848	PLN	Wibor 3M+2.8%	2012-09-30	Bank PKO BP SA

Final collaterals:

Mortgage up to PLN 19,442,580

Claim deductions clause from the accounts held by PKO BP

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Agreement on assignment of receivables for the benefit of the Bank due to already concluded and future contracts for the sale of dwellings, parking places and facilities

Statement of the Borrower on submission to execution up to PLN 17,155,214

Irrevocable authorisation to operate the account of the Borrower

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - PBDI	5 000			0		Wibor 1M+1.9%	20.08.2012	ING Bank Śląski

Final collaterals:

Statement on submission to execution

Capped mortgage up to PLN 96m under the right for perpetual usufruct of land and building ownership

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - GWI	341	80	EUR	280	66	0.0299	05.2017	Deutsche Bank
Final collaterals:								
Property mortgage								
Temporary collateral:								
None								

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - GWI	11 506	2 700	EUR	11 506	2 700	0.0259	07.2012	Deutsche Bank
Final collaterals:								
Guarantee by ERBUD SA in the amount of EUR 2,000,000								
Temporary collateral:								
None								

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - GWI	6 392	1 500	EUR	1 977	464	0.025	25.10.2012	KBC Bank
Final collaterals:								
Guarantee by ERBUD SA in the amount of EUR 2,000,000								
Temporary collateral:								
None								

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - GWI	4 261	1 000	EUR	4 261	1 000	0.06	31.05.2013	Commerzbank

Final collaterals:
Guarantee by BRE Bank in t he amount of EUR 1,000,000
Temporary collateral:
None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Erbud International	4 000			1 648		WIBOR 3M+1.6%	05.07.2012	Bank Millennium

Final collaterals:
Civil law guarantee covering 100% of the loan
Temporary collateral:
None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Erbud SA	20 000		PLN	2 492		PKO BP's call rate + margin	2012-09-29	PKO BP

Final collaterals:

Capped mortgage to the amount of PLN 65 m. on the property, which are the undeveloped plots Nos. 275/3, 288/10 and 288/17, for which the District Court in Torun keeps Land and Mortgage Register under No. No. TO1T/00003133/2.

Assignment of receivables from the construction contract

Blank bill of exchange issued by Erbud SA together with the bill declaration

Clause on claim deductions from accounts of Erbud SA conducted by PKO BP

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Erbud SA	10 000		PLN	1 891		WIBOR for overnight deposits + margin	2012-12-31	BRE Bank S.A.

Final collaterals:

Own blank bill of exchange

Assignment of receivables covering the loan amount

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
Loan repayment collaterals/guarantees - Erbud SA	15 000		PLN	4 225		arithmetic average for WIBOR 1M in given calendar month set as at the last business day of the calendar month plus margin	2012-08-20	ING Bank Śląski S.A.

Final collaterals:

Assignment of the receivables from contracts concluded by the Erbud SA within the framework of conducting business, in each case approved by the Bank, transferred to the Bank under the agreement on transfer receivables from trade contract.

Conventional mortgage on real estate established by PBDI SA (a subsidiary of the Borrower) up to PLN 96 m. under the perpetual lease of land and the ownership of buildings and facilities on property located in Torun, 113 Polna St.

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			[PLN]
Loan repayment collaterals/guarantees - Erbud SA	26			25		Wibor 1M		Orix Polska S.A.

Final collaterals:

Own blank bill of exchange

Temporary collateral:

None

Total loans and credits **PLN 67 284**

As described in Note 18 to the Consolidated Financial Statements for the year ended 31.12.2011, the Parent Company failed to meet some financial ratios (so-called loan covenants) arising from loan agreements. During the 6- months-period ended 30.06.2012 the Partent violated the following ratios:

Bank ING

Ratio	*Level required*	*Level achieved*	*Comment*
Debt / EBITDA	not more than 3	3.40	not achieved

Bank BRE

Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	not less than 3%	1%	not achieved
Current liquidity ratio	not less than 1.2	1.04	not achieved
EBITDA (12 months)	PLN 35m	PLN 17,2m	not achieved

Bank BGŻ

Ratio	*Level required*	*Level achieved*	*Comment*
DSCR	not less than 1.3	0.99	not achieved

As at the date of preparing Consolidated Financial Statement, the Management Board of the Parent Company does not see any significant problems with maintaining the current bank financing, despite breaking the contractual loan covenants.

Total liabilities from overdraft short-term loans of the Group as at 30 June 2012 amounted to PLN 24,565 thousand, including overdrafts held by the Parent Company as at 30 June 2012 amounted to PLN 8,609 thousand.

Moreover, in the period ended 30.06.2012, one of the subsidiaries - Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. did not met the formal condition of the loan agreement to maintenan a proper account turnover calculated in absolute value. As of 30.06.2012 the company has not used the overdraft account.

13 Provisions for liabilities and other debts

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2012	**11 611**	**774**	**6 146**	**391**	**18 922**
Increase	622	0	751	608	**1 981**
Transfers	0	0	0	0	**0**
Released	1 100	0	211	162	**1 473**
Used	319	2	1 119	80	**1 520**
As at 30 June 2012	**10 814**	**772**	**5 567**	**757**	**17 910**

The Group has recognized the balance provision for guarantee repairs in the amount of PLN 10, 814 thousand as at 30 June 2012 and PLN 11,611 thousand as at 31 December 2011. The Group creates a provision for anticipated guarantee repair costs based on the level of repair works recorded in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2008-2012.

The provisions as at 31 December 2012 consist mainly of the reserve created in 2007 related to proceedings at law brought by Euroconstruction Sp. z o.o., seated in Poznań. The legal status as of the balance sheet date: first instance, the value of dispute: PLN 451 thousand. The Court of Appeal in the Szczecin quashed the sentence

issued by the Regional Court and refereed the case to reheard. The final is difficult to predict because of its complicated nature.

14 Trade and other liabilities, income tax liabilities

Short-term liabilities	**30.06.2012**	**31.12. 2011**	**30.06.2011**
Deliveries and services	252 072	274 220	350 745
From associates	818	852	449
From other entities	251 254	273 368	350 296
From the public sector	9 595	13 794	10 773
Corporate income tax	205	1 311	1 380
Value Added Tax	2 115	6 101	3 672
Income tax on natural persons	1 335	1 384	1 322
Other	5 940	4 998	4 399
Financial liabilities, incl.	6 105	6 372	3 922
Interest	84	90	0
Bond interest	1 889	1 889	0
Leases	4 132	4 393	3 922
Other	22 404	9 629	11 385
Payroll	4 302	4 946	4 171
Advance payments received	11 707	127	6 680
Liabilities due to shares	5 403	3 451	0
Other	992	1 105	534
Total	**290 176**	**304 015**	**376 825**

15 Current and deferred income tax

The main tax burden as at 30 June 2012 and 30 June 2011 were as follows:

	6-month period ended 30 June 2012	**6-month period ended 30 June 2011**
Profit or loss	**2 479**	**3 666**
Deferred tax on origination and reversal of temporary differences	1 323	-6 275
Current tax	1 156	2 609

Reconciliation of the income tax on profit before tax of tax calculated at an effective tax rate for the year ended 30 June 2012 and as at 30 June 2011 is summarized in the following table:

	6-month period ended 30 June 2012	**6-month period ended 30 June 2011**
Profit before tax	**10 813**	**-33 686**
Tax at the statutory tax rate applicable in Poland which was 19% in 2011 and 2012	**2 054**	**-6 400**
Additional burden arising from the rate exceeding 19% in Germany	158	388
Tax on dividends paid by a foreign company	198	250
Tax on unrecognised tax losses	-261	613
Excess costs which are not tax deductibles over income not recognized as taxable income	330	1 483
Current income tax	**2 479**	**-3 666**

As at 30 June 2012 and the year ended 31 December 2011, the applicable tax rate has not been changed as compared to the previous financial period.

As at 30 June 2012 and the year ended 31 December 2011 there were no temporary differences so neither deferred tax assets was recognized in the balance sheet nor provision for deferred tax was established.

Provision on deferred tax	**6-month period ended 30 June 2012**	**6-month period ended 30 June 2011**
Valuation of long-term contracts	34 739	15 269
Revaluation of assets	6 094	7 150
Balance valuation - discount obligations	387	505
Lease	0	402
Financial expenses capitalized	409	337
Balance sheet valuation - interest	1 333	0
Other	827	1 139
Total	**43 789**	**24 802**

Deferred tax assets	**6-month period ended 30 June 2012**	**6-month period ended 30 June 2011**
Valuation of building contracts	15 966	9 219
Provisions	3 938	3 745
Tax loss to be deducted in next years	21 394	9 643
Profit margin on intra-Group sales	3 219	3 126
Other fees charged statistically	216	672
Claims capitalization	528	1 110
Investment revaluation	562	0
Other financial liabilities	518	787
Accrued expenses	2 115	3 080
Other	1 436	651
Total	**49 892**	**32 033**

The assets and liabilities for deferred taxes are offset when there is a legal title for admission to offset the tax and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

Margin gained on intra-Group sales results from the higher tax charge on assets sold to the companies forming the Group in relation to their carrying amount due to the exclusion of gains recognized in the assets in consolidation.

16 Transactions with associates

The following tables summarize the total amount of transactions entered into by the Parent and subsidiaries with associates that are not subject to consolidation for the period of six months ended 30 June 2012 and 30 June 2011.

	Receivables/assets	**Liabilities**	**Income**	**Expenses**
	As at 30 June 2012		**6- month period ended 30 June 2012**	
Deliveries and services	110	818	185	1 599
Disposal of fixed assets	0	0	0	0
Other	0	0	0	0
Inventory				
Loans	30 216	0	1 080	0

	Receivables/assets	Liabilities	Income	Expenses
	As at 30 June 2011		6- month period ended 30 June 2011	
Deliveries and services	62	449	177	0
Disposal of fixed assets	0	0	0	0
Other	0	0	0	0
Inventory	0	0	0	0
Loans	14 826	0	625	0

On 22 June 2012, Erbud SA signed an agreement worth PLN 14.5 million net to build a three-story retail centre in Sopot, at Bohaterów Monte Casino St. The Company PMP Sopot Sp. z o.o. is the Builder and Otorino Investment Limited, which shareholder is a person related – Mr. Dariusz Grzeszczak, Board Member is a sole Builder's shareholder. Completion date is planned for September 2013.

Transactions with associates are concluded on market conditions.

17 Transactions with key members of the company's management

As at 30 June 2012 the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Percentage of equity	Number of votes	Percentage of voting rights at the GM
Juladal Investments Ltd. (a company controlled by members of the Board of Erbud SA)	Common	2,818,174	22,29%	2.818.174	22.29%
Dariusz Grzeszczak	Common	773,900	6.12%	773,900	6.12%
Józef Adam Zubelewicz	Common	259,500	2.05%	259,500	2.05%
Albert Duerr- Member of the Supervisory Board	Common	8,500	0.07%	8,500	0.07%
Walenty Twardy – Procurist of Erbud S.A.	Common	18,124	0.14%	18,124	0.14%
Piotr Augustyniak – Procurist of Erbud S.A.	Common	8,747	0.07%	8,747	0.07%
Agnieszka Głowacka Procurist of Erbud S.A.	Common	5,436	0.04%	5,436	0.04%
Grzegorz Krzywicki Procurist of Erbud S.A..	Common	3,033	0.02%	3,033	0.02%
Bogdan Duerr Procurist of Erbud S.A.	Common	6,712	0.05%	6,712	0.05%
Włodzimierz Czystowski Procurist of Erbud S.A.	Common	12,463	0.10%	12,463	0.10%
Tomasz Krzywicki Procurist (by a person realted)	Common	3,636	0.03%	3,636	0.03%
Mirosław Młynarski Procurist	Common	4,479	0.04%	4,479	0.04%
Radosław Kałamaga Procurist	Common	3,704	0.03%	3,704	0.03%
Tomasz Krzywicki Procurist of Erbud S.A.	Common	2,750	0.02%	2,750	0.02%
Mariola Zielińska Chief Account of Erbud S.A.	Common	4,318	0.03%	4,318	0.03%

Both as at 31 June 2012 and as at 31 December 2011, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Both as at 31 June 2012 and as at 31 December 2011, members of the Supervisory Board and the Management Board of the Parent as well as the key management personnel were not a party to the contract obliging to render services to the companies of the Erbud Group.

18 Dividends paid and proposed, dividend per share

In the reporting period, the Parent Company did not declare or pay dividends.

19 Liabilities arising from issuance of debt and equity securities

In the period ended 30 June 2012, companies incorporated in the Group did not issue any debt securities or equity financial instruments.

On 14 July 2011, the Parent issued 50,000 unsecured three-year bearer bonds with a total par value of PLN 50,000,000. The issue price of bonds equals the nominal value and the interest rate was set based on WIBOR 6M plus a margin of 3.4% per year. 15 July 2014 is the Redemption Date.

Bearer bonds of Series A issued by the Parent were introduced on 2 August 2011 to the BondSpot alternative trading system on the Catalyst market. The first day of trading fell on 9 August 2011.

On 23 April 2012, the Management Board adopted Resolution No. 5/2012 on the share capital increase under the authorised capital by the issue of shares of series G and of their pre-emptive rights to series G shares. The issue will be addressed to employees entitled in connection with the third tranche of the Staff Incentive Scheme, and the number of shares that would be granted to persons entitled cannot exceed 50 000 shares.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorised capita. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014.
The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Morover, the subscribtion will be effected on the condition that the Capital Group will achieve in the the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

20 Changes in the composition of the Capital Group

During the period ended 30 June 2012, there were no changes in the composition of the Capital Group.

21 Contingent liabilities and receivables

The off-balance sheet items of the Group due to contingent debts and liabilities, and other off-balance sheet items were as follows:
:

	6-month period ended 30 June 2012	Year ended 31 December 2011	6-month period ended 30 June 2011
Contingent receivables	**25 342**	**28 018**	**2 134**
From associated	**22 159**	**25 176**	**0**
Guarantees received	22 159	25 176	**0**
Litigation and claims	0	0	**0**
Bills of exchange received as collateral	0	0	**0**
From other entities	**3 183**	**2 842**	**2 134**
Guarantees received	3 183	2 842	2 134
Litigation and claims	0	0	**0**
Bills of exchange received as collateral	0	0	**0**
Total contingent receivables	**25 342**	**28 018**	**2 134**
Contingent liabilities	**352 269**	**362 088**	**296 254**
To associated	**79 068**	**30 847**	**0**
Guarantees granted	79 068	30 847	**0**
Litigation and claims	0	0	**0**
Promissory notes	0	0	**0**
To other entities	**297 068**	**331 241**	**296 254**
Guarantees granted	297 068	331 241	**296 254**
Litigation and claims	0	0	**0**
Promissory notes	0	0	**0**
Total contingent liabilities	**376 136**	**362 088**	**296 254**
Total off-balance sheet items	**401 478**	**390 106**	**298 388**

22 Objectives and principles of financial risk management

In the course of conducting its business, the ERBUD Group is exposed to various types of financial risks: currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and lays down the management principles of each of these risks.

Currency risk

As a part of the key operating area, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (primarily in the Euro). The currency risk management policy adopted by the Management Board is to match the contract currency to the currency of expenses incurred in connection with this contract. Contracts which are performed in Poland are concluded in Polish currency (PLN) and those executed by foreign companies and units are signed in Euros.
The companies of the Group do not apply hedge accounting.

Interest rates risk

The risk of interest rates is mainly due to the use by companies of the bank credits, borrowings and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows.

The interest rates risk associated with existing debts was considered to be irrelevant from the point of view of impacting the results of the Group, therefore the currently management by interest rate risk is limited to monitoring the present market situation. In case of growth of debts due to bank loans, means will be taken in order to prevent a change in interest rates.

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. Opening of the European labour markets results in the outflow abroad of skilled construction workforce and its reduced supply causes a rise in wage costs. Following the increase in material prices and labour costs, prices of services provided for the Group by the subcontracting companies can rise as

well. Prices in the agreements concluded with the builders are usually fixed for the contract performance duration - usually between 6 and 36 months, while contracts with subcontractors are signed at a later date, according to work progress.

In order to reduce price risks, the Erbud Group monitors the prices of most building materials purchased and the contracts are signed with the observance of parameters in respect to the market situation, inter alia, duration and value of contracts.

Credit risk

Trade receivables are the financial assets of the Group that are exposed to the increased credit risk. The Erbud Group applies the policy of evaluation and verification of credit risk connected with all contracts, whether on the before-offer stage as well as during the execution of contracts.

Before signing a contract, each contracting partner is appraised for the possibility of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the establishment of appropriate financial or property guarantees decided whether the agreement is entered into. Moreover, the conditions of agreements with builders provide for the right to suspend the performance of works, in case of any delay in payment for services rendered.

If possible, agreements include provisions which are conditioning payments to the subcontractors from the inflow of funds from the builder.

Liquidity risk

In order to reduce the liquidity risk, the Group's companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which are an additional security measure of liquidity. To finance investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

The Group's companies collaborate both in monetary and capital transactions with financial institutions of high reliability, without causing a significant concentration of credit risk. The Group applies also a policy of limiting credit exposure to the individual financial institutions and issuers of debt securities that are purchased under the periodic placement of surplus cash.

The liquidity management is supported by the current system of reporting liquidity forecasts by the companies of the Group.

23 Asset-backed securities

Possessory lien on assets of substantial value i.e. on 5,059 shares in the company Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A with its registered seat in Toruń.

1) The basic characteristics of assets (type and number votes at the GM), on which the pledge was established: In order to secure an agreement with the Seller, the Issuer has entered into an lien agreement (possessory and registered), under which the Buyer established to the Seller an possessory lien and upon entry in pledge register will establish an registered lien on 5,059 shares representing 29% stake in Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A headquartered in Toruń. The possessory lien shall expire upon entry of the registered lien in the register of pledges.

2) Inventory value of the above shares in the books of the Issuer**:**

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship (subsidiary, interdependent, associate, detailing the direct and indirect relationships)	Method of consolidation / equity method or indication that the unit is not subject to consolidation / to valuation by equity method	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%

3) Relationship type between Erbud and persons managing or supervising Erbud and the pledgee (Rison Limited, based in Nicosia, Cyprus):
None

4) Percentage of the pledged shares in the nominal capital of PBDI S.A. and the value at par of shares and their character as long-term or current capital investment of Erbud:
Pledged shares represent 29% of the nominal capital of PBDI S.A The Issuer considers the investment in PBDI S.A shares as a long-term one.

Collateral for repayment of loans incurred with banks by the Group is described in Note No. 12.

24 Litigation and claims

State of court cases, in which the Erbud Capital Group is a party to the proceedings both as a claimant and a defendant did not change significantly in relation to the 31 December. In this connection, during the reporting period there were no significant changes in the amount of provision created for liabilities due to litigation.

25 Events subsequent to the balance sheet date

After the balance sheet date, by the date of preparing financial statements, there were no events that were not but should be included in the accounting books for the fiscal year.

Po dniu bilansowym do dnia sporządzenia sprawozdania finansowego nie wystąpiły zdarzenia, które nie zostały, a powinny być ujęte w księgach rachunkowych roku obrotowego.

26 Information on changes in economic and business conducting conditions, which have a significant impact on the fair value of financial assets and financial liabilities of the company

As compared to the financial year ended 31 December 2011 there were no significant changes.

27 Information on changing in measurement of value of financial instruments valued at their fair value

In the period ended 30 June 2012, the Group did not change the method of measurement of value of financial instruments valued ed at fair value.

28 Information on changes in the classification of financial assets as a result of changes in goal or use of the assets

In the period ended 30 June 2012, the Group did not change the classification of financial assets as a result of changes in goal or use of thee assets.

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 29 August 2012