ERBUD CAPITAL GROUP



MANAGEMENT'S COMMENTARY TO THE REPORT FOR THE 4 QUARTER 2012

Photo: Brown coal power station in Wilhelmshaven

Warsaw, 26 February 2013

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THE ERBUD GROUP
THE MANAGEMENT'S COMMENTARY TO THE REPORT
FOR THE YEAR 2012

RESULTS FOR Q4 2012:
REVENUES: PLN 418 615 000
EBITDA: PLN 9 438 000
EBIT: PLN 7 153 000
NET PROFIT: PLN 4 530 000

RESULTS FOR 2012:
REVENUES: PLN 1 384 395 000
EBITDA: PLN 38 224 000
EBIT: PLN 30 696 000
NET PROFIT: PLN 17 441 000
CASH: PLN 201 769 000

The financial information for the year 2012 shown below, as well as the comparables, is based on the Capital Group's consolidated financial statements. The contracts shown below are stated at their net values.

I. THE ERBUD GROUP'S FINANCIAL DATA FOR THE YEAR 2012, SIGNIFICANT EVENTS AND MARKET FACTORS WHICH HAVE AN IMPACT ON THE FINANCIAL RESULTS

THE MARKET ENVIRONMENT

- A slow-down in the construction sector during 2012: A 1% decline year-on-year. In December 2012 construction output fell by 24.8% year-on-year.
    - There were falls in sport and recreation construction (-32.1% y-o-y) and road building (-15% y-o-y) while there was an increase in residential construction (+8.9% y-o-y), hotels (+30.8% y-o-y), offices (+22% y-o-y) and industrial and warehousing (+15.4% y-o-y).
- There was a 1.8% decline in the construction industry as at December 2012. There was a clear reduction in wages – of 4.5% as at December 2012.
- The fall in construction prices of 1.4% year-on-year as at December 2012 maintained pressure on margins in the construction sector.

THE ERBUD GROUP

- During Q4 2012, the Group signed a total of 15 contracts with a total value of PLN 409 595 000, as against 20 contracts with a total value of PLN 399 000 000 in the corresponding period in 2011. During the whole of 2012, the Group signed a total of 103

contracts with a total value of PLN 1 439 898 000, compared with 105 contracts with a total value of PLN 1 125 811 000 during the year 2011.

- During Q4 2012 the Budlex Group completed the sale of 102 flats and commercial premises (based on notarial deeds) as against 95 in Q4 2011. In aggregate, the Group sold 220 flats and commercial premises during 2012, as against 224 in 2011. In pre-sales for 2013-2014 Budlex has signed preliminary contracts for 142 flats and commercial premises with a total value of PLN 36m, as against the 189 flats and commercial premises presold at the end of February 2012.

- **In Q4 2012 the Erbud Group's revenues amounted to PLN 418 615 000 – a year-on-year increase of 0,04%.**

    - The civil engineering and road building segment showed revenues 74% lower, which reflected the company's strategy in the light of the situation in the industry.

- **In aggregate, the Group showed revenues of PLN 1 384 395 000 in 2012 – i.e. a 9.4% fall year-on-year. – which was the result of lower sales in civil engineering and road building during 2012 and the slow-down in the large building sector in Poland during the first half of 2012.**
    - In Q4 2012 the large building sector recovered and grew by 20.4%.

- **The Group's EBIT in Q4 2012 amounted to PLN 7 153 000 as against PLN 8 734 000 in Q4 2011 – a fall of 18% year-on-year. The EBIT margin amounted to 1.7% as against 2.1% in Q4 2011.**
    - The results for Q4 2012 take into account the provision of PLN 2m for the costs associated with the Modlin Airport project (i.e. expertise costs, technical and legal consultants' costs).

- **In aggregate, the Group achieved an EBIT of PLN 30 696 000 at the end of December 2012 compared with a loss of PLN 12 261 000 in 2011. The EBIT margin in 2012 amounted to 2.2% . All the areas of the Group's activities showed operating profits.**

    - During the period in question, the Group experienced a loss of PLN 8 096 000 on its financial activities – i.e. costs of interest on loans and bonds – as against PLN 8 742 000 in 2011.
- **The Group net profit in Q4 2012 amounted to PLN 4 530 000 – reflecting a net margin of 1.1% - compared with PLN 4 513 000 in Q4 2011. In aggregate, the Group generated a net profit of PLN 17 441 000 in 2012 (a margin of 1.3%) as against a loss of PLN 19 715 000 in 2011.**

- At the end of December 2012, the Erbud Group held cash of **PLN 201 769 000 – an increase of 25% compared with December 2011**, when the group held cash of PLN 161 291 000.

    - During the period in question, operating cash flow was positive to the tune of PLN 86.4m, which was the result of profits from the core activity.

- The group has available bank and insurance lines in the total amount of PLN 511 000 000.

- At the end of Q4 2012 the Group had a portfolio of orders with a value of ca. PLN 1 305 000 000, of which ca. PLN 944 000 000 are expected to be completed this year. To

compare, the order portfolio in December 2011 amounted to PLN 1 084 000 000 of which PLN 850 000 000 was to be completed during 2012.

  - In January/February 2013, the Group signed another 3 contracts with a total value of PLN 35m. In the upcoming months the Group plans to sign contracts for PLN 100-200m.

- The main segments in the order portfolio are public buildings (18%), residential buildings (17.2%), offices (30%), retail centres (20.7%), civil engineering projects (3%), roads (0.7%) and energy-related facilities (10.4%).

  - Public projects comprise 25% of this portfolio.

- At the end of December 2012, the total value of the bids submitted during 2012 amounted to PLN 16.7bm, while at the time of publication PLN 10.5bm of these bids have not yet been resolved.

II. EXTERNAL AND INTERNAL FACTORS OF SIGNIFICANCE TO THE GROWTH OF THE ERBUD GROUP

1. EXTERNAL FACTORS

The macro-economic environment

According to the Central Statistics Office's (GUS) preliminary estimates, the Polish GDP grew by 2% year-on-year in 2012.

1.2. The construction market

According GUS's preliminary data, building output fell by 1% year-on-year during 2012. December brought a clear deterioration of the market in the industry and a decline in construction output of 24.8%. The greatest falls were experience in sport and recreation construction (-32.1% year on year) and road building (-15% year on year) Growth was maintained in the residential segment (+8.9% year on year), hotels (+30.8% year on year), offices (+22% year on year) and industrial and warehouses (+15.4% year on year). During the said period there was a decline in employment in the construction industry of 1.8% year on year as at the end of December 2012 and a clear slowing down in wages - with a fall of 4.5% in December 2012. The fall in construction prices of 1.4% year-on-year as at December 2012 maintained pressure on margins in the construction sector. Net profitability in construction in Q1-Q3 2012 came through at minus 1%.

2. INTERNAL FACTORS

The Group's main areas of activity in Q4 2012.

The data below shows the results of the various areas after taking into account exclusion from consolidation

PLN ,000	**Large-scale building Poland (core activity in Poland)**		**Large-scale building abroad (Overseas core activities)**		**The development sector**		**Road building***		**Construction for the energy sector****	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011	Q4 2012	Q4 2011	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Sales revenues	307 818	+20.4% year on year	43 539	+12.5% year on year	29 660	+18% year on year	24 125	-74% year on year	13 236	+156% year on year
Percentage	74%	61%	10%	9%	7%	6%	5.8%	22%	3.2%	1.2%
EBIT	4 972	2 633	1 157	3 042	2 163	2 090	-1 295	3909	-139	- 1 586
EBIT margin (%)	1.7%	1.0%	2.7%	7.9%	7.3%	8.3%	-	4.2%	-	-

PLN ,000	Large-scale building Poland (core activity in Poland)		Large-scale building abroad (Overseas core activities)		The development sector		Road building*		Construction for the energy sector**	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales revenues	986 377	-8% year on year	149 997	+40% year on year	63 981	+9.3% year on year	142 534	-40% year on year	41 200	-3.0% year on year
Percentage	71.3%	70.4%	10.8%	7%	4.6%	3.8%	10.3%	15.3%	3%	2.8%
EBIT	7 784	-26 263	4 014	1 557	7 331	4 280	10 078	11 490	2350	721
EBIT margin (%)	0.8%	-	2.7%	1.5	11.5%	7.3%	7%	4.9%	5.7%	1.7%

Energy and the Energy Construction Division

2.1 Large-scale Construction in Poland and abroad

Between October and December 2012 the Group signed 11 contracts with a total value of PLN 272 877 000, compared with 17 contracts for large-scale construction with a total value of PLN 319 368 000 in Q4 2011. In aggregate, the Group signed 39 contracts with a total value of PLN 1 193 199 000 compared with 63 contracts with a value of PLN 954 000 000 in 2011. At the end of December 2012 the order portfolio for large-scale buildings had a value of 1 096 000 000, of which PLN 848 152 000 was for 2013.

Sales revenues in Q4 2012 (excluding the revenues from the Budlex Group, PBDI, Erbud Energetyka, and the OBiD activities) amounted to PLN 353 483 000 – a year on year increase of 20%. In aggregate, the Group generated PLN 1 136 400 000 revenue, a fall of 4% against the corresponding period in 2011. In Q4 2012, the Group EBIT from its large-scale building activities amounted to PLN 6 129 000 – a margin of 1.7% - compared with PLN 5 675 000 in the corresponding period in 2011. In aggregate, the Group EBIT in 2012 came through at PLN 11 798 000 – a margin of 1.04% - compared with a PLN 24 706 000 loss in 2011. Large-scale building construction accounts for 82.3% of Group sales.

Large-scale building construction in Poland (carried out by ERBUD S.A.)
In Q4 2012 large-scale building sales in Poland amounted to PLN 307 818 000 – a 20.4% increase year on year. At the end of December 2012 aggregate revenues amounted to PLN 986 377 000 – a fall of 8.3% year on year. The EBIT in Q4 2012 amounted to PLN 4 972 000 – an 89% increase year on year compared with the profit of PLN 2 633 000 generated in the corresponding period in 2011. The EBIT margin in Q4 2012 amounted to 1.7%. In aggregate, this area generated an operating profit of PLN 7 784 000 compared with a loss of PLN 26 263 000 in 2011. At the end of December 2012 the order book stood at PLN 986 000 000.

Large-scale building abroad

In Q4 2012, sales revenues overseas grew by 12.5% to PLN 43 539 000 compared with PLN 38 697 000 in Q4 2011. This segment's EBIT amounted to PLN 1 157 000 as against PLN 3 042 000 in the corresponding period in 2011. The EBIT margin amounted to 2.7% as against 7.9% in Q4 2011.

In aggregate, this area of activity generated revenues of PLN 149 997 000 - growth of 40% year on year. At the end of 2012, the EBIT of this area of activity generated PLN 4 014 000, while the margin EBIT came through at 2.7%. At the end of the quarter, the overseas order portfolio had a value of PLN 110 000 000 - to be completed in 2013 – compared with PLN 45m in the corresponding period in 2011.

In 2012 the revenues of the Group's German company – GWI GmbH – amounted to PLN 80 708 000 compared with PLN 44 797 000 – in 2011 – an increase of 80.2% year on year. The company's EBIT came

through at PLN 3 548 000 – a margin of 4.4% - and the net profit came through at PLN 3 075 000 (a margin of 3.8%) compared with a profit of PLN 2 207 000 in 2011.

2.2 Other areas of the Group's activities.

2.2.2. Development activities

During Q4 2012 the Budlex Group completed the sale of 102 flats and commercial premises compared with 95 properties in the corresponding period in 2011. In aggregate, the Group sold 220 flats and commercial premises by the end of December 2012 compared with 224 in 2011. The current level of sales is in accordance with the Group's plans and reflects the stability of the residential market in the region.

The Budlex Group's revenues at the end of 2012 (before consolidation) stood at PLN 65 170 000, as against PLN 59 568 000 in the corresponding period of 2011 - a year on year increase of 9.4%. The Budlex Group's operating profit at the end of 2012 (before consolidation) amounted to PLN 12 842 000 compared with PLN 10 136 000 in 2011 – an year on year increase of 27%. At the end of December 2012, the EBIT margin stood at 20%. The net profit stood at PLN 10 353 000, i.e. 42% growth y-o-y.

At the end of 2012, Budlex contributed PLN 63 981 000 to the Erbud Group's consolidated revenues. The development activities accounted for 4.6% of Group revenues. On consolidation the Budlex Group increased the Group's operating profit by PLN 7 331 000.

During this year Budlex will complete 3 residential developments in Torun and 3 developments in Bydgoszcz. In pre-sales for the years 2013-2014, the Group has signed preliminary agreements for 142 flats and commercial premises, compared with 189 flats in the corresponding period in 2012.

2.2.2. Civil engineering and road building

Incorporating the results of the OBiD division and PBDI, an associated company

During 2012 the Group signed 59 contracts with a total value of PLN 82 759 000 as compared with 34 contracts with a total value of PLN 145 000 000 in 2011.

The revenues generated by the civil engineering and road building activities in Q4 2012 amounted to PLN 24 125 000 – a year on year decline of 74%. During 2012 these activities generated revenues of PLN 142 534 000 – a decline of 39%. Q4 2012 showed an operating loss of PLN 1 295 000. In aggregate the EBIT of these activities amounted to PLN 10 078 000 – an operating margin of 7%.

At the end of December 2012 the civil engineering and road building activities had an order portfolio of PLN 40 000 000, most of which is to be completed during 2013. This order portfolio consists mainly of civil engineering projects – road building accounts for just 0.7% of it.

2.2.3. Construction for the energy sector

In 2012 the Group signed 5 contracts with the energy sector, with a total value of PLN 164 000 000. In Q4 the revenues in this area of activity amounted to PLN 13 236 000 – a year-on-year increase of 156%. The Q4 2012 results for these activities incorporate the sales of the recently acquired Engorem (22 November to 31 December 2012), which affects the comparability of the accounting periods. In Q4 2012, the EBIT of this area amounted to PLN 139 000. At the end of 2012 revenues amounted to a total of PLN 41 200 000 – a year on year decline of 3%. The operating profit came through at PLN 2 350 000, reflecting an operating margin of 5.7%.

At the end of Q4 2012 the Group had an order book in this sector worth PLN 133 469 000, of which orders worth PLN 39 661 000 are to be completed this year.

2.3. Other operating revenues and costs

2.3.1. The balance of operating revenues and other costs

The balance of the Group's operating revenues and other costs in 2012 amounted to - PLN 4 710 000.

2.3.2. Costs of payroll and benefits and employment in the Group

At the end of December 2012, the costs of payroll and benefits to employees at the Erbud Group amounted to PLN 129 062 000 – a year on year increase of 1%. At the end of 2012 the Group employed 1630 people (incorporating the 260 employees of the acquired Engorem) – a year on year increase of 7.3%.

3. PROSPECTS

3.1. The macro-economic environment

According to the European Commission (EC), the growth in GDP in Poland in 2013 will amount to 1.2%. compared with forecasts at the end of 2012 of 1.8% . EC analysts expect this year to be difficult and that a tentative recovery may not take place until next year. The EC expects weak internal demand and weak prospects for our main trading partners.

3.2. The construction market

In January 2013, the CSO construction market index came through at -33 pts – a 1.9 pt. improvement on December 2012. Most companies are pessimistic about the prospects for the industry over the next month – with the worst predictions coming from large companies. By comparison the market index in January 2012 was also negative, at -20.5 pts.

3.3. The directions and objectives of the Group's development

The improvement of efficiency and the protection of profits in 2012.

The priority of the Erbud Group's Management for 2013 is the develop sales in selected areas of the market and to further grow profits. The policies regarding new projects will be dependent on the achieving predefined parameters concerning the Group's operating efficiency and the limiting of risk. The Board also intends to maintain the current structure of the order book with a split between commercial buildings constructed for well financed developers and public buildings which can be built on terms which guarantee an appropriate margin. At the end of Q4 2012, 25% of the Group's projects comprised public projects.

The Management believes that the first half of 2013 will be overshadowed by the deteriorating situation in the construction industry. The weakening market conditions will be accompanied by a deterioration in the general conditions for the completion of projects and a reduction in margins as a resulting of the continuing price war.

Despite the slowdown in the industry, the Erbud Group entered 2013 with an order portfolio worth PLN 1.3bn. Given the stabilisation of the results at the end of 2012, the Management hopes that the current year will allow for the further growth of the Group.

The Management is assuming that there will be a further improvement in the large-scale building market in Poland. The current order portfolio in this area has a value of ca. PLN 1bn. The prospects for further growth are particularly visible in large scale buildings for the public and commercial sectors.

The Group's activities abroad will be concentrated on the further development in its existing Western European markets. The Group is expanding its activities in the energy sector abroad through building works on energy-related projects – e.g. waste incineration plants and electricity generation plants, mainly in Germany. The order portfolio abroad for 2013-2014 has a value of ca. PLN 150m.

Given the unfavourable situation in the road building sector, the Group will concentrate on civil engineering activities. The Management expects that the engagement of civil engineering activities in the Group's structure in 2013 will remain at the 2012 levels – i.e. some 10%. The PBDI associated company will concentrate on projects in the renewable energy sector and on the construction and modernisation of local roads.

During 2013, development activities will involve the completion of projects started in 2012. Market conditions will determine the level of flat sales.

In November 2012, Erbud SA acquired 80% of the shares in Engorem Sp. z o. o which specialises in development, repair and diagnostic services for the energy sector. The transaction was worth PLN 8m. Engorem specialises development, repair and diagnostic services for the energy sector, mainly in the Łódź area. At the end of December 2012 the company generated revenues of PLN 50m and an operating profit of ca. PLN 1m. The Erbud Management believes that the new company will provide a platform for the further development of the Group's capabilities in the energy sector.

The Management believes that in the current year the Group will generate revenues of at least the same level as in 2012 – assuming that the level of sales of large-scale buildings is maintained and that growth is achieved in the energy sector, which together should compensate for the flat civil engineering and road building markets.

Regarding the situation at the Modlin project, the Erbud Management has taken the appropriate action guided by business and financial considerations. An analysis of the current situation of the building, legal and financial aspects has allowed us to assess the risk and to define the optimal strategy of action. It should be pointed out that the issue of Erbud SA's liability and that of any compensation for the damages suffered by Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. have not been determined.
The damage at the airport concerns the surface of the runway at two thresholds in the part constructed using concrete. The subcontractor responsible for the construction of the runway is DSH which is part of the Metrostav AS building group which has been involved in many road projects in Poland. On the basis of a preliminary analysis of the construction of the project and the results of an internal audit – as well as an evaluation of the technical checkup and quality of the way in which the project was carried out (including compliance with the composition and Polish norms), defects in execution can be excluded and it has been found that - on the basis of the documentation and samples - the materials used satisfy the norms defined and required by Polish law. During the execution of the works all the design solutions, composition of the materials and the land surveys were supervised and checked the client's staff, while the works were carried out under the direct supervision of the general contractor's and client's supervising engineers. Furthermore, external analyses and technical opinions have been commissioned, which should show the reasons for the defects, which, in turn will allow to establish the financial liability of the relevant parties.

The costs of the work carried out at Modlin in December/January 2013 amounted to ca. PLN 450 000. Erbud has charged the subcontractor DSH with these costs and has offset them against moneys to DSH. The cost of the rebuild of two parts of the landing road will be determined after the technology to be approved by the client. The costs of the complete repair of the two thresholds of the runway will be apportioned to the relevant companies. As at 31 December 2012, the company made a provision of PLN 2m for the costs associated with the Modlin project – i.e. expertise, legal and advisory costs. Following

preliminary technical analyses and an audit of the design and construction documentation, the Management has assessed the risk of incurring any costs of compensation to the client as likely to be apportioned to a relevant entity.

III FINANCIAL RESULTS

1. COMPANIES COMPRISING THE ERBUD GROUP

The ERBUD Group consolidated financial statement which incorporates the consolidation of: Erbud SA; Erbud International Sp. z o.o.; GWI GmbH, PBDI, Budlex Group, Erbud Energetyka Sp. z o.o.; Ersteel Sp. z o.o. and Engorem Sp. z o.o. (acquired on 22.11.2012).

2. PROFIT AND LOSS ACCOUNT

Calculation version (IFRS)

DETAILS	2012	2011	Change	2012	2011	Change
	2012	2011	2012 to 2011	Q4 2012	Q4 2011	2012 to 2011
Sales revenues	1 384 395	1 527 832	- 143 437	418 615	418 463	152
Cost of products sold	1 298 809	1 491 405	- 192 596	392 843	394 326	- 1 483
Profit/loss on sales/sales	85 586	36 427	49 159	25 772	24 137	1 635
Costs of sales	2 692	3 670	- 978	889	1 014	- 125
Costs of administration	47 489	45 897	1 592	12 510	10 919	1 591
Operating profit	- 4 710	879	- 5 589	- 5 220	- 3 470	- 1 750
Operating profit - EBIT	30 695	- 12 261	42 956	7 153	8 734	- 1 581
Profit on financial activities	- 8 096	- 8 742	646	- 1 089	- 4 232	3 143
Profit/loss on investments	0	0	0	0	0	0
Gross profit/loss	22 599	- 21 003	43 602	6 064	4 502	1 562
Net profit/loss	17 441	- 19 715	37 156	4 530	4 513	17
EBIT margin	2.22%	- 0.80%	3%	1.71%	2.09%	0%
Depreciation	7 529	7 797	- 268	2 285	2 175	110
EBITDA margin	2.76 %	- 0.29%	3%	2.25%	2.61%	0%

Comparative version (PAS)

DETAILS	31.12.2012	31.12.2011	CHANGE	% CHANGE
A. Revenues from core activities	**1 354 051**	**1 534 151**	**- 180 100**	**- 11,74**
B. Operating costs	**1 318 646**	**1 547 291**	**- 228 645**	**- 14,78**
Depreciation	7 529	7 797	- 268	- 3,44
Materials and energy consumed	227 822	228 132	- 310	- 0,14
External services	916 303	1 159 444	- 243 141	- 20,97
Taxes and charges	7 405	6 514	891	13,68
Remuneration	105 765	104 865	900	0,86
Social security and other benefits	23 297	23 028	269	1,17
Other costs	12 588	14 427	- 1 839	- 12,75
The value of the goods and materials sold.	17 937	3 084	14 853	481,61
C. Gross Sales profit (loss)	**35 405**	**- 13 140**	**48 545**	**369,44**
D. Other operating income	2 869	5 244	- 2 375	- 45,29

E. Other operating costs	7 579	4 365	3 214	73,63
F. Operating profit (loss)	**30 695**	**- 12 261**	**42 956**	**350,35**
G. Financial revenues	6 677	7 694	- 1 017	- 13,22
H. Costs of finance	14 773	16 436	- 1 663	- 10,12
I. Profit (loss) on investments	0	0	0	0
J. Profit (loss) on all activities	**22 599**	**- 21 003**	**43 602**	**207,60**
K. Gross profit (loss)	**22 599**	**- 21 003**	**43 602**	**207,60**
L. Income tax	5 158	- 1 288	6 446	500,47
Ł. Other obligatory deductions reducing profits or increasing losses	0	0	0	0
M. Net profit	**17 441**	**- 19 715**	**37 156**	**188,47**

3. THE ERBUD GROUP BALANCE SHEET

in ,000 PLN	31-12-2012	31-12-2011	% of total 2012	% of total 2011
FIXED ASSETS	116 987	126 702	14%	16%
Current assets	738 783	648 060	86%	84%
TOTAL ASSETS	**855 770**	**774 762**	**100%**	**100%**
Shareholders funds	249 627	230 447	29%	30%
Long-term liabilities and provisions	114 735	108 668	13%	14%
Short-term liabilities and provisions	491 408	435 647	57%	56%
TOTAL LIABILITIES	**855 770**	**774 762**	**100%**	**100%**

3.1. Fixed and current assets

During the period in question, the structure of the assets - when compared with the previous year – did not change significantly because of the absence of any extraordinary events within the Group. The structure is typical of a service-orientated company – low fixed assets and a high level of current assets. It is also the result of the Group's policies which are intended to keep fixed costs to a minimum. The increase in the value of the assets is primarily the result of growth in current assets – especially cash (an increase of 25.1%).

4. ERBUD GROUP CASH FLOW

	2012-12-31	2011-12-31
in ,000 PLN		
Net operating cash flow	86 426	-66 781
Net cash flow from investment activities	-4 687	1 430

Net cash flow from financial activities	-41 261	79 414
Total net cash flow	**40 478**	**14 063**
Cash at the beginning of the period	161 291	147 229
Cash at the end of the period	**201 769**	**161 291**

The improvement in operating cash flow is the result the return of operating profit. The number of contracts with extended payment terms (over 30 days) has also fallen in comparison with the previous year. As a result, the Group could reduce its reliance on loans on the current accounts, which is reflected by the negative cash flow on financial activities.

5. SELECTED FINANCIAL RATIOS

FUNDAMENTAL FINANCIAL RATIOS

DETAILS	2012	2011	Formula
Return on Assets (ROA)	2.04%	-2.54%	Net profit/total assets
Return on equity (ROE)	6.99%	-8.56%	Net profit/shareholders funds
Overall gearing ratio	70.86%	70.26%	Liabilities and provisions for liabilities/total assets
Debt to equity ratio	242.93%	236.20%	Liabilities and provisions for liabilities/shareholders funds
Current liquidity ratio	2.23	1.49	Current assets/short-term liabilities
Return on gross sales	6.18%	2.38%	Profit/loss on sales/sales
Return on net sales	1.25%	-1.28%	Net profit/net loss/total revenues

An analysis of the financial ratios reflects the substantial improvement in the Group's position during 2012. Of particular satisfaction are the liquidity and indebtedness ratios.