Translation from Polish

ERBUD CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012 (in PLN thousands)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	26	1 384 454	1 527 832
Cost of sold products and services and of goods and materials	27	1 300 356	1 491 405
Profit (loss) on sales before tax		**84 098**	**36 427**
Cost of sales		4 039	3 670
General and administrative costs		46 357	45 897
Other operating income	28	3 071	5 244
Other operating expenses	28	7 360	4 365
Profit (loss) on operating activities		**29 413**	**-12 261**
Other gains (losses) on investments	29	**0**	**0**
Financial income	29	9 104	7 694
Financial expenses	29	15 018	16 436
Profit (loss) on continuing operations before tax		**23 499**	**-21 003**
Income tax	30	4 972	-1 288
Net profit (loss) on continuing operations		**18 527**	**-19 715**
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial year		**18 527**	**-19 715**
attributable to:			
Shareholders of the parent company		17 223	-20 358
Minority shareholders		1 304	643
Weighted average number of shares / Weighted average diluted number of shares (in units)		**12 661 062/ 12 710 858**	**12 614 864/ 12 621 415**
Earnings (loss) per share / Diluted earnings (loss) per share on continuing operations (in PLN)	32	**1.36/ 1.35**	**-1.61/ -1.61**

Consolidated net profit / (loss)	**18 527**	**-19 715**
Consolidated net profit	-845	1 141
Exchange rate differences on valuation of foreign branches and entities	0	0
Deferred tax on other total income items	**-845**	**1 141**
Other total net income	**17 682**	**-18 574**
Total net income for the period		
attributable to:	16 486	-19 344
Shareholders of the parent company	1 196	770
Minority shareholders		

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, 26 April 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
for the year ended 31 December 2012 (in PLN thousands)

	Note	31.12.2012	31.12.2011
ASSETS		**819 693**	**774 762**
Fixed assets		**123 826**	**126 702**
Tangible fixed assets	6	34 968	29 666
Real estate investments	8	5 519	5 693
Goodwill	10	20 102	20 102
Intangibles	9	2 067	602
Financial assets available for sale	12	25 066	31 770
Other non-current financial assets	14	1 550	120
Long-term receivables	30	34 554	38 749
Long-term prepayments		**695 867**	**648 060**
Deferred tax assets	13	115 293	107 943
Current assets	14	267 500	235 606
Inventory	14	6 593	6 957
Delivery, services and other receivables		389	571
Income tax receivables	16	201 769	161 291
Financial assets	24	59 021	92 896
Cash and cash equivalents	15	3 068	729
Construction contracts	14, 25	42 234	42 067
LIABILITIES		**819 693**	**774 762**
Equity attributable to shareholders of the parent company		**237 652**	**220 464**
Share capital	17.1	1 268	1 264
Foreign exchange differences from translation of foreign entities		455	1 014
Treasury shares (stocks)		0	0
Supplementary capital	17.2	215 669	240 255
Undistributed profits		20 260	-22 069
Minority interests		**13 791**	**9 983**
Total shareholders' equity		**251 443**	**230 447**
Long-term liabilities		**103 597**	**108 668**
Bank loans and borrowings	18	12 616	12 564
Other financial liabilities	20.1	2 699	5 182
Provision for retirement and similar benefits	21	6 900	1 320
Other provisions	21	2 750	1 816
Other liabilities	20.2	12	6 859
Provision for issuance of bonds	19	50 000	50 000
Provision for deferred income tax	30	28 620	30 927
Short-term liabilities		**464 653**	**435 647**
Bank credits and loans	18	37 987	66 978
Trade and other liabilities	22	296 163	223 493
Current tax liabilities	22	201	1 311
Provision for retirement and similar benefits	21	5 802	4 826
Other provisions	21	16 901	10 960
Building deposits	22, 25	79 814	79 211
Building contracts	24	11 931	29 034
Other accruals	15	15 854	19 834

Signature of person preparing the Financial Statement

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/Member of the Board/

Warsaw, 26 April 2013

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 December 2012 (in PLN thousands)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Cash flow from operating activities			
Profit / (loss) before tax		**23 499**	**-21 003**
Total adjustments:		**65 428**	**-45 778**
Depreciation and amortization		7 529	7 797
(Profit) loss from exchange rate differences		-2 091	158
Interest and share in profit (dividends)		4 861	5 274
(Profit) loss on investment activities		-1 227	2 378
Change in provisions		5 905	5 605
Change in inventory	16	-4 513	-11 912
Change in receivables	16	-9 712	-72 792
Change in short-term liabilities, excluding loans and borrowings	16	57 572	38 592
Change in prepayments and accruals		9 967	-13 589
Other adjustments		-224	-531
Income tax paid		-2 639	-6 758
Net cash used in operating activities		**88 927**	**-66 781**
Cash flow from investment activities			
Inflow		**24 787**	**8 378**
Disposal of intangible and tangible fixed assets		748	2 273
Disposal of investment in real property and intangible assets		180	0
From financial assets, incl.		10 652	6 105
- Repayment of granted loans		9 587	5 133
- Dividends and interest received		1 055	971
- Disposal of financial assets		10	1
Other		13 207	0
Outflow		**30 224**	**6 948**
Acquisition of intangible and tangible fixed assets		3 923	2 172
Acquisition of financial assets		26 301	4 752
Other		0	24
Net cash flow from investment activities		**-5 437**	**1 430**
Cash flow from financial activities			
Inflow		**57 409**	**131 769**
Net inflows from shares and other capital instruments issued and from capital contributions		597	456
Credits and loans		56 812	81 145
Issuance of debt securities		0	50 000
Other		0	168
Outflow		**100 686**	**52 356**
Dividends and other payments to shareholders		129	287
Repayment of credits and loans		85 580	41 821
Payment of liabilities arising from financial leases		4 827	4 246
Interest paid		10 144	5 869
Other		6	133
Net cash flows from financial activities		**-43 277**	**79 413**
Total net cash flows		**40 213**	**14 062**
Balance sheet change in cash, including		**40 478**	**14 062**
- Change in cash due to exchange differences		265	0
Cash opening balance		**161 291**	**147 229**
Closing balance of cash, including	**16**	**201 769**	**161 291**
- Restricted cash		41 709	35 437

Signature of person preparing the Financial Statement

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Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 26 April 2013

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2012 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Total equity
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	17 223	**17 223**	1 304	**18 527**
Other total income	0	0	0	-559	-178	0	**-737**	-108	**-845**
Total income for the period	**0**	**0**	**0**	**-559**	**-178**	**17 223**	**16 486**	**1 196**	**17 682**
Taking control over Engorem Spółka z o.o.	0	0	0	0	0	0	**0**	2 804	**2 804**
Dividend to minority shareholders (GWI)	0	0	0	0	0	0	**0**	-132	**-132**
Buyout of shares in Energetyka Sp.z o.o.	0	0	58	0	0	0	**58**	-60	**-2**
Shares-based payment (Management Stock Option Scheme)	4	0	538	0	0	0	**542**	0	**542**
Coverage of losses from the previous year by supplementary capital	0	0	-25 284	0	25 284	0	**0**	0	**0**
Consolidation of a subsidiary	0	0	102	0	0	0	**102**	0	**102**
As at December 2012	**1 268**	**0**	**215 669**	**455**	**3 037**	**17 223**	**237 652**	**13 791**	**251 443**

Signature of person preparing the Financial Statement

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/Chief Accountant/

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/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 26 April 2013

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Capital attributable to shareholders of the Parent Company for the year ended 31 December 2011 (in PLN thousands)

	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Total equity
					Retained profit / accumulated loss brought forward	Net profit / 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 income	0	0	0	1 014	0	0	**1 014**	127	**1 141**
Total income for the period	**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**
Increase in share capital under the authorized capital	4	0	451	0	0	0	**455**	0	**455**
Shares-based payment	0	0	154	0	0	0	**154**	0	**154**
Previous years result of the parent company brought forward to supplementary capital	0	0	30 004	0	-30 004	0	**0**	0	**0**
Presentation change	0	0	88	0	-88	0	**0**	0	**0**
As at December 2010	**1 264**	**0**	**240 255**	**1 014**	**-1 711**	**-20 358**	**220 464**	**9 983**	**230 447**

KEY ITEMS CONVERTED TO THE EURO

	31.12.2012		31.12.2011	
	PLN	**EUR**	**PLN**	**EUR**
Fixed assets	123 826	30 289	126 702	28 686
Current assets	695 867	170 214	648 060	146 726
Shareholders' equity	251 443	61 505	230 447	52 175
Liabilities and provisions for liabilities	568 250	138 998	544 315	123 237

Items of the balance sheet as at 31 December 2012 were converted at the Euro rate which was set by the NBP on that date i.e. 4.0882 PLN/EUR.

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

	Year ended 31 December 2012		Year ended 31 December 2011	
	PLN	**EUR**	**PLN**	**EUR**
Revenues from sales of products, services, goods and materials	1 384 454	331 717	1 527 832	369 033
Cost of products, services, goods and materials sold	1 300 356	311 567	1 491 405	360 234
Profit on sales before tax	84 098	20 150	36 427	8 799
Profit on operating activities	29 413	7 047	-12 261	-2 962
Gross profit (loss)	23 499	5 630	-21 003	-5 073
Net profit (loss)	18 527	4 439	-19 715	-4 762

Items of the profit and loss statement for the year ended 31 December 2012 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1736 PLN/EUR.

Items of the profit and loss statement for the year ended 31 December 2011 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1401 PLN/EUR.

	Year ended 31 December 2012		Year ended 31 December 2011	
	PLN	**EUR**	**PLN**	**EUR**
Cash flows from operating activities	88 927	21 307	-66 781	-16 130
Cash flows from investment activities	-5 437	-1 303	1 430	345
Cash flows from financial activities	-43 277	-10 369	79 413	19 181
Net cash flows	40 213	9 635	14 062	3 397
Cash opening balance	161 291	36 518	147 229	37 176
Cash closing balance	201 769	49 354	161 291	36 518

Cash flow items for the year ended 31 December 2012 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1736 PLN/EUR.

Cash flow items for the year ended 31 December 2011 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1401 PLN/EUR.

For translating cash as at 1 January 2012 it was applied the exchange rate set by the NBP as of that day, i.e. 4.4168 PLN/EUR.

For translating cash as at 1 January 2011 it was applied the exchange rate set by the NBP as of that day, i.e. 3.9603 PLN/EUR.

For translating cash as at 31 December 2012 it was applied the exchange rate set by the NBP as of that day, i.e. 4.0882 PLN/EUR.

For translating cash as at 31 December 2011 it was applied the exchange rate set by the NBP as of that day, i.e. 4.4168 PLN/EUR.

ADDITIONAL NOTES AND EXPLANATIONS

1 General information

The ERBUD Joint Stock Company (Erbud S.A.), seated in Warsaw,300A Puławska Street, which was established in way of conversion of the Erbud Limited Lliability Company (Erbud Sp. z o.o) registered in the National Court Register on 29 November 2006 under the KRS number 0000268667, is the parent company (the "Parent Company" or "Parent") of the ERBUD Group (the "Group").

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.

Services in the field of large-volume general building (PKD 4521A) are the subject of the Parent basic activity.

Widely understood construction and assembly works performed in general contracting in Poland and abroad are the subject of the Group operations. Erbud S.A. is the management, financial and advisory centre.

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

The Consolidated Financial Statements are presented in Polish currency (the "PLN") and all values are given in thousands of PLN.

1.1 Composition of the Group

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

Business unit	Seat	Activity range	Percentage share of the Group in equity as at	
			31 December 2012	31 December 2011
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%
ER Services Sp. z o.o.	Toruń	Construction	- *	100%
GWI GmbH	Niemcy	Construction	85%	85%
Ersteel Sp. z o.o.	Toruń	Steel structures	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%
Toruńska Sportowa Sp. z o.o.	Toruń	Construction	39%	39%
Erbud Ireland	Irlandia	Construction	100%	100%
Grupa Budlex	Warszawa	Building development	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo –Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%
Erbud Energetyka sp. z o.o.	Katowice	Construction	100%	86.36%
Engorem Sp. z o.o.	Łódź	Energy services	80.22%	-

***** On 31 August 2012, the District Court in Toruń registered the merger of ERSTEEL Limited Liability Company based in Torun as the acquiring company with the acquired company ER SERVICES Limited Liability Company with its registered office in Warsaw by transferring the assets of the acquired company (ER Services) to the acquiring company (Ersteel) against shares in the increased capital of the acquiring company.

Parent Company

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

Subsidiaries brought into the Consolidated Financial Statements of the Group using full consolidation:

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

Subsidiaries excluded from the Consolidated Financial Statements of the Group:

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

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

1.2 Jointly controlled entities

Within the Group there are no entities under common control.

1.3 Membership of the Management Board of the Parent

Over the period from 1 January 2012 to the date of preparing these Financial Statements the composition of the Management Board of the Company was constant.

As at 31 December 2012 the Management Board of the Parent was consisted of:

Dariusz Grzeszczak - Board Member

Józef Zubelewicz - Board Member

As at 31 December 2012 the Supervisory Board of the Parent was consisted of:

Udo Berner - Chairman of the Supervisory Board

Józef Olszyński - Deputy Chairman

Albert Durr - Member of the Supervisory Board

Gabriel Główka - Member of the Supervisory Board

Lech Wysokiński - Member of the Supervisory Board

Zofia Dzik - Member of the Supervisory Board

Michał Otto - Member of the Supervisory Board

1.4 Going-concern assumption

The Consolidated Financial Statements of the Capital Group for the year ended 31 December 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.

1.5 Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2012 and include comparative data for the year ended 31 December 2011 and as at 31 December 2011.

1.6 Approval of Financial Statements

These Consolidated Financial Statements were approved by the Management Board for publication on 26 April 2013.

2 Significant accounting policies applied

The accounting policies applied when preparing the Consolidated Financial Statements are presented below and were applied in all periods presented on a continuous basis, unless otherwise stated.

2.1 Basis of preparing the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IFRS approved by the EU for the financial statements beginning on 1 January 2008. IFRS include 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 these Consolidated Financial Statements, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

Standards and Interpretations adopted by the IASB, but not yet approved by the EU

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and amendments to standards which as of 15 March 2013 have not yet been approved to be applied:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after1 January 2015)
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Mandatory Effective Date and Transition Disclosures
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to various standards, "Improvements to IFRSs (2012)" - changes under the annual improvements to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) primarily focused on solving inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January)

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

Standards and interpretations that have been issued but are not yet in force

When approving the Financial Statements the Group did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but are not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12 "Disclosure of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IFRS 13 "Determining the Fair Value", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 1 "First-time Adopters" - Strong Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income, approved by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, approved by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 "Employee Benefits" - Amendments to the Accounting for Post-employment Benefits, approved by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Commitments adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 1 "First-time Adopters" - Government Loans (effective for annual periods beginning on or after 1 January 2013
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The Group decided not to use the option of an earlier adoption of these standards, amendments to standards and interpretations. According to the Group's opinion, the above standards, amendments to standards and interpretations have no material impact on the Consolidated Financial Statements, if adopted by the Group at the balance sheet date.

Standards and interpretations applied for the first time in 2012

The following amendments to existing standards published by the International Accounting Standards Board and approved by the EU came into force in 2012:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" -Transfers of Financial Assets, approved by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

These amendments did not have a significant effect on the Accounting Policy used by the Group.

2.2 Consolidation principles

The Consolidated Financial Statements include the financial report of Erbud SA and financial reports of subsidiaries, each closed for the year ended 31 December 2012. The financial statements of subsidiaries are prepared for the same period as the statement of the Parent, on the basis of uniform accounting rules applied to transactions and economic events of a similar nature.

2.2.1 Subsidiaries

The undertakings of the Group keep their account books in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued on basis thereof ("National Accounting Standards").

Erbud International Sp. z o. o. had a foreign branch in 2012. The entity was subject to tax and accounting rules being in force in Germany i.e. the country where they operate. In accordance with section 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. According to section 264 paragraph 1 and in relation to section 242 paragraph 3 of the German Commercial Code (HGB), the annual balance consists of: balance sheet, profit and loss account, annex. Branches are treated as small capital companies in terms of section 267 paragraph 1 of the German

Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

The Consolidated Financial Statements contain adjustments not included in the books of the Group undertakings made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

The subsidiaries are subject to consolidation for the period from the date of taking control of them by the Group and are not consolidated from the date of lose control. Controlling by the Parent Company is when it directly or indirectly, through its subsidiaries has more than half of the voting power in that company, except that it is possible to prove that this property does not constitute the control. The control also occurs when the Company has the option to decide on financial and operating policy of the entity.

Takeover of subsidiaries is accounted under the method of acquisition.

The Parent and the subsidiaries have been consolidated under the full method subject to the following principles:

- all relevant items of assets and liabilities of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing,
- all relevant items of income and expenses of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing.

From the Consolidated Financial Statements have been excluded:

- equity of subsidiaries as on day of taking control over them,
- value of the shares in subsidiaries held by the Parent and other entities included in the consolidation,
- intra-group claims and commitments, and other settlements of similar nature of consolidated units,
- income and expenses relating to operations carried out between the units included in the consolidation,
- profits from operations carried out between consolidated units, which were unrealized from the point of view of the Group, and included in consolidated assets and liabilities as well as unrealized losses,
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

2.2.2 Affiliated undertakings

A company is an associated one when the Parent has a significant impact on it and which is neither a subsidiary nor a joint venture. Investments in associates are accounted by using the equity method. The financial statements of associates are the basis for valuation under the equity method of shares owned by the Parent. The financial year of associates and the Parent is the same. The Group undertakings keep their accounting records in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 ("Act"), as amended and by regulations issued under them ("National Accounting Standards"). The Consolidated Financial Statements contain adjustments not included in the books of the Group undertakings made in order to comply the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

Investments in associates are reported in the balance sheet at acquisition cost, including subsequent changes in the Parent share in net assets of these undertakings, less any impairment losses. Profit and loss account reflects the share in the operating results of associates. In the event of a change recognized directly under equity of associates, the Parent Company recognizes its share in any adjustment, and if appropriate, reported it in the report on equity changes.

Gains and losses arising from transactions between the Group and the affiliated entity are subject to consolidation exclusion in accordance with the Capital Group share in the equity of the associate company.

2.2.3 Joint venture

The Group holds a stake in a joint venture which is jointly controlled entity, in which - in accordance with the agreement concluded - the partners established a common control over its business activity. In order to make financial and operational decisions, the agreement requires unanimous consent of the shareholders. The Group recognized its interests in jointly

controlled entity by equity method. Financial statements of the joint venture are prepared as at the same reporting date as the financial statements of the Group. Any adjustments are intended to eliminate differences in the rules (policy) accounts applied.

2.2.4 Non-controlling shareholders

Transactions with minority shareholders are recorded in correspondence with the capital.

2.3 Currency of the measurement and currency of financial statements

Items reported in the financial statements are valued in the currency of the primary economic environment in which the entity operates (“functional currency").

The Consolidated Financial Statements of the Group is presented in PLN (Polish zloty) which is the functional currency and presentation currency of the Parent.

Transactions in foreign currency are disclosed in the accounts at nominal value converted into PLN at the rate of average rates of Polish National Bank. At the time of execution, foreign exchange differences are recorded as income or expense.

As of the balance sheet date, cash assets and liabilities quoted in other currencies than the PLN are converted into PLN by using the current average rate for the given currency fixed by the Polish National Bank at the end of the reporting period. The exchange differences resulting from translation are included respectively in income (expense), or in the cases referred to the accounting rules (policy), are capitalized in the value of assets. The non-monetary assets and liabilities recognized at historical cost in foreign currency are recorded at the historical rate valid on the transaction date. The non-monetary assets and liabilities recognized at fair value in foreign currency are translated at the rate of the date of valuation to fair value.

Below are presented rates used for the valuation of balance sheet:

Currency	31 December 2012	31 December 2011
EUR	4.0882	4.4168

Assets, liabilities and results of foreign branches of subsidiaries and subsidiaries with different functional currency

The EURO is a functional currency of foreign subsidiaries. As at the balance sheet date, assets and liabilities of foreign entities were translated at the Group's presentation currency as follows:

- assets and liabilities of branches and any balance sheet presented here (i.e. taking into account comparable data) are translated at the closing rate on a given balance date,
- revenues and expenses are translated at average exchange rate (unless the conversion using the average exchange rate would be significantly different from the values obtained by using the exchange rates valid as at the date of transaction).

Exchange differences arising from the conversion are recognized as a separate component of equity under "Exchange differences on translation of foreign branches".

At the time of disposal of a foreign entity, accumulated deferred exchange differences recognized under the shareholders' equity are reported in profit and loss account.

2.4 Estimates and assumptions

The estimates and assumptions that arise from past experiences and predictions on future events are verified at each balance date.

2.4.1 Opinion of the Management Board in the process of implementing the accounting policy

In the process of applying the accounting policies (rules), the management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. The estimates of the Group relate mainly to provisions, depreciation on assets, valuation of construction contracts and depreciation rates applied.

2.4.2 Estimation uncertainty

Basic assumptions on the future events and other key sources of uncertainty occurring as at the balance sheet date, giving a significant risk of substantial adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows.

Provisions for legal claims

In case where undertakings are parties to legal proceedings, legal entities that support the units of the Group and the Boards of companies constituting the ERBUD Group they estimate the amount of reserves to cover the effects of the ongoing proceedings.

Provisions for employee benefits

Provisions for employee benefits were estimated by the Company with regard to turnover ratio, the probability of granting and the discount rate as of the date of estimation.

Provisions for remedying defects

In case of construction works, the companies of the Erbud Group are obliged to provide warranties on their services. Methodology of creation of guarantee repair provisions has been described in section 2.18 below.

Depreciation rates

Depreciation rates are calculated on the basis of the anticipated period of economic usefulness of components of tangible fixed assets and intangible assets. Based on current estimates the Group verified every year the periods of economic utility.

Recognition of incomes from long-term contracts

The Group uses a method of percentage progress of works to settle the long-term contracts. Revenues and expenditures due the execution of building contracts from the contract conclusion to the balance date, are set in proportion to the construction stage according to the measurement report on work carried out, after adding incomes and costs which affected the financial results in previous years.

If the result of works may not be reliably set on the balance date, it is deemed that the income is equal to the costs incurred in the given period, but not higher than the costs, which will be probable covered by the customer in the future.

Deferred tax assets

The Group recognizes an item of deferred tax assets basing on the assumption that future tax profits will be achieved as to realize the assets.

Impairment of assets

The Group tests its assets for indications of impairment where such indications exist and at least once a year reviews additionally value of the Company. Recoverable value is estimated for each asset item, unless this item does not generate cash inflows that are considerably independent of cash inflows from other assets or groups of assets. If this occurs, the value recovered is determinated at level of the cash generating unit to which the asset item belongs. Estimation of the value-in-use consists in determination of future cash flows generated by the cash-generating unit and in establishing discount rate to apply in order to calculate the present value of these flows.

2.5 Property, plant and equipment

Tangible fixed assets are stated at purchase price / production cost less depreciation and impairment losses. Initial value of fixed assets includes the purchase price increased by all costs directly related to the purchase and adaptation of a property component to be capable to use. The cost of replacing parts of plant and equipment at the time they are incurred is included in expenses if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repairs charge the profit and loss account as incurred, except where it is possible to show that these costs caused an increase in expected future economic benefits from the ownership of a fixed asset. The expenses incurred increase then the initial value of the fixed asset.

Fixed assets, excluding land, are depreciated linearly over a period corresponding to the estimated duration of their economic usefulness. Amortization begins when the property, plant and equipment is available for use.

The period of use of property, plant and equipment is as follows:

		Annual depreciation rate
1	Buildings and structures	2 - 4.5 %
2	Technical equipment and plant	6 - 30 %
3	Vehicles	12.5 - 20 %
4	Other	10 - 30 %

Subsequent expenditures are included in the carrying amount of an fixed asset or recognized as a separate fixed asset only if probably is that an inflow of economic benefits to the Group from this item will take place and the cost of given item can be reliably measured. Other costs incurred after the initial recognition, such as the cost of repairs, maintenance and commission fees affect the financial results of the reporting period in which they are incurred, except of general service costs, which are included in the carrying amount of the relevant item of tangible fixed assets.

The final value and duration of use of fixed assets are verified at least once a year and, where appropriate, are revised. If there are indications that it may be impaired and the carrying amount exceeds the estimated recoverable amount, the value of the asset or cash-generating units which own those assets are reduced to the level of the recoverable amount. The recoverable amount is the higher one of the following two values: the fair value less costs of sell or the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of money value over time and risk associated with the given asset item. In the case where an asset item does not generate cash income in a manner substantially independent, the recoverable amount is establish for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account under "Cost of sales".

An item of tangible fixed assets may be derecognized after its disposal or where economic benefits resulting from the further use of the asset are not expected. Any gains or losses resulting from the derecognition of the given asset (calculated as the difference between any net incomes from the sale and the carrying amount of given item) are recognized in the profit and loss account during the period in which they were recognized.

Gains and losses on disposal of fixed assets are estimated by comparison of the incomes from the sale with their carrying amount and are recognized in profit and loss account.

The final value, duration of use and depreciation method of assets is verified and, if necessary revised, at the end of each financial year.

Investments on fixed assets under construction are valued at the amount of the total cost which is in direct relation to their acquisition or construction, including financing costs and less any impairment losses. Fixed assets under construction are not depreciated until the completion, i.e. until they are available for use.

Transfers under the item "Buildings and land" concern items transferred to the long-term investments; reduction under the item "Land" applies to the land value transferred to the long-term investments, and increase under the item "Buildings and structures" applies to changes in the proportion between the part of building used for own needs and the other one considered as a long-term investment.

2.6 Lease

Finance lease contracts which transfer all the risks and rewards incidental to ownership of assets under a lease, are capitalized at the day when the lease is coming into force at the lower of the following two values: the fair value of the lease subject or the present value of the minimum lease payments. Lease payments are divided between finance costs and payments of principal repayment, taking into account the fixed rate of interest with regard to the obligation.

Financial expenses are recognized immediately in profit or loss account. Fixed assets used under finance leases are subject to depreciation according to the rules applied to the assets that are owned.

In the absence of certainty, that after the end of the lease agreement the Company receives the right to property, assets are written off over a shorter of two following periods: the lease period or the period of economic usefulness.

Lease contracts under which the lessor retains substantially all the risks and rewards of ownership of assets under a lease are classified as operating lease contracts. Lease payments due to operating leases and the subsequent lease payments are recognized in the profit and loss account as expense using the line method over the duration of the lease.

2.7 Impairment of non-financial assets

At each balance sheet date the Group undertakings evaluate whether there is any objective indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and a write-off is made in an amount equal to the difference between the possible value to recover and the carrying amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For purposes of analysis in terms of impairment, assets are grouped at the lowest possible level in respect of which there are separately identifiable cash-generating units. The cash-generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Loss resulting from impairment is recognized in the profit and loss account.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In the event that such indication exists, the impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such case, the carrying amount of the asset item is increased to its recoverable amount. However, he increased carrying amount attributable to a reversal of an impairment loss cannot exceed the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss for an asset is recognized immediately as income in the profit or loss, unless the given item of asset is carried at revalued amount; in this case, the reversal is treated as an increase in revaluation capital.

2.8 Borrowing costs

As binding, the Group adopts the rule that allowed alternative approach clarified by IAS 23 Borrowing costs. According to this approach:

- borrowing costs are recognized as an expense in the period in which it incurs them, except costs capitalized in accordance with the principle set out below,
- borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset item are activated as part of the purchase or manufacturing cost of that asset item.

The amount of borrowing costs eligible for capitalisation is determined in accordance with the above-cited standard.

Inventories in development companies, fixed assets, investment properties and intangible assets are primarily qualifying assets of the Erbud Group.

2.9 Investment property

Investment property is real estate to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Real estate investment is initially valued at purchase price or cost of production. The initial valuation includes the transaction costs.

Subsequent expenditures on investment property increase its value if the future economic benefits that are associated with the investment property will flow to the entity will exceed costs incurred for the investment property.

To measure the property after the initial recognition, the Company has chosen a cost model, under which all of its investment properties are valued at purchase price or production cost less any accumulated depreciation and write-off due to permanent impairment.

The useful lives of investment properties of the Group are as follows:

- Buildings and structures 10-50 years
- Other investment property 2-10 years

Investment properties assets are derecognised when they have been disposed of or permanently withdrawn from use and when no future economic benefits are expected from its sale. Any gain or loss arising on derecognition of investment property are recognized in profit or loss account in the period in which such derecognition took place.

Transfers of assets to investment property are made only if there is a change in use, evidenced by the end of the asset by the owner, conclusion an operating lease contract or completion of the investment property construction.
In the event of transfer of the investment property to the assets used by the owner or to the inventories, the alleged cost of such asset item, which will be adopted for the purpose of its inclusion in another category, is equal to the fair value of the property at the date of modification of its use. If an asset used by the owner i.e. the Group becomes an investment property, the Group applies the principles set out in the section "Property, plant and equipment" up to the date of change in use. In case of transfer of assets from the inventories to the investment property, the difference between the fair value of the property determined as on the date of transfer and its previous carrying amount is recognized in the profit and loss account. When the Group finishes the building or execution of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit and loss account.

2.10 Intangible assets

Intangible assets are recognized if it is likely that in the future they will bring to the unit an inflow of economic benefits that can be directly related to those assets.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs due to permanent impairment. Intangible assets are amortized linearly over a period corresponding to the duration of their estimated economic usefulness, which for the Group is as follows:

- Patents and licenses 5 -15 years
- Software 1-5 years

The Group determinates whether the useful life of intangible assets is finite or indefinite. Intangible assets with an finite useful life are amortized over the useful life and tested for impairment, whenever there is an indication of impairment. The period and method of amortization of intangible assets with an finite useful life reviewed at least at the end of each financial year. Changes in the expected useful life or the expected way of consumption of economic benefits from a given asset are recognized by changing the period or method of depreciation and treated as changes in estimates.

Intangible assets with an indefinite useful life and those that are not used, each year are subject to verification of the possible impairment of individual assets or at the level of cash-generating unit.

Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures incurred for development, are not capitalized and are included in the cost of the period in which they are incurred.

Gains or losses resulting from the derecognition of intangible assets are valued at the difference between the net sales income and the carrying amount of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

2.11 Goodwill

Goodwill on consolidation is recognized at cost which is the surplus of the costs of consolidation of business entities over the share of the acquiring entity in the fair value of identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is reported as an asset and is not subjected to depreciation, but at least once a year is subject to analysis in terms of impairment losses. Any impairment is recognized in the profit and loss, and is not subjected to reversal in subsequent reporting periods.

If the goodwill is a part of the cash-generating unit and a part of activity of that unit is sold then the goodwill related to the disposed business is taken into account when determining the gain or loss on disposal.

2.12 Financial instruments

Financial assets and liabilities are recognized on the balance sheet of the Group, when the Group becomes a binding party to a contract.
Instruments owned are recognized in the Group balance sheet by the following categories:

- financial assets, financial assets available for sale, financial assets held to maturity, loans and receivables, financial assets carried at fair value by profit and loss account (including financial derivatives);
- financial liabilities and equity instruments, bank credits and loans , trade payables, liabilities carried at fair value by profit and loss account (including financial derivatives).

The classification is based on the goal criterion of investment purchase or entering into the commitment. The Management Board determines the classification to each category of investments or liabilities by their initial recognition and then verifies as on each balance date.

Financial assets carried at fair value, with gains or losses accounted in the profit and loss account include two categories:

- financial assets held for trading and
- financial assets held at the time of initial recognition of fair value and gains or losses recognized in the profit and loss account

Financial assets are classified as current assets or liabilities held for trading if they:

- were purchased primarily for the purpose of sale or redemption in the short period
- are a derivative (except for hedging instruments).

Changes in the value of these financial instruments are included in income or financial costs. Assets valued at fair value through profit or are classified as current assets.

Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market and not included in the derivatives. They are included in current assets, unless their maturities not exceeding 12 months from the balance sheet date. Loans and receivables with maturity of over 12 months from the balance sheet date are classified as current assets.

Trade receivables for the ongoing construction contracts and due to advances are classified as short-term receivables, as it is expected that they will be settled in the normal unit operating cycle.

Claims arising from the deposit guarantees and the loan, the maturity of which is less than 12 months, are recorded as accounts receivable. Long-term receivables due to the deposit guarantees are subject to the discount of present value at the effective interest rates.

Loans and trade receivables are initially recognized at fair value and subsequently measured at amortized cost and reducing by the write-offs due to permanent impairment. Impairment losses for the accounts receivable are created when there is objective evidence that the Group will not be able to receive all amounts owed under the original terms of receivables.

Investments held to maturity are financial assets not classified as financial assets held for trading or loans and receivables, with fixed or determinable payments and fixed maturity which the Group's Management Board intends and is able to hold to maturity.

Purchases and sales of investments are recognized on the transaction date, i.e. the date on which the Group commits itself to purchase or sell an asset. The investment is initially recorded at fair value plus transaction costs. In the next periods the investments held to maturity are valued according to the adjusted purchase price (amortized cost).

Financial assets available for sale are financial instruments not qualified for any of the other categories of financial instruments.

Financial assets available for sale are carried after the initial recognition at fair value. If it is not possible to determine the fair value of financial assets available for sale, and the maturity is fixed, they are measured at the amortized cost; if the assets have no fixed maturity date, the valuation is made at purchase cost.

Profits and losses of changes in fair value are carried in the period they arise. The occurred differences in the carrying amount are recognized directly in equity. Financial assets available for sale classified as non-monetary, where the fair value is impossible to determine, are valued at acquiring cost less any permanent impairment. In the event of sale of securities included in the "available for sale", the total adjustments to the level of the current fair value is recognized in equity, are carried in the profit and loss account as gains and losses on financial assets.

Financial instruments are derecognizerd from the balance sheet when the Group loses control over the contractual rights constituting the financial instrument. Generally it takes place when the instrument is sold or when all flows attributable to that instrument are transferred to the independent third party.

Purchase and sale of financial assets are recognized as of the date of transaction. At the time of initial recognition they are measured at purchase cost, i.e. at fair value, including transaction costs.

Exemption from the statement of financial position

The Group excludes the financial asset item (or part thereof or part of a group of similar financial assets) from the statement of financial position when:

- right to receive cash flows from the financial asset has expired;
- the Group has assign the right to receive cash flows from the asset, or pledged to transfer the cash received without undue delay to a third party dealing as a broker and either (a) the Group has transferred in substance all the risks and rewards of ownership of the asset, or (b) the Group has not retained nor transferred in substance all risks and rewards of the asset but has assigned the control of the financial asset.

If the Group has transferred its rights to receive cash flows from the asset, or pledged to intermediate in the transaction, but not transferred or retained in substance all the risks and rewards of ownership of an asset or the said transfer did not result in the assign of control of the asset, then the new asset is recognized to the extent to which the Group continues its involvement in the asset.

In this case, the Group recognizes the related liability. The transferred asset and associated liability is valued having regard to rights and obligations the Group has retained.

Involvement in the asset, which takes the form of guarantees, is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for this asset.

2.13 Impairment of financial assets

At each balance sheet date the Group assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

If there are objective indications that the loss has been suffered due to the impairment of loans and receivables measured at amortized cost, the amount of impairment loss is equal to the difference between the carrying amount of financial asset and the present value of estimated future cash flows (excluding not yet incurred future losses due to bad debts), discounted at original

effective interest rate (i.e. the interest rate fixed at initial recognition). The carrying amount of the asset is reduced either directly or through the reserve. The amount of losses is recognized in the profit and loss account.

At first the Group assesses whether there are objective indications of impairment of individual components of financial assets that are individually significant, and an indications of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective indications of impairment of individually assessed financial asset, regardless of whether it is a significant one or not, the Group includes this component to financial assets with a similar credit risk characteristics and completely assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognized or was found that the current impairment will not change, are not taken into account when totally assessing assets for impairment.

If impairment loss has decreased in the next period, and that reduction can be objectively related to an event following the impairment recognition, the previously recognized impairment is to be reversed. Subsequent reversal of an impairment loss is recognized in the profit and loss account to the scope in which the carrying amount of asset does not exceed its amortized cost as at the reversal date.

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value cannot be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

If there are objective indications that an impairment of financial assets available for sale has occurred, the amount representing the difference between the cost of the asset (less any repayment of capital and depreciation) and its current fair value, less any impairment losses previously recognized in the profit or loss account, is derecognized from equity and transferred to the profit and loss account. Reversal of an impairment loss of equity instruments classified as available for sale cannot be recognized in the profit or loss account. If in a subsequent period the fair value of debt instruments available for sale increases, and this increase can be objectively related to an event following the recognition of impairment losses in the profit and loss account, the amount of reversed impairment is recognized in the profit or loss account.

2.14 Inventories

Materials, goods, work in progress and finished goods are current assets inventories.

The Group applies the following rules of inventory classification to the specific categories:

- **materials** – elements stored in the storage places for use in manufacturing processes, particularly for construction purposes;
- **work in progress** – includes costs of development projects under construction as well as materials of general-purpose stock and low-processing materials, which can easily and without incurring significant costs be used for other contracts or sold (if they are required for this contract);
- **goods** – the stock acquired in the purpose of their resale, including land for development projects in the implementation of development projects;
- **finished goods** – products of own production, which proceeding been fully completed, apartments, premises and buildings for sale.

Elements stored on construction sites to be used by the Company or a subcontractor for specific purposes on particular site only, which probably cannot be used by execution of other contracts or sold, are not are considered to be the inventory. These items are related directly to the cost of the contract and included in the valuation of the contract according to the stage.

Inventories are measured at the lower of the two values: purchase cost or net selling price.

Costs incurred to bring each item of inventories to its present location and value, both for the current and previous year, are recognized in the following manner:

- **materials** - at purchase cost determined by the using the FIFO method

- **work in progress and finished products** - cost of direct materials and labour and manufacturing overhead costs under the assumption of normal capacity utilization, excluding borrowing costs
- **goods** - at purchase cost determined by the using the FIFO method.

Net selling price is the available sale price without VAT and excise taxes, less discounts and other costs related to the adaptation of the item for sale and to selling it, achievable as at the balance sheet date.

2.15 Trade and other receivables

Claims due to supplies and services, whose maturity is usually between 30 and 180 days, are recorded and reported according to the amounts originally invoiced, including provision for bad debts. Provision for uncollectibles is assessed when it is improbable to recover receivables. Bad debts are written off in the profit and loss at the time of their loss.

Where the effect of money inflow over time is substantial, the value of accounts receivable is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time. In case the discounting method has been used, the increase in receivables on an accrual basis is recognised as financial income.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity not exceeding three months.

As cash restricted the Group treats, above all, measures

- which are a collateral for bank guarantees and liabilities due to derivatives
- collected on escrow accounts in the development companies

if their maturity does not exceed 3 months.

Cash at bank and in hand are valued at their nominal value.

The Group shows cash restricted in the balance sheet under cash and cash equivalents. For the purpose of cash flow statement, cash at the beginning and end of the period is reduced by cash restricted and it balance change is recognised in the flows from operating activities.

2.17 Capitals

Share capital comprises ordinary shares and is recognised at their nominal value (in accordance with the statutes of the Parent and the entry into the National Court Register).

The amount resulting from the difference between the premium price of shares covered by the Parent and their nominal value make a surplus from the sale of shares above their nominal value.

Minority interests are a part of equity of affiliates under full consolidation, which belongs to other shareholders than those included in the Group.

Profit (loss) of subsidiaries in part which belongs to other shareholders than those included in the Group is a profit (loss) on non-controlling interests.

Treasury shares

Redemption of own shares is recorded at cost and deducted from equity. Gains or losses occurred at the redemption, sale, issue or cancellation of treasury shares does not affect the profit and loss account. The difference between the carrying value

and the purchase price in case of re-issue of shares is recorded in the surplus from the sale of shares above their nominal value. The rights attributable to treasury shares are cancelled and payment of dividends is not allocated to them.

2.18 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the influence of the money value over time is material, the provision is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time and the potential risks associated with the given liability. If the discount method has been used, the increase in reserves on an accrual basis is recognized as financial expense.

Provisions for liabilities include, but are not limited to:

- guarantee repair provision,
- provision for contract losses,
- provision for litigations,
- unused leave provision,
- retirement provision,
- provision for anniversary awards.

Guarantee repair provision

In the case of construction contracts the companies forming the Erbud Group are obliged to provide guarantees on their services.

The general rule is creation of provisions for guarantee costs based on the rate of guarantee costs calculated as the quotient of guarantee repair costs to the revenues from the given contract and charging costs of services sold. This value is subject to individual review and may increase or decrease in justified cases.

In some cases, the provision for guarantee repair is recognized as at balance sheet date in the amount established on the basis of past experience in the field of a guarantee repairs.

Provision for litigations

The legal divisions and boards of companies of the Group make detailed analysis of potential risks related to ongoing operations and on this basis decide if recognition of the effects of those proceedings in the books of the Group entities is necessary and state the amount of provision.

Unused leave provision

The basis for calculating the reserve for holiday leave provision is a list of unused leave days as at the given balance sheet date, divided by individual employees their daily gross salary plus social security overheads.

Provision for retirement benefits, disability pensions and anniversary awards

The Group entities are required to pay severance and pension allowances in accordance with relevant regulations. The Group also committed to running the awards program. Therefore, there are created provisions for the present value of liabilities arising from the above-mentioned benefits. Payments are written off in the profit and loss account so as to stagger the benefits for the entire period the persons are employed. The year 2011 was the last year of the awards program.

Group companies have adopted a policy of recognizing actuarial gains and losses in the period in which they occur. All actuarial gains and losses are recognized in profit or loss.

The Group does not create a special fund for collecting payments due to future benefits.

Cost of retirement and pension allowances as well as awards, and the present value of liabilities due to the fore-said titles is determined using actuarial techniques. Making an actuarial valuation requires assumptions: discount rates, projected ratios of return on assets and increases in salaries. Because of the complexity of valuation, assumptions made, and the long-term

nature, the liabilities under the above benefits are very sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

2.19 Bank loans and borrowings and debt securities

Loans and bank credits and at their initial recognition are recorded at purchase price equal to the fair value of cash received, less any costs related to obtaining bank credits or loans.

In subsequent periods, credits and loans are valued at amortized cost using the effective interest rate. When determining the amortized cost all costs related to obtaining bank credits or loans and discounts or premiums to account for the settlement of liabilities.

In the profit and loss account are recognized all results of the adjusted purchase price and effects of the debt derecognition or it impairment.

2.20 Trade and other liabilities

Due to the characteristics, liabilities are divided into::

- provisions,
- contingent liabilities,
- financial liabilities,
- current liabilities,
- long-term liabilities.

Contingent liabilities are possible liabilities which depend on a possible event or situation to occur. These liabilities are disclosed in the notes and additional information.

Financial liabilities are obligations to deliver financial assets or to exchange financial instruments with another entity to adverse conditions.

Current liabilities are all liabilities for supplies and services as well as a whole or that part of the other debts that are due in less than 12 months from the balance sheet date. Liabilities are valued as of the balance sheet date in the amount payable.

Long-term liabilities are liabilities for any other items than supplies and services which are due for more than 12 months from the balance sheet date.

Liabilities for supplies and services due to ongoing building contracts and advance payments received are classified as current liabilities, as it is expected that they will be settled in the normal operating cycle of the unit.

Liabilities arising from the deposit guarantee, which the maturity is less than 12 months, are recognized as current liabilities. Long-term debts under the guarantee deposit are to be discounted to present value on the effective interest rates.

2.21 Prepayments and accruals

The Company accounts for receivables and prepayments if they relate to future reporting periods.

The most important condition to recognize costs on an accrual basis is to meet the requirement of accounting them to the unit's assets i.e. to stocks with reliably determined value, which were generated as a result of past events that will impact the future economic benefits for the undertaking.

Impairment of deferred expenditures may be recognised pursuant to the laps of time or amount of benefits. Time and method of settlement must be justified by the nature of costs, observing precautions.

In the case of deferred expenditures those will not be accounted in the next 12 months from the balance sheet date, such settlement should be presented as a separate item on the balance of the long-term accruals.

2.22 Recognition of incomes and expenses

Revenue is recognized at that amount at which the Group will likely obtain economic benefits that are associated with a transaction and where the amount of revenue can be estimated reliably. Revenue is recognized at fair value after deduction of tax on goods and services (VAT) and excise duty as well as discounts.

Revenue from sales of products and goods is recognized when the significant risks and rewards of ownership of the goods and products were transferred to the buyer and the amount of revenue can be estimated reliably.

Income from construction contracts is recognized in accordance with Group's principles of accounting set out in the section "Long-term contracts".

Income from dividends is recognized when the shareholders' right to receive them is granted.

Income from interest is recognized gradually as they rise (taking into account the effective interest method i.e. the discount rate on future cash inflows over the estimated working life of financial instruments) in relation to the net carrying amount of the assets.

Income from rental of investment property in respect of open contracts is recognized on a line basis over a period of rental.

In accordance with the principle of accrual basis the Group recognized all costs for the reporting period, irrespective of the duration of its settlement, in the profit and loss account. The costs incurred but not related to this period are recognized as receivables and prepayments, and costs not incurred but related to the given period are recognised as accruals and deferred income.

2.23 Construction contracts

The Group's companies recognize revenue from contracts executed by reference to the stage of completion of the contract. The budgets of individual contracts are subject to a formal update procedure based on current information in the course of the year and are approved by the Management Board.

The method of the stage of completion can be applied when an entity can reliably measure the amount of outcome of its construction services.

In accordance with the above method, revenue from the contract are recognized in the profit and loss account as income of that period in which the relevant works covered by the contract were executed. Contract costs related to the given works are recognized in the profit and loss account as an expense attributable to that period in which such works were executed. When it is probable that total costs will exceed total income on contract, the expected loss is recognized as an expense in the period in which it was disclosed.

By determining the stage of completion, the unit uses the method that will reliably state the work already performed. These methods may, depending on the nature of the contract, include:

- measurement of works performed,
- proportion of contract costs incurred for works performed to date relative to the estimated total contract costs,
- comparison of works de facto carried out with the work under the contract.

When determining the state of progress on the basis of contract costs incurred to date, only those costs that reflect work performed are recognised.

If the result of the construction contract cannot be measured reliably, revenue is recognized only to the amount of the costs incurred, which are likely to be recovered, and contract costs are recognized as an expense in the period in which they were incurred.

The measurement results are recognized in assets and liabilities respectively in the consolidated statements of financial position under "Construction Contracts".

2.24 Housing development contracts

Revenue from sales of property development is recognized upon transfer of control, all the significant risks and rewards attributable to the ownership of the property to the final recipient. The Company considers that the transfer of risks, benefits and control occurs at the time of signing a notarial deed on transfer of ownership of real estate.

Until recognition of revenue from development business, costs incurred are recognized in assets under "Work in progress". At the time of recognition of income from the sale, the Group recognizes the cost of production of a specific area (in proportion to the area sold).

2.25 Profit/loss on sales before tax

Pre-tax profit (loss) on sales is a difference between:

- revenue from sales of basic production and other services rendered within the core business of the Group units and of goods and materials, and
- production costs of products and services sold and the value of goods and materials sold.

2.26 Profit/loss on operating activity

Profit (loss) from operations includes revenues and expenses from operating activities without financial costs and incomes, to which primarily belong interests, foreign exchange differences and costs of bank commissions and guarantees.

2.27 Taxes

Current tax is calculated on the basis of the tax result (tax base) of the financial year. Tax profit (loss) differs from accounting profit (loss) in connection with dercognicion of tax deductible costs which are tax deductibles in the following years and the items of costs and revenues, which will never be subject to tax. Taxes are calculated on the basis of tax rates in force during the financial year.

Income tax on income earned in the country is calculated in accordance with local tax law and income of units operating abroad are subject to tax according to local regulations, having regard to the agreements on the avoidance of double taxation.

In view of the differences between the book value of the assets and liabilities and their tax base and the deductible tax loss in the future, the Group companies establish a provision and assets for deferred income taxes.

Provision for deferred tax liability is recognized in reference to all positive temporary differences in the amount of income tax, which requires payment in the future:

- except where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and

- in the case of positive temporary differences arising from investments in subsidiaries or associates and participation in joint ventures - except where the timing of the reversal of temporary differences is controlled by the building investor and it is probable that in the foreseeable future the temporary difference will not be reversed.

The **deferred tax assets** are recognised as an amount to be deducted in the future from income tax in respect of deductible temporary differences and tax loss deductions, observing precautions:

- except where the deferred tax due to temporary differences arises from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion does not affect neither the accounting profit nor taxable profit nor tax loss, and

- in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount, in which it is probable that in the foreseeable future, the above temporary differences will reversed and the taxable income will be achieved to deduct the negative temporary differences.

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and is reduced accordingly to the extent that it is no longer likely to achieve taxable income sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and provision for deferred tax are measured using tax rates that will apply during the period when the asset is realized or reserve resolved, based on tax regulations in force as at the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity and not in the profit and loss account.

Assets and provisions for deferred income tax are compensated within the individual entities composing the Group.

2.28 Assets held for sale and discontinued operations

Fixed assets available for sale and discontinued operations are assets or their groups classified it this category and are recognized in the financial statements at an amount lower than their carrying amount or fair value less costs of sell.

The condition to recognise assets to this group is an active search for buyers and a high probability of disposal of these assets within one year from the date of their classification and the availability of these assets for immediate sale.

2.29 Operating segments reporting

The breakdown of the Group's reporting is based on geographical segments (domestic and Western European countries) and business segments (as described in Note 5).

2.30 Earnings per share

Basic earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting the interest on the redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

2.31 Share-based payment

The Erbud Capital Group manages a program of share-based payments settled in equity instruments, under which employees receive equity instruments of Erbud SA and its subsidiaries. The fair value of employee services in exchange for equity instruments of the Group or its subsidiaries is accounted for as an increase in capital reserve for a period in which the acquisition conditions are met (the vesting period). The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted at the grant date of instruments. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the cost of services rendered should be based on the number of equity instruments that eventually will be vest.

3 Changes in accounting policies applied

3.1 Error adjustment

During the period ended 31 December 2012, there were no error adjustments, which would affect the current period or past periods.

3.2 Changes in estimates

During the reporting period ended 31 December 2012, there were no changes in the methodology of estimates.

3.3 Change in accounting policy

During the reporting period ended 31 December 2012, there were no changes in accounting policy.

4 Discontinued operations

In the year ended 31 December 2012 and the year ended 31 December 2011, there were no discontinued operations within the meaning of IFRS 5.

5 Information on segments of activity

In the year ended 31 December 2012, the Group conducted operations within the following business segments:

- large-volume building,
- housing development,
- road-engineering,
- construction for the energy sector,
- activities in other segments.

In the year ended 31 December 2012, the Group conducted operations within the following geographical segments:

- domestic market,
- abroad (Germany, France, Belgium. Luxembourg).

The segmentation has been made by classification of the individual entities on basis of their statutory activities. The Group applies a uniform accounting policy for all segments.

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2012:

Revenue and costs by business segments

For the period from 1 January to 31 December 2012	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Exemptions	Total
Sale to external clients	1 136 374	63 981	142 534	41 259	306	0	**1 384 454**
Sale between segments	0	0	120 723	0	0	-120 723	**0**
Total income	**1 136 374**	**63 981**	**263 257**	**41 259**	**306**	**-120 723**	**1 384 454**
Cost of products, goods and materials sold to external clients	1 089 313	50 490	124 875	35 280	398	0	**1 300 356**
Cost of products, goods and materials sold to other segments	0	0	120 723	0	0	-120 723	**0**
Total cost of products, goods and materials sold	**1 089 313**	**50 490**	**245 598**	**35 280**	**398**	**-120 723**	**1 300 356**
Total gross sales	**47 061**	**13 491**	**17 659**	**5 979**	**-92**	**0**	**84 098**
Sales costs	0	2 501	1 531	0	7	0	**4 039**
General and administrative costs	31 071	2 969	8 102	3 587	628	0	**46 357**
Result on other operating activity	-2 470	-869	-761	-4	-185	0	**-4 289**
Segment result	**13 520**	**7 152**	**7 265**	**2 388**	**-912**	**0**	**29 413**
Result on financing activity	-9 645	555	-122	3 384	-86	0	**-5 914**
Income tax	1 495	1 008	1 674	836	-41	0	**4 972**
Net profit	**2 380**	**6 699**	**5 469**	**4 936**	**-957**	**0**	**18 527**

Other items by business segments

For the period from 1 January to 31 December 2012	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Total
Segment depreciation and amortisation	2 634	838	3 792	114	151	**7 529**
Interest income	1 676	1 624	232	28	3	**3 563**
Interest costs	7 445	1 253	756	14	80	**9 548**
Impairment of assets	1 463	1 244	167	22	280	**3 176**
Reversal of impairment losses on assets	276	1	89	33	13	**412**
Capital expenditure for:						
- Tangible fixed assets	1 107	2 072	320	117	0	**3 616**
- Intangible fixed assets	153	8	32	11	0	**204**
- Increase due to acquisition	0	0	0	8 109	40	**8 149**
Other non-cash outlays	766	480	225	0	0	**1 471**

Assets and liabilities by business segments

As at 31 December 2012	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Total
Segment assets	547 549	171 313	31 219	33 672	1 386	**785 139**
Investment in associates	23 610	4 949	2 271	1 900	1 824	**34 554**
Deferred tax assets	**571 159**	**176 262**	**33 490**	**35 572**	**3 210**	**819 693**
Total liabilities	**430 089**	**74 122**	**42 976**	**20 310**	**753**	**568 250**

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2011:

For the period from 1 January to 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Exemptions	Total
Sale to external clients	1 182 737	58 548	233 842	42 484	10 221	0	**1 527 832**
Sale between segments	0	0	89 605	0	0	-89 605	**0**
Total income	**1 182 737**	**58 548**	**323 447**	**42 484**	**10 221**	**-89 605**	**1 527 832**
Cost of products, goods and materials sold to external clients	1 176 102	49 091	214 336	40 018	11 858	0	**1 491 405**
Cost of products, goods and materials sold to other segments	0	0	89 605	0	0	-89 605	**0**
Total cost of products, goods and materials sold	**1 176 102**	**49 091**	**303 941**	**40 018**	**11 858**	**-89 605**	**1 491 405**
Total gross sales	**6 635**	**9 457**	**19 506**	**2 466**	**-1 637**	**0**	**36 427**
Sales costs	0	2 194	1 181	0	295	0	**3 670**
General and administrative costs	32 553	3 210	7 102	1 543	1 489	0	**45 897**
Result on other operating activity	1 212	227	267	-202	-625	0	**879**
Segment result	**-24 706**	**4 280**	**11 490**	**721**	**-4 046**	**0**	**-12 261**
Result on financing activity	-7 845	193	-927	-10	-153	0	**-8 742**
Income tax	-1 707	726	243	46	-596	0	**-1 288**
Net profit	**-30 844**	**3 747**	**10 320**	**665**	**-3 603**	**0**	**-19 715**

Other items by business segments

For the period from 1 January to 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Total
Segment depreciation and amortisation	2 540	687	4 230	33	307	**7 797**
Interest income	2 671	1 444	25	2	2	**4 144**
Interest costs	4 588	1 129	977	12	155	**6 861**
Impairment of assets	153	1 358	13	167	229	**1 920**
Reversal of impairment losses on assets	2 811	861	0	0	0	**3 672**
Capital expenditure for:	3 406	534	3 278	4	82	**7 304**
- Tangible fixed assets	1 069	430	545	3	82	**2 129**
- Intangible fixed assets	370	12	22	1	0	**405**
- Increase due to acquisition	0	0	0	0	0	**0**
Other non-cash outlays	1 967	92	2 711	0	0	**4 770**

Assets and liabilities by business segments

As at 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Activities in other segments	Total
Segment assets	530 092	158 287	44 279	670	2 685	**736 013**
Investment in associates	27 610	5 118	4 088	31	1 902	**38 749**
Deferred tax assets	**557 702**	**163 405**	**48 367**	**701**	**4 587**	**774 762**
Total liabilities	**427 009**	**68 500**	**46 746**	**256**	**1 804**	**544 315**

Region segments

The following tables present data on income and profit as well as selected assets and liabilities of geographical segments of the Group as at 31 December 2012:

Income and expenses by geographical segments

Year ended 31 December 2012	Domestic market	Abroad	Total
Sale to external clients	1 234 457	149 997	**1 384 454**
Total income	**1 234 457**	**149 997**	**1 384 454**
Cost of products, goods and materials sold to external clients	1 162 608	137 748	**1 300 356**
Total cost of products, goods and materials sold	**1 162 608**	**137 748**	**1 300 356**
Total gross sales	**71 849**	**12 249**	**84 098**
Sales costs	4 039	0	**4 039**
General and administrative costs	39 410	6 947	**46 357**
Result on other operating activity	-3 293	-996	**-4 289**
Segment result	**25 107**	**4 306**	**29 413**
Result on financing activity	-4 855	-1 059	**-5 914**
Income tax	4 196	776	**4 972**
Net profit	**16 056**	**2 471**	**18 527**

Year ended 31 December 2012	Domestic market	Abroad	Total
Segment depreciation and amortisation	7 122	407	**7 529**
Interest income	2 530	1 033	**3 563**
Interest costs	8 935	613	**9 548**
Impairment of assets	1 714	1 462	**3 176**
Reversal of impairment losses on assets	339	73	**412**

Capital expenditure for:			
- Tangible fixed assets	3 076	540	**3 616**
- Intangible fixed assets	204	0	**204**
- Increase due to acquisition			
Other non-cash outlays	8 149	0	**8 149**
Segment depreciation and amortisation	1 337	134	**1 471**

Income and expenses by geographical segments

Year ended 31 December 2012	Domestic market	Abroad	Total
Segment assets	726 198	58 941	**785 139**
Deferred tax assets	32 699	1 855	**34 554**
Total assets	**758 897**	**60 796**	**819 693**
Segment liabilities	535 983	32 267	**568 250**
Total liabilities	**535 983**	**32 267**	**568 250**

In 2012, the Group earned revenue of more than 10% of the total income from the customer Polska Sp. z o.o. (contract for the construction of the Auchan Bronowice Shopping Centre) worth PLN 146 million.

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2011:

Income and expenses by geographical segments

Year ended 31 December 2011	Domestic market	Abroad	Total
Sale to external clients	1 420 460	107 372	**1 527 832**
Total income	**1 420 460**	**107 372**	**1 527 832**
Cost of products, goods and materials sold to external clients	1 390 872	100 533	**1 491 405**
Total cost of products, goods and materials sold	**1 390 872**	**100 533**	**1 491 405**
Total gross sales	**29 588**	**6 839**	**36 427**
Sales costs	3 670	0	**3 670**
General and administrative costs	37 897	8 000	**45 897**
Result on other operating activity	-1 839	2 718	**879**
Segment result	**-13 818**	**1 557**	**-12 261**
Result on financing activity	-8 529	-213	**-8 742**
Income tax	-2 872	1 584	**-1 288**
Net profit	**-19 475**	**-240**	**-19 715**

Year ended 31 December 2011	Domestic market	Abroad	Total
Segment depreciation and amortisation	7 429	368	**7 797**
Interest income	2 481	1 663	**4 144**
Interest costs	5 983	878	**6 861**
Impairment of assets	1 920	0	**1 920**
Reversal of impairment losses on assets	1 074	2 598	**3 672**
Capital expenditure for:	**6 540**	**764**	**7 304**
- Tangible fixed assets	1 642	487	**2 129**
- Intangible fixed assets	405	0	**405**
- Increase due to acquisition			
Other non-cash outlays	4 493	277	**4 770**

Assets and liabilities by geographical segments

Year ended 31 December 2011	Domestic market	Abroad	Total
Segment assets	674 982	61 031	**736 013**
Deferred tax assets	36 807	1 942	**38 749**
Total assets			
Segment liabilities	711 789	62 973	**774 762**
Total liabilities	**511 446**	**32 869**	**544 315**

In 2012, the Group did not recorded revenue of more than 10% of the total income from any Group's customer.

6 Tangible fixed assets

2012	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2012	**4 218**	**10 685**	**20 433**	**16 544**	**3 524**	**34**	**24**	**55 462**
Increases:	**648**	**7 140**	**1 254**	**2 547**	**1 511**	**61**	**0**	**13 161**
- Purchase	0	2 031	177	556	791	61	0	**3 616**
- Lease	0	0	0	1 422	49	0	0	**1 471**
- Foreign exchange differences	-9	-71	-31	-64	-59	0	0	**-234**
- Acquisition of fixed assets under construction	657	5 180	1 108	633	571	0	0	**8 149**
- Reclassification adjustments	0	0	0	0	159	0	0	**159**
- Transfers	0	0	0	0	0	0	0	0
Decreases:	**0**	**11**	**856**	**807**	**436**	**34**	**24**	**2 168**
- Sale	0	11	599	330	131	0	0	**1 071**
- Liquidation	0	0	194	76	209	0	0	**479**
- Lease adjustment and other adjustments	0	0	63	401	96	34	24	**618**
Gross book value as at 31 December 2012	**4 866**	**17 814**	**20 831**	**18 284**	**4 599**	**61**	**0**	**66 455**
Accumulated depreciation as at 1 January 2012	**14**	**5 113**	**9 237**	**8 843**	**2 589**	**0**	**0**	**25 796**
Accumulated depreciation for the period:								
Amortization	5	671	3 129	2 849	590	0	0	**7 244**
Decreases:	**0**	**72**	**573**	**600**	**308**	**0**	**0**	**1 553**
- Sale	0	0	305	80	120	0	0	**505**
- Liquidation	0	0	186	76	202	0	0	**464**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	57	401	-57	0	0	**401**
- Foreign exchange differences from translation of foreign entities	0	72	25	43	43	0	0	**183**
Accumulated depreciation as at 31 December 2012	**19**	**5 712**	**11 793**	**11 092**	**2 871**	**0**	**0**	**31 487**
Impairment as at 1 January 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2012	**4 204**	**5 572**	**11 196**	**7 701**	**935**	**34**	**24**	**29 666**
Net book value as at 31 December 2012	**4 847**	**12 102**	**9 038**	**7 192**	**1 728**	**61**	**0**	**34 968**

2011	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2011	**5 813**	**10 880**	**22 486**	**14 911**	**2 856**	**158**	**0**	**57 104**
Increases:	**17**	**158**	**4 786**	**3 660**	**705**	**361**	**24**	**9 711**
- Purchase	3	13	171	966	533	443	0	**2 129**
- Lease	0	0	4 610	2 628	0	0	0	**7 238**
- Foreign exchange differences	14	145	45	66	74	0	0	**344**
- Acquisition of fixed assets under construction	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	-40	0	98	-82	24	**0**
- Transfers	0	0	0	0	0	0	0	**0**
Decreases:	**1 612**	**353**	**6 839**	**2 027**	**37**	**485**	**0**	**11 353**
- Sale	1 612	353	6 441	1 065	31	135	0	**9 637**
- Liquidation	0	0	398	0	6	0	0	**404**
- Lease adjustment and other adjustments	0	0	0	962	0	350	0	**1 312**
Gross book value as at 31 December 2011	**4 218**	**10 685**	**20 433**	**16 544**	**3 524**	**34**	**24**	**55 462**
Accumulated depreciation as at 1 January 2011	**11**	**4 539**	**9 866**	**7 353**	**1 992**	**0**	**0**	**23 761**
Accumulated depreciation for the period:								
Amortization	3	515	3 614	2 853	578	0	0	**7 563**
Decreases:	**0**	**-59**	**4 243**	**1 363**	**-19**	**0**	**0**	**5 528**
- Sale	0	40	3 978	444	27	0	0	**4 489**
- Liquidation	0	0	300	0	6	0	0	**306**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	0	962	0	0	0	**962**
- Foreign exchange differences from translation of foreign entities	0	-99	-35	-43	-52	0	0	**-229**
Accumulated depreciation as at 31 December 2011	**14**	**5 113**	**9 237**	**8 843**	**2 589**	**0**	**0**	**25 796**
Impairment as at 1 January 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2011	**5 802**	**6 341**	**12 620**	**7 558**	**864**	**158**	**0**	**33 343**
Net book value as at 31 December 2011	**4 204**	**5 572**	**11 196**	**7 701**	**935**	**34**	**24**	**29 666**

6.1 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the period ended 31 December 2012 and 31 December 2011 was recognised in the following positions:

	Year ended 31 December 2012	Year ended 31 December 2011
General and administrative expenses	2 938	3 026
Cost of manufacturing sold products and services	4 306	4 537
Total	**7 244**	**7 563**

6.2 Tangible fixed assets used under financial leasing contracts

The Group as a lessee has used the following tangible fixed assets under finance leases:

	31 December 2012		31 December 2011	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	11 644	5 522	12 068	7 495
Means of transport	13 210	5 331	11 638	6 001
Other fixed assets	0	0	118	3
Total	**24 854**	**10 853**	**23 824**	**13 499**

6.3 Fixed assets under construction

In the period ended 31 December 2012, the amount of borrowing costs capitalized has not occurred.

In the period ended 31 December 2011, the amount of borrowing costs capitalized has not occurred.

6.4 Tangible fixed assets collaterals

As at 31 December 2012, there were established securities on property, plant and equipment of units of the Group amounting to PLN 181,668 thousand.

As at 31 December 2011, there were established securities on property, plant and equipment of units of the Group amounting to PLN 161,353 thousand.

6.5 Amount of contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2012 and 31 December 2011, there were no contractual obligations of the companies incorporated in the Group due to the acquisition of property, plant and equipment.

6.6 Amount of compensation received from third parties for loss of value or loss of property, plant and equipment

In the period ended 31 December 2012 and in the period ended 31 December 2011, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7 Fixed assets held for sale

The Group did not classify any assets as held for sale as of 31 December 2012. The Group did not have any assets held for sale for the financial year ended 31 December 2011 as well.

8 Investment property

	2012	2011
Gross book value as at 1 January	**6 204**	**6 262**
Increases:	**0**	**0**
- Purchase	0	0
Decreases:	**171**	**58**
- Sale	171	0
- Transfer to fixed assets available as held for sale	0	0
- Transfer to inventories	0	0
- Transfer to tangible fixed assets		0
- Transfer	0	58
Gross book value as at 31 December	**6 033**	**6 204**
Accumulated depreciation as at 1 January	**511**	**486**
- Amortization for the period	32	25
- Sale	0	0
- Transfer	0	0
- Other	-29	0
Accumulated depreciation as at 31 December	**514**	**511**
Impairment as at 1 January	**0**	**0**
- Increases	0	0
- Decreases	0	0
Impairment as at 31 December	**0**	**0**
Net book value as at 1 January	**5 693**	**5 776**
Net book value as at 31 December	**5 519**	**5 693**

8.1 Restrictions on the benefits from investment property

As at 31 December 2012 and 31 December 2011, there were no loans on real estate investments held by the units of the Group which would limit the benefits of investment property or a transfer of income and profit arising from this title.

8.2 Recognition in profit or loss

Depreciation of investment property for the year ended 31 December 2012 and 31 December 2011 was recognized in the statement of comprehensive income under the item "Cost of sold products and services".

The companies of the Group have recognized in the profit and loss account the following amounts of revenues and expenses with respect to investment property:

	Year ended 31 December 2012	Year ended 31 December 2011
Rental income	16	26
Direct operating costs (including repairs and maintenance) of an investment property that brought income from rentals during the reported period	12	15
Direct operating costs (including repairs and maintenance) of an investment property that did not bring income from rentals during the reported period	22	24

9 Intangible fixed assets

2012	Other	Total
Gross book value as at 1 January 2012	**1 797**	**1 797**
Increases:	**1 719**	**1 719**
- Purchase	214	214
- Acquisition of fixed assets under construction	1 505	1 505
- Reclassification adjustments	0	0
Decreases:	**6**	**6**
- Sale	0	0
- Liquidation	0	0
- Foreign exchange differences	6	6
Gross book value as at 31 December 2012	**3 510**	**3 510**
Accumulated depreciation as at 1 January 2012	**1 195**	**1 195**
- Amortization for the period	253	253
- Foreign exchange differences	-5	-5
Accumulated depreciation as at 31 December 2012	**1 443**	**1 443**
Net book value as at 1 January 2012	**602**	**602**
Net book value as at 31 December 2012	**2 067**	**2 067**

2011	Other	Total
Gross book value as at 1 January 2011	**1 388**	**1 388**
Increases:	**405**	**405**
- Purchase	405	405
- Acquisition of fixed assets under construction	0	0
- Reclassification adjustments	0	0
Decreases:	**-4**	**-4**
- Sale	3	3
- Liquidation	-7	-7
- Foreign exchange differences	0	0
Gross book value as at 31 December 2011	**1 797**	**1 797**
Accumulated depreciation as at 1 January 2011	**982**	**982**
- Amortization for the period	209	209
- Decreases:	-4	-4
Accumulated depreciation as at 31 December 2011	**1 195**	**1 195**
Net book value as at 1 January 2011	**406**	**406**
Net book value as at 31 December 2011	**602**	**602**

9.1 Recognition in profit or loss

Depreciation and amortization of intangible assets has been recognized in the following items of the profit and loss account:

	Year ended 31 December 2012	Year ended 31 December 2011
Manufacturing costs of products and services sold	0	0
General and administrative expenses	253	209
Total	**253**	**209**

9.2 Legal restrictions

As at 31 December 2012 and 31 December 2011, there were no loans on intangible assets held by the Group's entities which would limit the legal title and secured its liabilities.

10 Consolidated goodwill

	31 December 2012	31 December 2011
Gross book value at the beginning of the period	**20 102**	**20 102**
Increases	0	0
Decreases	0	0
Gross book value at the end of the period	**20 102**	**20 102**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**20 102**	**20 102**

The goodwill recognized in the balance sheet as at 31 December 2012 and 31 December 2011 refers to:

- Erbud International Sp. z o.o. amounted to PLN 1,420 thousand
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA amounted to PLN 18,274 thousand
- Erbud Energetyka Sp. z o.o. amounted to PLN 408 thousand.

Based on the test for impairment of goodwill, which was carried out as of 31 December 2012, the Management Board stated that there is no need to make write-offs.

11 Shares or stocks in subsidiaries

Shares or stocks in subsidiaries in 2012

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	32	100%	100%
2.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100%	100%
3.	Toruńska Sportowa S A	Toruń	construction	associated company	not consolidated - not relevant	39	0	39%	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79%	79%
5.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100%	100%
6.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85%	85%
7.	Budlex S.A.	Toruń	housing development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A.	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Energetyka Sp. z o.o.	Katowice	construction	subsidiary	full method	0	1 512	100%	100%
10.	Erbud Ireland Limited*	Dublin, Irleland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100%	100%
11.	ErsteelSp. z o.o.	Toruń	steel structures	subsidiary	full method	2 850	8 064	100%	100%
12.	Engorem Sp z o.o.	Łódź	energy services	subsidiary	full method	0	9 272	80.22%	80.22%
	Stocks or shares in controlled entities as at 31.12.2012					2 928	142 535		

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

** presented the Separate Financial Statements of Erbud S.A.

Shares or stocks in subsidiaries in 2011

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	32	0	100%	100%
2.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100%	100%
3.	Toruńska Sportowa S A	Toruń	construction	associated company	not consolidated - not relevant	39	0	39%	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79%	79%
5.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100%	100%
6.	ER Services Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	100	100%	100%
7.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85%	85%
8.	Budlex Sp. z o.o.	Toruń	housing development	subsidiary	full method	0	73 575	90%	90%
9.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%
10.	Erbud Energetyka Sp. z o.o.	Katowice	construction	subsidiary	full method	0	1 510	86.36%	86.36%
11.	Erbud Ireland Limited *)	Dublin, Ireland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100%	100%
12.	ErsteelSp. z o.o.	Toruń	steel structures	subsidiary	full method	2 850	7 750	100%	100%
	Stocks or shares in controlled entities as at 31.12.2011					2 960	133 015		

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

** presented in the Separate Financial Statements of Erbud S.A.

12 Financial instruments

12.1 Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2012.

	Financial instruments					
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Loans granted	0	0	23 967	0	0	**23 967**
Financial assets available for sale	662	0	0	0	0	**662**
Other financial assets	0	826	0	0	0	**826**
Total financial assets, incl, those presented in the balance sheet as follows:						***25 455***
- long-term						*25 066*
- short-term						*389*
Building contracts securities	0	0	42 234	0	-79 814	**-37 580**
Trade and other receivables	0	0	267 500	0	0	**267 500**
Receivables from customers under building contracts	0	0	59 021	0	0	**59 021**
Derivative financial instruments	0	0	0	-12	0	**-12**
Cash and cash equivalents	0	201 769	0	0	0	**201 769**
Amounts due to customers under building contracts	0	0	0	0	-11 931	**-11 931**
Liabilities due to trade and other receivables	0	0	0	0	-296 163	**-296 163**
Non-current liabilities due to loans and borrowings	0	0	0	0	-12 616	**-12 616**
Other non-current liabilities	0	0	0	0	-2 699	**-2 699**
Liabilities arising from the issue of bonds	0	0	0	0	-50 000	**-50 000**
Current liabilities due to loans and borrowings	0	0	0	0	-37 987	**-37 987**
Total	**662**	**202 595**	**392 722**	**-12**	**-491 210**	**104 757**

12.2 Income, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2012 to 31 December 2012

	Financial instruments						
Class of financial instruments	**Assets held to maturity**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	100	0	712	2 819	0	-8 668	**-5 037**
Gains (losses) from exchange rate differences	0	0	-444	-3 312	0	1 357	**-2 399**
Impairment charges (impairment release)	0	0	0	-1 523	0	0	**-1 523**
Gains (losses) on valuation	0	32	53	-79	1 571	-769	**808**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	**0**
Total	**100**	**32**	**321**	**-2 095**	**1 571**	**-8 080**	**-8 151**

Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2011.

Classes of financial instruments	Financial instruments					
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Loans granted	0	0	30 809	0	0	**30 809**
Financial assets available for sale	740	0	0	0	0	**740**
Building contracts securities	0	0	42 067	0	(79 210)	**(37 143)**
Trade and other receivables	0	0	218 234	0	0	**218 234**
Receivables from customers under building contracts	0	0	92 896	0	0	**92 896**
Derivative financial instruments	0	0	0	(1 583)	0	**(1 583)**
Other financial assets	0	791	0	0	0	**791**
Cash and cash equivalents	0	161 291	0	0	0	**161 291**
Credits, loans and other borrowing costs	0	0	0	0	(141 095)	**(141 095)**
Amounts due to customers under building contracts	0	0	0	0	(29 034)	**(29 034)**
Liabilities due to deliveries and services and other	0	0	0	0	(195 010)	**(195 010)**
Other receivables and liabilities	0	0	6 095	0	(19 195)	**(13 100)**
Total	**740**	**162 082**	**390 101**	**(1 583)**	**(463 544)**	**87 795**

Income, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2011 to 31 December 2011

Classes of financial instruments	Financial instruments						
	Assets held to maturity	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	17	0	822	3 143	163	(6 709)	**(2 564)**
Gains (losses) from exchange rate differences	0	0	(1)	2 579	0	(472)	**2 106**
Impairment charges (impairment release)	0	0	0	2 158	0	0	**2 158**
Gains (losses) on valuation	0	0	(9)	17	(1 437)	0	**(1 429)**
Gains (losses) on sale and settlement of financial instruments	0	0	0	(3 242)	0	0	**(3 242)**
Total	**17**	**0**	**812**	**4 655**	**(1 274)**	**(7 181)**	**(2 971)**

Financial assets and liabilities measured at fair value and available for sale

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2012			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	662	0	**662**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	201 769	0	0	**201 769**
Other financial assets	826	0	0	**826**
Total				

	31 December 2012			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial liabilities measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	12	0	**12**
Total				

	31 December 2011			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	740	0	**740**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	161 291	0	0	**161 291**
Other financial assets	791	0	0	**791**
Total	**162 082**	**740**	**0**	**162 822**

	31 December 2011			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial liabilities measured at fair value through profit or loss account, of which:				
Derivative financial instruments	0	1 583	0	**1 583**
Total	**0**	**1 583**	**0**	**1 583**

12.3. Derivative financial instruments

In the financial year ended 31 December 2010 the Group entered into a denominated contract in Euro. The subject of the contract is on providing the company Deptak Projekt P2 Sp. z o.o. loan in the amount of 3.500 thousand Euro. The NBP average exchange rate EURO/PLN amounted to PLN 3.9443 as at the transaction date. Repayment of loan is scheduled by 30 July 2015. Since the group was not able to secure the exchange rate risk for such a long time, it has been decided to arrange a phase security and conclude a forward exchange contract, initially for three years.

As at 31 December 2012, valuation under this instrument amounted to PLN 12,000.

As at 31 December 2011, valuation under this instrument was PLN 1,583,000.

13 Inventories

	31 December 2012	31 December 2011
Materials	6 625	7 601
Semi-products and unfinished products	39 886	54 244
Finished products	34 989	17 916
Goods	34 813	28 342
Advances for deliveries	1 595	1 779
Gross book value of inventories at the end of the period	**117 908**	**109 882**
Impairment of inventories at the beginning of the period	**1 939**	**976**
Created in other operating costs	1 241	1 282
Created in manufacturing cost of products sold	0	0
Reversed into other operating costs	0	0
Used	802	319
Impairment losses taken from ENGOREM	237	0
Impairment of inventories at the end of the period	**2 615**	**1 939**
Net book value of inventories at the end of the period	**115 293**	**107 943**

14 Trade and other receivables

	31 December 2012	31 December 2011
Long-term receivables before tax		
a) Due to deliveries and services	0	0
- from associates	0	0
- from other entities	0	0
b) From the public sector	0	0
c) Other	1 550	120
Impairment of receivables	**0**	**0**
Long-term net receivables	**1 550**	**120**

	31 December 2012	31 December 2011
Short-term receivables before tax		
a) Due to deliveries and services	265 483	267 068
- - from associates	863	90
- - from other entities	264 620	266 978
b) From the public sector	11 614	16 526
c) Other	49 192	7 822
Impairment of receivables	**9 962**	**6 786**
Total current net receivables, of which	**316 327**	**284 630**
presented in the balance sheet as item:		
Trade and other receivables	267 500	235 606
Receivables from income tax	6 593	6 957
Construction deposits	42 234	42 067

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

The age structure of receivables is presented in the table below:

	31 December 2012	31 December 2011
a) Up to 3 months	180 659	222 940
b) Between 3 and 6 months	11 501	5 872
c) Between 6 and 12 months	33 699	18 204
d) Over 12 months	8 833	6 937
e) Overdue debts	30 791	13 115
Total trade receivables (gross)	**265 483**	**267 068**
f) Impairments from trade receivables	9 943	6 767
Total net trade receivables	**255 540**	**260 301**

Write-offs on receivables are created for overdue debts over 180 days at their full value.
In single, justified cases, can be applied individual principles of impairment accounting.

The amount of overdue for more than 1 year not covered by a write-down includes receivables of PLN 3,815 from Koncepta Spółka z o.o., on which it was established a mortgage collteral on property belonging to the company Koncepta, as well as receivables from Międzyzdrojski Rynek Sp. z o.o. in the amount of PLN 3,700, 000 (a municipal company).

The following table presents the value of impairments from trade and other receivables:

	31 December 2012	31 December 2011
Impairments at the beginning of the period	**6 786**	**9 400**
Created in other operating costs	1 935	639
Reversed into other operating costs	412	3 672
Used	0	37
Currency translation differences	-276	456
Impairment losses taken from ENGOREM	1 929	0

Impairments at the end of the period, of which:	**9 962**	**6 786**
Impairment losses from trade receivables	9 943	**6 767**
Impairment losses from other receivables	19	19

As the Group has a large number of domestic and foreign clients there is no concentration of a credit risk for trade receivables.

15 Prepayments and accruals

Receivables and prepayments	**31 December 2012**	**31 December 2011**
Insurances	2 709	262
Financial lease costs	0	30
Prepayments	0	10
Bonds issue costs	233	386
Advances for deliveries	17	0
Other	109	41
Total	**3 068**	**729**

Accruals and deferred income	**31 December 2012**	**31 December 2011**
Costs of works before invoice	6	40
Advances for purchase of apartments, premises and parking places	15 695	19 582
Other	153	212
Total	**15 854**	**19 834**

16 Cash and cash equivalents

	31 December 2012	**31 December 2011**
Cash in hand	82	98
Cash at bank	183 922	148 949
- current accounts	113 300	80 838
- overnight deposits	16 250	19 090
- other deposits	7 541	2 789
- term investments	46 831	46 232
Other cash	17 765	12 244
Total cash	**201 769**	**161 291**
Restricted cash and cash equivalents	41 709	35 437
Cash and cash equivalents for cash flow	**201 769**	**161 291**

The Group's restricted cash and cash equivalents are:

	31 December 2012	31 December 2011
Cash deposits as collateral for bank guarantees	24 911	13 097
Works Staff Welfare Fund	213	185
Other	596	1 935
Funds on trust accounts	15 989	20 220
Total	**41 709**	**35 437**

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

	31 December 2012
Change in receivables in the balance sheet	**-33 490**
Balance as at the date of acquiring entities	22 568
Receivables from the acquisition of financial assets	1 210
Change in receivables in the cash flow account	**-9 712**

	31 December 2012
Change in inventories in the balance sheet	**-7 350**
Balance as at the date of acquiring entities	897
Capitalised financing costs	1 940
Change in inventories in the cash flow account	**-4 513**

	31 December 2012
Change in payables in the balance sheet	**73 274**
Balance as at the date of acquiring entities	-15 702
Change in payables in the cash flow account	**57 572**

	31 December 2012
Change in provisions in the balance sheet	**13 431**
Balance as at the date of acquiring entities	-7 526
Change in provisions in the cash flow account	**5 905**

	31 December 2012
Change in prepayments and accruals in the balance sheet	**10 453**
Balance as at the date of acquiring entities	-486
Change in prepayments and accruals in the cash flow account	**9 967**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the year 2011 is presented below:

	31 December 2011
Change in inventories in the balance sheet	**-12 071**
Balance as at the date of acquiring entities	0
Consolidation adjustment concerning intra-Group sales	-1 494
Capitalised financing costs	1 653
Change in inventories in the cash flow account	**-11 912**

	31 December 2011
Change in balance inventories	**-73 529**
Balance as at the date of acquiring entities	0
Settlement discount	737
Change in inventories in the cash flow account	**-72 792**

Other disclosures with regard to the consolidated cash flow statement

Non-cash transactions:

- Increase of fixed assets used under finance lease amounted to PLN 1,471,000.

17 Equity

17.1 Share capital

The share capital as of 31 December 2012 consists of 12,677,956 shares with a total value of PLN 1,267,795.60.

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
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	5.66%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.87%	None
	Razem	Ordinary	None	None	**4 152 865**	**32.76%**	None
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.47%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6,10%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.33%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 269 709	10.02%	None
D,E,C,F	Free Float	Ordinary	None	None	2 449 989	19.32%	None
	Total				**12 677 956**	**100%**	
	Par value of shares of all series in PLN	0.10		Share capital value inPLN	1 267 795.60		

The share capital as of 31 December 2011 consists of 12,644,169 shares with a total value of PLN 1,264,416.90. The shareholding of the Parent Company as at 31 December 2011 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
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	24.94%	None
	Total	Ordinary	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	750 000	5.93%	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	2 470 275	19.54%	None
	Total				**12 644 169**	**100%**	

The above table shows shareholders having more than 5% of the capital.

Significant movements in the share capital of the Company during the period from 1 January 2012 to the preparation of financial statements.

During the twelve months of 2012, there were no significant changes in the shareholding in the Parent Company.

In 2012, the share capital of the Parent Company increased by PLN 3,378.70 through issuing shares of Series G. The issuance has been addressed to entitled employees in connection with the third tranche of the Staff Incentive Scheme. The issue price was PLN 11.00. The Company's share capital after the increase amounts to PLN 1,267,795.60. The authorized share capital after the issuance of Series G Shares has been registered by the District Court for the Capital City of Warsaw, XIII Commercial Division.

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 capital. 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. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in 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.

On April 15, 2013, the Management Board adopted Resolution No. 4/2013 on the capital increase within the authorized capital through the issuance of H shares and deprivation existing shareholders of the pre-emptive right to acquire shares series H. The issue will be offered to entitled employees in connection with the first tranche of the second Employee Incentive Scheme, and the number of shares which would be granted to persons entitled should not exceed 50 000 shares.

Except for rights arising from the directly held shares of Erbud SA, the major shareholders have no other voting rights at a General Meeting.
Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

The number of shares constituting the authorized capital is equal to the number of shares issued. Nominal value per share is PLN 0.10. No shares have been reserved for issuance under the sale option.

17.2 Supplementary capital

	31 December 2012	31 December 2011
From sale of shares over their nominal value	154 412	154 412
Other (by sort	**61 257**	**85 843**
From profit	66 136	91 420
Shareholder contributions	14	14
Due to Increase of capital in Rembert	-750	-750
Acquiring of remaining shares in PRD SA	-9	-9
Income tax adjustment for the cost of issuance	767	767
Acquiring of remaining shares in Budlex	-4 636	-4 636
Presentation change of supplementary capital	-718	-718
Share-based payment	2 745	2 207
From a reserve created to purchase of own shares	2 000	2 000
Sale of treasury shares	484	484
Purchase of shares in Erbud Energetyka	272	214
Share-based payment - allocation of shares	-6 292	-6 292
Increase in the capital of Budlex - agio	188	188
Increase in share capital within the authorized capital	796	796
Increase in the capital of PRD	150	150
Merger of the subsidiaries- Ersteel and ER Services	102	0
Other	8	8
Total	**215 669**	**240 255**

17.3 Capital management policies and procedures

The supplementary capital is created in accordance with the provisions of the Commercial Companies Code and he decisions of the shareholders. Pursuant to the Commercial Companies Code, to cover losses, it should be established a supplementary capital, which will be supported by at least 8% of the profit for the financial year, as long as the capital will reach at least one-third of the nominal capital. Capital created in such manner is not subject to distribution. Decision of using the supplementary and reserve capital makes the Shareholders' General Meeting; however, a part of the capital may be used only to cover the losses shown in the financial statements and is not subject to the division for other purposes.

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios, which would support the operational activities of the Group and maximize its goodwill.
The Group manages the capital structure and adjusted it as a result of changes in economic conditions. In order to maintain or correct the capital structure, the Group may respectively pay dividends to shareholders of the Parent or issue new shares.

18 Bank credits and loans

	31 December 2012	31 December 2011
Long-term	**12 616**	**12 564**
Bank credits	12 616	12 564
Overdraft credit	**37 987**	**66 978**
Bank credits and loans	15 021	39 483
Total bank credits and loans	22 966	27 495
Bank credits	**50 603**	**79 542**

Maturity of long-term credits and loans was as follows:

	31 December 2012	31 December 2011
a) up to 1 year	37 987	66 978
b) between 1 and 3 years	12 374	7 008
c) between 3 and 5 years	242	5 239
d) over 5 years	0	317
Total	**50 603**	**79 542**

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.

Long-term liabilities due to credits and loans as at 31 December 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]			
Budlex S.A.	12 000	12 000	PLN	10 434	10 434	Wibor 1M+2.00%	2013-08-20	ING Bank Śląski SA
Collaterals/guarantees of loan repayment by Budlex S.A.								

Final collaterals:

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

Security deposit established by ERBUD SA

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]			
Budlex Glinki A3 Sp. zo.o.	26 000	26 000	PLN	10 455	10 455	Wibor 3M+2.95%	15.09.2015	BRE BANK HIPOTECZNY SA

Collaterals/guarantees of loan repayment by Budlex Glinki A3

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 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]			
Budlex Pestalozziego Sp. zo.o.	12 286	12 286	PLN	4 999	4 999	Wibor 6M+2.6%	30.11.2014	Bank Ochrony Środowiska S.A.
Collaterals/guarantees of loan repayment by Budlex Pestalozziego							30.06.2013	2,308,688 payable as of the date
							30.11.2013	822,131payable as of the date
							30.11.2014	1,868,127.62 payable as of the date

Final collaterals:

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

Deposit of PLN 350,000 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

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]			
Budlex Zbozowa 1 spółka z ograniczoną odpowiedzialnością sp.k.	8 081	8 081	PLN	2 715	2 715	Wibor 3M+2.40%	31.12.2013	Bank PKO BP S.A.
Collaterals/guarantees of loan repayment by Budlex Zbozowa 1 spółka z ograniczoną odpowiedzialnością sp.k.								

Final collaterals:

Mortgage up to PLN 13,737,513 PLN

Blank promissory note and bill declaration guaranteed by Budlex S.A.

Claim deductions clause from the accounts held at PKO BP

Authorisation to operate the account held at ING Bank Śląski S.A.

Transfer of cash receivables under the contract construction insurance and then after completion - from the building insurance in the amount not less than the amount of exposure under this loan

Transfer of cash receivables to the Bank under development agreements / agreements with purchasers regarding the construction and sale of residential / parking places constructed as credited project (already signed and to be entered in the future)

Statement of the Borrower and the Guarantor on submission to execution up to PLN 16,161,780 due to the loan and promissory note

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]			
Budlex Powstania Listopadowego Spółka z o.o.	11 400	11 400	PLN	8 953	8 953	Wibor 1M+2.55%	2013-08-31	Bank Pocztowy S.A.
Collaterals/guarantees of loan repayment by Budlex Powstania Listopadowego								

Final collaterals:

Mortgage up to PLN 18,240,000

Security deposit 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 issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to current account and other ones managed by the Bank

Assignment of rights to sale agreements

Assignment of rights from engineering documentation for the project

Assignment of receivables from construction contracts entered into by the Borrower and the General Contractor

Renewable deposit in the amount of PLN 420,000

Statement on submission to the enforcement up to PLN 17,100,000

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

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]			
Budlex Powstania Listopadowego Spółka z o.o.	1 000	1 000	PLN	483	483	Wibor 1M+2.55%	2013-03-29	Bank Pocztowy S.A.
Collaterals/guarantees of loan repayment by Budlex Powstania Listopadowego								

Final collaterals:

Mortgage up to PLN 1,600,000

Security deposit 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 issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to current account and other ones managed by the Bank

Assignment of rights to sale agreements

Assignment of rights from engineering documentation for the project

Assignment of receivables from construction contracts entered into by the Borrower and the General Contractor

Renewable deposit in the amount of PLN 420,000

Statement on submission to the enforcement up to PLN 1,500,000

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

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]			
Erbud S.A.								
Collaterals/guarantees of loan repayment by Erbud S.A.	2 663	2 663	PLN	243	243	WIBOR for one-month deposits plus bank margin	2013-09-30	BPN PARIBAS

Final collaterals:

Assignment of debts from construction contracts

Statement on submission to enforcement

Authorization to operate bank accounts managed by PNB Paribas

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]			
Collaterals/guarantees of loan repayment by Erbud S.A	26	26	PLN	19	19	1M Wibor	0	Orix Polska S.A.

Final collaterals:

Blank promissory note

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]			
GWI								
	327	80	EUR	243	59	2.99%	05.2017	Deutsche Bank
Collaterals/guarantees of loan repayment by GWI								
Final collaterals:								
Property 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]			
	8 188	2 000	EUR	8 188	2 000	2.8%	31.05.2013	Commerzbank
Collaterals/guarantees of loan repayment by GWI								
Final collaterals:								
Guarantee issued by BRE Bank in the amount of EUR 2,000,000								

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]			
	6 132	1 500	EUR	3 862	945	2.59%	25.10.2013	KBC

Collaterals/guarantees of loan repayment by GWI

Final collaterals:

Guarantee by ERBUD SA in the amount of EUR 2,000,000

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]			
	0	0	EUR	9	2	10%		Deutsche Bank

Collaterals/guarantees of loan repayment by GWI

Final collaterals:

Current account

Total loans and borrowings	**50 603**

Terms and conditions of loan agreements

Under the loan agreements, the Companies of Erbud Group are obliged to meet certain financial ratios (so-called loan covenants). As required by IAS 1, a breach of loan covenants which could potentially result in a reduction of unconditional access to credit during the next year makes it necessary to qualify such liabilities as current ones.

In the twelve months of 2012, loan covenants were breaking by Erbud SA related to overdrive credits in PKO BP, BRE Bank and Alior Bank. The violation concerned the following ratios: return on sales, current liquidity, net profit margin, net profitability ratio.

Here is a list of violated ratios:

Bank BRE			
Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	not less than 0.7%	0.5%	not achieved
Bank PKO BP			
Ratio	*Level required*	*Level achieved*	*Comment*
Net profit margin	not less than 3%	1.34%	not achieved
Current liquidity	not less than 1.3%	1..6%	not achieved
Alior Bank			
Ratio	*Level required*	*Level achieved*	*Comment*
Net profitability	not less than 1%	0.52%	not achieved
Current liquidity	not less than 1.3%	1.16%	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 commitments for overdrafts has been presented as current liabilities.

19 Liabilities arising from issuance of debt and equity securities

On 14 July 2011, the Parent issued 50,000 units of 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. Interest is payable every 6 months, and the next interest payment date fell on 15 January 2011.

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

In the year ended 31 December 2012, the Group companies did not have any debt securities issued.

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 of 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.

20.1 Other long-term financial liabilities

	31 December 2012	31 December 2011
Long-term liabilities under financial lease	2 699	5 182

20.2 Other long-term liabilities

	31 December 2012	31 December 2011
Foreign exchange risk hedging - Budlex Sp. z o.o	12	1 583
Liabilities due to the purchase of shares in Budlex Sp. z o. o.	0	5 276
Total	**12**	**6 859**

21 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	6 576	640	1 173	452	**8 841**
Created in this year	0	0	0	0	**0**
Released	405	13	420	245	**1 083**
Used	614	2	1 153	84	**1 853**
Transfers	556	0	6 956	14	**7 526**
As at 31 December 2012	**17 724**	**1 399**	**12 702**	**528**	**32 353**

Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	6 900
- Other provisions	2 750
Current liabilities:	
- Provisions for pensions and similar benefits	5 802
- Other provisions	16 901
Total as at 31 December 2012	**32 353**

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2011	**6 351**	**619**	**4 467**	**1 880**	**13 317**
Increase	6 664	155	5 283	7 030	**19 132**
Created in this year	0	0	0	0	**0**
Released	626	0	3 284	8 427	**12 337**
Used	778	0	352	60	**1 190**
Transfers	0	0	32	-32	**0**
As at 31 December 2011	**11 611**	**774**	**6 146**	**391**	**18 922**

Age structure of the provisions as at 31 December 2012 and 31 December 2011 is presented in the table below:

	31 December 2012	31 December 2011
Non-current	9 650	3 136
Current	22 703	15 786
Total	**32 353**	**18 922**

21.1 Provision for guarantee repairs

The Group has recognized in the balance sheet provision for guarantee repairs in the amount of PLN 17 724 thousand as at 31 December 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 2009-2012.

21.2 Provision for litigation and claims

The provision as at 31 December 2012 consists mainly from 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: the first instance, value of dispute: PLN 451 thousand. The Court of Appeal quashed the sentence issued by the Regional Court and refereed the case to reheard. The end is difficult to predict because of its complicated nature.

Furthermore in 2012, has been created a provision for the dispute brought by Przedsiębiorstwo Budowlane ARGO Sp. z o.o. The legal status as at the balance sheet date: the first instance, value of dispute PLN 383 thousand. Due to the complexity of the case the end is difficult to predict.

22 Trade and other liabilities, income tax liabilities, building contracts securities

Short-term liabilities	31 December 2012	31 December 2011
a) Deliveries and services	308 342	274 220
- From associates	1 233	852
- From other entities	307 109	273 368
b) Due to public sector	14 132	13 794
- Corporate income tax	201	1 311
- Value Added Tax	7 400	6 101
- Income tax on natural persons	1 246	1 384
- Other	5 285	4 998

c) Financial liabilities, incl.	5 372	6 372
- Interest	69	90
- Bond interest	1 889	1 889
- Leases	3 414	4 393
d) Other	48 332	9 629
- Labour costs	4 552	4 946
- Advance payments received	34 009	127
- Liabilities due to shares	5 553	3 451
- Other	4 218	1 105
Total presented in the balance sheet as:	**376 178**	**304 015**
Trade and other liabilities	296 163	223 493
Current tax liabilities	201	1 311
Construction deposits	79 814	79 211

23 Liabilities under financing lease

Current value of net minimum lease fees was as follows:

	31 December 2012 Current value of fees	31 December 2011 Current value of fees
The nominal value of minimum lease fees		
up to 1 year	3 758	5 029
between 1 and 5 years	2 878	5 600
Total liabilities under financing lease– total minimum lease fees	**6 636**	**10 629**
Financial expense due to financing lease	523	1 054
Current value of minimum lease fees		
up to 1 year	3 414	4 393
between 1 and 5 years	2 699	5 182
Total current value of minimum lease fees	**6 113**	**9 575**

Short-term commitments under finance leases are recognized as items of liabilities due to trade and other payables.

24 Long-term construction contracts

Long-term construction contracts were valued using method of progress of completion resulting from the measurement. Revenues, expenses and profit were recognized in proportion to the stage of completion of works.

	Yaer ended 31 December 2012	Year ended 31 December 2011
Incomes from building contracts	1 309 714	1 454 666
Expenses from building contracts, incl.:	1 231 204	1 427 904
- Recognized loss	124	162
Profit before tax	**78 510**	**26 762**

The value of recognized assets and liabilities arising from long-term contracts for the delivery of construction services in the Group is presented in the following table:

	31 December 2012	31 December 2011
Assets:		
Amounts due from customers, incl.	**59 021**	**92 896**
- Contracts valuation	59 021	92 896
Liabilities:		
Amounts due to customers, incl.:	**11 931**	**29 034**
- Contracts valuation	11 931	29 034

25 Retentions under construction contracts

Retention money under construction contracts as at 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012	31 December 2011
Retentions held by customers		
Retentions to be returned beyond 12 months	8 607	8 593
Retentions to be returned within 12 months	33 627	33 474
Total	**42 234**	**42 067**
Retentions retained to suppliers		
Retentions to be returned beyond 12 months	5 447	8 248
Retentions to be returned within 12 months	74 367	70 963
Total	**79 814**	**79 211**

Retentions due to construction contracts with a payment period of over one year shall be discounted and are recognized in the balance sheet at current value.
The discount amounts recognized in the balance sheet (reducing the nominal value of debts and liabilities due to the deposits):

	31 December 2012	31 December 2011
Discount of retentions held by customers	-816	-737
Discount of retentions retained to suppliers	-1 408	-1 817

Discounts recognized in profit or loss:

	Derecognition of liabilities discount as at 1 January 2012	Derecognition of discount as at 1 January 2012	Recognition of discount as at 31 December 2012	Recognition of liabilities discount as at 31 December 2012	Total impact of discounting in the period ended 31 December 2012
Impact on gross profit/loss	-1 817	737	1 408	-816	-488
Impact on net profit/loss	-1 472	597	1 140	-661	-396

	Derecognition of liabilities discount as at 1 January 2011	Derecognition of discount as at 1 January 2011	Recognition of discount as at 31 December 2011	Recognition of liabilities discount as at 31 December 2011	Total impact of discounting in the period ended 31 December 2011
Impact on gross profit/loss	-2 202	755	1 817	-737	-367
Impact on net profit/loss	-1 783	611	1 472	-597	-297

26 Revenues from sales

	Year ended 31 December 2012	Year ended 31 December 2011
Revenues from sales of finished products	63 722	68 750
Revenues from sales of services	1 315 393	1 455 487
Revenues from sales of goods and materials	5 339	3 595
Total	**1 384 454**	**1 527 832**

27 Costs by sort

	Year ended 31 December 2012	Year ended 31 December 2011
Depreciation and amortization	7 529	7 797
Consumption of materials and power	228 084	228 132
External services	933 106	1 159 444
Taxes and charges	7 408	6 514
Payroll	105 896	104 865
Social security and other benefits	22 927	23 028
Other costs	12 958	14 427
Goods and materials sold	5 157	3 084
Total expenses by sort	**1 323 065**	**1 547 291**
Change in inventories, products and deferred expenditures due to construction contracts	27 701	-6 319
Cost of production for in-house use (negative value)	-14	0
Cost of sales (negative value)	-4 039	-3 670
General and administrative costs (negative value)	-46 357	-45 897
Manufacturing cost of products sold	**1 300 356**	**1 491 405**

28 Other revenues and operating costs

Other operating income	Year ended 31 December 2012	Year ended 31 December 2011
Gain on disposal of non-financial fixed assets	311	357
Reversal of impairment, incl.:	412	3 459
- Receivables	412	3 459
- Other	0	0
Release of provisions, incl.:	486	272
- Guarantee repairs	380	250
- Litigation and claims	13	5
- Other	93	17
Other, incl.:	1 862	1 156
- Indemnities	664	104
- Penalties, fines and indemnities received	89	807
- Reversal of impairment losses on receivables	501	0
- Tax return from Germany	280	0
- Other	328	245
Total	**3 071**	**5 244**

Other operating income	Year ended 31 December 2012	Year ended 31 December 2011
Loss on disposal of non-financial fixed assets	5	70
Creation of impairments, incl.:	3 191	1 920
- Receivables	1 935	638
- Inventories	1 256	1 282
Creation of provisions, incl.:	1 574	581

- Guarantee repairs	884	426
- Litigation and claims	600	155
Other	90	0
Other, incl.:	2 590	1 794
- Penalties, fines and indemnities	2 049	744
- Legal action costs	9	48
- Written-off receivables	225	662
- Donations	28	0
- Other	279	340
Total	**7 360**	**4 365**

29 Financial income and expenses

Financial income	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Revaluation of investments	21	757
Valuation of financial instruments	32	0
Gain on disposal of financial assets	0	0
Interest on loans granted	2 088	2 984
Interest on shares	54	0
Interest on bonds	0	72
Other interest	1 544	1 160
Discount of deposits	0	107
Foreign exchange differences, incl.:	**434**	**2 602**
- Gained	16	638
- Unrealized	418	1 964
Gain on bargain purchase of y ENGOREM	3 348	0
Valuation of financial instruments	1 571	0
Other	12	12
Total	**9 104**	**7 694**

Financial expenses	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Valuation of financial instruments	0	1 527
Interest on bonds	4 165	1 959
Interest on loans and borrowings received	3 239	3 531
Financial expenses under finance lease	929	855
Other interests	336	515
Negative exchange differences, incl.:	**2 833**	**496**
- Gained	738	995
- Unrealized	2 095	-499
Bank guarantee fees	287	561
Discount of deposits and other liabilities	848	776
Front-end fee paid to the bank	2 130	2 649
Financial costs of bonds	153	0
Impairment on loan for ERBUD Ireland	0	3 243
Other	98	324
Total	**15 018**	**16 436**

30 Current and deferred income tax

The main tax items for the year ended 31 December 2012 and 31 December 2011 were as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Profit or loss	**4 972**	**-1 288**
Current tax	3 084	5 487
Deferred tax on origination and reversal of temporary differences	1 888	-6 775

Other liabilities	**0**	**0**
Equity	**0**	**0**
Reimbursement of income tax on the issue cost	0	0

Reconciliation of the income tax on profit before tax of tax calculated at an effective tax rate for the year ended 31 December 2012 and 31 December 2011 is summarized in the following table:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Profit before tax on continuing operations	23 499	-21 003
Pre-tax result of discontinued operations	0	0
Profit before tax	**23 499**	**-21 003**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 20110 and 2010	**4 465**	**-3 991**
Additional burden arising from the rate exceeding 19% in Germany and France	21	91
Consolidation adjustments result	0	-454
Unrecognised tax losses	**-440**	**691**
Excess costs which are not tax deductibles over income not recognized as taxable income	**926**	**2 375**
Tax recognized in the consolidated profit and loss statement	**4 972**	**-1 288**

In the year ended 31 December 2012 there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2012, there were no items of temporary differences in respect of which the deferred tax assets were not recognized in the balance sheet nor any provision for deferred tax was established.

Provision on deferred tax	**31 December 2012**	**31 December 2011**
Valuation of long-term contracts	19 278	21 482
Revaluation of assets	6 576	6 832
Financial expenses capitalized	346	321
Balance valuation + discounted liabilities	277	493
Balance valuation - interest	1 573	986
Other	570	813
Total	**28 620**	**30 927**

Deferred tax assets	**31 December 2012**	**31 December 2011**
Valuation of building contracts	9 721	11 306
Provisions	6 825	2 779
Tax loss	10 547	14 703
Profit margin on intra-Group sales	487	487
Income adjustment in connection with the settlement (Angel)	0	0
Other fees charged statistically	236	806
Claims revaluation	857	1 193
Valuation of bonds interest	359	0
Other financial liabilities	578	1 143
Financial instruments	0	0
Consolidation adjustments	1 687	2 456
Accrued costs	2 035	2 841
Deposit discount	433	0
Other	789	1 035
Total	**34 554**	**38 749**

Deferred tax asset on tax loss relates mainly to tax losses incurred in 2010 and 2011 by ERBUD SA. The Company may use this asset for a period of 5 years from the balance sheet date.

Assets and liabilities for deferred taxes are compensated when there is a legal title to compensate tax receivables and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

31 Loans granted

As at 31 December 2012, the Group granted loans as follows:

The borrower	Outstanding loan/borrowing amount [PLN]		Interest	Maturity date
Żelazkiewicz Dariusz	179	Loan in PLN	WIBOR 6M +4%	15.06.2013
Collateral:				
Three blank promissory notes with the borrower's promissory note declaration				
Pledge on all 30 shares owned by Nasz Dom Spółka z o.o. seated in Toruń				

The borrower	Outstanding loan/borrowing amount [PLN]		Interest	Maturity date
ABConsulting Spółka z o.o.	3 100	Loan in PLN	WIBOR 3M +2,8%	30.12.2014
Collateral:				
Unsecured loan				

The borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
Deptak Projekt P2 Sp. Z o.o.	16 564	3 500	7.5%	30.07.2015
Collateral:				
Blank promissory note with promissory note declaration				

The borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
PDI	3 915	957	10%	31.12.2015
Collateral:				
Entry into the Land Register				

The borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
Wojciech Grabianowski	209	51	4%	31.03.2013
Collateral:				
Unsecured loan				

Total loans granted	**23 967**

32 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders (after deducting interests on the depreciable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the impact of dilutive options and dilutive depreciable preference shares convertible into ordinary shares).

Below are presented data on earnings and shares used to calculate current and diluted earnings per share:

	Year ended 31 December 2012	Year ended 31 December 2011
Net profit (loss) attributable to the shareholders of the Parent	17 223	-20 358
Weighted average number of shares (in units)	12 661 062	12 614 864
Net profit (loss) per share (in PLN)	**1,36**	**-1,61**
Diluted weighted average number of shares	12 710 858	12 621 415
Diluted earnings (loss) per share (in PLN)	**1,35**	**-1,61**

32 Dividends paid and declared to be paid, dividend per share

In the current reporting period the Company did not pay dividends.

33 Changes in the composition of the Capital Group

On 22.11.2012, Erbud SA signed an agreement to purchase from Dalkia Lodz SA shares, representing 57.56% of the capital of ENGOREM Sp. z o.o. in Łódź that entitled to 57.56% votes at the shareholders' meeting. At the same time, the Management Board of Erbud SA acquired shares from minority investors – a group of a few dozen of employees, representing 22.66% of the capital of ENGOREM Sp. z o.o. in Łódź and giving 22.66% votes at the shareholders' meeting. The price was set at PLN 8 million. The transaction was financed with own funds of Erbud SA. As a result of the transaction, Erbud SA became the owner of 80.22% of shares in ENGOREM Sp. z o.o.

ENGOREM Sp. z o.o. was established in 1994 and operates in the field of comprehensive investment services, repair and diagnostics for the power industry, mainly in the region of city of Łódź. Due diligence conducted prior to the purchase of shares, confirmed the good economic position of the company. End October, ENGOREM Sp. z o.o achieved revenues of PLN 35m and operating profit of around PLN 1.0m. It has no liabilities. The company employs 270 people.

The Management Board of ERBUD S.A. believes the new entity is a foundation for further expansion of the Group's competence in the energy sector.

For the purpose of accounting the business combination in the Consolidated Financial Statements of Erbud S.A., assets and liabilities of ENGOREM Sp. z o.o. were revaluated to their fair value in accordance with IFRS 3. The following table shows a comparison between the book values and fair values of the main assets and liabilities of ENGOREM Sp. z o.o. as at the merger date.

Balance sheet items	**Carrying value**	**Fair value**
Tangible fixed assets	3 726	8 119
Intangible assets	10	1 505
Cash and cash equivalents	4 531	4 531
Inventories	897	897
Receivables	22 328	22 328
Prepayments and accruals	1 200	1 200

Deferred tax assets	2 280	2 280
Total assets	**34 972**	**40 860**
Accounts payable and accruals	25 258	25 258
Provision for deferred tax assets	309	1 428
Total liabilities	**25 567**	**26 686**
Fair value of the net assets, of which:		14 174
net assets attributable to shareholders ERBUD SA		11 370
Purchase price (cash payment)		8 022
Gain on bargain purchase (presented under financial income)		3 348

Should the connection with ENGOREM took place on 1 January 2012 the Erbud Group's net profit for 2012 would be higher by PLN 445,000 and would amounting to PLN 18,972.

Other changes in the composition of the Group for the period from 1 January 2012 to 31 December 2012:

On 31 August 2012, the District Court in Toruń, VII Commercial Division of the National Court Register, registered under the decree TO.VII NS-REJ.KRS/007753/12/019 the merger of ERSTEEL Sp. z o.o. based in Torun as the acquiring company with the acquired company ER SERVICES Sp. z o.o. with its registered office in Warsaw as per Art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring the assets of the acquired company to the acquiring company against shares in the increased capital of the acquiring company awarded to the shareholders of the acquired company. Furthermore, in 2012, the Parent Company increased its shareholding in the subsidiary Erbud Energetyka and holds 100% of shares.

34 Share-based payment

From 2010, there is a Share Award Scheme in the Erbud Group, which is classified as a share-based payment. Under this program, a right to three tranches of shares in a maximum of 50,000 units each was granted to the Board members and senior management of the Group. The first tranche (31,686 shares) was allocated to employees in 2010. Subsequent tranches will be awarded after meeting the conditions in 2011 and 2012. The fair value of shares on the grant date was PLN 47.69.

Shares were granted on the base of the Group's results achieved in 2008-2010 (consolidated result of more than PLN 10 million) and in accordance with the following conditions:

- position at the company,
- responsibilities,
- assessment of the achievements,
- value of sales revenue and gross profit for subsidiaries or volume of work and marginal return for construction sites and branches.

In the 12 months period ended 31 December 2010 the fair value of services received which were identified in pursuant to IFRS 2 has been recognized under salary costs in the amount of PLN 2 034 thousand.

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 authorized capital. 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. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in 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.

On April 15, 2013, the Management Board adopted Resolution No. 4/2013 on the capital increase within the authorized capital through the issuance of H shares and deprivation existing shareholders of the pre-emptive right to acquire shares series H. The issue will be offered to entitled employees in connection with the first tranche of the second Employee Incentive Scheme, and the number of shares which would be granted to persons entitled should not exceed 50 000 shares.

35 Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with associates that are not subject to consolidation for the year ended 31 December 2012 and as at the date as well as for the year ended 31 December 2011 and as at the date:

	Receivables/assets	Liabilities	Income	Expenses
	31 December 2012		Year ended 31 December 2012	
- deliveries and services	863	1 233	3	2 635
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	20 479	0	1 925	0

	Receivables/assets	Liabilities	Income	Expenses
	31 December 2011		Year ended 31 December 2011	
- deliveries and services	90	852	53	3 001
- disposal of fixed assets	0	0	0	0
- other	0	0	25	0
- inventories	0	0	0	0
- loans	30 474	0	2 943	0

Transactions with related parties are concluded on market conditions.

36 Transactions with key members of the company's management

As at 31 December 2012 the managing persons (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	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2,848,347	22.47%	2,848,347	22.47%
Dariusz Grzeszczak	Ordinary	773,900	6.10%	773,900	6.10%
Józef Adam Zubelewicz	Ordinary	259,500	2.05%	259,500	2.05%
Albert Duerr- Supervisory Board member	Ordinary	8,500	0.07%	8,500	0.07%
Walenty Twardy Procurator of ERBUD SA	Ordinary	19,852	0.16%	19,852	0.16%
Piotr Augustyniak Procurator of ERBUD SA	Ordinary	9,811	0.08%	9,811	0.08%
Agnieszka Głowacka Procurator of ERBUD SA	Ordinary	5,836	0.05%	5,836	0.05%
Grzegorz Krzywicki Procurator of ERBUD SA	Ordinary	3,033	0.02%	3,033	0.02%
Bogdan Duerr Procurator of ERBUD SA	Ordinary	6,712	0.05%	6,712	0.05%

Włodzimierz Czystowski Procurator of ERBUD SA	Ordinary	10,525	0.08%	10,525	0.08%
Tomasz Krzywicki Procurator (by a person related)	Ordinary	3,636	0.03%	3,636	0.03%
Mirosław Młynarski Procurator	Ordinary	6,778	0.05%	6,778	0.05%
Radosław Kałamaga Procurator	Ordinary	5,494	0.04%	5,494	0.04%
Tomasz Krzywicki Procurator of ERBUD SA	Ordinary	3,950	0.03%	3,950	0.03%
Maciej Wyrzykowski Procurator of ERBUD SA	Ordinary	1,200	0.01%	1,200	0.01%
Mariola Zielińska Chief Accountant of Erbud S.A.	Ordinary	4,018	0.03%	4,018	0.03%

As at 31 December 2011 the managing persons (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	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2,818,174	22.29%	2,818,174	22.29%
Dariusz Grzeszczak	Ordinary	750,000	5.93%	750,000	5.93%
Józef Adam Zubelewicz	Ordinary	250,000	1.98%	250,000	1.98%
Walenty Twardy Procurator of ERBUD SA	Ordinary	12,384	0.10%	12,384	0.10%
Piotr Augustyniak Procurator of ERBUD SA	Ordinary	8,747	0.07%	8,747	0.07%
Agnieszka Głowacka Procurator of ERBUD SA	Ordinary	5,436	0.04%	5,436	0.04%
Grzegorz Krzywicki Procurator of ERBUD SA	Ordinary	3,033	0.02%	3,033	0.02%
Bogdan Duerr Procurator of ERBUD SA	Ordinary	6,712	0.05%	6,712	0.05%
Włodzimierz Czystowski Procurator of ERBUD SA	Ordinary	12,463	0.10%	12,463	0.10%
Tomasz Krzywicki Procurator of ERBUD SA (by a person related)	Ordinary	3,636	0.03%	3,636	0.03%
Mirosław Młynarski Procurator of ERBUD SA	Ordinary	4,479	0.04%	4,479	0.04%
Radosław Kałamaga Procurator of ERBUD SA	Ordinary	3,704	0.03%	3,704	0.03%
Tomasz Krzywicki Procurator of ERBUD SA	Ordinary	2,750	0.02%	2,750	0.02%
Maciej Wyrzykowski Procurator of ERBUD SA	Ordinary	1,200	0.01%	1,200	0.01%
Mariola Zielińska Chief Accountant of Erbud S.A.	Ordinary	4,318	0.03%	4,318	0.03%

As of the date of submitting the statements, the Board members and procurists do not have any Erbud's stock options.

In 2012, the share capital of the Parent Company increased by PLN 3,378.70 through issuing shares of Series G. The issuance has been addressed to entitled employees in connection with the third tranche of the Staff Incentive Scheme. The issue price was PLN 11.00. The Company's share capital after the increase amounts to PLN 1,267,795.60. The authorized share capital after the issuance of Series G Shares has been registered by the District Court for the Capital City of Warsaw, XIII Commercial Division.

Under the Employee Incentive Scheme Program, the following number of shares of series G has been granted to the managing staff:

Shareholder	Class of shares	Number of shares
Walenty Twardy - Procurist of Erbud S.A.	Ordinary	2 460
Piotr Augustyniak - Procurist of Erbud S.A.	Ordinary	5 309
Maciej Wyrzykowski - Procurist of Erbud S.A.	Ordinary	1 200
Agnieszka Głowacka - Procurist of Erbud S.A.	Ordinary	2 500
Grzegorz Krzywicki - Procurist of Erbud S.A.	Ordinary	1 200
Włodzimierz Czystowski - Procurist of Erbud S.A.	Ordinary	1 800
Radosław Kałamaga - Procurist of Erbud S.A.	Ordinary	1 790
Mirosław Młynarski - Procurist of Erbud S.A.	Ordinary	2 354

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 authorized capital. 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. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in 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.

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

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

37 Remuneration of key senior management members

Remuneration of the Supervisory Board members of ERBUD SA in the year ended 31 December 2012 and as at 31 December 2011 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011
Udo Berner	President of the Supervisory Board	60	60
Józef Olszyński	Vice-President of the Supervisory Board	44	44
Albert Durr	Member of the Supervisory Board	40	40
Gabriel Główka	Member of the Supervisory Board	40	40
Lech Wysokiński	Member of the Supervisory Board	40	40

Zofia Dzik	Member of the Supervisory Board	40	21
Michał Otto	Member of the Supervisory Board	23	0

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011
Dariusz Grzeszczak	Member of the Management Board	970	1 282
Józef Adam Zubelewicz	Member of the Management Board	966	1 216

Remuneration of senior management members of Erbud S.A. paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2012	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011
Agnieszka Głowacka	Joint proxy	288	294
Piotr Jan Augustyniak	Joint proxy	343	831
Walenty Twardy	Joint proxy	278	848
Maciej Piotr Wyrzykowski	Joint proxy	219	242
Grzegorz Krzywicki	Joint proxy	266	265
Bogdan Durr	Joint proxy	357	358
Tomasz Krzywicki	Joint proxy	472	372
Włodzimierz Czystowski	Joint proxy	212	177
Waldemar Kozłowski	Joint proxy	306	336
Radosław Kałamaga	Joint proxy	276	599
Mirosław Młynarski	Joint proxy	526	293

38 Contingent liabilities and receivables

The off-balance sheet items due the Group's debts, liabilities and other balance sheet items are as follows:

	31 December 2012	31 December 2011
Contingent receivables	**24 008**	**28 018**
From related parties	**16 353**	**25 176**
Guarantees received	16 353	25 176
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
From other entities	**7 655**	**2 842**
Guarantees received	7 655	2 842
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
Total contingent receivables	**24 008**	**28 018**
Contingent liabilities	**421 969**	**362 088**
To related parties	**66 250**	**30 847**

Guarantees granted	66 250	30 847
Litigation and claims	0	0
Promissory notes	0	0
To other entities	**355 719**	**331 241**
Guarantees granted	355 719	331 241
Litigation and claims	0	0
Promissory notes	0	0
Total contingent liabilities	**421 969**	**362 088**
Total off-balance sheet items	**397 961**	**334 070**

39 Court proceedings

As of 31 December 2012, there are any significant legal proceedings brought by ERBUD SA pending, except those disclosed in Note 44.

Significant court cases in which Erbud SA is the defendant are described in section 21.2

40 Capital expenditures

Scheduled capital expenditures for 2013 amount to PLN 3,120 thousand, of which
- Erbud PLN 290 thousand
- Engorem PLN 800 thousand
- PBDI S.A. PLN 320 thousand.

41 Employment structure

The average employment in the Group was as follows:

	31 December 2012	31 December 2011
Blue-collar workers	1 135	959
White-collar workers	599	546
Total	**1 734**	**1 505**

42 Objectives and principles of financial risk management

In the course of the business conducted, 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 sets the principles of management of each of these risks.

Foreign exchange risk

As a part of the core operations, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (mainly in the Euro). Policy of currency risk management adopted by the Management Board consists in matching the contract currency to the currency of expenditure related to this contract. Contracts carried out in Poland by the Group are concluded in the Polish currency (Polish Zlotys) and contracts executed by the companies and entities operating abroad are signed in Euros.

The Group does not apply hedge accounting.

	PLN	EUR	Total
Cash and cash equivalents	183 590	18 179	**201 769**
Trade and other receivables	201 259	66 241	**267 500**
Receivables due deposits	36 784	5 450	**42 234**

Loans granted	19 664	4 124	**23 788**
Total	**441 297**	**93 994**	**535 291**
Credits and loans liabilities	38 302	12 301	**50 603**
Trade and other liabilities	254 916	41 247	**296 163**
Liabilities due deposits	78 982	831	**79 813**
Long-term lease liabilities	2 167	532	**2 699**
Bonds issued	50 000	0	**50 000**
Total	**424 367**	**54 911**	**479 278**
Exposure to currency risk		**39 083**	

Risk of interest rates

The risk of interest rates is mainly due to the use by companies of the bank credits, loans and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows. Furthermore, the Group invests surplus cash in investments with variable interest rates (deposits), which reduces the return on investment when interest rates are dropping. The Group also uses fixed-rate instruments for which market changes in interest rates do not affect the interest costs incurred and the interest income received. Trade and other receivables and payables are not interest bearing and their maturity dates are no longer than one year.

The exposure to interest rate risk and interest rate forecasts are monitored by the Group.

The following table presents the carrying value of financial instruments as at 31 December 2012, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	**Total**
Loans granted	3 309	20 479	0	0	**23 788**
Cash assets - term deposits	54 372	0	0	0	**54 372**
Total	**57 681**	**20 479**	**0**	**0**	**78 160**

Variable interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	**Total**
Cash at bank accounts	147 315	0	0	0	**147 315**
Overdrafts	15 021	0	0	0	**15 021**
Liabilities due to finance lease (current and non-current)	3 414	2 592	107	0	**6 113**
Bank credit secured	22 966	12 374	242	0	**35 582**
Bonds	0	50 000	0	0	**50 000**
Total	**188 716**	**64 966**	**349**	**0**	**254 031**

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. The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase of material prices and labour costs, costs of the services rendered for the Group by the subcontracting companies may rise as well. Prices in the agreements signed with the investors are usually fixed for the duration of a contract performance - usually between 6 and 36 months, while contracts with subcontractors are concluded at a later date, with the progress of individual works.

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

Credit risk

Financial assets of the Group, which are exposed to increased credit risk, are trade receivables. 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 the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the agreement conclusion depends on the establishment of appropriate financial or property guarantees. In addition, the conditions of agreements with building investors provide for the right to suspend the execution of works, in case of any delay in payment for services rendered.

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

The age structure of debt is presented in Note 14.

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.

The tables below summarize the Group's financial liabilities as at 31 December 2012 and as at 31 December 2011 by the maturity on the basis of contractual undiscounted payments:

31 December 2012	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Credits and loans at interest	483	37 504	12 616	0	**50 603**
Long-term lease liabilities	0	0	2 699	0	**2 699**
Trade and other liabilities	253 464	42 699	0	0	**296 163**
Income tax liabilities	201	0	0	0	**201**
Construction deposits	0	74 367	5 447		**79 814**
Bonds issued	0	0	50 000	0	**50 000**
Total	**254 148**	**154 570**	**70 762**	**0**	**479 480**

31 December 2011	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Credits and loans at interest	576	66 403	12 246	317	**79 542**
Lease liabilities	627	3 765	5 183	0	**9 575**
Trade liabilities and construction deposits liabilities	195 469	70 558	8 193	0	**274 220**
Income tax liabilities	1 311	0	0	0	**1 311**

Salary liabilities	4 946	0	0	0	**4 946**
Derivatives	1 644	0	0	0	**1 644**
Bonds issued	0	0	50 000	0	**50 000**
Total	**204 573**	**140 726**	**75 622**	**317**	**421 238**

Sensitivity analysis for currency and interest rates risk

The influence of potential changes on market risk was estimated by the Group as follows:
100 bsp - change in the PLN interest rate (increase or decrease in interest rate)
100 bsp - change in the EUR interest rate (increase or decrease in interest rate)
10% - change in the exchange rate PLN/EUR (revaluation or devaluation of PLN).

The sensitivity analysis by the Group does not include the effects of taxation.

The influence of potential changes on profit before tax and the Company's capital is summarized below:

Sensitivity analysis for currency and interest rates risk

Item in balance sheet	Value in PLN '000	Interest rate risk		Currency risk			
		Influence on profit		Influence on profit		Influence on capital	
		+ 100 pbs in PLN + 100 pbs in EUR	+ 100 pbs in PLN + 100 pbs in EUR	10% PLN revaluation	10% PLN devaluation	10% PLN revaluation	10% PLN devaluation
Cash and cash equivalents	201 769	2 018	-2 018	-790	790	-1 028	1 028
Trade and other receivables	267 500	0	0	-4 677	4 677	-1 947	1 947
Receivables due to deposits	42 234	0	0	-545	545	0	0
Loans granted	23 788	238	-238	0	0	-412	412
Influence on financial assets		**2 256**	**-2 256**	**-6 012**	**6 012**	**-3 387**	**3 387**
Credits and loans liabilities	50 603	-506	506	0	0	1 230	-1 230
Bonds issued	50 000	-500	500	0	0	0	0
Long-term lease liabilities	2 699	-27	27	53	-53	0	0
Trade and other liabilities	296 163	-34	34	3 552	-3 552	573	-573
Liabilities due to deposits	79 813	0	0	0	0	83	-83
Influence on financial liabilities		**-1 067**	**1 067**	**3 605**	**-3 605**	**1 886**	**-1 886**
Total increase (decrease)		**1 189**	**-1 189**	**-2 407**	**2 407**	**-1 507**	**1 507**

43 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 with the Buyer (Rison Limited with registered office in Nicosia, Cyprus) into a 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 SA and persons managing or supervising Erbud SA and the pledgee (Rison Limited with registered office in Nicosia, Cyprus):
None

4) Percentage of the pledged shares in the nominal capital of PRD 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 PRD S.A.

44 Litigation

The claim against the Bank Millennium SA

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.

During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options.

The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

The Issuer's standpoint regarding the situation connected with the execution of the project: extension of the Airport Modlin

Facts - Basic information about the contract and its completion
The contract for the construction of the Warsaw-Modlin Airport was signed on September 14, 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA was obliged, inter alia, to upgrade the runway. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.
The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1,421 meters. The net value of the concrete thresholds constructed is about PLN 10m.
DSH – Dospravni stavby a.s., a subsidiary of the construction group Metrostav, was a subcontractor responsible for the construction of the concrete pavement of runway thresholds. The company specializes in such kind of works. The Employer has been informed of the choice of the subcontractor and did not oppose (January 2011).

DSH commissioned the following entities a number of works:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]:
  The commission included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;
- CEMEX and LAFARGE – two worldwide known suppliers of aggregate:
  The commission included the supply of aggregate for concrete used to complete the runway thresholds.

The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.
On 10 June 2011, DSH submitted the mix design to the Employer. The Employer approved the mix design on 20 June 2011.

The runway was carried out by DSH over the period of June - November 2011, according to the mix design prepared by the Instytut Inżynierii Lądowej Politechniki Wrocławskiej. The company used aggregate supplied by CEMEX and Lafarge.
All design solutions, concrete mix formulas, certificates of compliance and land surveying were supervised by the staff of the General Contractor and the Employer, and the works were executed under direct supervision of Client's Engineer.

The concrete mix production samples were taken by the laboratory of TPA Instytut Badań Technicznych (Technical Research Institute). The samples were collected pursuant to Polish standards, i.e. from each batch of concrete produced. Tests have shown that the strength and frost resistance of concrete is at least equal to or higher than designed one.

By Decision No. 919/2012 of 6 June 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) authorized the use of the project. The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:
- developing guidelines on using the civil structure, including the airport pavement maintenance manual
- regular technical inspections of the airport pavement,
- continuous monitoring of the civil structure.

By Decision No. 1980/2012 dated 28 December 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego prohibited to use of the part of the runway (the decision announced verbally on 22 December 2012). The decision was based on Article 66, Section 1, Item 2 and Section 2 of the Building Code of 7 July 1994, that is on "(…) the statement that a structure is used in a manner endangering life or health of people, safety of property or environment (…)".

According to an interview on 23 January 2013 for the TVN CNBC by Mr. Marcin Danił - Vice President of the Management of Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o., the Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage.

The Customer has a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.

In January and February 2013, the Employer and the General Contractor held a number of meetings, as a result of which the General Contractor presented on 20 February 2013 a Framework Schedule for runway works. The schedule has been approved by the Employer.

By the date, the Customer addressed to the General Contractor a request for payment due to "indemnification" of for a the total amount of PLN 10,496,180.48. The Customer did not documented factual and legal claims. The General Contractor shall not acknowledge the Customer's claim.

Standpoint of the Management Board on financial claims
Based on a preliminary analysis of the construction investment process and results of the internal audit, as well as the evaluation of technical research and works performed (including their compatibility with the mix design and Polish standards), it was confirmed that it can be concluded, that all materials used meet the standards specified and required by Polish law.

During conducting the project works, all design solutions, material formulas and land surveying were supervised by the relevant services of the General Contractor and the Employer, and the works were executed under the direct supervision of the General Contractor and the Client's Engineer.

By order of the General Contractor, material samples were collected and then it has been commissioned to make external investigations and technological reports that should show what caused the cavities in concrete surface. This makes it possible to determine the liability of the various parties involved in the project.

In late December and early January 2013, the cost of work executed amounted to about PLN 450 thousand. The General Contractor charged DSH with the above costs and offset claims. The cost of works carried out at the airport is estimated at about PLN12.5m. Following the outsourced expertise all of the costs will be charged to the indicated entity (-ies) as a result of outsourced expertise.

As of 31.12.2012, the General Contractor created a reserve of PLN 2,8m for costs associated with Modlin project, such as expert assessments, legal and consulting services.

Despite the dissenting opinion of DSH, the General Contractor, having regard to the public interest, started works associated with the replacement of the runway concrete pavement (as substitute contractor) without waiting for the final explanation of the cause of damage and without having confirmation for the time being, that he is obliged to repair under the warranty.

Submission of an application for bankruptcy of ERRBUD S.A. by Danuta Kurpiewska conducting business activity under the name WEG BET Danuta Kurpiewska

The Management Board of Erbud S.A. informs that Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska, which is a debtor to Erbud S.A., filed on 10.01.2013 a letter titled "Application of the creditor for bankruptcy" to the District Court for the Capital City of Warsaw - Commercial Division for Bankruptcy and Relief.

In 2011, the Issuer commissioned Danuta Kurpiewska leading business under the name WEG BET Danuta Kurpiewska to lay a foundation for one of the projects. The contract value amounted to PLN 4.4 million, of which the disputed amount is PLN 0.6 thousand.

In view of the long delay in execution of works, the Issuer was forced to commission the contract completion by substitute contractor and to bear costs of this construction. According to the agreement provisions, the Issuer charged WEG BET Danuta Kurpiewska penalties and claimed for damages. In connection with a number of

failures in settlement of work by the debtor, the Issuer noticed on 07.02.2013 the Public Prosecutions Office of a crime.

In the Issuer's opinion, steps taken by Danuta Kurpiewska conducting business under the name WEG BET Danuta Kurpiewska are unfounded and the debtor attempt to evade the law and use the fact that Erbud is a public company in order to exert pressure in order to obtain financial benefits. The Issuer has already taken appropriate measures to enforce the claim.

45 Events after the end of the reporting period

Such events are presented in Note 44 (Litigation).

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, 26 April 2013