MANAGEMENT ANNUAL REPORT
ON OPERATIONS OF THE ERBUD CAPITAL GROUP
FOR 2012

1. Presentation of the Capital Group - introduction

The Capital Group ERBUD S.A. consists of the following consolidated business entities:

- The Parent company (Issuer):
  Erbud S.A. headquartered in Warszawa
- Subsidiaries:
  - Erbud International Sp. z o.o. seated in Toruń
  - GWI GmbH seated in Düsseldorf, Germany
  - Budlex S.A. seated in Warszawa
  - PBDI S.A. seated in Toruń
  - Erbud Energetyka Sp. z o.o. seated in Katowice
  - Ersteel Sp. z o.o. seated in Toruń.
  - Engorem Sp. z o.o. seated in Łódź

As at 31.12.2012, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Erbud International Sp. z o.o.

As at 31.12.2012, the Parent company Erbud S.A. held 85 per cent of share capital in the subsidiary GWI GmbH, after disposal of 15 per cent of the shares to the President of GWI GmbH on 5 March 2009. The shares were sold at face value, i.e. EUR 15 thousand.

As at 31.12.2012, the Parent company Erbud S.A. held 89.96 per cent of share capital in the subsidiary Budlex Sp. z o.o.

As at 31.12.2012, the Parent company Erbud S.A. held 94.27 per cent of share capital in the subsidiary PBDI S.A.

As at 31.12.2012, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Erbud Energetyka Sp. z o.o.

As at 31.12.2012, the Parent company Erbud S.A. held 100 per cent of share capital in the subsidiary Ersteel Sp. z o.o.

As at 31.12.2012, the Parent company Erbud S.A. held 80.22 per cent of share capital in the subsidiary Engorem Sp. z o.o.

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, what was announced in Current Report No. 50/2012 dated 22.11.2012.
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.
In the coming months, Erbud SA plans to hold ultimately shares representing 100% of the capital of ENGOREM Sp. z o.o. seated in Łódź.

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.

To optimize the transaction in terms of Cash Flow, ERBUD SA sold on 4 January all shares in Engorem Sp. z o.o., a subsidiary of Delta Sp. z o.o.
For the purchase of shares Delta sp. z o.o. received a loan from Polski Bank Przedsiębiorczości S.A. As a result of such financing structure, the transaction will be neutral for Erbud S.A. as regards cash.

After buying out the remaining shares in Engorem Sp. z o.o. by Delta, it is planned to make a merger of the two companies.

Erbud SA as the Parent and Erbud International Sp. z o.o, Budlex S.A., GWI GmbH, PBDI S.A., Erbud Energetyka Sp. z o.o. and Engorem Sp. z o.o as subsidiaries compose affiliated units within the meaning of IAS/ IFRS.

Audit of the consolidated financial statements has been conducted by Horodko TPA Horwath Audit Sp. z o.o., based in Poznan.

The consolidated financial statements have been prepared taking into account that the units included in the Capital Group will continue their activity.

After the balance sheet date 31.12.2012 till the date of preparation of the consolidated financial statements for 2012 not any events has occurred in the opinion of the Management Board that could significant impact on the financial standing and assets of the Group, except as disclosed in this report.

As at 31 December 2012, the ERBUD's Group structure is as follows.

The Group consists of the ERBUD Parent Company with seated in Warsaw and its subsidiaries:

			Percentage of the Parent's shareholding and voting rights at AGM as of			
Subsidiary	**Seat**	**Business range**	**31.12.2012**	**30.09.2012**	**30.06.2012**	**31.12.2011**
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
ER Services Sp. z o.o. (forrmerly TOPLUX Sp. z o.o.)	Toruń	Construction	0%	0%	100%	100%
GWI GmbH	Germany	Construction	85%	85%	85%	85%
Ersteel Sp. z o.o.	Toruń	Steel structures	100%	100%	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%	100%	100%
Toruńska Sportowa S.A. w likwidacji	Toruń	Sports, leisure and entertainment	39%	39%	39%	39%
Grupa Budlex	Warszawa	Housing development	89.96%	89.96%	89.96%	89.96%
Przedsiębiorstwo Budownictwa Drogowo - Inżynieryjnego S.A.	Toruń	Road-engineering	94.27%	94.27%	94.27%	94.27%
Erbud Energetyka Sp. z o.o.	Toruń	Construction	100%	100%	100%	86,36%
Erbud Construction	Toruń	Construction	100%	100%	100%	100%
Engorem Sp. z o.o.	Łódź	Services for power sector	80.22%	0	0	0

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

- Erbud International Sp. z o.o.
- GWI GmbH
- The Budlex Group
- PBDI S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.
- Engorem Sp. z o.o.

b) Subsidiaries excluded from the consolidated financial statements:

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

The following table presents the shares of subsidiaries excluded from consolidation due to their immateriality

No.	Subsidiary	Seat	Kind of relationship	Consolidation method	Shareholding by ERBUD S.A. Parent Company
1.	Delta Sp. z o.o.	Toruń	Subsidiary	not consolidated - not relevant	100%
2.	Erbud Construction Sp. z o.o.	Toruń	Subsidiary	not consolidated - not relevant	100%
3.	Toruńska Sportowa S A w likwidacji	Toruń	Associated company	not consolidated - not relevant	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Subsidiary	not consolidated - not relevant	79%
5.	Erbud Ireland Limited*	Dublin, Ireland	Indirect subsidiary	not consolidated - not relevant	100%

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

1.1 ERBUD S.A. – The Parent Company

The Parent company operates under the name of Erbud SA. Its registered office is in Warsaw.

The Parent company operates as a joint stock company established as a result of legal form conversion of Erbud Spółka z ograniczoną odpowiedzialnością [Erbud Limited Liability Company] by a notarial deed before the notary public Krystyna Krystek in the State Notarial Office in Torun (Index A 10071/1190) on 17.08.1990.

The conversion of the legal form took place on 15 November 2006 at the Extraordinary Meeting of Shareholders in the Notary Office managing by Dorota Kałowska in Warsaw at Grzybowska Street 12/14 room B-2 (Index A 13158/2006). Decree of the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register, file No. WA.XIII NS-REJ.KRS/036772/06/221.

The company has been registered by the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Department of the National Court Register under the KRS number 0000268667.
The Company is a holder of Tax Identification Number (NIP) 879-017-22-53 granted by the II Mazowiecki Urząd Skarbowy in Warsaw (the II Mazovian Tax Office).

The Statistical Office has granted to the Company a National Business Register Number (REGON) 005728373.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

As at 31 December 2012, the registered share capital amounted to PLN 1,267,795.60 (say: one million, two hundred and sixty-seven thousand, seven hundred and ninety-five point six zero) and was divided into 12,677,956 shares at face-value of PLN 0.10 each one.

Series	Number of shares	Price in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.50
D	2 500 000	0.10	250 000.00
E	31 686	0.10	3 168.60
F	41 458	0.10	4 145.80
G	33 787	0.10	3 378.70
Total	**12 677 956**	0.10	**1 267 795.60**

Accordingly, the shareholding (shareholders having more than 5%) as of 31 December 2012 was follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.12.2012

Aggregate number of Erbud shares: 12 677 956

No.	Shareholder	Class of shares	Number of shares held	Equity percentage	Voting power	% of voting rights at GMS
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.76%	4 152 865	32.76%
2	Juladal Investment Limited	ordinary	2 848 347	22.47%	2 848 347	22.47%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.33%	1 183 146	9.33%
4	ING OFE	ordinary	1 269 709	10.02%	1 269 709	10.02%
5	Dariusz Grzeszczak, of which a subsiadry monitoring by Dariusz Grzeszczak	ordinary	773 900	6.10%	773 900	6.10%
6	Free Float	ordinary	2 449 989	19.32%	2 449 989	19.32%
		Total	12 677 956	100.00%	12 677 956	100.00%

During the reporting period, the Management Board of the Company was acting without any personal changes and consisted of two persons:
- Management Board Member – Dariusz Grzeszczak
- Management Board Member – Józef Adam Zubelewicz.

1.2 Erbud International Sp. z o. o. – a subsidiary

The company operates under the name of Erbud International Sp. z o.o. and is based in Toruń.

The company operates in the form of a company with limited liability that has been established by a notarial deed on 7 January 2000, before the notary public Mirosława Syczewska in Torun (Index No. 95/2000).

The company has been registered in the District Court in Torun, VII Economic Division under the KRS number 0000268667.

The company is a holder of Tax Identification Number (NIP) PL 956-200-55-85 granted by Kujawsko-Pomorski Tax Office in Bydgoszcz.

The Statistical Office granted a National Business Register Number (REGON) 871222476.

The key business of the company is general construction in the field of erection of buildings as specified in Polish Activity Classification (PKD), mainly in class 4521A.

The share capital of the Company as at 31 December 2011 amounted to PLN 50,000.00 and was divided into 1,000 shares with a nominal value of PLN 50.00 each one.

No.	Shareholder	Number of votes (in units)	Nominal share value (in PLN)	Percentage of capital/votes
1.	Erbud S.A.	1 000	50.00	100
	Total	**1 000**	**50.00**	**100.00**

During the period 01.01.2000 - 20.02.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Dariusz Grzeszczak.

During the period 20.02.2003 – 31.12.2003, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Jacek Pięta.

During the period 01.01.2004 – 31.12.2004, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

During the period 01.01.2005 – 31.12.2006, the Management Board of Erbud International Sp. z o.o. acted as one-person management

- President of the Board – Marian Kruszyński.

Over the period from 01.01.2007 until the date of report publication, Bogdan Durr served the position of President of the Management Board of Erbud International Sp. z o.o.

The company has a Branch in Düsseldorf, Germany registered on 10 April 2000 and entered in the Commercial Register under the number HRB 713.

Employment structure in Erbud International Sp. z o.o.

The average annual number of persons in employment in the Company in 2012 amounted to 476.77.

The average annual employment in the Company in 2012 amounted to 507 people.

In 2012, the Company employed an average of 507persons, of which in the country an average of 187 persons (37% of total employment), while employment in export area amounted to an average of 320 persons (63% of employees in total).

Occupational groups

Item	Number of Employees
White-collar workers	88
Other, blue-collar workers	419
TOTAL	**507**

Volume and kind of production and services

In 2012, the Company's activity included:

1. General construction
2. Export services

Key sale markets of Erbud International and Erbud SA

In 2012, the company’s main operating area was the export of construction services to Belgium and Holland.

The home operations of the company cover shall and core constructions.

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Projects of Erbud International in 2012

Customer	Project	Contract value in €
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Jette, BE1103	900 000
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Winksele, BE1104	1 378 000
Vanhout nv., Lammerdries 12, B-2440 Geel	Westerlo, BE1105	1 095 000
Vanhout nv., Lammerdries 12, B-2440 Geel	Jette Windros, BE1107	1 146 000
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Gent Appartament, BE1108	2 050 000
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Mortsel, BE1110	1 267 000
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Planckendael, BE1113	1 159 000
THV Imec Toren, Lammerdries 12, B-2440 Geel	Imec Toren, BE1115	1 869 000
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	MHA, BE1116	1 279 000
Van Laere N.V., Antwerpsesteenweg 320, B-2070 Zwijndrecht (Bucht)	Regatta, BE1117	354 000
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Oude Kaars, BE1118	1 221 000
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Kanal View, BE1119	1 106 000
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Onyx, BE1120	1 024 931
nv Van Roey sa, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Zoersel, BE1121	784 000
Prefaco, Hoeksken 5a, B-9280 Lebbeke (Wieze)	Prefaco, BE1123	455 000
N.V. Aannemingen Van Wellen, Klinkaardstraat 198, B-2950 Kapellen	Tooren Spoort, BE1122	1 685 211
Vanhout nv., Lammerdries 12, B-2440 Geel	Cezanne, BE1201	1 283 0000
SM Lune Construct, Sint Lenaartsesteenweg 7, B-2310 Rijkevorsel	Braine, BE1203	620 000
Vanhout nv., Lammerdries 12, B-2440 Geel	Deinze, BE1204	604 000
MBG, Garden Square Blok D, Laarstraat 16 bus 12, B-2610 Wilrijk	Eeklo, BE1205	5 500 000
THV Kanaal, Gemeenschappenlaan 100, B-1200 Brussel	Kanaal Wijnegem, BE1206	3 897 000
Vanhout nv., Lammerdries 12, B-2440 Geel	ZNA Antwerpen, BE1207	191 000
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Antwerpen Parktoren, BE1210	2 041 000
	Total	**32 909 142**

Projects of Erbud SA in 2012

Customer	Project	Contract value in €
Heitkamp, Langekampstr. 36, D-44652 Herne	Maasvlakte II, NL1202	800 000
THV JDN - CEI, Tragel 60, B-9308 Hofstade (Aalst)	Kortrijk, BE1208	5 400 000
Besix, Gemeenschappenlaan 100, B-1200 Brussel	Gent Appartament II, BE1209	1 398 000
	Total	**7 598 000**

Plans for 2013-2016

1. In the export policy ERBUD International and ERBUD SA will continue to execute projects which would cover margin at minimum of 10%.
2. ERBUD International and ERBUD SA have rich experience in the energy sector construction gained in previous years on sites in France, Holland and Germany. In 2013-2016 Erbud International will focus on offering in Germany only industrial projects giving a possibility to obtain projected margin.
3. The energy policy on the German market has been changed. It was decided to depart from power plants towards plants using gas and alternative energy sources. In addition, to ensure the covering of the power demand it will be needed and is planned to modernize already operating power plants. Erbud International has a big experience in execution of such projects.
4. Due to changes in economic situation, we expect an increasing number of contracts in the energy sector. We estimate our market share at about € 3 million per year.

1.4 GWI GmbH – a subsidiary

The company operates under the name GWI GmbH and is based in Düsseldorf, Germany.

The company operates in the form of a company with limited liability that has been established by a notarial deed on 3 August 1993 in the presence of a notary Dr. Manfred Lamers in Krefeld (Index No. 1239/1993).

The company has been registered in the District Court in Krefeld (Amtsgericht Krefeld) under HRB 55624.

The company is a holder of Tax Identification Number DE 158567149 granted by Tax Office in Saarlouis, Germany.

The key business of the company is general construction.

The share capital of the Company as at 31 December 2010 amounted to EUR 250,000.00, what converted at balance sheet exchange rate as of 31.12.2010 gives a value of PLN 990,075.00.

As at the date of preparing the report, Erbud S.A. held 85 percent of share capital in GWI GmbH, after disposal of 15% stake to the President of GWI GmbH on 5 March 2009. The shares were sold at its face value, i.e. EUR 15 thousand.

During the period 01.01.2006 - 31.12.2006, the Board of GWI GmbH acted as two-member management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2007, the Board of GWI GmbH acted as two-member management
- President of the Board – Dariusz Grzeszczak;
- President of the Board – Axel Wahl

During the period 01.01.2007 - 31.12.2012, the Board of GWI GmbH acted as one-man management
- President of the Board – Axel Wahl

In 2012 GWI GmbH acquired the following construction contracts:

Customer	Project	Contract value in €
Clariant Produkte GmbH	Clariant Innovation Center – office building and laboratory	5 817 000
Lanber GmbH	Ärztezentrum Düsseldorf – shell and core and building alteration	4 569 000
Conesta Projekt Eschweiler GmbH & Co. KG	Construction of a care home in Eschweiler	3 286 500
Projekt Oberkasseler Tor GmbH	Construction of the Silizium Office Building in Düsseldorf on a turnkey basis	8 841 400
Zellstoff Stendal GmbH	Construction of power plant in Stendal	1 836 039
GBG GmbH	Construction of a care home and dewllings in Jüchen	1 702 259
Quartier Am Bonneshof GmbH & Co. KG	Construction of an office building in Düsseldorf	5 625 000
Total		**31 677 198**

The year 2012 was a good contracting period. Year-round, GWI GmbH was signing construction contracts regularly. From 1 April, GWI GmbH began operating in power and engineering sector which resulted in the concluding of a contract in September 2012 to build a power plant in Stendal. The Stendal project is carried out by a consortium, where GWI is the technical leader of the consortium.

The company expanded in 2012 its technical potential through employing new project managers, site managers and the other personnel. At the end of 2012, the Company had 44 employees.

As of the publication date of this report, the company has a backlog of PLN 115 million. The company's goal for 2013 is the further development of its fleet and staff and the achievement of planned financial results.

1.5 Budlex S.A. – a subsidiary

Presentation of the Capital Group – introduction

BUDLEX S.A. – the Dominant Entity

Name: **Budlex S.A.**
Address: 02-676 Warszawa, ul. Postępu 21

Management Board: two-member
President - Igor Pawłowski
Vice President - Małgorzata Mellem

Supervisory Board:
President - Dariusz Grzeszczak
Vice-President - Agnieszka Głowacka
Secretary - Włodzimierz Czystowski

Register of Entrepreneurs - KRS number: 397843, District Court in Warsaw, XII Economic Department
The company operates under the name of Budlex Sp. z o.o. and is headquartered in Warsaw.

The company was established in result of the transformation of Budlex Limited Liability Company, which was on the market since 1987. The transformation, registered in the District Court in Warsaw on 30 September 2011, has been done pursuant to Art. 551 et seq. and 575-576 of the Code of Commercial Companies.

The composition of the Management Board of Budlex Sp. z o.o. has changed during the fiscal year. Ms. Małgorzata Mellem was appointed as Vice-President by the resolution of the Supervisory

Shareholders of Budlex S.A.

(in PLN)	Number of shares	Number of votes	Nominal value per share	Percentage of share capital held	Equity value
Erbud S.A.	10 040 000	17 068 000	0.10	89.96%	1 004 000
Igor Pawłowski	1 120 000	1 904 000	0.10	10.04%	112 000
Total	**11 160 000**	**18 972 000**	**0.10**	**100.00%**	**1 116 000**

In the financial year ended 31 December 2012, the composition of the Group has changed. Eight special purpose companies has been established to carry out housing development projects: Budlex Zbożowa 1 sp. z o.o., Budlex Zbożowa 1 spółka z ograniczoną odpowiedzialnością spółka komandytowa; Budlex Winnica L6-7 sp. z o.o., Budlex Wininica L6-7 spółka z ograniczoną odpowiedzialnością spółka komandytowa; Budlex Pestalozziego 2 sp. z o.o., Budlex Rubinowy Dom sp. z o.o., Budlex Winnica L6 sp. z o.o., Budlex Brzoskwioniowa spółka z ograniczoną odpowiedzialnością spółka komandytowa.

Furthermore, Budlex Construction sp. z o.o as an entity that have taken over assets of the companies under business combination, were merged with subsidiaries of the Dominant Entity:

On 3 December 2012 Budlex Construction sp. z o.o merged pursuant to Art. 492 § 1 item 1 of the CCC by transferring to this company all assets of Budlex Osiedle Nasze sp. z o.o. seated in Toruń, Budlex Sielanka sp. z o.o. seated in Torun, Budlex Waryńskiego sp. z o.o. seated in Torun, Budlex Winnica L4 sp. z o.o. seated in Toruń (target companies) against shares of the acquiring company. Following the business combination the share capital of Budlex Construction sp. z o.o was changed (increased). Due to the fact that the combination did not result in loss of control by existing shareholders of merged entities, the company accounted for the combination in accordance with Art. 44a. item 2 of the Accounting Act, i.e, using the pooling of interests method.

As at 31 December 2012 the following entities comprised the Budlex SA Capital Group:

Company business name	**Name of person managing**
Budlex S.A.	Igor Pawłowski, Małgorzata Mellem
Przedsiębiorstwo Budowlane Budlex Nova Sp. z o.o.	Krystyna Brzezińska, Andrzej Beński
Budlex Construction Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Partner Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Azalia Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Bratek Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Brzoskwiniowa Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Properties Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski, Andrzej Beński
Budlex Koszarowa sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Pestalozziego sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Domator Łódź sp. z o.o.	Igor Pawłowski, Artur Kozieja
Deptak Projekt P2 sp. z o.o.	Beata Kijowska, Karl-Heinz Gosch
Budlex Pestalozziego 1 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Glinki A3 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Glinki A3/3 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Powstania Listopadowego sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Strzałowa 1 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Strzałowa 2 sp. z o .o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Zbożowa 1 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Zbożowa 1 spółka z ograniczoną odpowiedzialnością s.k.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Winnica L6-7 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Winnica L6-7 spółka z ograniczoną	Krystyna Brzezińska, Maciej Kiełkowski

odpowiedzialnością s.k.	
Budlex Winnica L6 sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski
Budlex Rubinowy Dom sp. z o.o.	Małgorzata Mellem, Michał Klauzo
Budlex Brzoskwinowa Sp. z o.o.	Krystyna Brzezińska, Maciej Kiełkowski

Description of individual companies

Subsidiaries of Budlex sp o.o. are established to implement specific development projects. They do not employ any persons. The projects are performed under the following agreements:

- Agreement on substitute project management with Budlex SA
Under the agreement Budlex SA conducts the process of preparing the project: coordinates the designing, obtaining permits and administrative decisions, runs promotions, marketing and sales the premises, coordinates and supervises the execution of contracts;

- Contract for construction work with companies acting as a general contractor
Under the agreement there is carried out comprehensively the construction process (preparation of building site, including demolition, erection of building and development of yards and parking spaces);

- Loan agreement with the bank financing the development project

After completion, the project is settled within the company. The company may be dissolved or may start another development project. In the practice of the Budlex Group, the company that completed the project is taken over by the merger of shares.

Employment structure

Employment as at 31 December 2011
White-collar workers: 23
Blue-collar workers: 8
Total: 31

Employment as at 31 December 2012
White-collar workers: 25
Blue-collar workers: 3
Total: 28

Development projected

The Group will continue its activity as housing builder, both residential and commercial. It is planned to start new residential projects in Torun and Bydgoszcz. A commercial project will be implemented in Poznań.

Significant events affecting the development as at 31 December 2012 and until the date of preparing the report

The following development projects were completed in 2012:

- Toruń, Broniewskiego/Sienkiewicza, residential complex;
- Toruń, “Osiedle Sielanka” 2B, residential building
- Toruń, “Waryńskiego” W3, residential building
- Toruń, “Osiedle Winnica” L4, residential building
- Bydgoszcz, “Osiedle Zielone Tarasy” A3/1, residential building
- Bydgoszcz, Koszarowa 7, residential building.

The following projects in which the company carries out contracts as project manager were commenced and continued in 2012:

- Toruń, Broniewskiego, residential building
- Toruń, “Osiedle Sielanka” Z1, residential building
- Bydgoszcz, “Osiedle Paryskie” P1, residential building
- Bydgoszcz, Powstania Listopadowego, residential building.

On 25 April 2012, Budlex Pestalozziego Sp. z o.o. entered into an agreement to purchase the perpetual usufruct right of property situated in Bydgoszcz Pestalozzi St. / Jagielońska St. The Budlex Group intends to carry out here projects under the name of "Osiedle Paryskie" with a total number of 500 apartments. In June 2012, started the pre-sale of flats in the first building of the estate.

On 30 May 2012, Budlex Zbożowa spółka z ograniczoną odpowiedzialnością sp.k. was the first company in Poland that has concluded with the Bank Powszechna Kasa Oszczędności Bank Polski S.A a contract for the residential escrow under new rules that were introduced in connection with the entry into force on 30 April 2012, the Act on the Protection of the Purchaser of a Dwelling and a Detached House (D.U. 2011. No. 232, item 1377 of September 16 2011). These new solutions shall serve to protect the money paid by the Client to the Builder under the development agreement.

On 2 July 2012, Budlex S.A. signed a preliminary agreement to purchase real property located in Bydgoszcz, on Grunwaldzka St. The purchase of the property is expected in the fourth quarter of 2013. The Budlex Group plans to complete a multi-family housing project.

Key markets of development activities

The development activity of the group focused on the market of Torun and Bydgoszcz. In these two cities were carried out development projects. The company has there its sales offices, and the Budlex brand is the most recognizable developer's brand.
The Deptak Projekt P2 sp. z o.o. is going to start a new housing and commercial project: construction of a retail and office building in Poznan

Information about legal proceedings pending before court, an authority competent to conduct arbitration or a public administration authority as of 31 December 2012 and to the date of publishing the report

No proceedings are held before a court, appropriate arbitration authority or state administration authority concerning liabilities or receivables of the Issuer and its subsidiaries, the value of which would individually constitute at least 10 per cent of the Issuer's equity.
There are no proceedings as well, where the jointly value amounted respectively to at least 10% of the equity.

Brief market and competition description

The development offer of the Budlex Group covers flats in varying standards in Bydgoszcz and Torun. Usually, apartments are purchased from mortgage credits funds.

In 2012, the developers in Bydgoszcz and Torun continued projects in progress and started new ones. The offer included first of all small and medium-sized flats.

The housing development activity in Toruń is carried out mainly by companies of commercial law, and seldom by the housing co-operatives, as opposed to Bydgoszcz where the activity of housing co-operatives in the construction of new residential buildings is very dynamic.

The largest rival companies in Toruń are: Marbud Grupa Budowlana S.A., Apro sp. z o.o., Pomorski Dom sp. z o.o., Calor Developer, Spółdzielnia Mieszkaniowa „Zieleniec".

The largest rival companies in Bydgoszcz are: Arkada Invest sp. z o.o., AWZ - AWZ - ET Sp. z o.o. Sp. komandytowa, Marbud Grupa Budowlana S.A., Ogbud sp. z o.o., Pomorska Spółdzielnia Mieszkaniowa, SM Komunalni, Folwark Deweloper sp. z o.o., Nordic Development S.A., Press Development sp. z o.o.

1.6. Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. (PBDI) – a subsidiary

The company operates as a joint stock company and has been established by a notarial deed on 25.09.1998 before a notary public Krystyna Krystek (Index No. 6271/1998).

The company operates under name of Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. with its registered office in Torun, at 10 Wapienna St.

The company is entered into the Register of Entrepreneurs of the National Court kept by the District Court in Toruń, VII Commercial Division of the National Court Register under the KRS number 0000028071.

The company was granted a National Business Register Number (REGON) 871098102 and Tax Identification Number (NIP) 8792070054.

The key business of the company is construction of roads and streets and earthworks. A significant part of the company's revenue comes from construction works executed on wind farms.

The share capital of the company as of 01 January 2012 amounted to PLN 872,100 and by 31 December 2012 there were no changes.

By the Resolution No. 1/2011 of 4 January 2011, the following Management Board was appointed to a three-year common term:

President of the Board - Jacek Leczkowski
Vice-President of the Board - Roman Rubach
Vice-President of the Board -.Grzegorz Ślesińskii

Until publication of the report there were no changes in the composition of the Board.

Employment structure

Average annual employment in 2012 was 240.19 persons, which corresponds to reduction by 5,15% in comparison with 2011.

As at 31 December 2012 the company employed 230 people of which:

Board members - 3 persons,
Blue-collar workers - 70 persons,
White-collar workers - 157 persons.

The structure of employment by occupational groups as at 31.12.2012

Item	Employment	Structure (in %)
Board	3	1.2
Blue-collar workers	71.79	29.9
White-collar workers	165.40	68.9
Total	240.19	100.0

Market in 2012

In 2012, the company's activity focused on earthworks and roadworks, including bituminous works. The company successfully executed construction works for wind farms.

The economic situation on the road construction market in 2012 was formed primarily on the basis of implementation of government programs to build roads as well as projects financed from local budgets. Both the central and local authorities reduced substantially capital expenditures as compared to previous years. Reduced demand for road construction services resulted in increase in competition among construction companies and thereby caused the deterioration of tender prices. Observing the segment of road construction the company valued road contracts very carefully. As a result of the Company's pricing policy as well as big competition in the field of public tenders, the Company's proceeds from the road segment contracts were reduced in comparison to the previous year. In 2012 the company produced 31 thousand tons of bitumen when in 2011 - 64 thousand tons. Work carried out by the Company in the road construction segment brought 27% of the revenues generated by the Company in 2012 (in 2011 it was 38%).
In view of the above, construction works and acquisition activities in 2012 were conducted by the Company in other segments than road one (mainly in wind energy segment). The Company's activity in the wind energy segment

mainly focuses on the construction of access roads and yards, foundations for wind towers, medium and high voltage electrical networks and substations.

Contracts signed by PBDI S.A. from 01.01.2012 to the report publishing date
(with a single value of more than PLN 500,000)

No.	Customer	Agreement subject	Contract concluded on	Net contract value (in PLN)
1	ERBUD S.A.	Comprehensive earthworks and rough grading for the construction of the AUCHAN BRONOWICE Commercial Centre in Krakow	11.01.2012	15 880
2	Eurowind Project *	Construction of the Złotów Wind Farm	23.02.2012	7 072
3	Eurowind Project*	Construction of the Niewolno Wind Farm	23.02.2012	1 455
4	Eurowind Project	Construction of the Kłębowo Wind Farm	23.02.2012	2 593
5	Powiat Toruński	Reconstruction of the county road Turzno- Papowo Toruńskie	15.03.2012	2 990
6	Miejski Zarząd Dróg w Toruniu	Repair of Kraszewskiego St. in Toruń	10.04.2012	595
7	Miejski Zarząd Dróg w Toruniu	Repair of Szosa Lubicka St. in Toruń and rebuilding the pavement to the bike-road	17.04.2012	1 625
8	Ekopal sp. z o.o.**	Construction of the Rząśnia Wind Farm	26.04.2012	7 778
9	ERBUD S.A.	Annex No. 1 to the agreement dated 11.01.2012 increasing the scope of work	14.05.2012	5 367
10	ERBUD S.A.	Comprehensive earthworks and rough grading for the construction of the GALERIA SOLNA Shopping Mall in Inowrocław	26.06.2012	8 455
11	Alstal Drogi sp. z o.o.	Complete execution of bituminous works, incl. the supply of material for the project: "Reconstruction of Bema St. in Torun, section from Prof. Hoffman Square to Szosa Chełmińska St."	16.07.2012	1 506
12	APATOR S.A.	Construction of a road connecting Żółkiewskiego St. and Zwirowa St. in Torun	27.07.2012	685
13	Eurowind Polska III sp. z o.o.	Construction of the Rogoźno Wind Farm	30.07.2012	2 762
14	GDDKiA	Roboty w zakresie remontów nawierzchni, oznakowania poziomego, i pracy brygady interwencyjnej na drogach krajowych administrowanych przez GDDKiA Oddział w Bydgoszczy w latach 2012-2013	10.08.2012	3 496
15	ER Energia sp. z o.o.	Construction of the Zaskocz Wind Farm	03.09.2012	1 586
16	Miejski Zarząd Dróg w Toruniu	Improvement of earth raods within the administrative boundaries of Torun	14.09.2012	549
17	SANDO Budownictwo Polska sp. z o.o.	Asphalt paving	16.10.2012	5010

18	Miejski Zarząd Dróg w Toruniu	Surface renewal of Haller St. in Torun	23.10.2012	609
19	PROKON New Energy Poland sp. z o.o.	Construction of the Subkowy II Wind Farm	15.02.2013	7 000
20	Zarząd Dróg Wojewódzkich w Bydgoszczy	Partial repair of district asphalt roads managed by RDW – Toruń, 2013/2014	25.02.2013	595

Conditional contracts
** Tasks performed as the consortium, specified value relates to the scope of works executed by PBDI SA

1 .7 Ersteel Sp. z o.o. – a subsidiary

The company operates as a limited liability company and has been established by a notarial deed on 11.12.2000 before a notary public Teresa Tuszyńska (Index No. A NR 5774/2000).

The company is registered by the District Court in Toruń, VII Economic Department of the National Court Register under the KRS number 0000042078.

The company is a holder of Tax Identification Number (NIP) 879-229-45-52 granted by the II Tax Office in Toruń.

On 22.06.2012, there was a business combination between Ersteel Sp. z o.o. as the acquiring company and ER Services Sp. z o.o. as the acquired company. As a result of the merger there was an increase in the share capital of the acquiring company form PLN 7,450,000 to PLN 7,664,400 that is by the amount of PLN 214,400 (issue of 2,144 new shares with a nominal value of PLN 100.00 per share). The new 2144 shares in the increased share capital were acquired by the former, sole shareholder - ERBUD SA.

The share capital of the company as at 31 December 2012 amounted to PLN 7,664,400.00

During the period from 01.01.2012 to 31.12.2012 and as of the report publication date, the Board was acting as one-person management:

President of the Board - Jerzy Polaszek.

Employment structure

In the period from 1 January 2012 to 31 December 2012, the average number of persons employed was 8, while FTE was 5.98.

Employment as at 31.12.2012 amounted to 5 persons.

Occupational groups

The structure of employment by occupational groups

Item	**Employment**	**Structure**
Blue-collar workers	4	50 %
White-collar workers	4	50%
Total	8	100%

The scope of the company's activity

In 2012, the Company conducted business in the field of real estate maintenance, consulting and business planning for the company from the Maintaining Production Continuity segment that was acquired by the Capital Group and kept on market research for the further acquisitions of businesses entities which are planned by Erbud SA.

Projected development and market description

The year of 2012 was a period of transformation and the final change in the activity profile of Ersteel. As a result of the new strategy, the consolidation processes of Ersteel and ER Services has been ended. Both companies operating until now independently merged the range of services and became one business that offers support services and property maintenance services. New customer are the added value, however, also important are the relationships with suppliers of the acquired company that enable the implementation of further development plans in the segment of property management.
The watching of energy market, the company's performance and outlook for the Maintaining Production Continuity segment resulted in a full report prepared by Ersteel and, as a consequence, in acquisition of a service company from Łódź completed by ERBUD SA in November 2012. By decision of the Management Board and the Supervisory Board of the ERBUD Group, Ersteel will provide maintenance service for clients in the energy sector (the project is based on close cooperation with the acquired maintenance service company). Activities of Ersteel are also designed to intensify the process of adaptation of the new entity to the organizational structure of the Capital Group. The company plans to support the acquired entity through a technical advisory services and participation in works of other Erbud's Departments (Sales, Purchasing and Logistics).
At the same time, the Company is developing an independent car fleet management service, based on relationships with clients and subcontractors. According to the company, it is a market niche which has been not yet developed by professionals, and therefore constitutes a real opportunity to reach an additional income.

The following table shows contracts signed by ERSTEEL in 2012.

Contract concluded into during the period from 01.01.2012 till 31.12.2012

No.	Project	Customer	Duration / Completion period	Net value in PLN
1	2	3	4	5
1	The report entitled "Facility Management Sector in Poland"	Er Services	16.04.2012 – 07.05.2012	35 000
2	Consultancy in the tendering for the optimization of the heating system - Dalkia Łódź SA, thermal network EC3-EC2	Engorem	21.09.2012 – 28.12.2012	50 000
3	Sale of the report entitled "Services market in the selected industries"	Engorem	28.12.2012	150 000
4	Cleaning of office space in the property located in Toruń, at 10 Wapienna St.	Erbud International	for an indefinite time	2 250 (per month)
5	Cleaning of office space in the property located in Toruń, at 10 Wapienna St.	Budlex S.A.	for an indefinite time	2 700 (per month)
6	Cleaning of office space in the property located in Toruń, at 10 Wapienna St.	Erbud S.A.	for an indefinite time	7 050 (per month)
7	Cleaning of office space in the property located in Toruń, at 10 Wapienna St.	PBDI S.A.	for an indefinite time	1 300 (per month)
8	Maintenance services at the property located in Toruń, at 10 Wapienna St. (Annex to the agreement of 01.22.2011	Budlex Winnica Sp. z o.o.	for an indefinite time	10 400 (per month)

1.8 Erbud Energetyka Sp. z o.o. – a subsidiary

The company operates under the name ERBUD ENERGETYKA Spółka z ograniczoną odpowiedzialnością and is seated in Katowice. Since 2009, the company conducts business in the form of a company with limited liability.

The company has been registered in the District Court Katowice-Wschód in Katowice, VIII Economic Division under the KRS number 0000324222.

The company deals with repairs to power plants and building works related to construction of residential and non-residential buildings, performing wiring, plumbing, heating, gas and air installations, demolition of buildings, etc.

Shareholding in Erbud Energetyka sp. z o.o.

The share capital of the Company amounts to PLN 16,500.00 and is divided into 330 shares with a nominal value of PLN 50.00 each one.
As of January 1, 2011, the Company had the following partners:

ERBUD SA with its registered office in Warsaw - 285 shares (86.36%)
Filip Radosław Ryborz - 45 shares (13.64%).

On April 4, 2012, Erbud SA bought from Filip Ryborz all company's shares held by him. Therefore, as of the end of 2012 Erbud was the sole shareholder of the company holding a stake of 100 per cent.
The above change was entered into the National Court Register in accordance with the decision of 15.05.2012 (Reg. No.: KA.VIII NS-REJ.KRS/009429/12/301).

Management Board

In the period from 1 January 2012 to 4 April 2012 the position of President of the Board was held by Tomasz Ryborz. Following the resignation of Mr Ryborz from his position the Extraordinary General Meeting of Shareholders appointed on 4 April 2012 Mr. Włodzimierz Czystowski as President of the Management Board.

Employment structure

5 persons as white collar workers in 2011,
4 persons as white collar workers in 2012 (since 1.04.2012, the company has no employees on the basis of the contract of employment).

Expansion projected

Over 2011 and early 2012, the Management Board of Erbud Energetyka was trying to win new orders for construction and repair works in the energy sector, however, due to external and internal factors these activities have been unsuccessful.
In April 2012, after analyzing the situation, the Extraordinary General Meeting of Shareholders decided to change the President of the Company and obliged the Management Board to restore the Company. The new Board of Directors, in view of this objective, focused on the final statements for project completed, including offsetting of claims with subcontractors, and closing of pending court actions against the Company.

As a result of these activities as well as after the sale of non-core assets and reducing costs of ongoing operations, losses that may occur have been significantly minimized. Legal proceedings, with the exception of one, were discontinuanced or settled.

The Management Board believes that the further development of the Company should be directed to render maintenance services for power plants, including but not limited to the use of co-operation relations and shares held in the service company of the Tauron Wytwarzanie S.A Group.

1.9. Engorem Sp. z o.o.

The company operates as a limited liability company and has been incorporated by a notarial deed on 26 October 1994 before a notary public M. Badowska (Index No. 8436/94)

The company is registered by the District Court in Łódź, XX Economic Department of the National Court Register under the KRS number 67522.

The company is a holder of Tax Identification Number (NIP) 728-10-03-292 granted by the Łódź-Widzew Tax Office in Łódź.

The share capital of the company as at 31 December 2012 amounted to PLN 1,165,142.

In the period from 01.01.2012 to 31.12.2012 the Board composition remained unchanged and was acting as two-member management:

Ryszard Mirys – President of the Board
Michał Bursa – Vice-President, Director of Technology.

As at the date of this report the Management Board was composed of three members:

Jerzy Polaszek – President of the Board
Ryszard Mirys – President of the Board

Michał Bursa – Vice-President, Director of Technology.

Employment structure

In the period from 1 January 2012 to 31 December 2012, the average number of persons employed was 264, while FTE was 263.77. Employment as at 31.12.2012 amounted to 260 people.

Occupational groups

The structure of employment by occupational groups as at 31.12.2012

Item	Employment	Structure
Blue-collar workers	189	72.7%
White-collar workers	71	27.3%
Total	**260**	**100.0%**

The scope of the company's activity

ENGOREM Sp. z o.o. offers complex services in range of overhauls of energy, heating and electrical equipment, Control and Measurement Instruments and Automation as well as industrial and municipal networks.

Projected development and market description

With decreasing range of repairs in Dalkia Łódź SA, for the development of ENGOREM it is necessary to attract new clients and expand the business with new technologies (gas installations, biogas, biomass, incineration plants, wind farms). In our strategy for the coming years we attach great importance to enter the Warsaw power market and open branch operating here.

Contracts signed during the period from 01.01.2012 to 31.12.2012

No.	Project	Customer	Deadline	Net value in PLN
1	Reconstruction of heat distribution network – WP1, section PW5-K320, WP2, section PW4-K4389, WP3, section K4389-PW1, WP4, section K4389-PW2, WP5, section K23-PW3, WP6, section K20-PW6, WP7, section PS13/P-PS14/P – Upper Line.	MOSTY-ŁÓDŹ	28.02.2013	11 736 837.00
2	Impovement of the turbine generator Tz4 w EC-3.	HYDRO-POMOP	19.12.2012	2 230 833.37
3	Construction of 2xDn600 network in the area of the newly constructed Upper Lonnie and junction with Demokratyczna St.	DALKIA ŁÓDŹ	30.06.2013	1 455 000.00
4	Upgrading of heat exchange stations managed by SM Dąbrowa.	DALKIA ŁÓDŹ	04.09.2012	1 050 000.00
5	Upgrading of air compressor facility – installation of new compressors in Dolna Odra Power Plant	GZOG	03.06.2013	998 000.00
6	Reconstruction of heating network – Estate in Belchatow.	DEDAL ŁÓDŹ	12.11.2012	600 000.00
7	Conection of the Łódź Regional Park of Science and Technology to the district heating system - Dubois St. 114/115.	DALKIA ŁÓDŹ	14.06.2012	558 000.00
8	Construction of a distribution system, incl. utility connections for Osiedle Młodych Estate	DALKIA ŁÓDŹ	02.07.2012	545 000.00

2. Financial highlights of the Group - Economic and financial position of the Capital Group for 2012 (in PLN '000)

Item		Value in PLN as of 31.12.2012	Value in PLN as of 31.12.2011	Change in PLN	Change in %
A	Sales income	1 384 454	1 527 832	-143 378	-9.38
B	Cost of products, goods and materials sold	1 300 356	1 491 405	-191 049	-12.81
C	Gross profit from sales	84 098	36 427	47 671	130.87
D	Gross profit	**23 499**	**-21 003**	44 502	-211.88
E	Net profit	**18 527**	**-19 715**	38 242	-193.97
E1	of which attributable to the majority shareholder	*17 223*	*-20 358*	*37 581*	*-184.60*
ROS (C/A)		0.06	0.02	0.04	-
Gross ROR (D/A)		0.02	-0.01	0.03	-
Net ROR (E/A)		0.01	-0.01	0.03	-

In 2012, the Group achieved revenue of PLN 1,384,454 thousand. In comparison to the previous period there was a decline in revenue by 9.40%. The decrease was due to a deliberate policy of the Management Board of the Parent Company, which current period priority is to protect the earnings, inter alia through a more selective attitude to the works offered.

Information on basic products, goods and services, incl. their value and volume, as well as information about sales markets, both domestic and export ones, can be found in Note 5 to the Consolidated Financial Statements.

Financial position

The Group assets structure as at the end of 2012 was as follows (in PLN '000):

ASSETS item	**Vaule in PLN as at 31.12.2012**	**Percentage**
Fixed assets	123 826	15.11
Current assets	695 867	84.89
Total assets	**819 693**	**100.00**
LIABILITIES item	**Vaule in PLN as at 31.12.2012**	**Percentage**
Equity, incl.	251 443	30.68
Minority interests	*13 791*	*1.68*
Long-term liabilities	103 597	12.64
Short-term liabilities	464 653	56.69
Total liabilities	**819 693**	**100.00**

ASSETS item	**Vaule in PLN as at 31.12.2012**	**Vaule in PLN as at 31.12.2012**	**Change in PLN 2012-2011**	**Change in % 2012/2011**
Fixed assets	123 826	126 702	-2 876	-2.27
Current assets	695 867	648 060	47 807	7.38
Total assets	**819 693**	**774 762**	**44 931**	**5.80**
LIABILITIES item	**Vaule in PLN as at 31.12.2012**	**Vaule in PLN as at 31.12.2012**	**Change in PLN 2012-2011**	**Change in % 2012/2011**
Equity, incl.	251 443	230 447	20 996	9.11
Minority interests	*13 791*	*9 983*	*3 808*	*0.00*

Long-term liabilities	103 597	108 668	-5 071	-4.67
Short-term liabilities	464 653	435 647	29 006	6.66
Total liabilities	**819 693**	**774 762**	**44 931**	**5.80**

The Group's assets rose by 5.80% in 2012 which was the result of an increase in current assets and in short term liabilities. The increase in assets resulted primarily from an increase in cash and cash equivalents - 25%.

Cash flow account

The Erbud Group began the fiscal year 2012 with cash amounted to PLN 161,29 thousand and ended with closing balance of PLN 201,769 thousand.

The Group achieved a positive value on the cash flows from operating activities of PLN 88, 927 thousand) and flows from investing and financing activities showed a negative value.

3. Expected development of the companies belonging to the Capital Group:

Boards of the companies constituting the Group will continue measures taken in previous years, designed to:

- further strengthening of all players in construction markets home and abroad; in particular, they are aimed to protect the profits on large-volume contracts
- further diversification of operations by geographical region and by business segments;
- the development of commercial real estate projects initiated by the Group in 2010 (Project by Budlex - DEPTAK in Poznan and the construction of a housing estate in Düsseldorf, Germany where the subsidiary GWI GmbH is s co-builder)
- enhancing activities by Engorem Sp. z o.o., a new company which joined the Erbud Group in November.
- the activity against the effects of the current situation in the construction industry - a selective attitude towards the offered contracts, monitoring of investors, strengthening risk assessment procedures for contract offered and those already carried out.

The task of the boards of subsidiaries, as well as the Parent company is to strengthen the market position of all entities acquired.

During the financial year ended 31 December, the Company did not carry out research and development activities.

4. Significant events affecting the operations of the entities of the Capital Group in 2011 and until the report approval

4.1. Internal factors

In 2012, the Erbud Group has expanded by acquiring a new company - ENGOREM Sp. z o.o. based in Łódź. The purchase of shares in the entity opens new opportunities for the Group connected with the energy market.
A detailed description of the transaction as well as of the company can be find in section 1 of this report.

4.2. External factors

4.2.1. Characteristics of sales market

According to the Economic Development Institute of the Warsaw School of Economics (IRG SGH), trend in construction business exceeded the minimum level from 2001 and the assessment of the industry is worse than of the whole economy.

„As compared to the previous quarter, three main barriers to construction activity have not changed, but the number of companies affected has increased. These barriers are: intense competition within the industry, too weak demand and delays in payment. Competition is mentioned by 62% of all companies (1 point more than in the previous quarter), demand by 53% (2 points more) and delays in payment by 47% (4 points more). On the other hand, the prices of raw materials are considered too high by 26% of the companies (3 points less). It is easier to get a loan - this barrier is shown by 15% of the companies (5 points less).

Since the beginning of 2011, construction companies negatively assess the overall economic outlook in the country, and even worse the situation in their own business. The recovery of the whole economy or construction industry sees only 1.6% of the companies, while the deterioration - 77% with respect to the economy and 80% for construction. Among the analysed groups of construction companies there is no difference in assessments of the situation in the industry" [1)]

Economic growth in 2012 was the lowest for three years and amounted to 2 percent. According to the Economic Development Institute, the construction sector was the least growing industry in 2012. Value added in the construction business fell by 0.5 percent throughout 2012, and in the period from October to December by 2.6 percent. Annual and quarterly growth rate of construction output sold amounted to -1.0 and -2.4 percent accordingly.

As shown in the table below, the IBnGR analysts predict further deterioration in 2013, both in the overall economy and in the construction industry.

Annual and quarterly macroeconomic forecasts of the Institute for Market Economics 2012

		III	IV	I	II	III	IV	2012	2013	2014
GDP	% y/y	1.4	0.8	0.5	0.5	1.9	2.3	**2**	**1.4**	**2.3**
GDP	%	0.4	0.3	0.2	0.2	0.6	0.6	**x**	**x**	**x**
Value added in										
- industry	% y/y	0.9	-1.4	-1.5	-1.5	2	2.4	**1.2**	**0.4**	**1.8**
- construction	% y/y	-5.8	-2.6	-4.5	-3.6	0.4	1	**-0.5**	**-1.1**	**0.8**
-market service	% y/y	3.0	2.2	1.9	2	2.6	3	**3**	**2.4**	**3**
Domestic demand	% y/y	-0.7	-0.9	-0.9	0.3	1.3	1.5	**0.1**	**0.6**	**1.9**
Total consumption	% y/y	0.1	-0.6	0.8	0.9	1.9	2.3	**0.4**	**1.5**	**2.2**
- of which individual	% y/y	0.1	-0.5	1	1.2	2.2	2.5	**0.5**	**1.7**	**2.5**
Gross outlays on fixed assets	% y/y	-1.5	-0.9	-2.3	-2.1	-1.4	-0.5	**0.6**	**-1.4**	**1.8**
Sold production of										
- industry	% y/y	-0.1	-3.2	-3.5	-1.3	0.8	2.4	**1**	**-0.3**	**2.7**
- construction	% y/y	-11	-2.4	-15.5	-1.6	1.2	2	**-1**	**-1.4**	**2.7**
Inflation (CPI; in average)	%	3.9	2.9	2.3	2.3	2.5	2.6	**3.7**	**2.4**	**2.9**
Inflation (CPI; period end)	%	3.8	2.4	2.2	2.4	2.7	2.8	**2.4**	**2.8**	**3**
Cash supply (M3, period end)	%	7.6	4.6	4.2	4.6	5.8	6.5	**4.6**	**6.5**	**8.8**
Real gross salary	% y/y	-0.9	0.7	0.7	0.6	0.7	1	**0.3**	**0.7**	**1.7**
Average Employment in National Economy	% y/y	-0.1	-0.1	-0.2	0	0.3	0.4	**0**	**0.1**	**1.1**
Registered unemployment rate (period end)	%	12.4	13.4	14.1	13.2	13	13.8	**13.4**	**13.8**	**13**
Export (GUS/RN)	%	0.7	1	-2.7	-4.5	2.6	4	**2.1**	**-0.2**	**2.2**
Import (GUS/RN)	%	-3.7	-3.2	-5.6	-5.1	1.3	2	**-2.1**	**-1.8**	**1.3**
C/A Balance	GDP %	-4.1	-3.2	-3	-3.1	-3.3	-3.4	**-3.2**	**-3.4**	**-3.8**
Average exchange rate (NBP)	PLN/USD	3.31	3.17	3.2	3.1	3.,1	3	**3.26**	**3.1**	**2.9**

The European construction market

The analysts estimate that GDP will growth in the Euro Zone in 2013 to 0.5% and in 2014 to 1.4%. Unfavourable macroeconomic climate will impact on the market of construction services.

Because of this it is of big importance that ERBUD Group construction companies are involved into profitable development projects in Germany.

[1] Source: http://www.sgh.waw.pl/instytuty/irg/aktualnosci/budownictwo/ - Maja Podgórska

5. <u>The organizational and sales structure. Information about contracts</u>

The Parent entity Erbud SA has expanded its business operations to new areas as compared to the previous year. The company has founded a technical office in Katowice and entered the market with first tenders. The role of the office is to activate the company's operations on the construction market for the energy sector.

Erbud International Sp. z o.o., a subsidiary - operates through a Branch Düsseldorf and directly provides exports of construction services in France, Belgium and Luxembourg.

GWI GmbH, a subsidiary - a company under German law that operates in the construction business in Germany and Belgium.

Budlex S.A., a subsidiary - operates on the housing development market through target companies controlled in 100% by the dominant entity Budlex Sp. z o.o. In the opinion of the Management Board, it is a common mode of developers' operating created by institutions funding such entities.

PRD SA, a subsidiary that operates in the road -engineering segment.

Erbud Energetyka Sp. z o.o., a subsidiary - operates in the market of construction for power industry. Acquisition and expansion in new branch is the task of the Board of this new entity in the Erbud Group.

Ersteel Sp. z o.o., a subsidiary which is active in the field of steel structures and outsourcing services for maintaining production continuity.

The value of agreements signed in 2012 in Poland by the Parent is as follows (figures in thousands of PLN)

Builder / Customer	Branch Toruń	Branch Warszawa	Branch Rzeszów	Branch Wrocław	Branch Kraków	Power Division	Branch Szczecin
Dakota Investment		312					
Novum Apartments					93 359		
LC Corp Wrocław				20 200			
Alfa Investment	27 600						
Rybnik – remodelling of rail siding						10 032	
JW. OZE Tauron						5 016	
Ulma		26 000					
FSB Bakery Company				24 450			
Rząśnia Wind Farm	41 852						
PRW Sp. z o.o.				34 600			
PUM Clinical Hospital No. 1							19 020
Wadowice Hospital			3 950				
Solna Mall	77 426						
Dafni						15 085	
Eurocentrum		336 694					
Sopot	14 500						
Zosin			16 800				
Office Park		46 800					
Alterations in Rydgiera Hospital, Kraków			2 585				
Exhibition and Retail Centre in Opole				32 000			
MAGNOLIA Shopping Centre				5 400			
Adria – Stage III		34 500					
Hyperbaric chamber, Hospital in Kraków			3 800				
Magnolia Shopping Centre, Wrocław				144 385			
Police Station, Szczecin							14 997
Total	**161 378**	**444 306**	**27 135**	**261 035**	**93 359**	**30 133**	**34 017**
All Branches							**1 051 363**

In 2012, the Issuer signed in the country contracts with a total value of PLN 1,051,363 thousand.
In 2012, Erbud SA continued its export activities in Belgium and the Netherlands.

Belgium

Hospital in Kortrijk
Construction of the Hospital in Kortrijk. The Builder: Consortium THV Jan De Nul - CEI - De Meyer. Commencement in September 2012

Residential buildings in Gent
Construction of apartment buildings in Gent. The Builder: Besix Belguim. Commencement in November 2012.

Holland

Maasvlakte
Industrial buildings. The Builder: Heitkamp. Commencement in January 2012.

According to the Management Board, neither subsidiaries nor related entities are dependent on one supplier and one customer. Companies associated pursue a common policy which is identical with the Parent's policy, i.e. at least there should be four qualified suppliers or contractors from any range of goods and services. In addition, the geographical diversification within the Group and the Parent and the relevant technical conditions forces a broad circle of suppliers and subcontractors.

Significant insurance agreements

As of the day of the report publication, the Issuer has the following insurance agreements.

Policy number	Insuring company	Valid from	Valid to	Subject of Insurance	Covering value
2361000337	Chartis Europe S.A.	01-03-2011	28-02-2012	D&O insurance	PLN 20.000.000,00
901006512680	STU Ergo Hestia S.A.	01-01-2012	31-12-2012	Construction and assembly risk insurance	Open cover
901006513151	STU Ergo Hestia S.A.	01-01-2012	31-12-2012	Liability for business conducting insurance	PLN 50,000,000.00 for one event PLN 100,000,000.00 for all events

6. Related party transactions of the Group ERBUD:

In 2012, there were concluded the following agreements with related parties:

List of contracts concluded by Erbud SA with related parteis in 2012 and till the report publication date Erbud International

Contracts concluded with Erbud S.A. in 2012					
No.	**Company contracting**	**Contract subject matter**	**Contract value in in PLN**	**Contract concluded on**	**Comments**
1	Erbud International	Contract No. 01/EI/T-139/2012 for general construction works - Cedrowa in Gdańsk	1 500 000.00	2012-01-01	
2	Erbud International	Annex No.1 to the contract 01/EI/T-1139/2012 for general construction works - Cedrowa in Gdańsk	2 200 000.00	2012-08-31	change of the contract value from 1 500 000 to 2 200 000 and postponing the deadline from 31.08.2012 to 31.03.2013
3	Erbud International	Annex No. to the contract 01/EI/W-1109/2011 for general construction works - Blue Center, Żyrardów	7 800 000.00	2012-02-04	Contract value remains unchanged; postponing the deadline from 02.04.2012 to 30.06.2013
4	Erbud International	Contract No. 02/EI/W-2111/2012 for general construction works - ULMA, Koszajec	400 000.00	2012-04-23	
5	Erbud International	Annex to the contract 02/EI/2111/OW/2012 for general construction works – ULMA, Koszajec	1 500 000.00	2012-09-01	change of the contract value from 400 000,00 to 1 500 000,00 and postponing the deadline from 31.12.2012 to 30.06.2013
6	Erbud International	Contract No. 03/EI/T-1217/2012 for general construction works – Solna Mall	300 000.00	2012-05-28	
7	Erbud International	Annex to the contract 02/EI/T-1117/2011 for general construction works -- Nova Trading	70 000.00	2012-05-31	change of the contract value from 45 000,00 to 70 000 ,00 and postponing the deadline to 31.07.2012
8	Erbud International	Annex No. 2 to the contract 19/EI/W-1020/2010 for general construction works -- BAYER	8 000 000.00	2012-05-31	postponing the deadline from 31.05.2012 to 30.06.2013
9	Erbud International	Contract No. 01/EI/W-1207/2012 for general construction works -- EUROCENTRUM, Warszawa	20 000 000.00	2012-06-18	

10	Erbud International	Annex No. 2 to the contract 20/EI/W-1029/2010 for general construction works -- Wilno Residential Complex, Stage I, Phase IA	12 000 000.00	2012-06-30	postponing the deadline from 30.06.2012 to 30.06.2013
11	Erbud International	Annex No. 1 to the contract 21/EI/W-1031/2010 for shell and core – multifamily building at 3 Cybernetyki St.	16 000 000.00	2012.06.30	postponing the deadline from 30.06.2012 to 30.06.2013
12	Erbud International	Annex No. 2 to the contract 02/EI/T-1117/2011 for general construction works -- Nova Trading	10 000.00	2012-07-31	change of the contract value from 70 000,00 to 82 155,00 and postponing the deadline from 31.07.2012 to 30.09.2012
13	Erbud International	Annex No. 3 to the contract 09/EI/T-0912/2009 for general construction works -– Invasive Medicine Center, Gdańsk	5 062 011.00	2012-08-31	change of the contract value from 5 000 000 ,00 to 5 062 011,00 and postponing the deadline to 30.09.2012
14	Erbud International	Annex No. 2 to the contract 02/EI/W-1140/2011 for general construction works – Building on Sowińskiego St.	1 500 000.00	2012-09-01	change of the contract value from 500 000,00 to 1 500 000,00 and postponing the deadline from 30.04.2013 to 30.06.2013
15	Erbud International	Annex to the contract 05/EI/W-1119/2011 for general construction works -Wilno Residential Complex, Phase IIA, Warszawa	10 000 000.00	2012-09-30	postponing the deadline from 30.09.2012 to 30.06.2013
16	Erbud International	Annex No. 3 to the contract 02/EI/T-1117/2011 for general construction works -Nova Trading	200 000.00	2012-09-30	change of the contract value from 82 155,00 to 200 000,00 and postponing the deadline from 30.09.2012 to 30.06.2013
17	Erbud International	Annex to the contract 06/EI/W-1127/2011 for general construction works - Nowe Bielany Apartments, Phase III	14 000 000.00	2012-10-31	postponing the deadline from 31.10.2012 to 30.06.2013
18	Erbud International	Contract No. 01/EI/RID-1030/2012- remedying defects – Modlinie Airport	12 000.00	2012-12-24	

PBDI S.A.

Contracts concluded with Erbud S.A. in 2012					
No.	**Company contracting**	**Contract subject matter**	**Contract value in in PLN '000**	**Contract concluded on**	**Comments**
1	PBDI S.A.	Comprehensive earthworks - Auchan Bronowice Centre, Kraków	15,880	2012-01-11	
2	PBDI S.A.	Consortium agreement to win and execute a contract for ”Construction of Rząśnia Wind Farm”	7,485 + € 70,00	2012-04-26	Works executed by PBDI S.A.
3	PBDI S.A.	Annex to the contract of 2012-01-11 extending the scope of works.	5,367	2012-05-14	
4	PBDI S.A.	Comprehensive earthworks - Solna Mall, Inowrocław	8,455	2012-06-26	
5	PBDI S.A.	Annex to the contract of 2012-06-26 extending the scope of works	385	2012-10-15	

Budlex Group contracts

Contract concluded by	Contract concluded with	Contract subject matter	Contract value	Contract concluded on
Budlex - the Lender	Budlex Glinki A3	Loan	1 100 000.00	2012-01-04
Budlex - the Guarantor	Budlex Powstania Listopadowego	Guarantee	116 160.00	2012-01-19
Budlex Winnica - the Guarantor	Budlex	Guarantee	1 900.00 per month	2012-01-19
Budlex - the Lender	Budlex Glinki A3	Loan	100 000.00	2012-01-26
Budlex - the Lender	Budlex Powstania Listopadowego	Loan	1 800 000.00	2012-01-30
Budlex - the Client	ER Services	Cleaning services	2 700 per month	2012-02-01
Budlex - the Lender	Budlex Partner	Loan	300 000.00	2012-02-06
Budlex - the Lender	Budlex Glinki A3/3	Loan	120 000.00	2012-02-09
Budlex - the Lender	Budlex Glinki A3	Loan	300 000.00	2012-02-29
Budlex - the Seller	Budlex Zbożowa 1 sp. z o.o. s.k.	Sale of real estate	1 373 760.00	2012-03-27
Budlex Glinki A3 - the Lender	Budlex Construction	Loan	1 480 873.00	2012-03-30
Budlex - The Contractor	Budlex Partner	Substitute guarantee	184 500.00	2012-04-02
Budlex - the Lender	Budlex Pestalozziego	Loan	2 420 000.00	2012-04-19
Budlex - the Lender	Budlex Pestalozziego 2	Loan	12 900 000.00	2012-04-19
Budlex Winnica - the Seller	Budlex Winnica L6-7 sp. z o.o. s.k.	Sale of real estate	3 434 500.00	2012-04-23
Budlex - The Contractor	Budlex Koszarowa	Substitute guarantee	171 412.23	2012-05-07
Budlex - Service Provider	Budlex Zbożowa 1 sp. z o.o. s.k.	Project management	976 000.00	2012-05-29

Buldex – the Tenant	Budlex Pestalozziego sp. z o.o.	Tenancy	1 600.00 per month	2012-05-15
Budlex - the Lender	Budlex Zbożowa 1 sp. z o.o. s.k.	Loan	3 000 000.00	2012-05-16
Budlex - the Lender	Budlex Winnica L6-7 sp. z o.o. s.k.	Loan	5 100 000.00	2012-05-16
Budlex - the Lender	Budlex Winnica L4 sp. z o.o.	Loan	50 000.00	2012-05-28
Budlex - the Lender	Budlex Pestalozziego 1	Loan	4 000 000.00	2012-05-29
Budlex - the Lender	Budlex Winnica L4	Loan	350 000.00	2012-06-19
Budlex Pestazlozziego - the Seller	Budlex Pestalozziego 2	Sale of real estate	2 416 680.00	2012-07-04
Budlex - the Lender	Budlex Pestalozziego 2	Loan	1 000 000,.0	2012-07-11
Budlex Azalia - the Lender	Budlex	Loan	1 300 000.00	2012-07-26
Budlex - the Lender	Budlex Zbożowa 1 sp. z o.o. s.k.	Loan	500 000.00	2012-07-26
Budlex - the Lender	Budlex Brzoskiwniowa	Loan	100 000.00	2012-08-14
Budlex Azalia - the Lender	Budlex	Loan	600 000.00	2012-08-22
Budlex - the Lender	Budlex Pestalozziego 2	Loan	2 970 000.00	2012-08-22
Budlex - the Lender	Budlex Winnica	Loan	250 000.00	2012-09-04
Budlex Pestazlozziego - the Seller	Budlex Properties	Sale of real estate	10 481 400.00	2012-09-25
Budlex - Service Provider	Budlex Waryńskiego	Warranty service	194 222.00	2012-10-05
Budlex - Service Provider	Budlex Sielanka	Warranty service	145 738.00	2012-10-05
Budlex - the Guarantor	Budlex Zbożowa 1	Guarantee	130 755.00	2012-10-08
Budlex - the Lender	Budlex Construction	Loan	400 000.00	2012-10-23
Budlex - the Lender	Budlex Winnica L4	Loan	850 000.00	2012-10-25
Budlex - the Lender	Budlex Pestalozziego 1	Loan	4 500 000.00	2012-11-14
Budlex - the Lender	Budlex Koszarowa	Loan	50 000.00	2012-11-19
Budlex - Service Provider	Budlex Glinki A3	Warranty service	223 195.00	2012-11-19
Budlex - the Lender	Budlex Glinki A3	Loan	300 000,00	2012-12-19
ABConsulting - the Seller	Budlex Properties	Sale of real estate	2 972 147.40	2012-12-28
Budlex - the Lender	Budlex Strzałowa 2	Loan	50 000.00	2013-02-15
Budlex - the Lender	Budlex Strzałowa 1	Loan	50 000.00	2013-02-15
Budlex - the Lender	Budlex Winnica L6-7	Loan	50 000.00	2013-02-15
Budlex - the Lender	Budlex Zbożowa 1	Loan	50 000.00	2013-02-15
Budlex - the Lender	Budlex Glinki A3	Loan	300 000.00	2013-02-19
Budlex - the Contractor	Budlex Winnica L6-7 sp. z o.o. sp.k.	Project management	1 292 800.00	2013-03-06
Budlex - the Contractor	Budlex Powstania Listopadowego	Substitute guarantee	306 300.00	2013-03-18

In 2012, the Issuer and its subsidiaries did not conclude any agreements on non-market conditions.

7. Description of risk factors

As shown by historical data related to the construction industry, the sector is exposed to market fluctuations same like automotive industry but is not so protected.
A wave of bankruptcy destabilizing construction branch, which started in 2012, was directly connected with large Euro 2012 projects. Such situation caused a considerable mistrust of financial institutions against the industry. This raises a fundamental threat to the construction companies which is manifested by a lack of availability of capital and financial guarantee lines without which the construction sector does not exists. Short-term financing and access to guarantee lines have been provided to and are available to the Issuer and that gives a big margin of safety. However, it requires constant monitoring and searching for alternatives, because the situation is very unstable as regards to attitude of financial institutions against the companies in the construction business.

It is known that the reduction in construction output will intensify the price war, which already devastates industry. It is hard to say whether the spectre of bankruptcy will slow the tendency of companies to build portfolios. The Management Board of the Issuer clearly indicates through its policy that ERBUD will be not a participant in the price war. The relatively low margins in the construction do not allow executing contracts where the calculation shows a profit nearly zero margin.

Reduced investments together with the Issuer's policy on the minimum, acceptable margins will affect the structure of the backlog for 2014 and 2015. It is not excluded that the Issuer will reduce its revenue from building construction to protect profits. In terms of the whole Capital Group, risks arising from operations of the Budlex Group, which is principally involved in housing development, should also be taken into account. Although the Group anticipated the risks associated with a decrease in housing sales and significantly reduced its staff and fixed costs, revenues from this business will clearly decrease in 2013.

Apart from the above mentioned sources of threats, the Issuer's Board sees no other risks.

8. Evaluation of forecasts performance and investment projects

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

9. Financial resources management and information on credits, loans and guarantees

In 2012, the dominant company financed out its business exclusively of its own means from operating activities, short-term bank loans and the bonds issued.

The company has an access to multi-target credit lines with several banks.
The subsidiaries PBDI S.A and GWI GmbH used borrowings in the reported period. Loans contracted were needed to pre-finance operations in Western Europe.
Similarly, the companies of the Budlex Group used loans, what according to the Management Board belongs to this type of business.
The Parent's Board does not recognize any risks associated with the liquidity of the Budlex Group due to received loans.

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

Bank name	Type of liability	Amount in PLN '000	Currency unit	Interest rate	Maturity date	Instalments payment	The Borrower
BNP Paribas Bank Polska S.A.	Overdraft credit	2 663	PLN	WIBOR 1M + margin	2013-09-14	In one amount	Erbud S.A.
BGŻ S.A.	Overdraft credit	5 000	PLN	WIBOR 1M + margin	2012-12-31	In one amount	ERBUD S.A.
BRE Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2013-12-31	In one amount	ERBUD S.A.
PKO BP S.A.	Overdraft credit	20 000	PLN	reference rate of PKO BP + margin	2013-03-31	In one amount	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft credit	32 000	PLN	WIBOR 1M + margin	2013-08-20	In one amount	ERBUD S.A./PBDI S.A./Budlex S.A.

Deutsche Bank A.G.	Investment loan	59.3	EUR	2.99% fixed	2017-05-30	Raty równe miesięczne	GWI
Alior Bank S.A.	Overdraft credit	10 000	PLN	WIBOR 1M + margin	2013-09-20	In one amount	ERBUD S.A.
KBC	Overdraft credit	1 000	EUR	EONIA + margin	2013-10-25	In one amount	GWI
BNP Paribas Bank Polska S.A.	Overdraft credit	3 000	PLN	WIBOR 1M + margin	2013-08-30	In one amount	PBDI S.A.
Commerzbank	Overdraft credit	2 000	EUR	5.50 % fixed	2013-05-30	In one amount	GWI

List of loan agreements concluded by the companies of the Budlex Group:

The Borrower	The Lender	Kind of credit	Amount in PLN '000	Interest rate	Maturity date
Budlex S.A.	Bank PKO BP SA	Overdraft credit	1 000	WIBOR 1M+margin	2013-01-24
Budlex S.A.	ING Bank Śląski	Working capital loan	12 000	WIBOR 1M+ margin	2013-08-20
Budlex Waryńskiego Sp. z o.o.	PKO BP SA	Investment loan	11 436	WIBOR 3M+ margin	2012-09-30
Budlex Pestalozziego Sp. z o.o.	BOŚ BANK SA	Non-renewable revolving credit	12 286	WIBOR 6M+ margin	2014-11-30
Budlex Glinki A3 Sp. z o.o.	BRE BANK HIPOTECZNY SA	Investment loan	26 000	WIBOR 3M+ margin	2015-09-15
Budlex Powstania Listopadowego Sp. z o.o.	Bank Pocztowy SA	Kredyt obrotowy nieodnawialny	11 400	WIBOR 1M+ margin	2013-08-31
Budlex Powstania Listopadowego Sp. z o.o.	Bank Pocztowy SA	Revolving credit	1 000	WIBOR 1M+ margin	2013-03-29
Budlex Zbożowa 1 sp. z o.o. s.k.	PKO BP SA	Developer credit	8 081	WIBOR 3M+margin	2014-02-28
Budlex Pestaalozziego 1 sp.z o.o.	PKO BP SA	Developer credit	15 231	WIBOR 3M+margin	2014-07-31

Furthermore, the Group is able to obtain contract guarantees in the following banks:

Bank name	Type of liability	Amount in PLN '000	Currency unit	Company
BNP Pariba Bank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	30 000	PLN	ERBUD S.A.
PKO BP	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	16 000	PLN	ERBUD S.A.
BRE S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	70 000	PLN/ USD	ERBUD S.A.
Kredyt Bank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	34 000	PLN	ERBUD S.A.

ING S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	48 000	PLN	ERBUD S.A./ PBDI S.A./ Budlex Sp. z o.o.
Alior Bank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	40 000	PLN	ERBUD S.A
PNB Pariba Bank S.A.	Bid bond, performance bond, repair works and remedying defects guarantee, repayment of advances, re-guarantee	4 000	PLN	PBDI S.A.
KBC	Performance bonds, repair works and remedying defects guarantee, payment guarantee	1 000 000	EUR	GWI GmbH

As at 31.12.2012 , the following obligations of the Group due to guarantees has been reported:

- Liabilities due to guarantees provided in thousands of PLN

Item	31.12.2012	Company
Performance bonds, repair works and remedying defects guarantees	312 646 PLN	Erbud S.A.
Performance bonds, repair works and remedying defects guarantees	7 655 PLN	PBDI S.A.
Performance bonds, repair works and remedying defects guarantees	1 287 EUR	Erbud International Sp. z o.o.
Performance bonds, repair works and remedying defects guarantees	6 907 EUR	GWI GmbH
Performance bonds, repair works and remedying defects guarantees	1 558 PLN	Engorem Sp. z o.o.

- Guarantees provided to subsidiaries in thousands of PLN

Item	31.12.2012	31.12.2011
Credit repayment guarantee for Erbud International Sp. z o.o.	0	4 000
Budlex Sp. z o.o. - loan	23 974	23 974
Budlex Pestalozziego Sp. z o.o. - guarantee	12 286	12 286
Total contingent liabilities	**12 286**	**16 286**
Total loans	**23 974**	**23 974**

- Guarantees provided to subsidiaries in thousands of EURO

Item	31.12.2012	31.12.2011
GWI GmbH – loan repayment guarantee	2 000	2 000
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	2 700	2 700
GWI GmbH – guarantee by BRE Bank S.A. for loan repayment	1 000	1 000

GWI GmbH, Erbud International – civil guarantee for EULER Hermes	7 500	7 500
Total contingent liabilities	**13 200**	**13 200**

List of guarantees in the Group Budlex:

Type of liability	Loan amount	The Guarantor	Kredytobiorca	Bank
Guarantee to the loan amount, incl. interest and other payables to the bank	1 000.00	Budlex Winnica sp. z o.o.	Budlex S.A.	PKO BP S.A.
Bill of exchange guarantee	26 000.00	Budlex S.A.	Budlex Glinki A3 Sp. z o.o.	BRE Bank Hipoteczny S.A
Bill of exchange guarantee	11 400.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA
Bill of exchange guarantee	1 000.00	Budlex S.A.	Budlex Powstania Listopadowego sp. z o.o.	Bank Pocztowy SA
Bill of exchange guarantee	8 081.00	Budlex S.A.	Budlex Zbożowa 1 sp. z o.o. s.k.	Bank PKO BP S.A.
Bill of exchange guarantee	15 231.00	Budlex S.A.	Budlex Pestaalozziego 1 sp.z o.o.	Bank PKO BP S.A.

Interest rate risk – The Erbud Capital Group has a debt based on WIBOR reference rates. In case of bank loans it is a short-term debt. In case of bonds, the debt is a long-term one - with a maturity of 3 years. The observed variability of the reference rates and present NBP monetary policy does not cause that the Capital Group sees the need to secure the risk.

Currency risk – The Erbud Capital Group does not execute contracts which are denominated in foreign currencies. The foreign activity is naturally protected through purchases of materials and services in the contracts currency. In addition, on 31 December 2012 the Capital Group granted two loans in Euros to affiliated and non-consolidated target companies. One of the loans was secured by a future contract denominated in Euro and protected from exchange rate risk for a period of 3 years.

10. Use of proceeds from the issue by the Parent

In 2012 the Issuer did not issue any securities.

The Issuer has debt securities in the form of bonds issued in 2011 with a maturity date of 15 July 2014.

11. Explanation of differences between the financial result shown in the annual report and previously published forecasts

The Management Board of the Parent company did not publish forecasts or estimates for 2012.

12. Information on the share capital of the Parent, changes in equity and the bodies of the Issuer

12.1. Shareholding of the Company, including a description of changes in equity during 20121 and after the balance sheet date

As at 31 December 2012, the registered share capital amounted to PLN 1,267,795.60 (one million, two hundred and sixty-seven thousand, seven hundred and ninety-five, point six zero) and was divided into 12,677,956 shares with a nominal value of PLN 0.10 per share.

Shares have been acquired in the following manner:

Series	Number of shares	Price in PLN	Value in PLN
A	2 000 000	0.10	200 000.00
B	8 000 000	0.10	800 000.00
C	71 025	0.10	7 102.50
D	2 500 000	0.10	250 000.00
E	31 686	0.10	3 168.60
F	41 458	0.10	4 145.80
G	33 787	0.10	3 378.70
Total	**12 677 956**	**0.10**	**1 267 795.60**

In 2012 and until the report publication, there were following movements in the equity structure:

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

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

On **11 January 2012**, the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 1,229 shares.

On **13 January 2012**, the Erdud's Management Board was informed of the acquisition of the Issuer's shares by a person related. The proxy of Erbud S.A. purchased 1,742 shares.

On **13 February 2012**, the Erdud's Management Board was informed of the disposal of the Issuer's shares by a person related. The proxy of Erbud S.A. sold 1,200 shares.

On **30 May 2012,** the Erdud's Management Board was informed of the acquisition of the Issuer's shares by the company monitoring by the Management Board member. The Company purchased 23,900 shares.

On **30 May 2012,** the Erdud's Management Board was informed of the acquisition of the Issuer's shares by the Management Board member. Person related bought 9,500 shares.

On **15 June 2012,** the Erdud's Management Board was informed of the acquisition of the Issuer's shares by the Supervisory Board member. Person related bought 8,500 shares.

On 7 September 2012 the Issuer's Management Board was informed of the sale of the Issuer's shares by the Chief Accountant of Erbud S.A. Person related sold 1,500 shares.

On **10 September 2012,** the Erdud's Management Board was informed of the sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 500 shares.

On **19 September 2012,** the Issuer's Management Board received information on acquiring shares of the Issuer by the shareholder Juladal Investment Ltd. (a company controlled by the Issuer's Board). Juladal purchased 25,400 shares.

On 19 September 2012, the Erdud's Management Board was informed of the sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 500 shares.

On **25 September 2012,** the Issuer's Management Board received information on acquiring shares of the Issuer by the shareholder Juladal Investment Ltd. (a company controlled by the Issuer's Board). Juladal purchased 4,773 shares.

On **8 October 2012,** the Erdud's Management Board was informed of the sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 2,635 shares.

On **8 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 500 shares.

On **9 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 600 shares.

On **25 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 84 shares.

On **26 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 300 shares.

On **26 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 1,116 shares.

On **29 October 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 100 shares.

On **31 November 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 10 shares.

On **2 November 2012,** the Management Board of the Issuer received information about sale of the Issuer's shares by the Proxy of Erbud S.A. Person related sold 890 shares.

On **19 December 2012,** the Management Board of the Issuer received information on acquiring the Issuer's shares by the Proxy of Erbud S.A. Person related purchased 268 shares.

On **31 January 2013,** the Management Board of the Issuer received information on acquiring the Issuer's shares by the Proxy of Erbud S.A. Person related purchased 6.000 shares.

On 11 September 2012, the Issuer's Management Board adopted a resolution specifying the value of the subscribed capital under the authorized capital and related to the implementation of the third tranche of Management Stock Options Scheme (Resolution No. 8/2012 of the Management Board of the company operating under the name Erbud SA, seated in Warsaw)
Pursuant to Art. 310 § 2 in connection with Art. 431 § 7 and Art. 453 § 1 of the Commercial Companies Code,
33,787 (thirty-three thousand seven hundred and eighty-seven) ordinary bearer shares of Series G with a par value of PLN 0.10 (ten Groszy) per share has been acquired additionally in the increased share capital (under authorized capital). Thereby the share capital worth PLN 3,378.70 (three thousand three hundred and seventy-eight, point seven zero) has been acquired within the increase.
The said share capital increase was made in accordance with Article 5 item 5 of the Statute of the Company and the Company's Management Board Resolution No. 5/2012 dated 23 April 2012 on the increase of the share capital of the Company under the authorized capital by issuing Series G shares and depriving the existing shareholders of pre-emptive rights to the shares of Series, covered by a notarial deed drawn up under the Repertory A No. 1995/2012.
With regard to the foregoing, the nominal capital of the Company amounts to PLN 1,267,795.60 (one million two thousand sixty-seven seven hundred and ninety-four, point six zero) and is divided into:
a) 2,000,000 ordinary bearer shares of series A,
b) 8,000,000 ordinary bearer shares of series B,
c) 71,025 ordinary bearer shares of series C,
d) 2,500,000 ordinary bearer shares of series D,
e) 31,686 ordinary bearer shares of series E,
f) 41,458 ordinary bearer shares of series F,
g) 33,787 ordinary bearer shares of series G.

Therefore, the shareholding (shareholders having more than 5%) as at 31 December 2012 and as of the date of submitting the report was as follows:

Shareholders holding over 5 per cent of ERBUD SA shares as at 31.12.2012

Aggregate number of Erbud shares: 12 677 956

No.	Shareholder	Class of shares	Number of shares held	Equity percentage	Voting power	% of voting rights at GMS
1	Wolff & Müller Baubeteiligungen GmbH & Co. KG, of which Wolff & Müller Holding GmbH & Co. KG	ordinary	4 152 865	32.76%	4 152 865	32.76%
2	Juladal Investment Limited	ordinary	2 848 347	22.47%	2 848 347	22.47%
3	Aviva OFE Aviva BZ WBK	ordinary	1 183 146	9.33%	1 183 146	9.33%
4	ING OFE	ordinary	1 269 709	10.02%	1 269 709	10.02%
5	Dariusz Grzeszczak, of which a subsiadry monitoring by Dariusz Grzeszczak	ordinary	773 900	6.10%	773 900	6.10%
6	Free Float	ordinary	2 449 989	19.32%	2 449 989	19.32%
		Total	12 677 956	100.00%	12 677 956	100.00%

Shares of Erbud SA owned by the above mentioned persons are not preference ones. In the FY ended 31 December 2012 there were no transactions of redemption of shares.

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.

On 15 April 2013, the Issuer's Management Board adopted Resolution on increasing the share capital within the authorized capital through the issuance of Series H shares and deprivation existing shareholders of the pre-emptive right to acquire shares of Series H.
The share capital of the Company shall be increased from the amount of PLN 1,267,795.60 (one million, two hundred and sixty-seven thousand, seven hundred and ninety-five, point six zero) by no more than PLN 5,000.00 (five thousand), that is, to an amount not exceeding PLN 1,272,795.60 (one million, two hundred and seventy-two thousand, seven hundred and ninety-five, point six zero).
The capital increase will be effected by issuing up to 50,000 (fifty thousand) ordinary bearer shares of Series H with a nominal value of PLN 0.10 (ten Groszy) each one.

12.2. Erbud's shares held or rights to them (options) by persons managing and supervising Erbud SA till the date of audit completion

Up to the date of preparing this report, the managing staff (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Persons related holding shares of ERBUD SA as at 31.12.2012

Aggregate number of Erbud shares: **12 677 956**

No.	Person related	Relationship	Class of shares	Number of shares	Equity percentage	Voting power	% of voting rights at GMS
1	Dariusz Grzeszczak	Erbud's SA Management Board member	ordinary	773 900	6.10%	773 900	6.10%
2	Józef Adam Zubelewicz	Erbud's SA Management Board member	ordinary	259 500	2.05%	259 500	2.05%
3	Walenty Twardy	Proxy of Erbud SA	ordinary	19 852	0.16%	19 852	0.16%
4	Piotr Augustyniak	Proxy of Erbud SA	ordinary	9 811	0.08%	9 811	0.08%
5	Bogdan Dürr	President of Erbud International Sp. z o. o. / Proxy of Erbud SA	ordinary	6 712	0.05%	6 712	0.05%

6	Beata Krzywicka	Spouse of Proxy's of Erbud S.A	ordinary	3 636	0.03%	3 636	0.03%
7	Tomasz Krzywicki	Proxy of Erbud SA	ordinary	3 950	0.03%	3 950	0.03%
8	Agnieszka Głowacka	Proxy of Erbud SA	ordinary	5 836	0.05%	5 836	0.05%
9	Włodzimierz Czystowski	Proxy of Erbud SA	ordinary	10 525	0.08%	10 525	0.08%
10	Mariola Zielińska	Chief Accountant of ERBUD S.A.	ordinary	4 018	0.03%	4 018	0.03%
11	Grzegorz Krzywicki	Proxy of Erbud SA	ordinary	3 033	0.02%	3 033	0.02%
12	Radosław Kałamaga	Proxy of Erbud SA	ordinary	5 494	0.04%	5 494	0.04%
13	Waldemar Kozłowski	Proxy of Erbud SA	ordinary	0	0.00%	0	0.00%
14	Maciej Wyrzykowski	Proxy of Erbud SA	ordinary	1 200	0.01%	1 200	0.01%
15	Mirosław Młynarski	Proxy of Erbud SA	ordinary	6 778	0.05%	6 778	0.05%
16	Albert Dürr	Supervisory Board member of Erbud SA	ordinary	8 500	0.07%	8 500	0.07%

Erbud SA implemented the Employee Incentive Program. The Program was introduced by the Resolution of Extraordinary General Meeting of Erbud SA on 8 December 2009 and concerned results generated over three years - 2008, 2009 and 2010.
The implementation of the scheme program is the responsibility of the Management Board and the Supervisory Board.

Up to the date of audit completion, the Management Board members and holders of a commercial power of attorney did not have any Erbud's shares options.

12.3. Description of any arrangements, the implementation of which may cause in the future changes in controlling Erbud S.A

No arrangements, which may result in capital movement, took place in 20121. There are no restrictions on the disposal of ownership rights to the shares of the Issuer.

12.4 Supervisory Board of Erbud S.A.

Pursuant to Article 11 item 2 of the ERBUD S.A. Statutes, the term of office of the Supervisory Board is common and lasts 3 years. Members of the Supervisory Board of the Issuer are appointed under a resolution passed by the General Meeting of the Issuer.

However, the first Supervisory Board of ERBUD was appointed due to conversion of the legal predecessor - Erbud Sp. z o.o. into ERBUD S.A. according to Resolution No. 1 of the Shareholders' Extraordinary Meeting of ERBUD Sp. z o.o. of 15 November 2006 on the conversion and acceptance of the Issuer's Statute.

The first Issuer's Supervisory Board consisted of the following members:

Name and surname	Position/Function	Term beginning	Term ending
Gerhard Kässmann	President of the Supervisory Board	15.11.2006	15.11.2009
Wojciech Rzepka	Vice-President of the Supervisory Board	15.11.2006	15.11.2009
Albert Dürr	Member of the Supervisory Board	15.11.2006	15.11.2009
Gabriel Główka	Member of the Supervisory Board	15.11.2006	15.11.2009
Lech Wysokiński	Member of the Supervisory Board	15.11.2006	15.11.2009
Józef Olszyński	Member of the Supervisory Board	05.12.2009	15.11.2009

On 31 May 2012, the General Meeting of Shareholders of ERBUD SA appointed by Resolutions No. 14-20 / 2012 the Supervisory Board as follows:

Name and surname	Position/Function	Term beginning	Term ending
Udo Berner	President of the Supervisory Board	31.05.2012	31.05.2015
Józef Olszyński	Vice-President of the Supervisory Board	31.05.2012	31.05.2015
Albert Dürr	Member of the Supervisory Board	31.05.2012	31.05.2015
Gabriel Główka	Member of the Supervisory Board	31.05.2012	31.05.2015
Lech Wysokiński	Member of the Supervisory Board	31.05.2012	31.05.2015
Zofia Dzik	Member of the Supervisory Board	31.05.2012	31.05.2015
Michał Otto	Member of the Supervisory Board	31.05.2012	31.05.2015

There are two committees of the Supervisory Board, being the Audit and the Remuneration Committees.

Until the publication of the report, the composition of the Supervisory Board has not changed.

Remuneration of the Supervisory Board members of ERBUD SA 2012 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid *
Berner Udo	President of the Supervisory Board	60,000.00
Albert Dürr	Member of the Supervisory Board	39,600.00
Gabriel Główka	Member of the Supervisory Board	39,600.00
Lech Wysokiński	Member of the Supervisory Board	39,600.00
Józef Olszyński	Vice-President of the Supervisory Board	44,400.00
Zofia Dzik	Member of the Supervisory Board	39,600.00
Michał Otto	Member of the Supervisory Board	23,265.00
Total	**Supervisory Board of the Issuer**	**286,065.00**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2012 (in PLN).*

12.5. Management Board of Erbud S.A.

In accordance with Resolution No. 1 of the Extraordinary General Meeting of the ERBUD Sp. z o.o. (the legal predecessor of ERBUD SA) dated 15 November 2006 on the conversion of ERBUD Sp. z o.o. into ERBUD S.A. and on acceptance of the ERBUD S.A. Statutes, the Management Board of ERBUD S.A. was appointed as follows:
- Dariusz Grzeszczak,
- Józef Adam Zubelewicz.

On 31 May 2012, the Supervisory Board appointed for a new three-year joint term the Management Board of ERBUD SA composed of:

Name and surname	Position/Function	Term beginning	Term ending
Dariusz Grzeszczak	Member of the Management Board	31.05.2012	31.05.2015
Józef Adam Zubelewicz	Member of the Management Board	31.05.2012	31.05.2015

Until the publication of the report, the composition of the Management Board has not changed.

Remuneration of the Management Board members of ERBUD SA 2012 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid *
Dariusz Grzeszczak	Member of the Management Board	970,085.38
Józef Adam Zubelewicz	Member of the Management Board	966,315.38
Total:	**Management Board of the Issuer**	**1,936,400.76**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2012 (in PLN).*

Members of the Management Board of Erbud SA were appointed by the Supervisory Board of Erbud SA on 12 November 2009 for a new three-year term agreement.
Each member of the Board shall be entitled to terminate the contract at twelve-months' notice.

In the event that the contract is terminated by the Company with the observance of a notice period, where the dismissal of a Board member is a reason justifying the contract termination and which termination is effected before the expiry of the office term of the Company's Board, the Company shall be obliged to pay a compensation amounting to the product of the equivalent of EUR 14,000.00 and the number of months remaining by the end of term.

Moreover, members of the Management Board of Erbud SA shall be obliged to observe non-competition clauses during the employment period and for a period of 1 year from the date of termination of employment contract. Moreover, the Company shall agree to pay a person covered by the prohibition of competition compensation in the amount equal to EUR 14,000.00 for each month after the termination of the employment contract by the fixed non-competition period. The compensation will be paid in equal monthly instalments.

Upon request of the member, the Company may waive or reduce the competition ban and then depart from the payment of compensation.

The Issuer covers the costs of retirement severance of the Management Board members for a total of PLN 177,976.75.

Remuneration of the Senior Management Staff of ERBUD SA 2012 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid *
Agnieszka Głowacka	Joint prokurist	283,700.00
Piotr Jan Augustyniak	Joint prokurist	343,025.00
Walenty Twardy	Joint prokurist	278,006.46
Maciej Piotr Wyrzykowski	Joint prokurist	219,000.00
Grzegorz Krzywicki	Joint prokurist	266,417.85
Bogdan Durr	Joint prokurist	356,859.50
Tomasz Krzywicki	Joint prokurist	471,590.53
Włodzimierz Czystowski	Joint prokurist	211,967.12
Waldemar Kozłowski	Joint prokurist	306,000.24
Radoslaw Kałamaga	Joint prokurist	276,000.00
Mirosław Młynarski	Joint prokurist	526,500.00
Total:	**Senior Management Staff**	**3,539,066.70**

**including any contingent or deferred remuneration and benefits in kind granted by the Issuer for any services rendered to the Issuer in 2012 (in PLN).*

13. Proceedings in progress before courts, competent arbitration bodies or public administration entities as at the date of preparing the financial statements

Currently, there are no proceedings in progress before the authorities of public administration (government and local), no litigations or arbitration proceedings which could essentially impact the financial position or profitability of the Group and which claim amount would have exceed 10% of the shareholders' equity of the Group or Erbud SA.

14. Information on the entity authorised to review and audit the financial statements

At the meeting on 31 May 2011, the Supervisory Board of the Company appointed the auditor.
After became acquainted with the recommendation and justification prepared by the Audit Committee, the Supervisory Board, has chosen Horodko TPA Horwath Audit Sp. z o.o., based in 61- 655 Poznań, 12-18 Murawa St., entered on the list of entities authorized to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements of the Company for 2012.

The auditor conducted the review of the interim Separate Financial Statements of Erbud SA and the Consolidated Financial Statements prepared as at 30 June 2012 and audited the annual Separate Financial Statement of Erbud SA. for the FY 2012 and the Consolidated Report for the FY 2012.
The total fee for reviewing the statements as referred to above for the period from 1 January 2012 to 30 June 2012 amounted to PLN 146,000.00.
The total fee for auditing the annual statements as referred to above, for the year ended 31 December 2012 amounted to PLN 182,000.00.
The total remuneration due to the agreement was PLN 328,000.00.

In addition, the auditor will audit the financial statements of the subsidiaries for a fee of PLN 161,000.00.

Annotation on the entity authorized to audit financial statements in 2011.

At the meeting on 21 June 2011, the Supervisory Board of the Company appointed the auditor.
After became acquainted with the recommendation and justification prepared by the Audit Committee, the Supervisory Board, has chosen Horodko TPA Horwath Audit Sp. z o.o., based in 61-655 Poznań, 12-18 Murawa St., entered on the list of entities authorised to audit the financial statements issued by the National Chamber of Chartered Accountants under 3082, to audit the financial statements of the Company for 2012.

The auditor conducted the review of the interim Separate Financial Statements of Erbud SA and the Consolidated Financial Statements prepared as at 30 June 2011 and audited the annual Separate Financial Statement of Erbud SA. for the FY 2011 and the Consolidated Report for the FY 2011.
The total fee for reviewing the statements as referred to above, for the period from 1 January 2011 to 30 June 2011 amounted to PLN 222,000.00.
The total fee for auditing the annual statements as referred to above, for the year ended 31 December 2011 amounted to PLN 195,000.00.
The total fee due to the agreement was PLN 417,000.00.

15. Other information that would have a significant impact on operations and profitability of the Erbud Group

15.1. 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 (“Contractor”) 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.(“DSH”), 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.

15.2 Claim against the Bank Millennium SA - description of the situation

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.

Till the date of publication of the report there were held four trials, on which four witnesses have been heard.

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

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.

Member of the Management Board of the Parent Company

Member of the Management Board of the Parent Company

Warsaw, 26 April 2013