



INTEGRATED ANNUAL REPORT 2019

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The background of the slide features two large white banners with the ERBUD logo in blue, hanging from masts against a clear blue sky. In the bottom right corner, a portion of a blue industrial structure with the word 'HYDROMASZ' is visible.

ERBUD GROUP – INTRODUCTION

A LETTER OF THE MANAGEMENT BOARD OF ERBUD S.A.



DARIUSZ GRZESZCZAK
A member of the Management Board of ERBUD S.A.



AGNIESZKA GŁOWACKA
Vice-President of the Management Board of ERBUD S.A.



JACEK LECZKOWSKI
Vice-President of the Management Board of ERBUD S.A.

Dear Sirs,

We would like to invite you to read already the fourth Integrated Annual Report of ERBUD Group. As a CSR company, we are convinced that the growth of the company's shareholders' value should go hand in hand with the interests of the environment – both internal and external. Therefore, in this Report we present information about the Group in a broad financial and non-financial context. Within the framework of non-financial reporting, as in previous years, we present in detail the sustainable development areas. For the first time, we describe the actions taken by the Group to reduce greenhouse gas emissions and contribute to a climate change resilient economy.

The year 2019 saw intensive work on boosting profitability and building an optimal order portfolio. It was reflected in the Group's very good financial performance. The year-end EBIT margin reached 2.5% with revenues in the range of PLN 2.3 billion, and the order portfolio worth PLN 2.4 billion allows us to look with optimism at the current year 2020 and beyond. The highlight of the year 2019 was the completion and commissioning of the Młociny shopping, service and entertainment mall in Warsaw – one of the largest and most modern facilities of its kind in Poland.

A LETTER OF THE MANAGEMENT BOARD OF ERBUD S.A.

The investment project worth PLN 646.5 million and huge in terms of its size was for us a strategic and historically largest project both in terms of value and cubic capacity. By successfully completing this project, we have proven that we have both experience and resources to be in the forefront of construction companies and not only in the Polish market. Once again, we have also demonstrated that we are a trustworthy business partner that fulfills even the most demanding obligations towards investors.

The year 2020 is exceptional for us – we celebrate 30th anniversary of the Company operations. Within three decades, ERBUD has undergone a transformation from a small business, located in one room, to an international capital group with a headcount of 2.5 thousand people. It is hard to list here all the contributors to the Company success, however, we would like to emphasize at this point the key role played by Józef Adam Zubelewicz who has developed our activities in the Polish market extremely efficiently and without him we would certainly not be where we are today. Since last year, after 20 years of working for ERBUD, Józef Adam Zubelewicz has enjoyed a well-deserved retirement, however, he is still present in the Company's organisational structure as an advisor to the Management Board. We would like to express him our gratitude for 20 years of hard work, absolute professionalism, overriding commitment and meticulous oversight over the most important area of our activities – building construction. We would also like to thank him for the last couple of years when Józef Adam Zubelewicz worked very hard on preparing his successor. The first months of 2020 already show how perfectly he prepared Jacek Leczkowski, his successor to take over duties from him. We are and will remain grateful to him for his invaluable contribution to the development of the company and we are glad that he will continue to support us with his experience, advice and knowledge.

For 30 years now the ERBUD Group has been developing an organizational culture based on fundamental values such as: responsibility, innovation, safety and partnership. This has allowed us to build trust among our clients, many of whom are among the largest investors in the European and Polish markets. We have been cooperating with a number of them for many years now. The business relationships with subcontractors and suppliers are also essential for us. They follow transparent principles. We are a reliable payer and we always meet the our contractual obligations.

Above all, however, people are our strength and they are committed to the performance of their day-to-day duties. Strong ERBUD brand has been built thanks to their hard work and reliability. Taking care for our most valuable capital, viz. human capital, we carried out a consecutive personnel commitment survey last year. It covered all member companies of the ERBUD Group, while the survey response rate was 58%. Thanks to the survey we received a map of needs, opportunities and challenges that our Group faces in the human capital management area. We immediately started to implement the survey findings in order to make the ERBUD Group an even better and more desirable employer. Our personnel is covered by the training system that enables them to upgrade their qualifications step by step. Their professional development is also strengthened by the internal promotion system. In 2019, we launched the Talent Development Programme, which covered the members of the managerial staff.



JÓZEF ADAM ZUBELEWICZ
A member of the Management
Board of ERBUD S.A.
(until 31 December 2019)

A LETTER OF THE MANAGEMENT BOARD OF ERBUD S.A.

We are editing this letter at a time when an epidemic emergency status was announced in Poland.

The Management Board of ERBUD S.A. reacts to any emergency situations on an on-going basis. Currently, as a result of the announcement of an epidemic emergency status, a Security Staff has been appointed, which discusses the current situation with the Management Board on day-to-day. In view of the ever-increasing risk of catching COVID-19 virus, bearing in mind the safety of our personnel and those of our business partners in particular, the following measures have been implemented in the ERBUD Group: many prevention procedures related to hygiene have been implemented; personnel has been trained in the area of disease prevention (in accordance with WHO guidelines); all personnel members are covered now with temperature measurement requirement before entering the workplace; the work organisation of the construction sites / execution activities has been changed – in order to minimise the presence of large numbers of employees at one place at one time; most office workers work in HO mode, whereas contacts and meetings are held using means of distance communication. In order to ensure the protection and safety of personnel, taking into account any change in the situation, the Management Board of ERBUD S.A., in consultation with the Security Staff, takes decisions on an on-going basis concerning subsequent changes in the organisation of the ERBUD Group's work.

The member companies and personnel of the ERBUD Group are committed to the local communities where they live and work every day. We also often support social-oriented activities run by our business partners. The ERBUD Foundation Common Challenges named after Eryk Grzeszczak is extremely important for us. It helps children's homes charges to go through the process of becoming independent. We also exercise constant environmental care including the optimal consumption of raw materials and materials and minimization of generated waste.

This Statement confirms the ERBUD Group's strong market position and ability to generate stable financial performance. This has been achieved through the work and commitment of many of our stakeholders – customers, business partners and employees who are by all means our most valuable asset. We would like to thank all of the above mentioned for working with us, their trust and successes achieved together. We also want to declare that the Group will work with full commitment to continuously enhance the shareholders' value.

**We invite you to read the Report,
Dariusz Grzeszczak
Agnieszka Głowacka**

COMPANY PROFILE AND MISSION STATEMENT

The ERBUD Group established 30 years ago has a lot of experience in the execution of prestigious construction projects. It is one of the largest Polish family-run capital groups. It runs its business activities in the following markets of the European Union countries: Polish, German, Belgium, French and Dutch.

The Group is active in the following areas:

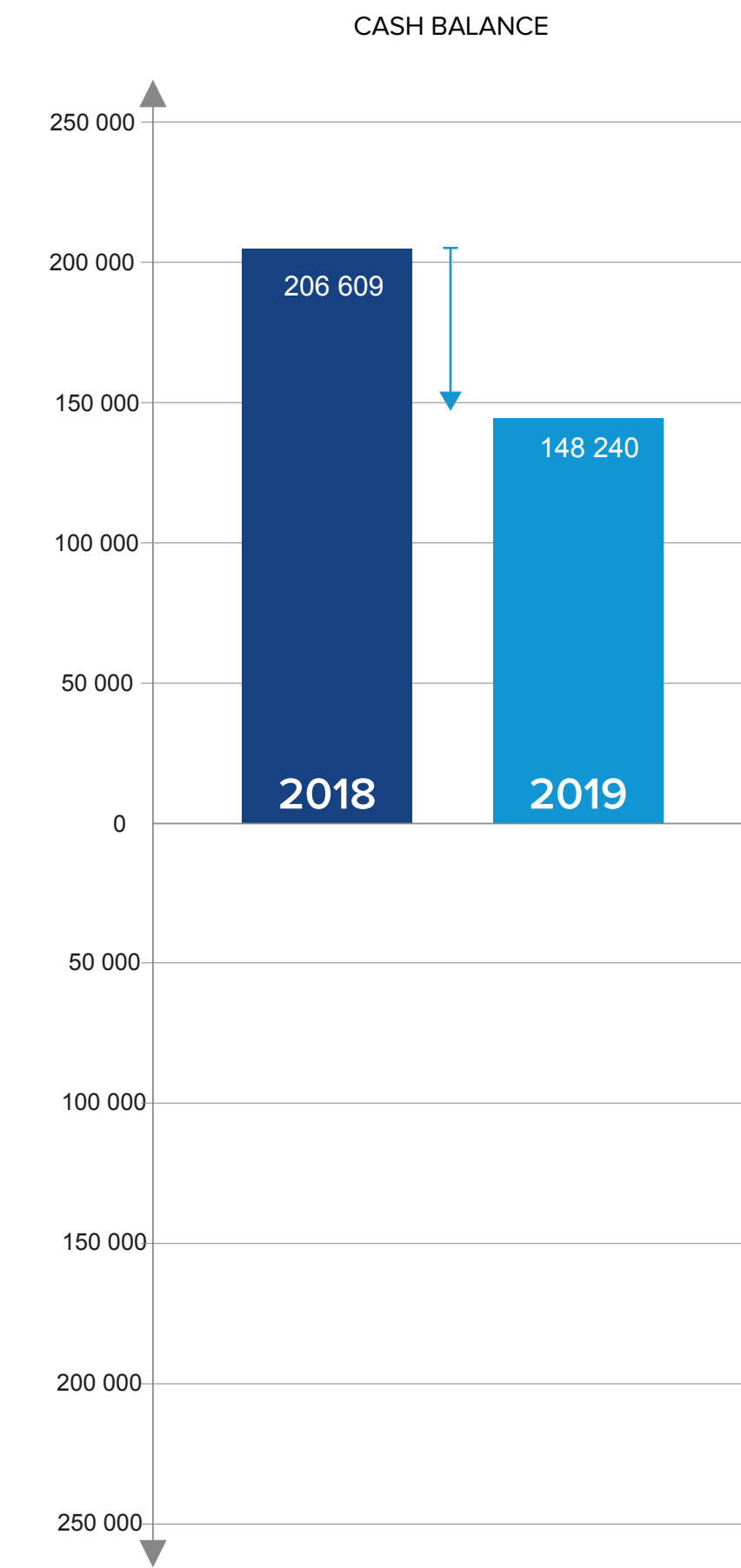
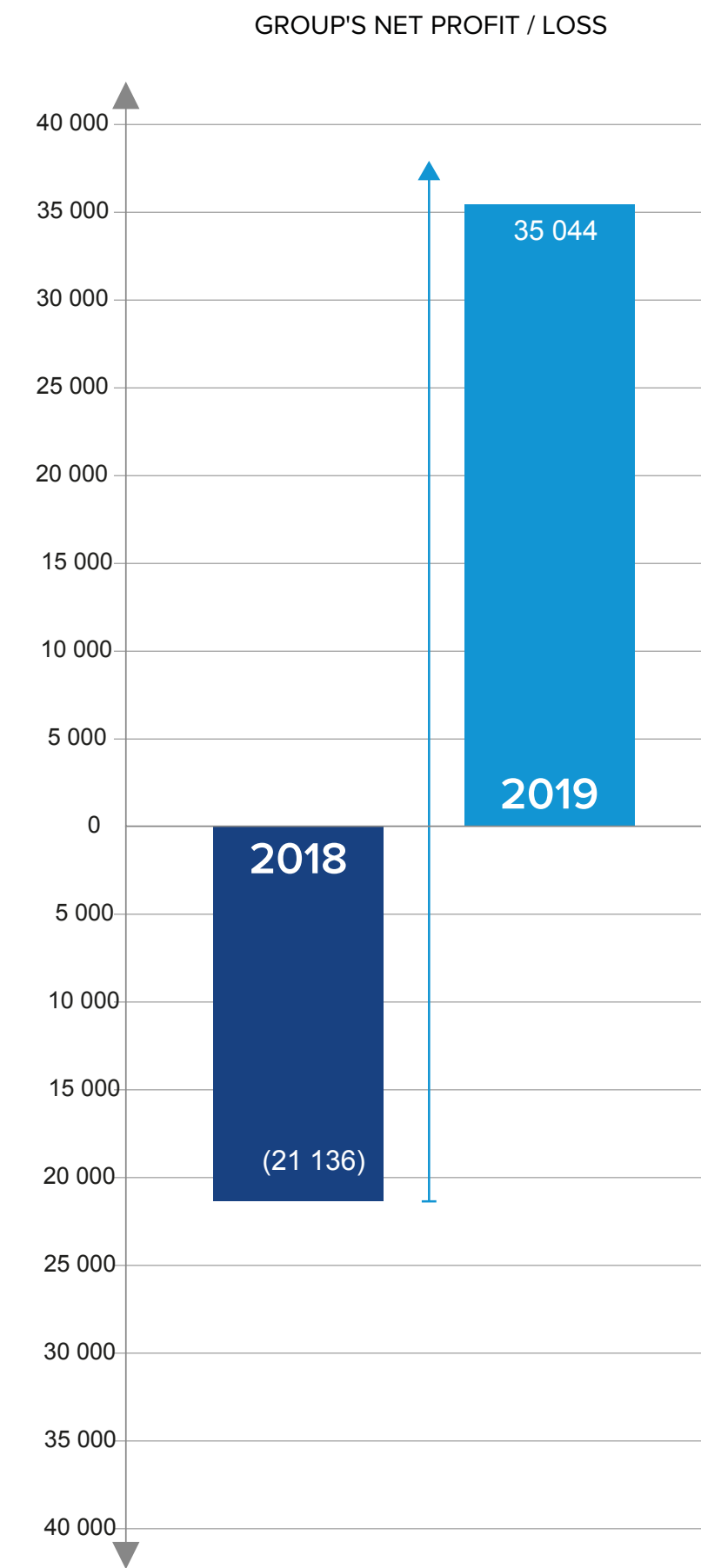
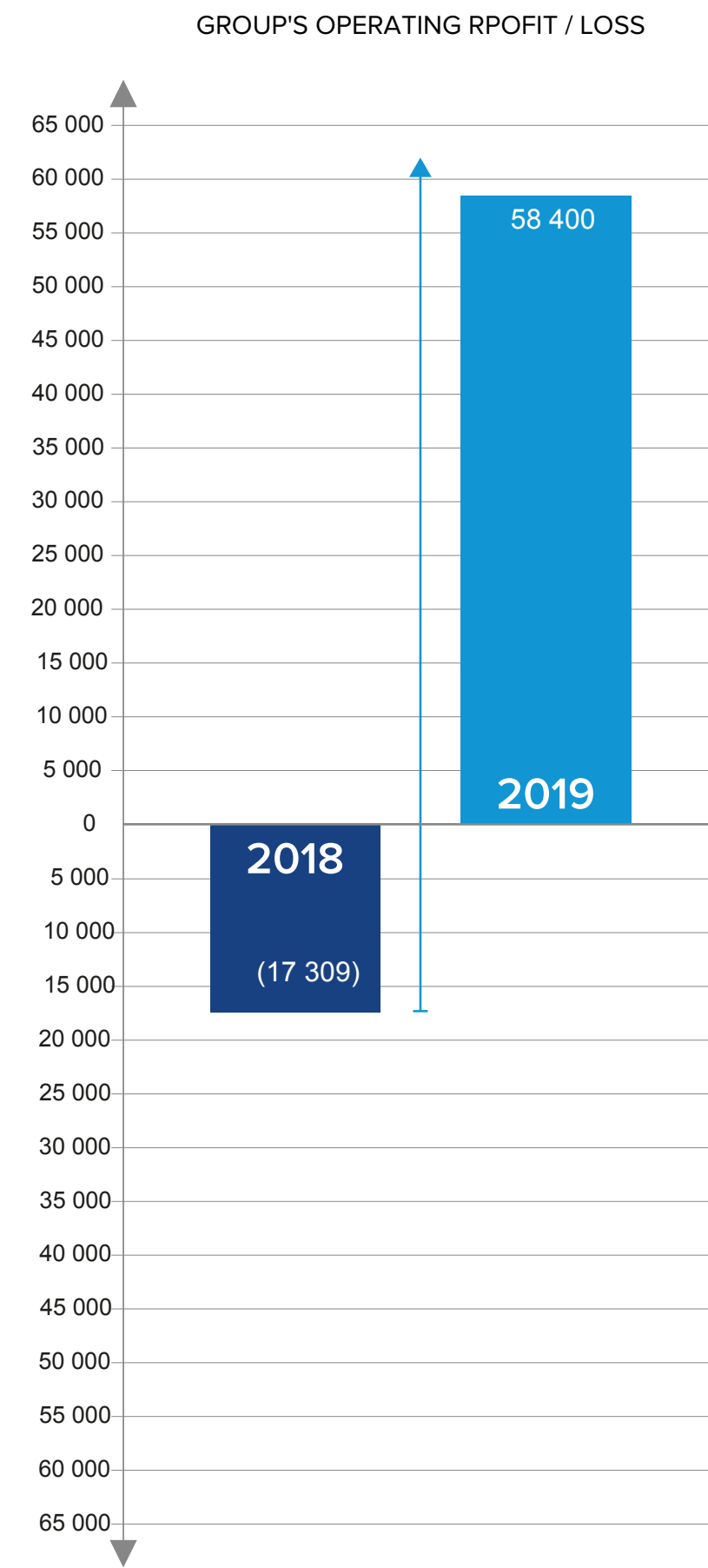
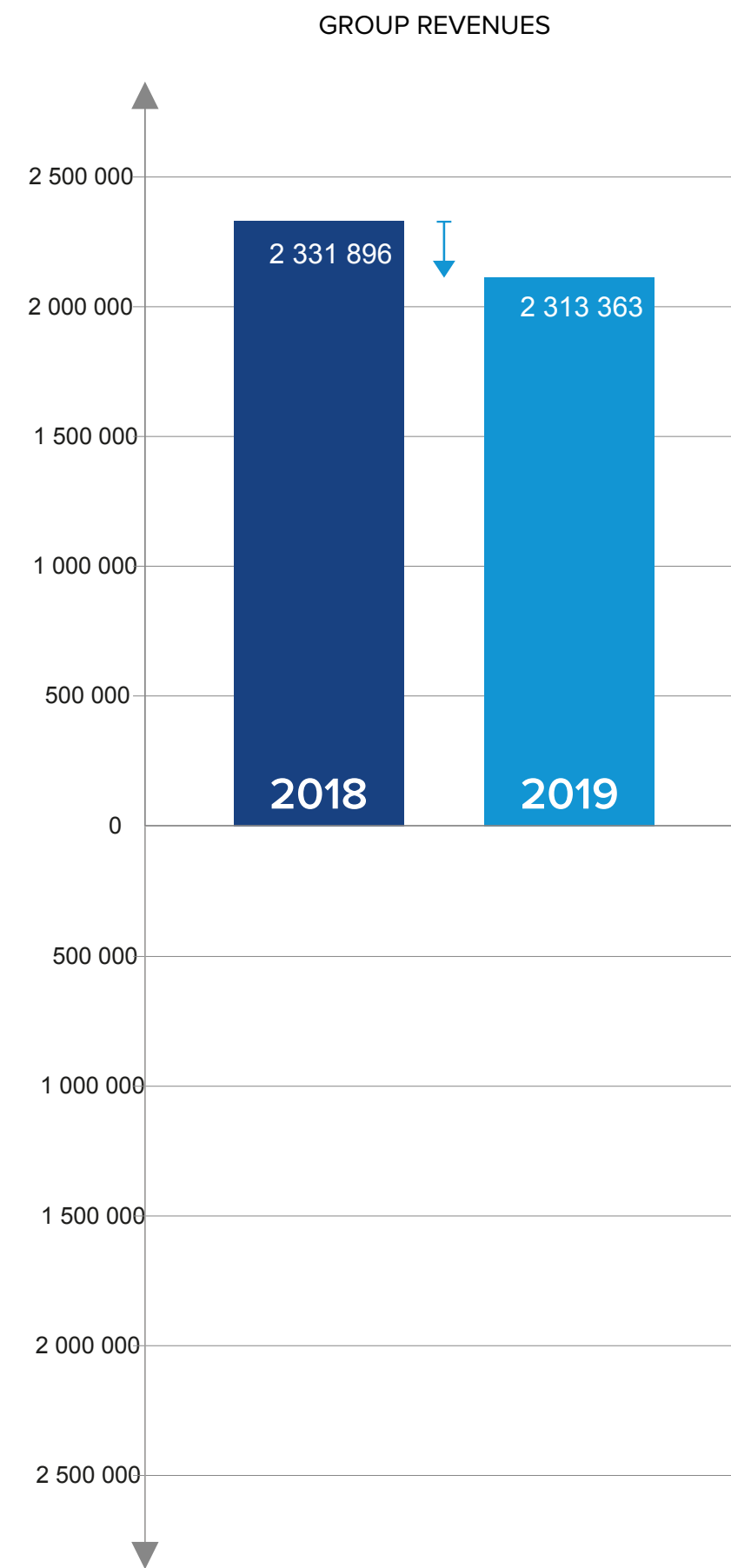
- building construction,
- road engineering construction,
- construction and maintenance services for the industry and power sector.

ERBUD SA, acting in the capacity of general contractor, executes office, commercial, industrial, housing, medical, hotel and public utility projects. In addition to the core activity, which is, building construction, the ERBUD Group member companies execute wind and solar farm projects as well as road engineering projects. Furthermore they construct and carry out maintenance services for the industry and power sector facilities.

The Group's operations are characterized by the quality and timely execution of projects as well as high ethical standards. ERBUD employs experienced and highly qualified civil engineers and specialists. The personnel is covered by the training system that enables them to upgrade their qualifications step by step. Their professional development is also strengthened by the internal promotion system. An absolute operational priority of the Group is the compliance with the Occupational Health & Safety (OH&S) principles as well as with the ISO and AQAP quality standards. Innovative and environment-friendly technologies are incorporated into the implemented projects. Bearing in mind the needs and values stemming from the concept of sustainable development of society, in addition to its business priorities, the Group, as a socially responsible partner, is committed to charitable and social activities.

Since 2007 ERBUD has been a public company listed on the Warsaw Stock Exchange. It is an underlying company in the WIG Construction Index.

FINANCIAL HIGHLIGHTS



Data is expressed in '000 PLN

DISCUSSION OF FINANCIAL

In 2019, the sales revenues of the ERBUD Group totalled PLN 2 313 363 thousand against PLN 2 331 896 thousand at the end of 2018. They were down by 0.8% on a year-to-year basis. By segment, the highest revenues growth (up by 49.4% y/y) was recorded in the road-engineering construction segment represented by PBDI S.A.

In 2019 the Group generated gross sales revenues at the level of PLN 146 699 thousand, up by 64.6% compared to the previous year. In 2019, the Group posted PLN 58 400 thousand of operating profit (EBIT). Meanwhile the net profit totalled PLN 35 044 thousand.

BUILDING CONSTRUCTION

In 2019, the building construction segment generated revenues at the level of PLN 1 611 244 thousand, down by 8.5% compared to 2018. Revenues of this segment accounted for 69.7% of the Group's total revenues, or 6% down compared to the previous year. In 2019, the operating profit (EBIT) totalled PLN 29 945 thousand.

In 2019, 43 contracts worth PLN 1 188 million were signed in the building construction segment compared to 58 contracts worth PLN 1 771 million in 2018. At the end of 2019 the order portfolio in the building construction segment was worth PLN 1 472 million..

Residential/commercial buildings at home

In 2019 the Group revenues from building construction in domestic market totalled PLN 1 473 498 thousand, down by 4.8% compared to the previous year. The operating profit (EBIT) in the building construction segment totalled PLN 22 091 thousand.

At the end of December 2019, the order portfolio in the area of building construction in Poland totalled PLN 1 291 million (of which PLN 1 034 million was posted in 2020) compared to PLN 1 721 million at the end of the previous year.

Residential/commercial buildings in foreign countries

The building construction segment in foreign countries represented by GWI Bauunternehmung GmbH, ERBUD S.A. and ERBID International Sp.z.o.o. closed the year 2019 with total sales revenues of PLN 137 746 thousand, down by 35.6% compared to the previous year. The operating profit (EBIT) in the building construction segment totalled PLN 7 854 thousand. At the end of December 2019, the order portfolio in the area of building construction totalled PLN 180 million (of which PLN 127 million was in 2020) compared to PLN 141 million at the end of the previous year.



AGNIESZKA GŁOWACKA
Vice-President of the Management Board of ERBUD S.A.

DISCUSSION OF FINANCIAL

ROAD ENGINEERING CONSTRUCTION

In 2019, sales revenues from the road-engineering segment represented by PBDI S.A. totalled PLN 379 586 thousand, up 49.4% on a year to year basis. The operating profit was PLN 17 248 thousand. In 2019 the road engineering segment signed 93 contracts worth PLN 491 million. At the end of December 2019 the segment had order portfolio worth PLN 661 million (of which PLN 379 million was posted into 2020), whereas this figure totalled PLN 524 million.

POWER AND MAINTENANCE SEGMENT

In 2019 the power and maintenance service segment posted PLN 322 431 thousand in the category of sales revenues. It implies that revenues in this segment were up by 2.4% compared to 2018. In 2019 the operating profit of the segment was PLN 11,563 thousand.

In 2019 the Group signed in the power plant construction and maintenance segment at home 388 contracts worth PLN 323 million compared to 158 contracts with the total value of PLN 262 million at the end of 2018. At the end of December 2019 the order portfolio of the segment closed with the amount of PLN 258 million compared to PLN 176 million in the previous year. Out of that figure PLN 163 million is to be executed in 2020.

Domestic Power and Maintenance Service segment

The domestic power and maintenance service segment, represented by ERBUD Industry Group companies, closed 2019 with sales revenues of PLN 208 621 thousand i.e. down by 2.7% compared to the previous year. The operating profit (EBIT) in the power and maintenance service segment totalled PLN 1 486 thousand.

At the end of December 2019, the order portfolio in this segment totalled PLN 170 million (of which PLN 83 million was in 2020) compared to PLN 160 million at the end of the previous year.

Power and maintenance service segment in foreign countries

The domestic power and maintenance service segment, represented by IVT Weiner + Reimann GmbH company, closed 2019 with sales revenues of PLN 113 810 thousand i.e. up by 13.2% compared to the previous year. The net operating income of the power and maintenance service segment in foreign countries stabilized at the level of PLN 10 077 thousand.



MARIOLA ZIELIŃSKA

President of the Management Board of ERBUD Shared Services Sp. z o.o. (the company delivers bookkeeping, HR, IT and car fleet management for the Polish companies that are members of the ERBUD Group)

DISCUSSION OF FINANCIAL

At the end of December 2019, the order portfolio of this segment in foreign countries totalled PLN 88 million (of which PLN 80 million was in 2020).

BALANCE SHEET OF ERBUD GROUP

At the end of 2019, the Group's balance sheet total was up by 6.3% thanks to an investment project involving the construction of a retirement home executed by Pflege Quatier Düren GmbH, a subsidiary of GWI GmbH.

CASH FLOWS

In 2019 the ERBUD Group posted negative cash flows totalling PLN (58 368) thousand. Negative cash flows are mainly due to the negative change in working capital. As of 31 December 2019 the Group posted cash and cash equivalents in the amount of PLN 148 240 thousand compared to PLN 206 609 thousand in the previous year.



BELINDA ŚLIWIŃSKA
Director of the Controlling Office, ERBUD S.A.

FIGURES ABOUT ERBUD GROUP



14

COMPANIES



5

EU COUNTRIES

FIGURES ABOUT ERBUD GROUP



HUMAN RESOURCES
2019



WORKERS



PRODUCTION
WORKERS



TECHNICAL
WORKERS

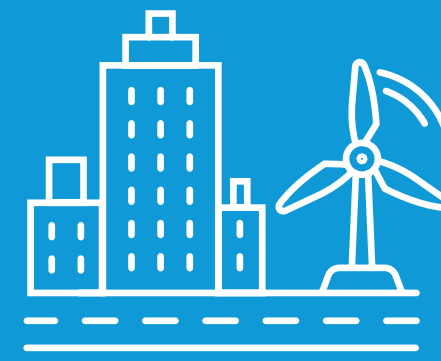


ADMINISTRATIVE
AND COMMERCIAL
WORKERS



PERSONS
IMPLEMENTING
PROJECTS

FIGURES ABOUT ERBUD GROUP



COMPLETED PROJECTS 2019



BUILDINGS



MAINTENANCE
MAN-HOURS FOR
INDUSTRY AND
POWERSECTOR



MAINTENANCE
CONTRACTS

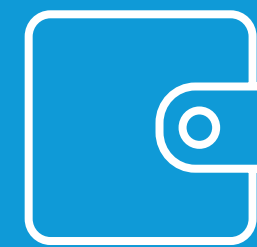


PHOTOVOLTAIC
FARMS



ROADS

FIGURES ABOUT ERBUD GROUP



FINANCE 2019

PLN
2 313 363
thous.

REVENUES

PLN
58 400
thous.

EBIT MARGIN

PLN
35 044
thous.

GROUP'S NET
PROFIT

PLN
274 816
thous.

EQUITY

FIGURES ABOUT ERBUD GROUP



CSR 2019

PLN
259.4
thous.

CSR EXPENDITURES

6

OF COLLABORATING
CHILDREN'S HOMES

107

OF PERSONS COVERED
BY THE FOUNDATION
ACTIVITIES

26

CHARITABLE
OPERATIONS



CORPORATE GOVERNANCE



MANAGEMENT BOARD

CURRENT COMPOSITION OF THE MANAGEMENT BOARD



DARIUSZ GRZESZCZAK
President of the Management Board of ERBUD S.A.

Scope of responsibilities of Dariusz Grzeszczak, the President of the Management Board

- a. Development of ERBUD Group strategy.
- b. Development and supervision over the operations of HR Department.
- c. Oversight over the operations of the Marketing Department, PR/IR.
- d. Investor Relations (activities related to the publication of financial performance of the ERBUD Group, relations with mass media, relations with stock exchange investors).
- e. Supervision over the activities of the Division of Advisors to the Management Board on Strategy and Development.
- f. Supervision over the activities of the Management Board and Corporate Governance Office.
- g. Supervision over foreign operations (GWI Bauunternehmung GmbH, ERBUD International Sp. z o.o., ERBUD S.A, IVT Weiner + Reimann GmbH).
- h. Supervision over ERBUD Industry Sp. z o.o. and its subsidiaries
- i. Development of ERBUD Industry Group at home and in foreign countries.



AGNIESZKA GŁOWACKA
Vice-President of the Management Board of ERBUD S.A.

Scope of responsibilities of Agnieszka Głowacka, Vice-President of the Management Board

- a. Supervision over the activities of the Finance Division including the Controlling Office.
- b. Supervision over the activities of the Audit and Internal Control Department.
- c. Cooperation with financial institutions, banks, insurance companies, brokers.
- d. Coordination of information policy on the MAR MAD Directive.
- e. Supervision over financial and non-financial reporting.
- f. Acquisition of financing sources.
- g. Supervision over the implementation of the financial policy of the ERBUD Group.
- h. Supervision over the operations of ERBUD Shared Services Sp. z o.o.
- i. Receiving of anonymous reports on the infringements of the law, procedures and ethical standards at ERBUD S.A.



JACEK LECZKOWSKI
Vice-President of the Management Board of ERBUD S.A.

Scope of responsibilities of Jacek Leczkowski, Vice-President of the Management Board

- a. Supervision over the operations of the Production Division in Poland – building construction (relations with industry investors, support in sourcing building contracts).
- b. Supervision over the operations of the Management Systems Division.
- c. Supervision over the operations of the Legal Division.
- d. Supervision over the Purchasing and Central Procurement Division
- e. Supervision over the operations of Building Information Modelling Section.
- f. Supervision over the operations of OH&S.
- g. Supervision over PBDI S.A.
- h. Supervision over ERBUD Operations Sp. z o.o.
- i. Supervision over JV WMER Matoc Sp. z o. o.
- j. Supervision over JV PABC Sp. z o. o.
- k. Supervision over HEBUD Sp. z o. o.

MANAGEMENT BOARD

MANAGEMENT BOARD COMPOSITION UNTIL THE END OF 2019



DARIUSZ GRZESZCZAK
A member of the Management Board of ERBUD S.A.



AGNIESZKA GŁOWACKA
A member of the Management Board of ERBUD S.A.



JÓZEF ADAM ZUBELEWICZ
A member of the Management Board of ERBUD S.A.

THE SUPERVISORY BOARD OF ERBUD S.A.



UDO BERNER
The Chairman of the Supervisory Board



DR ALBERT DÜRR
A Supervisory Board member



JANUSZ REITER
A Supervisory Board member



Prof. GABRIEL GŁÓWKA, Ph.D.
Deputy Chairman of the Supervisory Board



MICHAŁ OTTO
A Supervisory Board member



PIOTR KACZMAREK
A Supervisory Board member

THE SUPERVISORY BOARD OF ERBUD S.A.

SUPERVISORY BOARD COMPOSITION

In the period from 1 January 2019 to 31 December 2019 the Supervisory Board of ERBUD SA consisted of:

- Udo Berner – The Chairman of the Supervisory Board, (a dependent member of the Supervisory Board, has been sitting on the Supervisory Board since 8 December 2009),
- Gabriel Główka – Deputy Chairman of the Supervisory Board, (a dependent member of the Supervisory Board, has been sitting on the Supervisory Board since 15 November 2006),
- Albert Dürr – a member of the Supervisory Board, (a dependent member of the Supervisory Board, has been sitting on the Supervisory Board since 15 November 2006),
- Michał Otto – a member of the Supervisory Board, (an independent member of the Supervisory Board, has been sitting on the Supervisory Board since 31 May 2012),
- Janusz Reiter – a member of the Supervisory Board, (an independent member of the Supervisory Board, has been sitting on the Supervisory Board since 28 April 2016),
- Piotr Kaczmarek – a member of the Supervisory Board, (an independent member of the Supervisory Board, has been sitting on the Supervisory Board since 31 May 2018),

The Supervisory Board acts on the grounds of the applicable legal regulations, in particular the Commercial Companies' Code, the Statutes of ERBUD S.A., the By-Laws of the Supervisory Board and the resolutions of the General Meeting of Shareholders. The Supervisory Board meets on as needed basis, however, at least 4 times a year.

The Supervisory Board adopts resolutions, if at least half of its members are present at the meeting. Save for the provisions of the Commercial Companies' Code, a resolution of the Supervisory Board may be adopted in writing or using means of direct remote communication. The Supervisory Board shall adopt its resolution by an absolute majority of votes cast, in the presence of at least half the members of the Supervisory Board.

Two committees report to the Supervisory Board of ERBUD S.A.:

AUDIT COMMITTEE:

Between 1 January 2019 to 31 December 2019 it operated with the following composition :

- Michał Otto – The Chairman of the Audit Committee (independent member of the Audit Committee, in the Audit Committee has been sitting since 28 April 2016),
- Gabriel Główka – a member of the Audit Committee (independent member of the Audit Committee, in the Audit Committee has been sitting since 15 November 2006),
- Janusz Reiter – a member of the Audit Committee (independent member of the Audit Committee, in the Audit Committee has been sitting since 29 May 2018),
- Piotr Kaczmarek – a member of the Audit Committee (independent member of the Audit Committee, in the Audit Committee has been sitting since 3 December 2018).

THE SUPERVISORY BOARD OF ERBUD S.A.

PAYROLL COMMITTEE:

Between 1 January 2019 to 31 December 2019 it operated with the following composition:

- Udo Berner – the Chairman of the Payroll Committee,
- Michał Otto – a member of the Payroll Committee,
- Janusz Reiter – a member of the Payroll Committee.

INDEPENDENCE OF SUPERVISORY BOARD MEMBERS:

In the Company's Audit Committee reporting to the Supervisory Board of ERBUD S.A. Messrs. Michał Otto, Janusz Reiter, Piotr Kaczmarek fulfil the independence criterion in the understanding of Art. 129, par. 3 of the Act on Statutory Auditors.

In addition, Mr Gabriel Główka fulfills the requirements of the Act on Statutory Auditors concerning knowledge and skills in the field of accounting or auditing of financial statements. Gabriel Główka graduated from the Warsaw School of Economics, the Faculty of Production Economics, where he majored at the Construction and Investment Economics. His knowledge in this area is also confirmed by the granted academic degree of doctor habilitatus. This is the highest academic degree awarded in the field of economic sciences in the following disciplines: economics, science of commodities, management and finance. The granting of the degree of doctor habilitatus in the field of finance confirms his knowledge in a wide area of finance, including the field of financial revision of enterprises and assessment of their financial condition, etc. Gabriel Główka's acquired competencies are testified by his experience gained, inter alia, at: (i) the Loan Department, ING Bank Śląski, (ii) ING Bank Śląski, where he was the chairman of the Loan Committee of the Warsaw Region of ING Bank Śląski. The most important objective of the Loan Committee was to assess and verify the financial standing of enterprises to incur loan liabilities and make decisions on granting them revolving and investment loans, (iii) while serving as the President of the Management Board of Śląski Bank Hipoteczny – later ING Bank Hipoteczny (ING Mortgage Bank), where he managed the finances of this business entity – in the position of Chief Financial Officer (CFO), (iv) while in office in the National Qualification Commission for the Property Appraisal. He has been a research worker and lecturer at the Warsaw School of Economics for over 30 years – currently he is the Director of the Institute of Corporate and Investment Financing. In the 2002-2004 period and again from 2009 he has been a member of the National Qualification Commission – Sub-Committee for Property Appraisal.

Consequently the Issuer meets the requirements set forth in Art. 129, paragraphs 1, 3 and 5 of the Act on Statutory Auditors.

THE SUPERVISORY BOARD OF ERBUD S.A.

POWERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2019:

1. to approve the strategic long-term plans of the Company.
2. to approve annual schedules of works and expenditures.
3. to approve the investment plans of the Company,
4. to give consent to: acquisition, disposal and encumbering of real estate, perpetual usufruct, or share in real estate or perpetual usufruct right,
5. to give to consent to setting up and dissolution of manufacturing plants and branch offices.
6. to give consent to the Company to extend guarantees, sureties and issuance of bills of exchange, acceptance of sureties, opening of a letter of credit each time when the value exceeds the equivalent of EUR 2 000 000.00 (in words: two million), except for: guarantees issued at the Company's request by financial institutions related to the regular course of business.
7. to give consent to equity investments exceeding the equivalent of EUR 100 000.00 (in words: one hundred thousand) except for capital investments, Treasury bills and Treasury bonds issued in Poland or in the countries where the Company runs its business activities,
8. to approve the acquisition, disposal, encumbering shares or interest in other entities,
9. to determine the voting procedure for the Company representatives sitting on the bodies of subsidiaries and affiliated entities with reference to the following matters: appointment and dismissal of the members of the bodies of subsidiaries and affiliated entities, dissolution or liquidation of such subsidiaries and entities, change of the company profile, split or merger of subsidiaries or affiliated entities,
10. to grant consent to take all measures not related to the Company profile and extraordinary measures with the value exceeding the equivalent of EUR 100 000.00 (in words: one hundred thousand euros),
11. to give consent to enter into agreements with the shareholders holding at least 5% of the total number of votes at the Company's General Meeting and with the related entities in the understanding of International Accounting Standards pursuant to the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards; The above obligation does not cover typical transactions and concluded following arm's length principle during operations run by the Company with the member companies of the Company's Capital Group,
12. to grant consent to the investments exceeding the equivalent of the value of EUR 100 000.00 (in words: one hundred thousand euros), unless such investments are included in the investment plan, approved by the Supervisory Board.

THE SUPERVISORY BOARD OF ERBUD S.A.

13. to give consent to enter into hire, rent and licensing agreements with the effective term exceeding 48 months concluded outside regular course of business and not provided for in the budget.
14. to give consent to submit proposals and to enter into civil works contracts with the net value exceeding the equivalent of the amount of EUR 15 000 000.00 (in words: fifteen million euros) , in case of joint proposals, the reliable measure is the net sum of the proposal rather than Company share in the proposal.
15. to give consent to dispose of the right or to take an obligation by the Company, within a single or higher number of legal transactions with the same entity, with the value exceeding the equivalent of EUR 5 000 000.00 (in words: five million Euros) during the financial year.
16. to grant permission to employ an employee with an annual remuneration exceeding the equivalent of 150 000.00 (in words: one hundred fifty thousand Euros),
17. to grant consent to the appointment of the members of Company's Management Board to the management or supervisory boards of non-member companies from of the Company's Capital Group and in cases specified in Art. 380 § 1 of the Commercial Companies' Code.
18. Other matters reserved for the powers of the Supervisory Board by law, provisions of this Statute, forwarded upon the request of the Management Board or delegated by virtue of a resolution of the General Meeting.

On 24 May 2019 the Ordinary General Meeting of Shareholders of ERBUD S.A. by virtue of Resolution No. 17/2019 changed the wording of §11, section 3, item 5, 6 and 15 of the Company's Statute, the registration of changes in the National Court Register took place on 9 July 2019, i.e:

POWERS OF THE AUDIT COMMITTEE:

1. To monitor the financial reporting process.
2. To monitor the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting.
3. To monitor the performance of auditing activities including in particular the conduct of an audit by the auditing firm.
4. To control and monitor the independence of the statutory auditor and the auditing firm, in particular when other auditing services are provided to the Company by the auditor;
5. To inform the Company's Supervisory Board about audit findings and to explain how the audit contributed to the reliability of financial reporting at the Company, and what was the role of the Audit Committee in the audit process.
6. To assess the independence of the auditor and to give consent to the provision of permitted non-audit services to the Company;

THE SUPERVISORY BOARD OF ERBUD S.A.

7. To develop a policy of auditing firm appointment to carry out the audit of Financial Statement;
8. To develop a policy by the auditing firm to carry out the audit, by entities related to this auditing firm and by a member of the auditing company's network of permitted non-audit services.
9. To determine the procedure for the auditing firm appointment by the Company.
10. To make recommendations to the Supervisory Board regarding the appointment of statutory auditors or auditing firms in adherence to the policies developed by the Audit Committee.
11. To make recommendations aimed at securing the reliability of the financial reporting process at the Company.

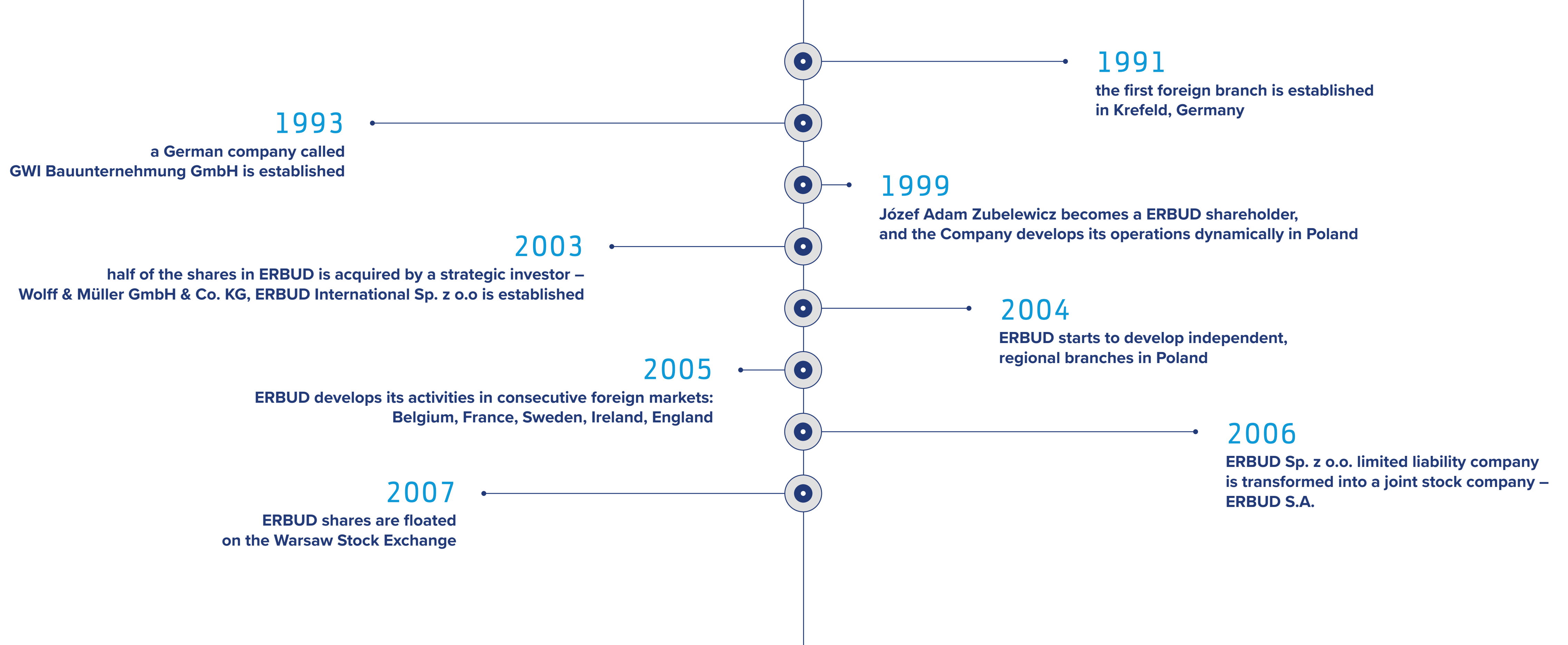
POWERS OF THE REMUNERATION COMMITTEE:

1. To plan remuneration policy for the Management Board members.
2. To adjust the remuneration of Management Board members to long-term interests of the Company.

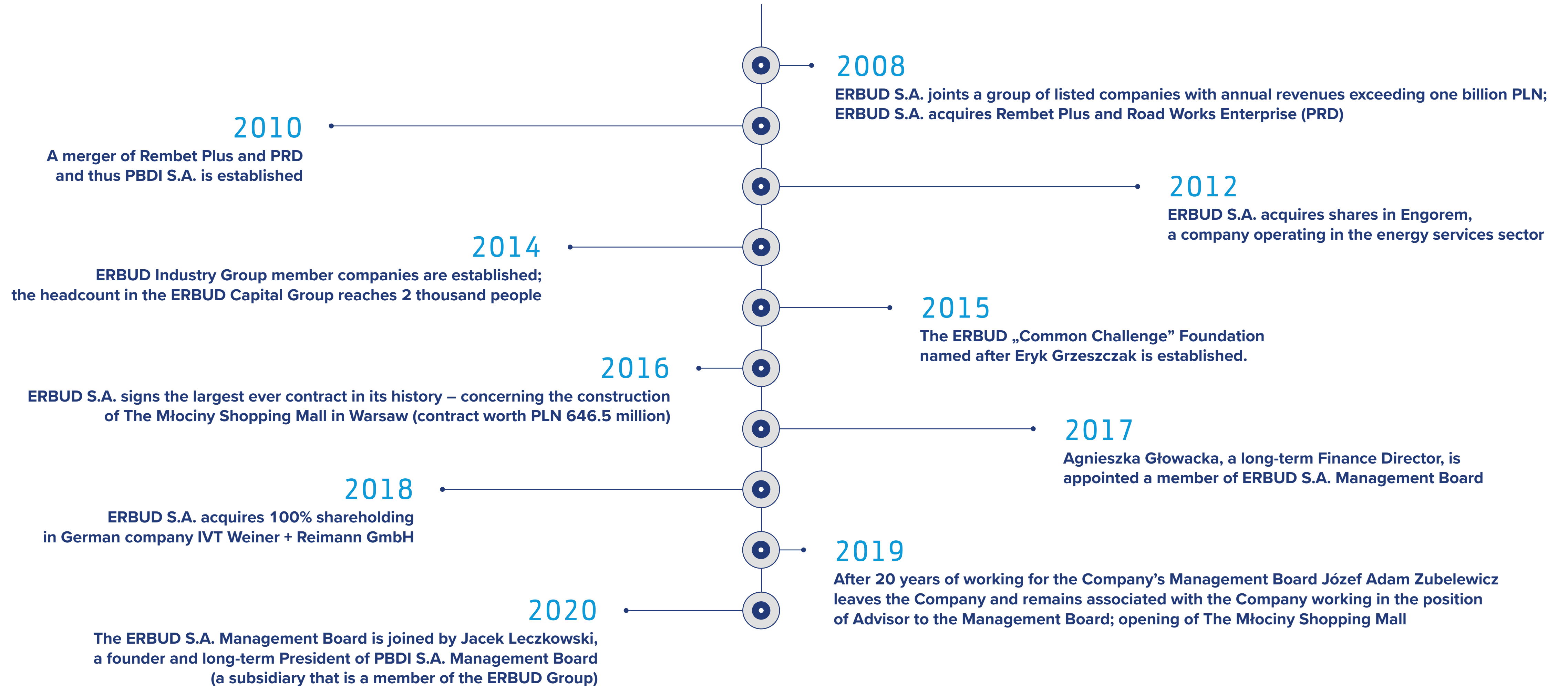
30TH ANNIVERSARY OF ERBUD GROUP

17 AUGUST 1990

Eryk Jan Grzeszczak along with his son Dariusz Grzeszczak establish ERBUD Construction and Technical Service Company with its registered office in Toruń



30TH ANNIVERSARY OF ERBUD GROUP



30TH ANNIVERSARY OF ERBUD GROUP

I vividly remember 17 August 1990, when my dad, Eryk Jan Grzeszczak and myself founded Construction and Technical Services Company based in Toruń. The company name "ERBUD" is an acronym of my dad's first name. Today, his name is the ERBUD Common Challenges Foundation, which we established on the occasion of the 25th anniversary of the company's establishment – the Foundation helps children staying at children's homes with becoming independent and in this way continues his social-oriented mission.

The first registered office of the company, which is now in top five largest construction companies in Poland, was an inconspicuous single-family house in Toruń... The first construction project involved an office building in Regensburg, Germany – it generated 28 thousand German marks of revenues. Three decades later we closed 2019 with the consolidated revenues of the ERBUD Group at the level of PLN 2.3 billion and we commissioned our largest project – The Młociny Shopping Mall in Warsaw. We started out in a group of several people; today, the uniqueness of the ERBUD Group consists of the commitment of 2475 workers. I am giving the headcount level precisely because each of these 2475 people is equally important to us. Because, even though 30 years have passed, one thing has not changed and never will: ERBUD is people. I am glad that the extremely low employee turnover rates confirm that we have managed to build an organization to which people commit for years. There are still people in our team who remember the first years of the company's operations, the establishment of the first foreign branch in Krefeld, Germany, the expansion in the German market and since 1999 the dynamic development in the Polish market. We were moved together with many current employees when ERBUD shares were floated on the Warsaw Stock Exchange. Those who have joined the Company in recent years also confirm that the ERBUD Group is a perfectly balanced mix of the best features of a small family-run business and a large corporation. The history of ERBUD dynamic development is inseparably connected with the person of Józef Adam Zubelewicz, the President of Management Board. He was the one who prepared ERBUD for expansion in the Polish market, he was the one who built the segment of building construction, which is still predominates in the Company's operations and in the Group's revenues. His experience, knowledge, intuition, ability to inspire people, to get the best out of them, has supported us for the last 20 years. Thousands of hours of constructive talks are behind us. That is why I am so glad that Mr. President, despite his decision to slow down the pace of his professional career, will stay with us – as an advisor to the Management Board. I believe that for at least another 30 years 😊.

I am proud to confirm that our company has prepared itself in a model manner. We had time to appoint and prepare a suitable successor. We have always believed in internal promotions: and that is why Jacek Leczkowski – strongly associated with the Group, enjoying the deserved trust of his colleagues – was a natural successor. Jacek Leczkowski perfectly knows and understands the family nature of our company. As a co-founder and President of the Management Board of PBDI, he has repeatedly proved that he has in his DNA the ERBUD underlying values such as kindness, respect, responsibility, but also courage key in doing business. Speaking of courage... It is often said about transformation start that this was the time for people who had the courage to dream, and then with hard work they made their dreams come true. It's true, we also owe this approach to the fact that we have so quickly set new milestones in the ERBUD history. And... perhaps my confession will become a headache for our competitors: nothing has changed to this end. We still want to dream with the same power as we did 30 years ago and we desire to make apparently unreal dreams come true. And we prove it every day!

Dariusz Grzeszczak



DARIUSZ GRZESZCZAK
President of the Management Board
ERBUD S.A., a co-founder of the Company

30TH ANNIVERSARY OF ERBUD GROUP

That's how the motivational fairy tale of a model career could begin: 30 years ago, a young female accountant entered an inconspicuous detached house in the City of Toruń and accepted a job offer made to her by the late Eryk Grzeszczak. Today she is the CEO of the Group's subsidiary, which is in top five construction companies in Poland. Somewhere "on the way", already in her forties, she graduated from university.

But it's not a fairy tale, it's a real story of my professional life, which we have been writing jointly with ERBUD for 30 years now. It was this company that shaped me professionally, giving me such a unique opportunity to grow and learn and also taught me how to respond to ever changing challenges. What is crucial to me is that ERBUD provides me with evidence on a daily basis that exceptional companies attract exceptional people. I owe it to my colleagues that such words as "passion" and "fulfilment" I will always associate with ERBUD.

Mariola Zielińska



MARIOLA ZIELIŃSKA

President of the Management Board of ERBUD Shared Services Sp. z o.o.

When I went to work in Germany for ERBUD more than a quarter of a century ago, the clash of two worlds was staggering. We were leaving a country that was still in the infancy phase after the transformation for a country with a very well developed industry, high culture and work organisation. Today, these differences are blurring – and I can proudly say that ERBUD made a considerable contribution. It was us who adapted best practices, solutions and materials in Poland, inspired investors, but also the competition.

In the ever-changing world, there are few permanent values. One of them is that ERBUD is a company created by people and for people. The Company really takes care for each and every employee, caters for his/her needs, his/her development, not only professional. We help each other, we're together for better or worse – also in private.

Mirosław Koczorowski



MIROSŁAW KOCZOROWSKI

Director of a Group of Construction Sites, The Toruń Branch of ERBUD

30TH ANNIVERSARY OF ERBUD GROUP

ERBUD, I've spent 30 years here, more than half of my life. He's my first and sole employer. When I joined the team in 1990, it was crucial for me to be able to gain – thanks to work in Germany – experience that was not available in Poland at that time. With time, other strengths of working for the Company started to gain importance: the already legendary atmosphere, climate, interpersonal relations.

It is of great importance to me that ERBUD has always been and is a pioneer of modern solutions in the construction sector. The new technologies that we implemented in the Polish market attracted study tours from technical colleges to our construction sites, and Investors often had to be persuaded to use new technologies. Today the market is much more mature, but we are still trend setters, e.g. in the automation of site monitoring.

Andrzej Sawa



ANDRZEJ SAWA
Manager of the Logistics and Central Procurement Division, ERBUD S.A.

I am a peer of ERBUD, our birthday dates are only a few days away. This coincidence is a source of never-ending jokes and anecdotes – I always say we are at the same age, but ERBUD is a mature company, and I am still young. If the Company does not mind, I will be happy to celebrate with it consecutive 40, 50, 60 birthdays 😊.

I've been working here for 5 years; it was my first job in a contracting company, and I got addicted to my job straight away. During my 5-year MSc degree university course at the environmental engineering department, I did not know what the work in this trade all about – now I am at the heart of things. It is so fascinating and inspiring that I do not feel the passage of time at all – a lot is going on, I gain more work and life experience so quickly.

What I really appreciate about ERBUD is that it combines the best of two worlds: corporations and customer-friendly family-run small business..

Sabina Woźniak



SABINA WOŹNIAK
Trading Specialist, The Rzeszów Branch, ERBUD S.A. – an ERBUD peer

DEVELOPMENT DIRECTIONS OF ERBUD GROUP ACTIVITIES

In short-term, the ERBUD Group will focus on:

- being ranked Top 5 companies in the building construction segment in Poland,
- developing new business segments, in particular those based on new technologies,
- maintaining financial ratios declared in contracts with financial institutions,
- increasing the scale of operations in the building construction and maintenance segment in the stable markets of Western Europe, such as Germany and Benelux countries.

At the same time, the Group will continue to explore new expansion opportunities, both in geographical and industry-specific terms.

The achievement of the Group's objectives should be supported by the market situation, i.e:

- standardisation of the cost position in the Polish and German construction markets,
- good, profitable order portfolio across the Group,
- return to the execution of wind and photovoltaic farm projects,
- stable position and long track record in the German, Belgian and Dutch markets.

The ERBUD Group also intends to build on its strengths, such as:

- ERBUD's strong brand - during 30 years of its market presence, ERBUD has gained the image of a company that executes construction investment projects taking care for investors' satisfaction, ethically and with respect for the environment, and also meets the set deadlines and performs work within the adopted budgets and has a reputation of a reliable payer,
- Diversified nature of activity, both segmentally and geographically, at least partially offsetting adverse impact on the results of the turmoil in individual markets,
- knowledge of foreign markets - almost from the origins of its operation, the ERBUD Group has been operating in the German market, and the knowledge acquired in it ERBUD uses for effective expansion into other Western European markets,



DARIUSZ GRZESZCZAK
President of the Management Board of ERBUD S.A.

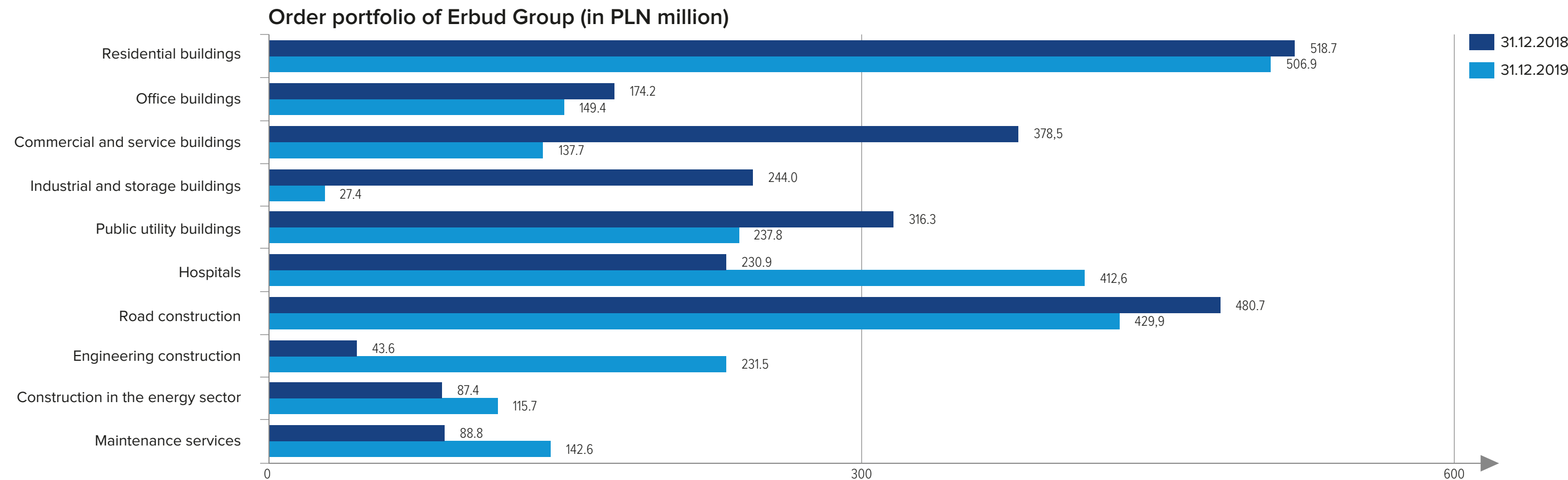
DEVELOPMENT DIRECTIONS OF ERBUD GROUP ACTIVITIES

- experienced and professional staff – constant care for safety and professional development of personnel have made the Group employ competent, experienced and committed people, characterised by employment stability – many employees have been associated with ERBUD since the company was established, also foreign companies of the Group have good local staff, including managers,
- stable financial position – characterized primarily by effective cooperation with financial institutions,
- an experienced, committed team of senior and middle level personnel,
- development activities and investment in the most committed personnel members – Talent Development Programme.

In 2019, the Group rebuilt capitals, which decreased as a result of the loss incurred in 2018. In the second half of the year, when the most important goal was achieved, the Management Board focused on the Group directions of further development. The priority has become to get independent from circularity of the EU aid to Poland. The first step in these activities was the acquisition of a German service provider in 2018. The very good effect of this acquisition made the Management Board of the parent company want to further expand the Group’s operations in Western European markets. Our intention is to enter into the area of new technologies.

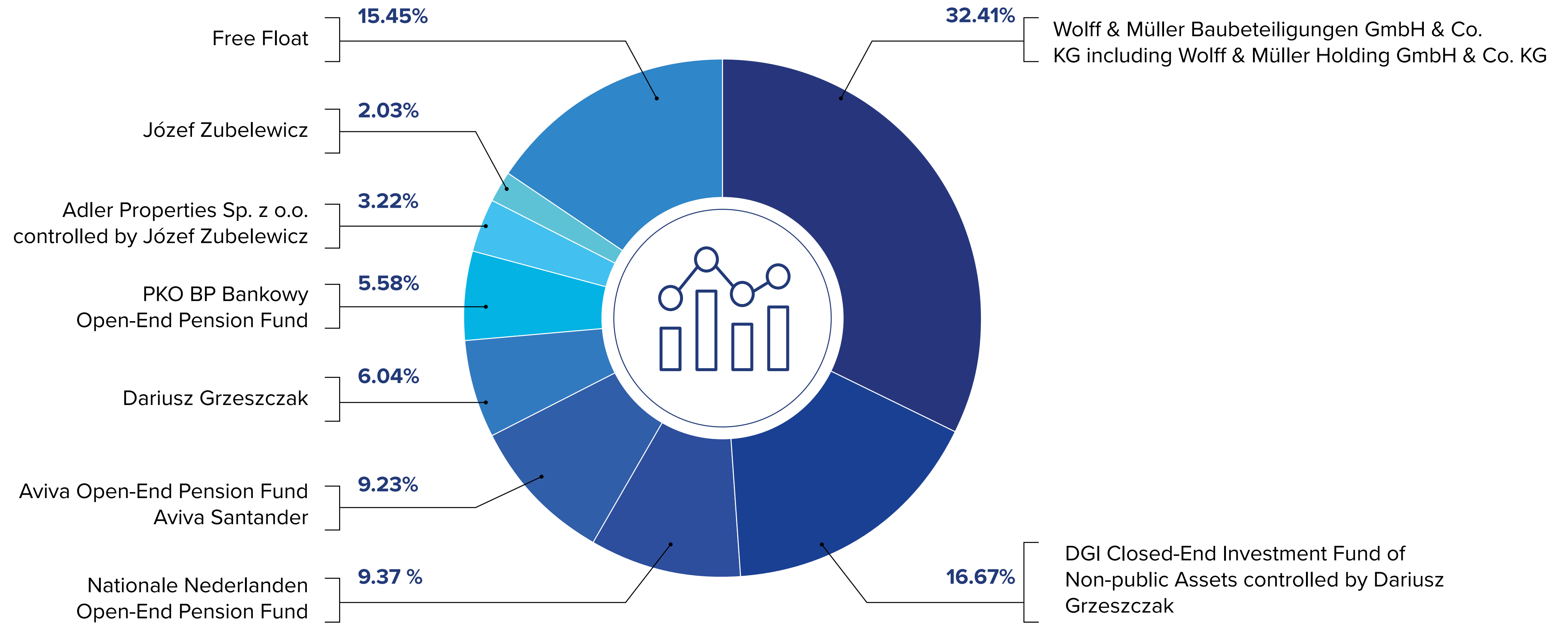


JERZY POLASZEK
Advisor to the Management Board on Strategy and Development ERBUD S.A.



SHAREHOLDING STRUCTURE

ERBUD S.A. has a stable shareholding structure. As of 31December 2019 the Company's shareholding structure was as follows:



BUSINESS MODEL

1. CORPORATE MISSION STATEMENT IN BUSINESS MODEL

The ERBUD operates on a long-term basis and is responsible to its personnel and their families, business partners and shareholders.

In order to ensure a stable and secure development, the ERBUD strives consistently at segment-based and at geographical diversification.

A RESPONSIBLE, INNOVATIVE AND SAFE PARTNER



BUSINESS MODEL

2. OUR SERVICES AND CUSTOMERS

The services are related directly and indirectly to all areas of the economy, our customers are private and public entities, as well as local government bodies.

Major area of ERBUD activities:

- building construction,
- road engineering construction,
- engineering and maintenance services for the industry and power sector.

Business operational areas:

- Poland,
- Germany,
- Belgium,
- The Netherlands,
- France.

Order portfolio structure:

- building construction at home – 54%,
- building construction in foreign countries – 7.5%,
- maintenance services in foreign countries – 3.7%,
- road engineering segment – 27.7%,
- power sector and maintenance services at home – 7.1%



BUSINESS MODEL

3. ERBUD GROUP ORGANISATION AND RESOURCES

RBUD operates within the Capital Group, where ERBUD S.A. is the parent company listed on the Warsaw Stock Exchange. The Group comprises:

- ERBUD S.A.,
- GWI Bauunternehmung GmbH,
- ERBUD International Sp. z o.o.,
- PBDI S.A.,
- IVT Weiner + Reimann GmbH,
- ERBUD Industry Sp. z o.o.,
- ERBUD Industry Pomorze Sp. z o.o.,
- ERBUD Industry Centrum Sp. z o.o.,
- ERBUD Industry Południe Sp. z o.o.,
- ERBUD Operations Sp. z o.o.,
- ERBUD Shared Services Sp. z o.o.,
- Hebud Sp. z o.o.,
- JV WMER Matoc Polska Sp. z o.o.

In the years to come, the ERBUD Group will continue to grow both organically and through acquisitions, while maintaining its current organisational model.



BUSINESS MODEL

Human capital:

- headcount in the Group member companies – approx. 2 500 persons,
- **employment structure:**
 - production personnel – 54%,
 - technical personnel – 30%,
 - administration and commercial personnel – 16%,
- continuous implementation of personnel development and succession programmes.

Financial capital:

- equity – PLN 274 816 thousand,
- available credit and guarantee lines – PLN 1 198 million,
- consolidated revenues – PLN 2.3 billion,
- net profit – PLN 35 044 thousand,
- financial resources – PLN 148 240 thousand.

Intellectual capital:

- long-term experience of Personnel and Organisation (the Group has been operating for 30 years in the market),
- own teams allowing to execute contracts on the EPC basis,
- the ERBUD brand is widely recognised in the construction market,
- the leading position in the Polish market in such segments as building construction, wind and photovoltaic farm construction.



BUSINESS MODEL

Organisational capital:

- 20 own executive branches,
- more than 60% of permanent subcontractors and suppliers,
- approximately 10 000 workers work on construction sites everyday,
- functioning integrated management, quality and occupational health and safety systems,
- high occupational safety and hygiene standards.

Social capital:

- active measures taken by the Eryk Grzeszczak Common Challenges Foundation to the benefit of young people brought up in children’s homes, entering independent, adult life,
- to support local initiatives,
- to participate actively in the activities of the Polish Association of Construction Industry Employers and Construction Safety Alliance,
- to support the development of vocational education and training for young people in the area of construction trades and professions.

Natural capital:

- mineral resources (ferrous and non-ferrous metal ores, aggregates and oil derivatives),
- water,
- trees (wood),
- air.



BUSINESS MODEL

4. RISKS:

ERBUD has implemented risk management systems and uses them in its day-to-day operations. Long-term risk assessment covers:

- financial risk,
- operational risk,
- macroeconomic risk,
- legal risk,
- tax risk,
- environmental risk,
- climate risk,
- cyber-attack risk,
- coronavirus risk.

Last year the business model of ERBUD Group was not modified significantly.



INTEGRATED MANAGEMENT SYSTEM

In 2019 we celebrated the 15th anniversary of the introduction of quality management standards at ERBUD and the 5th anniversary of the Integrated Management System. We made up our mind to implement the Integrated Management System as one of the first construction companies in Poland. Even today we are trend setters in the area of management process integration, not only in our industry. We are the first construction company that was certified in the area of Occupational Health and Safety (OH&S) according to the new ISO 45001 standards. Our ambition is to standardise documentation and processes throughout the ERBUD Group.

The gist of integrated management systems is that they integrate informally existing company habits and behaviours into structured, integrated standards and processes. The measure of our Group’s maturity, but also the fact that we have already made one step further – our standards have become everyday habits, is a reason to be proud of. Employees do not treat them as a „necessary evil”, but see them as an added value that makes it easier for them to work and identify themselves with the company.

RESPONSIBILITY HABIT

We observe a conscious approach, for instance, when it comes to environmental issues: employees, who understand the importance of climate and environmental issues, identify themselves improvements that can reduce our negative impact on the environment. A similar approach is observed in the area of security (for worker teams, adequate security and shared responsibility for themselves and others is a natural reflex rather than an imposed requirement) and quality (customer-oriented approach, in our case, is a much broader concept than the literal perception and fulfilment of contract requirements).



MACIEJ WYRZYKOWSKI
 Director of the Integrated Management System Division at ERBUD S.A. / Proxy

Looking retrospectively from the perspective of 15 years that have passed since first certification (ISO 9001:2001 and AQAP 2110:2003 we may put forward a thesis, that the business and financial development of our Group was closely correlated with the consistent standardization of management systems based on quality, environmental, occupational health and safety standards. The formula of voluntary certification of certain areas has become over the years a permanent element of management processes and even code of conduct in the marketplace.

Maciej Wyrzykowski

INTEGRATED MANAGEMENT SYSTEM

INTEGRATED MANAGEMENT SYSTEM AT ERBUD GROUP

- **quality** – ISO 9001:2015 and AQAP 2110:2016 (military supplies),
- **safety** – ISO 45001:2018 standard (it will eventually replace PN-N 18001 and BS OHSAS 18001 standards in the Group member companies),
- **environment** – ISO 14001:2015 standard.

In the IMS documentation we put special emphasis on:

- **full responsibility of top management**, but also the entire team for quality, occupational health and safety and environmental issues,
- **opportunity and risk management** generated by our activities,
- **organisational context** (impact on institutions, investors, suppliers, employees, local community, etc.),
- **change management**, mainly project (configuration) change management,
- **environmental protection**, management of environmental aspects, curtailment of harmful emissions, environment-oriented technologies.

FACTS & FIGURES ABOUT 2019:

- we carried out 30 internal audits:
 - Wrocław 5
 - Warszawa 4
 - Toruń 11
 - Rzeszów 4
 - Kraków 6



We are the first company in Poland to have been awarded a certificate of compliance with ISO 45001:2018 by the renowned Quality Certification Centre, operating within the structures of the Military University of Technology.

INTEGRATED MANAGEMENT SYSTEM

HEADING FOR FULL STANDARDIZATION

2019 was marked by preparations for the standardisation of processes and documentation for the entire ERBUD Group. The basis consists of the best practices developed by ERBUD S.A., but we adapt them each time to the specific nature and needs of a certain member company of our Group. The most advanced is the unification of management in the occupational health and safety area. The standardization process in the environmental area is run also very efficiently. In September 2019, the environmental standard was certified by PBDI S.A., and now other Group member companies are getting ready to become certified in compliance with the standard.

WASTE DATABASE – A BREAKTHROUGH IN WASTE

A very important and complex project, which we implemented in 2019 involved preparation of all organizational units (mainly construction sites) for registration in **waste database (BDO)**. It is a mandatory system for waste producers and enables them to monitor online the life cycle of each waste.

GDPR – DATA UNDER PROPER PROTECTION

2019, which was the first full year of the personal data protection legislation, proved that we have properly prepared our regulations and processes to comply with the requirements of the new law. We take care for personal data protection in every aspect of our business.

According to the legislation on the greenhouse gas emission and other substance management system, each businessman using the environment, regardless of the size, type of activity or degree of environmental noxiousness, is obliged to submit a report to the National Centre for Balancing and Managing Emissions (KOBiZE). This report is prepared by the personnel of the IMS Division via an Internet platform. In the process of qualifying suppliers cooperating with ERBUD S.A., the following elements from the environmental protection area are taken into account: implemented standards (certificates), environmental aspects and individual rules regulating environmental issues applicable in the subcontracting companies. An integral part of each internal audit carried out pursuant to the annual schedule of IMS audits are environmental issues – from the compliance with legal requirements through documentation storage system, to the assessment of activities limiting the negative environmental impact of the construction process.

ETHICS

Our ethical standards have remained unchanged for 30 years. Integrity, reliability, trustworthiness, respect and responsibility are inalienable values that determine how we act, how we build relationships with our stakeholders and how we want to continue to grow. In 2019 we developed the assumptions of the anti-corruption code and the whistleblowing system. Our employees have an opportunity to report anonymously breaches of laws, procedures and ethical standards. The highest ethical standards have been at the heart of our business from the very beginning. We have made commercial honesty, responsibility and internal integrity our asset and trademark in the marketplace, not only in Poland. We have always been uncompromising in our approach to corruption; we condemn all forms of corruption.

We build partnership relations with stakeholders – employees, investors, suppliers, subcontractors, public and legal environment, local communities. We try to solve problems in the spirit of win-win philosophy.

Openness to others, tolerance and respect help us build ties within various groups (e.g. at the construction site – its surroundings interface) and international teams. Thanks to the cooperation with our colleagues from Germany or Ukraine each day we widen our horizons with new opinions, experiences, values, views on work and life.

The standards that help us reconcile economic goals with corporate social responsibility (CSR), ethical principles, partnership, honesty and respect for human rights are the subject of managerial training and an adaptation programme for new employees.

OCCUPATIONAL HEALTH AND SAFETY

We are uncompromising in our approach to security. As the first construction group in Poland that can boast of holding ISO 45001 certificate, we have been constantly improving our safety-related processes and procedures. We also want to share our experience and best practices with our stakeholders. A tangible summary of our efforts concerning occupational health and safety is digit 0 – we are closing another year in a row without any fatal, serious or group accidents at work.

2019 is another milestone in raising the level of culture and awareness of the overall supervision of the ERBUD Group. We have achieved our main strategic goal – 0 serious, fatal and group accidents at work. The accidents recorded last year were light accidents.

We are proud that we have managed to achieve this result with such a large scale of activity – more than 100 contracts were executed in the Group and by thousands people at the construction sites (in peak season – even 11 thousand people including subcontractors were performing work under contracts daily).

The accounting year was marked by the development of technical solutions and a continuous growth of supervision over safety issues. The construction and occupational health and safety processes were integrated even more deeply; it is now a unity – and it is our great success and a key to further development of occupational health and safety.

In 2019, we implemented a health and safety management system compliant with ISO 45001:2018 standard at ERBUD Industry. Consequently three member companies of our Group (also ERBUD S.A. and PBDI S.A.) are among the few companies in the construction business in Poland that can boast of the implementation of a new standard. In April 2019, ERBUD Industry successfully passed the certification audit carried out by UDT-CERT, the accredited Management Systems Certification Body.

The integrated management system, consisting of the occupational health and safety and environmental protection areas, has also been operational at PBDI S.A. since 2019. In October the Company was certified for the compliance with the environmental management system under ISO 14001:2015 standard by the accredited body called Quality Certification Center in Warsaw.

OH&S PRIORITIES OF THE ERBUD GROUP:

- safeguarding safe working environment for all personnel members involved in the project and for outsiders,
- we constantly raise the awareness of leadership significance and the responsibility of each employee for his/her own safety and the environment,
- continuous raising of awareness of the latest technical developments and safety practices,
- cooperation with the environment (Construction Safety Alliance, universities, technical secondary schools) to promote responsibility on the construction site.



BARTOSZ WIŚNIEWSKI
Director of OH&S Division at ERBUD S.A.

The year 2019 was the year of leadership – its maturing and becoming of correct shape – also in the OH&S area. The increased involvement of the Management Board of ERBUD S.A., Branch Managements and Subsidiaries' Management Boards brings visible results in the in-field operations and translates into higher security of our projects. We realize that we still have a lot of work to do and we cannot lose our vigilance even for a moment, because every construction project comprises a lot of new variables. We are aware of that and that is why safety remains our priority.

Bartosz Wiśniewski

OCCUPATIONAL HEALTH AND SAFETY

COMPREHENSIVE APPROACH OF THE ERBUD GROUP TO THE OH&S:

- a structured approach to occupational health and safety (ISO 45001, policies, procedures, protection standards, contingency plans) makes the level of safety at the construction site independent from variable factors (project specific nature, fluctuations in the subcontractors' labour force, heterogeneous experience of third party personnel, including foreign workers),
- we take particular care of proper planning of the construction activities as well as occupational health and safety protections – thanks to that we can carry out properly the processes of offering and negotiating with subcontractors, and avoid problems and nervous atmosphere during already in the execution phase,
- we have equally high demands for ourselves and for our subcontractors; according to ISO 45001 standard our occupational safety management system covers all persons involved in the project (starting from own resources, through subcontractors – regardless of their employment status – ending up with partners or guests),
- We have developed 16 guidelines that supplement the canon of principles applicable to the signatories of the Agreement for Safety in the Construction Industry. These include, inter alia, the standards of collective protection, floor edge barriers – „clapboard”, guidelines for wall and column formwork, mesh or verification of subcontractor companies in terms of occupational health and safety,
- we take care for the security of the investment and its environment on a 24/7 basis; the year-long educational and awareness-raising activities are summed up during the Safety Week.

Year	No. of accidents	Frequency rate*
2011	42	12.76
2012	41	12.58
2013	35	11.05
2014	29	7.89
2015	37	7.37
2016	30	7.07
2017	33	6.82
2018	35	5.85
2019	60	11.02

* number of accidents x million / number of actual man-hours

OCCUPATIONAL HEALTH AND SAFETY

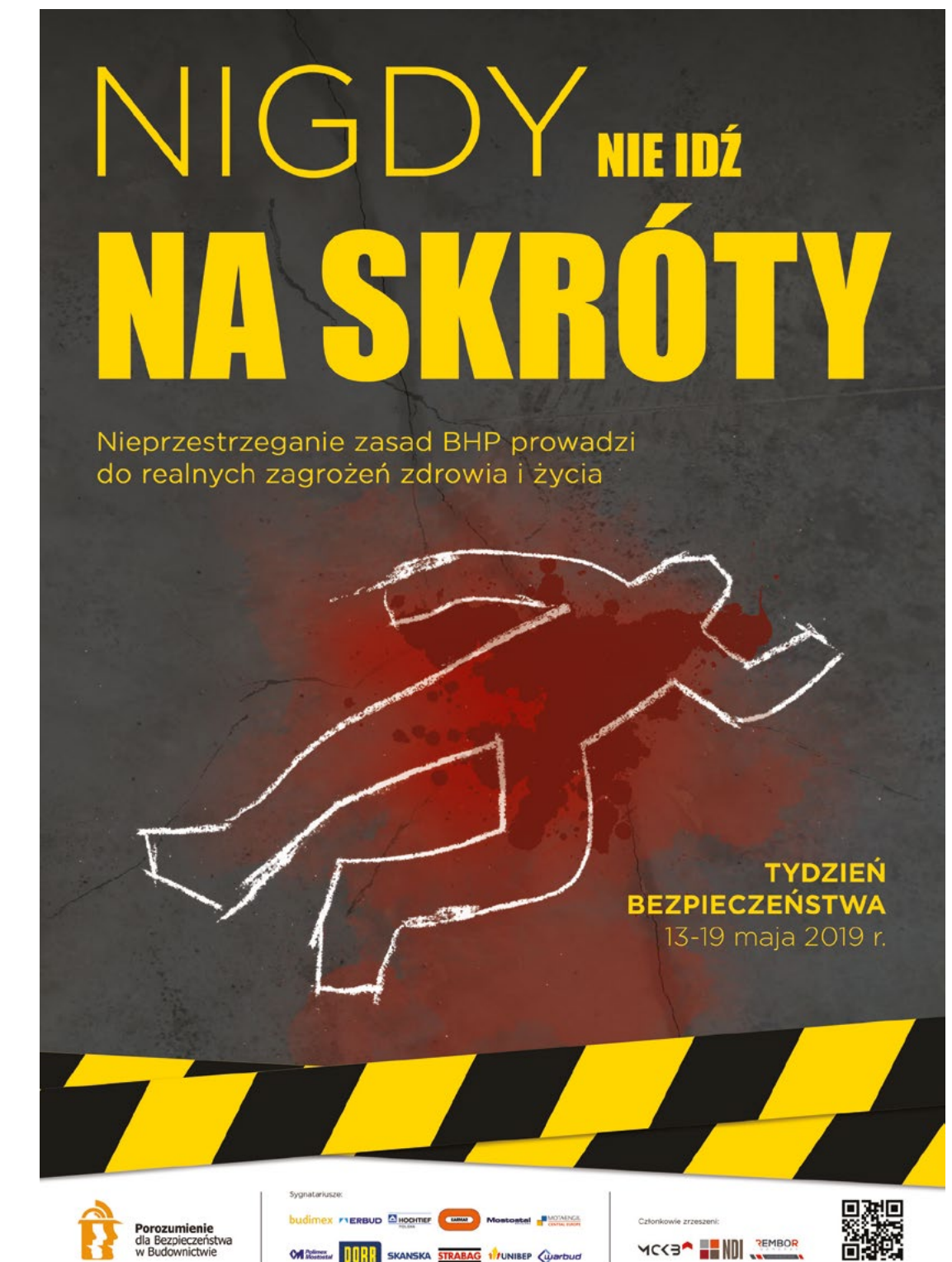
SAFETY WEEK 13–19 MAY 2019

There are no compromises in safety – we have always said that, which is why the leitmotif of Safety Week 2019 was so important to us. We have emphasized by means of numerous campaigns that behind many accidents, including fatal ones, there is some negligence, a breach of procedures, disregard for safety protections. We have celebrated the Safety Week already for the fifth time. Traditionally, the Safety Week has abounded in a variety of campaigns aimed at strengthening the sense of full responsibility for own, colleagues and the environment safety.

Safety activities were carried out at 47 construction sites, in all domestic companies, members of the ERBUD Group. A noticeable difference in 2019 was the increased involvement of supervision in planning and implementing activities. A view of a site manager who attends classes, asks questions and exercises together with workers and subcontractors proves that supervision identifies itself with our safety policy, but above all, it is the best form of setting a model approach to be followed by associates.

Facts & Figures about 2019 Safety Week:

Number of in-house personnel members taking part in events on construction sites and in company branches	645
Number of subcontractors' personnel members involved in the events / activities	1698
Number of subcontracting companies involved in the events / activities	251
Number of events / activities and demonstrations on the construction sites	201



OCCUPATIONAL HEALTH AND SAFETY

CONSTRUCTION SAFETY ALLIANCE

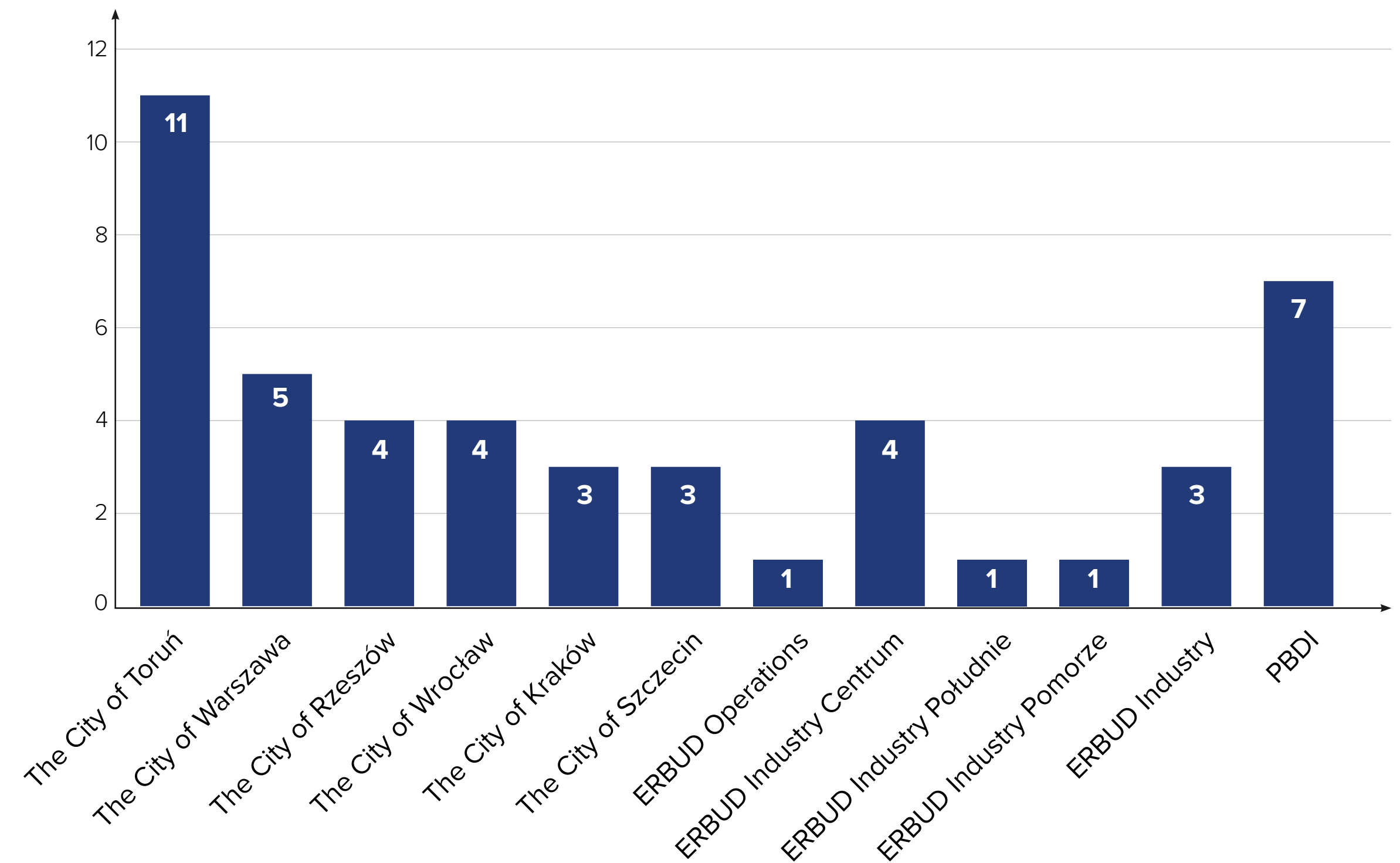
If we team up we can achieve more – also in terms of safety. That is why we joined the Construction Safety Alliance. We are also the leader of one of the project groups, we are responsible for periodic training issues.

The organization operational since 2014 currently associates 13 leading construction companies in Poland. It is a platform for sharing knowledge, best practices and experiences.

The year 2020 presents the ERBUD Group with another challenge involving the two-year Presidency in the Construction Safety Alliance.

In parallel we operate in the local Construction Safety Alliances, which operate at the District Labour Inspectorates in the Cities of Bydgoszcz and Szczecin.

Construction sites /locations actively involved in the implementation of Safety Week 2019



OCCUPATIONAL HEALTH AND SAFETY

AWARDS

- confirm the highest safety of our implemented projects,
- are a commitment to the future,
- contribute – we strongly believe – to the popularization of good safety practices, not only in our supply chain.

In this year’s editions of the „Build Safety” competition of the National Labour Inspectorate we won a total of 7 awards; 3 of our construction sites took 1st place.

Throughout the 10-year history of our participation in the Build Safely competitions, the National Labour Inspectorate has already awarded and honoured 43 of our projects.

Summary of Build Safely 2019 competition

Construction site	Place won	Contract Manager	Site Manager	OH&S Supervision	Branch /Company	DLI location
construction of Hampton by Hilton consisting of an office and hotel building	1 st place	Bartosz Czerwiński	Michał Ruczkowski	Jarosław Balewski	Oddział Toruń ERBUD S.A.	The City of Łódź
construction of Neuca office building in the City of Toruń	1 st place	Robert Lemański	Marcin Czajka	Jarosław Balewski	Oddział Toruń ERBUD S.A.	The City of Bydgoszcz
construction of the „Nowa Metale” warehousing facility in the locality of Ostaszewo	1 st place	Andrzej Pijankowski	Katarzyna Kozakiewicz	Jarosław Balewski	Oddział Toruń ERBUD S.A.	The City of Bydgoszcz
construction of the Specialist Clinic Complex and server room in building A2 of the Clinical and Didactic Center of Medical University of Lodz	3 rd place	Paweł Mach	Rafał Szymanek	Jarosław Balewski	ERBUD Operation Sp. z o.o.	The City of Łódź
the construction of the Potęgowo wind farm	2 nd place	Marek Kołodziejcki	Adam Lewandowski	Emil Gajda	PBDI S.A.	The City of Gdańsk
the construction of the educational and cultural facility in Berylowa Street in the City of Lublin	3 rd place	Karol Łyda	Jacek Pąsko	Jacek Kosturek	Oddział Rzeszów ERBUD S.A.	The City of Lublin
the construction of the wind farm at the locality of Barwice	distinction / no place	Jerzy Michalski	Jerzy Michalski	Emil Gajda	PBDI S.A.	The City of Szczecin

OCCUPATIONAL HEALTH AND SAFETY

SELECTED ACTIVITIES UNDERTAKEN DURING SAFETY WEEK 2019



OCCUPATIONAL HEALTH AND SAFETY



Training session on the work safety at heights principles carried out by the National Labour Inspectorate – construction of the Neuca office building in Toruń – ERBUD S.A. The Toruń Branch



OCCUPATIONAL HEALTH AND SAFETY



Exercises in rescue operational procedure applied after a road accident – construction of the provincial road No. 209 at the section Suchorze-Bytów – PBDI S.A.

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OCCUPATIONAL HEALTH AND SAFETY



Environmental protection training – construction of Toyota / Lexus car showroom in Kraków – ERBUD S.A. The Cracow Branch



OCCUPATIONAL HEALTH AND SAFETY



Training on the proper use of Personal Protective Equipment (PPE) – ERBUD Industry Południe Sp. z o.o.

OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY



Training on the proper maintenance of power tools – construction of Foxtrot dormitory in the City of Warsaw – ERBUD S.A. The Warsaw Branch



OCCUPATIONAL HEALTH AND SAFETY



Training on providing first aid to the injured person during an accident on the construction site – construction of the "Poznań Depot" apartment building – ERBUD S.A. The Szczecin Branch

OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY



Exercises involving the evacuation of an unconscious worker from a mobile scaffold platform – the construction of apartment buildings in Wrocław – ERBUD S.A. The Wrocław Branch



OCCUPATIONAL HEALTH AND SAFETY



Simulation of rescue operation – moving an injured person to a safe zone and training on proper assistance to a person poisoned with carbon monoxide – the construction of the Holiday Inn Express hotel in Jasionka – ERBUD S.A. The Rzeszów Branch

OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY



Fire-fighting exercises - LIDL supermarket construction in the City of Stargard – ERBUD S.A. The Toruń Branch



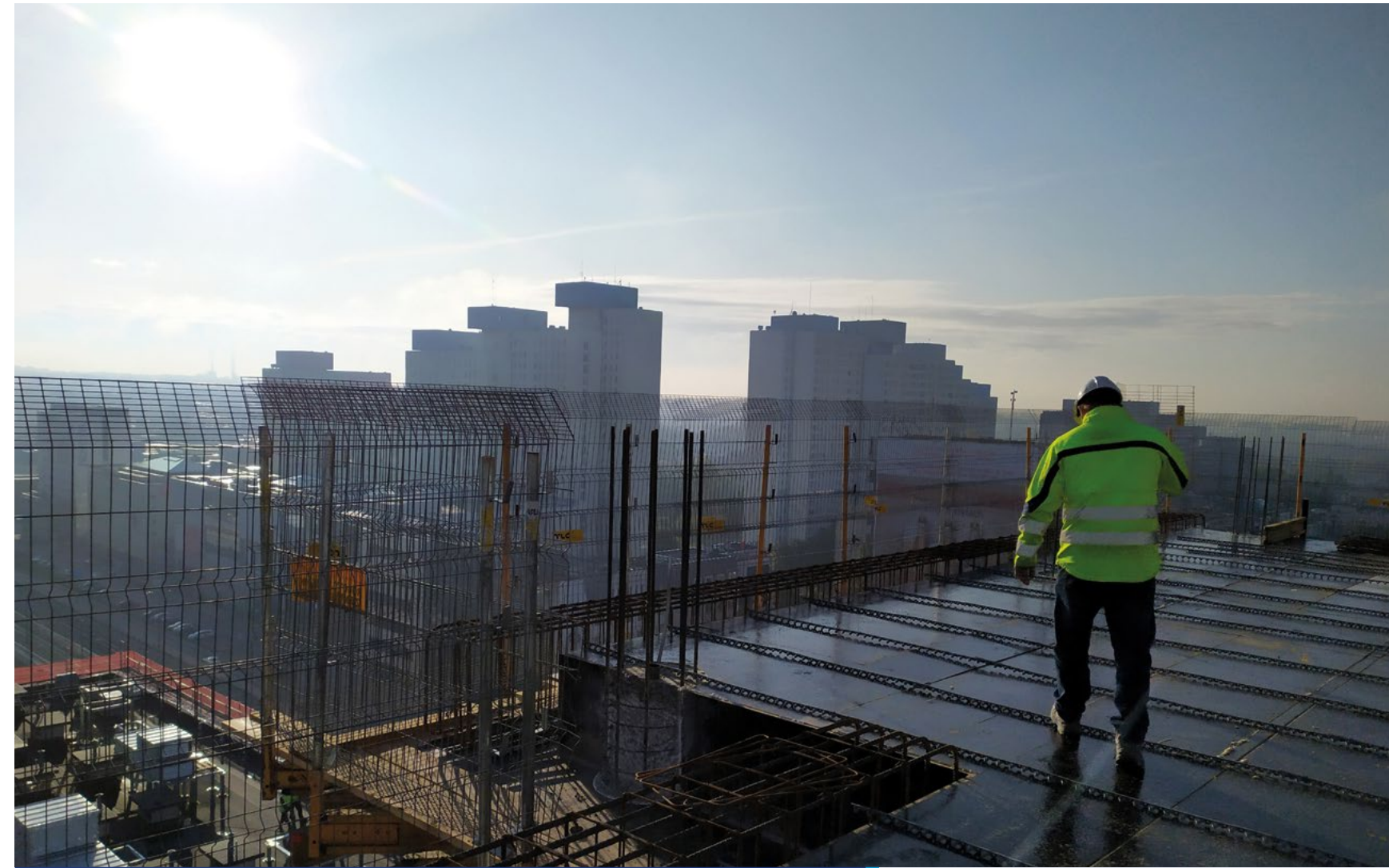
OCCUPATIONAL HEALTH AND SAFETY



Simulation of the rescue operation – worker got caught by wall formwork – the construction of a swimming pool in the City of Toruń – ERBUD S.A. The Toruń Branch

OCCUPATIONAL HEALTH AND SAFETY

SELECTED STANDARD PROTECTION SYSTEMS USED AT ERBUD GROUP'S CONSTRUCTION SITES



OCCUPATIONAL HEALTH AND SAFETY



Collective mesh protection systems



OCCUPATIONAL HEALTH AND SAFETY



Collective plank protection systems

OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY



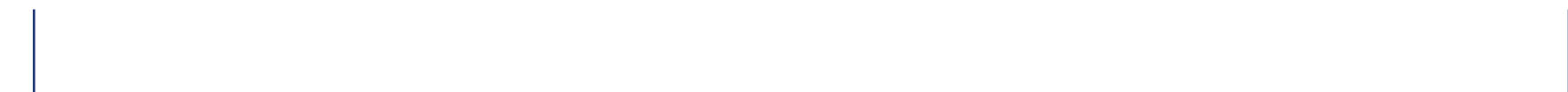
Technical measures protecting third parties



OCCUPATIONAL HEALTH AND SAFETY



Securing the construction site against the access of third parties



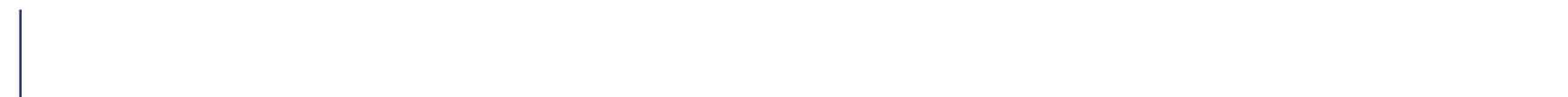
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OCCUPATIONAL HEALTH AND SAFETY



Vertical transport



OCCUPATIONAL HEALTH AND SAFETY



The application of SkyReach equipment



RISK MANAGEMENT

Internal risks	External risks
<p>Strategy</p> <ul style="list-style-type: none"> • lack of fast adaptation to ever changing market conditions • failure to keep abreast with changing technology • erroneous choice of partner 	<p>Economics</p> <ul style="list-style-type: none"> • fluctuation of raw material prices • interest rate changes • exchange rate fluctuations • inflation rate growth • increase of insurance contributions
<p>Organization</p> <ul style="list-style-type: none"> • poor communication between operational units • misappropriations • breaches of guidelines and internal procedures 	<p>Politics</p> <ul style="list-style-type: none"> • regulatory changes • entry barriers • trade embargoes
<p>Workers</p> <ul style="list-style-type: none"> • occupational diseases • labour strikes • lack of competencies • loss of workers • personnel turnover • personnel deficiency 	<p>Market</p> <ul style="list-style-type: none"> • customer pressure on price reduction – customer consolidation • failure to comply with contractual terms by key suppliers/ subcontractors • labour force deficiency in the marketplace • loss of intellectual property • competition growth • payment backlogs
<p>Processes and Assets</p> <ul style="list-style-type: none"> • accidents during transport • fires / failures • defective product quality and pollution / contamination 	<p>Environment</p> <ul style="list-style-type: none"> • flood • hurricane wind • climate changes
	<p>Social</p> <ul style="list-style-type: none"> • crimes • increase of damages awareness • demonstrations • cyber-attacks • coronavirus risk



TOMASZ STRYJEWSKI
Director for Audit and Internal Control at ERBUD S.A.

RISK MANAGEMENT

FINANCIAL RISK

While running its operations, the Erbud Group is exposed to the following types of financial risk: currency risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and establishes the management principles for each of the risk categories listed below.

Currency risk

As part of their core business, the Group companies enter into construction contracts, which are denominated in foreign currencies (primarily in euros). The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. In case of contracts denominated in Euro, for which it is impossible to match the currency of expenses accordingly, the Company hedges the material currency risk resulting from highly probable transactions endangered by changes in cash flows, which may affect the financial result of the entity. Hedging is performed by means of forward currency contracts with key parameters as close as possible to those of the hedged item. When entering into hedging transactions, the Company applies hedging accounting principles.

Hedging of construction contracts denominated in foreign currencies – implementation of hedge accounting

- Type of hedged risk: cash flow risk related to highly probable future cash flows in foreign currencies under the construction contracts. This risk is related to the strengthening of the Polish zloty – the expected cash flows from the contract in the currency will be lower in PLN.
- Type of hedging instrument: currency forward contracts for the sale of foreign currency in quantities and at dates corresponding to expected flows from the construction contract. For the purpose of testing the effectiveness of the hedge, the interest rate (swap points) and spot exchange rate (spot) components are not separated, but the fair value changes of the entire forward transaction are analysed.
- Prospective hedging performance test: the performance test is carried out at the time the hedging is established and at each balance sheet date. A hedging relationship is regarded to be effective, if the expected changes in the fair value or cash flows of the hedged item will be offset by changes in the fair value or cash flows of the hedging instrument.

As only hedging instruments with matching key parameters (the same currencies, amounts and dates of expected flows) are used to hedge the risk related to construction contracts denominated in foreign currencies, the Management Board considers that such a hedge will be effective. Nevertheless, to better justify the application of hedge accounting, the Group additionally examines prospectively the effectiveness using a quantitative method with the following parameters:

RISK MANAGEMENT

- Type of effectiveness testing method: by comparing the cumulative change in the fair value of the hedging instrument with the cumulative change in the fair value of the hedged item (the so called dollar offset method) using the so called hypothetical derivative.
- Hypothetical derivative: for the purpose of testing the effectiveness of a financial instrument, a hypothetical derivative was separated from the construction contract as a forward contract for the purchase of specific amounts of foreign currencies at specific dates, corresponding to the amounts and dates under the construction contract. Thus separated hypothetical derivative is subject to the same risks as the construction contract – i.e. its value decreases with the appreciation of the Polish currency (the expected cash flows under the contract in the currency will have lower value in the Polish zlotys).
- The fair value of a hedging instrument and a hypothetical derivative at a certain measurement date is understood as the sum of discounted net cash flows to be received/payable at future dates agreed upon in the term sheet of the instrument. Net cash flows for a given future date are calculated as the difference between the amount in PLN under the forward contract and the amount in a foreign currency under the forward contract multiplied by the forward exchange forward and the amount in a foreign currency resulting from the forward contract multiplied by the forward price valid at the measurement date. Discounting of the net flows received in this manner is carried out by means of zero-coupon rates implied by the curve of the interest rate swap in PLN as of the measurement date.
- For the purpose of the prospective test, historical market exchange rates and interest rates on 12 monthly dates prior to the planned transaction date or, in the case of a test carried out during the course of a transaction, on 12 monthly dates prior to the balance sheet date shall be used.
- For each of the 12 historical dates described above, the cumulative change in the fair value of the hypothetical derivative is calculated and compared with the cumulative change in the fair value of the hedging instrument. The relationship of the changes calculated in this manner at each date should be between 80-125%.

Retrospective hedging effectiveness test: the effectiveness test shall be carried out at each balance sheet date during the term of the hedging. A hedging relationship is regarded to be effective, if in a certain period actual changes in the fair value or cash flows of the hedged item will be offset by changes in the fair value or cash flows of the hedging instrument. As in the case of prospective tests, the dollar offset method is applied using a hypothetical derivative, with the relationship between cumulative changes in the fair value of the hedging instrument and cumulative changes in the hypothetical derivative being measured. For the purpose of the efficiency tests, the ratio calculated in this manner must be in the range of 80-125% for each accounting period.

As at the balance sheet date, there were no contracts denominated in foreign currencies in all member companies of the ERBUD Group.

Interest rate risk

The interest rate risk occurs mainly in connection with the utilization of debt financing i.e. bank credits and loans, issued bonds and financial lease products and bond issue by the Group member companies. These financial instruments are based on variable interest rates and expose the Group to the risk of changes in cash flows. This risk is partially offset by the Group's idle cash deposits invested on the basis of a variable interest rate.

RISK MANAGEMENT

The Group also uses instruments with fixed interest rates, where market interest rate fluctuations have no impact on interest expenses incurred or interest income generated. Trade receivables and payables and other receivables and payables are non-interest-bearing and have a maturity of up to one year.

The Group monitors its exposure to interest rate risk and interest rate projections and allows for hedging of material interest rate risk through interest rate swaps.

When entering into hedging transactions, the Company applies hedging accounting principles.

Credit risk

The Group's financial assets, which are exposed to credit risk, are mainly trade receivables and construction performance bonds. The ERBUD Group has a policy of assessing and verifying credit risk related to all contracts. Before signing a contract, each counterparty is evaluated in terms of its ability to meet its financial obligations. In the event of a negative assessment of the counterparty's payment capability, entering into the contract depends on the establishment of adequate financial or asset collaterals. Moreover, contracts with investors contain clauses providing for the right to suspend the execution of works, if there is a delay in the transfer of payments for services rendered. If possible contractual clauses are also developed to condition payments to subcontractors on the receipt of funds from the investor.

Liquidity risk

In order to reduce the risk of liquidity loss, the Group member companies maintain an appropriate amount of cash and transferable securities as well as enter into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group companies cooperate both in cash and equity transactions with highly reliable financial institutions, without causing a significant concentration of credit risk. The Group pursues also a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash. Liquidity management is supported by the existing liquidity forecast reporting system by the Group member companies.

Price risk

The ERBUD Group is exposed to the price risk associated with the price hikes of the most frequently purchased construction materials, such as steel and concrete. The prices in the contracts concluded with investors are usually fixed throughout the entire effective term of the contract. Therefore, price hikes of materials have an adverse effect on the Group's financial performance.

As a result of the increase in material prices, the prices of services provided to the Group by its subcontractors may also increase.

In order to mitigate the price risk, the ERBUD Group monitors the prices of the most frequently purchased materials on an on-going basis, and the contracts signed have appropriately adjusted parameters concerning, inter alia, contract effective term and contract value adapted to the market situation.

RISK MANAGEMENT

OPERATIONAL RISK

The activities of the ERBUD Group are accompanied by many operational risks, such as:

- Risk of underestimation of contract execution costs. If the value of all works necessary to perform the contract, specified in the tender offer, is underestimated, the Group may incur a loss or generate a lower profit on a certain contract.
- Risk of failure to recognise extra costs of works by the Employer. The proper performance of the subject matter of the contract sometimes requires the performance of extra works not specified in the contract, and thus incurring costs higher than accepted. Additional work may also result in the contract execution deadline being exceeded. The Group's request for additional fee may be considered groundless by the Employer.
- Risk of suspension of contracts by the investor.
- Protests by residents or ecologists in the case of road investments, delaying construction work.
- Risk of poor quality of delivered materials.
- Risk related to liability under the warranty for physical defects and guarantee of the quality of performed works.
- Risk related to the responsibility for the improper performance of construction works by subcontractors.
- Risk of loss of managerial and engineering staff. Decisions to reassign some of these staff and the no possibility to replace them with suitable staff may have a negative impact on the performance of certain contracts.

In order to minimize operational risks, the Group has an internal audit unit that monitors continuously projects and reports to the Management Board on the audit findings. Due to the customer risk, the Customer Assessment Committee was also established. The Committee's task is to carry out the Customer's scoring before submitting a bid.

MACROECONOMIC RISK

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish economy and the construction industry. The development opportunities for the construction sector are particularly influenced by the share of investments into economic growth.

RISK MANAGEMENT

Most market analysts predict that the year 2020 will be advantageous for the construction industry. However, good development prospects for the construction industry may at the same time contribute to enhanced competition originating from both Polish and foreign companies, which will translated into margin squeeze.

LEGAL RISK

Possible changes to certain regulations may adversely affect the activities of the ERBUD Group. In particular, this refers to:

- New environmental protection requirements which may make it necessary to obtain further permits and delay the implementation of the investment.
- Changes in the regulation of licences and public procurement (e.g. introduction of additional innovation and social security requirements).
- Tightening of requirements concerning guarantee, warranty and subcontracting contracts in bidding procedures.
- Risks related to the rigour of the Group whose parent company is an entity listed on the Warsaw Stock Exchange (WSE).

In order to minimise these risks, the Group is supported by specialised law firms. There is a legal department in the Group which, inter alia, coordinates cooperation with third party law firms. This is particularly important currently, when legislative changes are being made in every field.

TAX RISK

As business entities, the Group member companies are also exposed to the risk related to the tax systems in force effective in the countries where they run their business activities. Recently in Poland there have been a number of changes in all taxes. Additionally, the Group member companies upkeep business relations with one another, which requires pursuing a very restrictive transfer pricing policy. The Group works jointly tax counselling companies on a permanent basis. Members of the financial units attend in numerous training courses and sessions. Periodic audits are also carried out with the focus on tax security issues.

ENVIRONMENTAL RISK

Environmental risk management at ERBUD S.A. is a permanent element of the process approach and is defined for each investment project. This process starts with the identification of environmental aspects and their environmental impact. For material environmental aspects, objectives and targets are set leading to the mitigation of the Company's negative environmental impact.

RISK MANAGEMENT

The major environmental aspects of ERBUD S.A. include, but are not limited to:

- land contamination,
- water pollution,
- air emissions,
- the environmental nuisance of the manufacturing process (noise, vibrations),
- utilisation of natural resources,
- substances applied in the construction products,
- waste including in particular hazardous waste,
- other aspects related to the specific nature of the construction activity.

In the organisation, an assessment of the probability of occurrence of threats or opportunities resulting from a given environmental aspect is carried out, and then an analysis of possible environmental damages and benefits related to the occurrence of a certain event is made. The classification of risks is determined on the basis of defined matrices, which present criteria of probability of occurrence of an undesirable phenomenon (environmental hazard) and criteria of the effect of the occurring phenomenon (outcome). The purpose of the aforementioned analysis is to determine what risks and impacts on the environment result from the identified significant environmental aspects and what is their environmental impact and contract performance. The defined environmental risks are constantly monitored when each construction project is being performed and described in the Environmental Programme, which defines:

- environmental objectives for individual environmental aspects,
- the risks and opportunities associated with environmental aspects and the risks and benefits related to them,
- preventive measures to minimise risks and achieve objectives,
- persons responsible for preventive measures.

The effect of the assessment of the environmental impact of a facility, through the identification of significant risks, is to indicate ways to reduce the negative environmental impact of construction activity in the future.

RISK MANAGEMENT

CLIMATE RISK

The risks related to climate protection are described in detail in the section: **The ERBUD Group's commitment to mitigation of negative climate change.**

CYBERATTACK RISK

The group of risks to which the companies are currently exposed includes also cyber-attack risk. According to Forbes monthly, Poland is on the 20th position in the ranking of the most threatened countries. Although the industries exposed to cyber-attacks are mainly energy and transport, they also include the industries in which the ERBUD Group operates. These usually concerned theft of personal data. Given the above, the Management Board of ERBUD S.A. decided already in 2018 to carry out a „stress-test” and take out an insurance policy with protection against the consequences of cyber-attacks. All the Group member companies pursue a uniform IT policy.

CORONAVIRUS RISK

The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows:

- temporary absence of construction staff, which may contribute to a delay in construction processes,
- delays in the delivery of building materials and services,
- slowdown of the activities of public administration bodies, including in particular decision making process concerning administrative activities,
- employers' decisions to suspend works under individual construction contracts,
- employers' decisions not to implement planned construction projects, e.g. due to hardship in raising financing.

In the opinion of the Management Board of the ERBUD Group, as of the date of approval of the financial statements, the liquidity positions of the Group and the Company remain stable.

CLIMATE PROTECTION MANAGEMENT

THE ERBUD GROUP'S COMMITMENT TO MITIGATION OF NEGATIVE CLIMATE CHANGE.**Determination of climate severity level for the ERBUD Group**

The ERBUD Group is aware of the significant climate change on Earth caused by the increase in the planet's average temperature since the beginning of the industrial age. He is also aware of the fact that the main cause of this process is the growing emission and excessive accumulation of greenhouse gases (GHG) in the Earth's atmosphere (see e.g. CarbonBrief analyses), which has upset the previously observed in the human era and analysed for preceding periods the natural circulation of these gases, consisting in balancing their emissions with the level of assimilation. This has led, especially in recent years, to an increase in the so-called greenhouse effect generated by these gases. This is manifested, for instance, by a significant temperature rises during the year, leading to dynamic weather phenomena (storms, jet-streams, hurricanes, droughts) in the latitudes where the ERBUD Group's business activities are carried out, as well as climate change (growing average annual temperature, falling average precipitation and further water level reduction and progressive steppe formation).

Starting from a sense of responsibility and a sustainable manner of doing business, being one of the crucial development drivers, the ERBUD Group took steps in 2019 to reduce the rate of negative climate change. Consequently the ERBUD Group joined global activities (pursuant to the provisions of consecutive World Climate Summits), the European Union (being a world leader in reducing GHG emissions until full climate neutrality is achieved), Poland (changing the country's energy mix, building a low-carbon economy, as well as the development of passive construction) and individual foreign and Polish companies implementing the UN's sustainable development goals, as set forth in the Agenda 2030.

These activities have been carried out by the ERBUD Group in the systemically structured manner, proposed by the Communication of the European Commission, which provides guidance for reporting on non-financial information: Supplement concerning the reporting of climate-related information (2019/C 209/01), along with an annex involving Recommendations of the Task Force for the Disclosure of Financial Information Related to Climate Change (TCFD) (in the part concerning Materials and Buildings Group) and reading the above documents as an extension of the provisions of the Directive of the European Parliament and of the Council (2014/95/EU) concerning non-financial reporting effective from 1 January 2017 in Poland (by virtue of amendments to the Accounting Act).

The starting point for the implementation of the above actions has been the determination of the severity level of climate related information for the ERBUD Group. To this extent, in 2019, a workshop was held for the management staff of individual Group member companies, carried out by experts from the AGH University of Science and Technology and the Institute of Accounting and Taxes. During the workshops, using a tool for testing the severity level of reporting factors. representing a part of the Johnson & Scholes stakeholder mapping matrix methodology, the severity level of climate-related information for the ERBUD Group was determined, considering this severity level to be high in the short-, mid- and long-term and, on the other hand, in the overall the ERBUD Group's value chain.

CLIMATE PROTECTION MANAGEMENT

Pros:

- the time horizon of the ERBUD Group's current business strategy has been recognised as a short-term,
- mid-term is defined as 2030 time perspective – the year of fulfilment of EU emission targets (down by 30% compared to 2005 expressed as etCO₂ from nonETS sectors) and for Poland (down by 7% compared to 2005 expressed as etCO₂ from nonETS sectors), under the Paris Agreement (COP21),
- the long-term – the 2050 perspective – the year in which the European Union (except for Poland [see the decisions of the EU Summits of 20 June 2019 and 13 December 2019]) – has implemented its intention to remain climate-neutral.

The ERBUD Group was considered not to have and that it would not have a significant direct impact on the climate for the reporting and future period. However, indirectly, the Group's impact may be negative and noticeable. The basic raw materials used by the Group are products of industries that significantly affect the climate (production of asphalt and fuels, production of electricity and heat, cement production, steelmaking). Thus, possible regulatory changes and additional burdens on these industries due to greenhouse gas emissions may adversely affect the Group's costs. Looking at climate change from a broader perspective, the observed intensity of weather anomalies may affect the Group's project implementation process. On the other hand, however, the ERBUD Group's offer responds to expectations related to climate change. The Group has competences and uses them to design and create environment-friendly systems, mainly photovoltaic and wind farms, as well as to upgrade thermally current buildings and structures and develop buildings meeting the conditions of BREEAM and LEED certification.

It was determined that the ERBUD Group is in the possession of the appropriate resources, knowledge, competence and attitude to engage in the restructuring processes of the power and heat generation plants in Poland with the aim to apply low and zero emission energy sources at such plants. It is also active in the design, construction and alteration of the industrial plants and other building complexes, which are passive or minimise energy losses or GHG emissions.

To sum up the above, it can be stated with all responsibility that the ERBUD Group meets and will meet even the most stringent regulatory standards and customer requirements on climate impact indicators.

It was determined that the significance described above is of financial, environmental and social significance.

Key determinants of highly significant climate issues for the ERBUD Group are presented in the table below.

CLIMATE PROTECTION MANAGEMENT

The relevance of climate issues for the ERBUD Group, including the nature of their impact on the Group

Financial significance		Environmental and social significance	
Driver	Type of impact on ERBUD Group	Driver	Type of impact on ERBUD Group
Conditions allowing to run construction activities in winter season	+	Being the GHG emitter, but primarily in direct configuration (to this end we consider ourselves to the low emission leader), and mainly through using products made by the industries that havematerial impact on climate (manufacturing of asphalts and fuels, cement production, steelmaking)	-
Occurrence of too hot and dry summers	-	Readiness to join the energy transformation in Poland by having competence in building Renewable Energy Sources (RES) systems (photovoltaics + wind farms)	+
Existence of weather anomalies that may adversely affect the process of project implementation	-		
Achieving the objective of minimization of own construction assets	+		
Group investment activities concerning thermal efficiency improvement projects	+		
The Group's activities involving investments into environmentally friendly energy sources, including the construction of RES systems (photovoltaics + wind farms) and conversion of solid into gaseous fuels	+		
Still continued investment activities of the Group concerning industry sectors considered to generate high emissions	-		

CLIMATE PROTECTION MANAGEMENT

The significance of climate issues vs. business model and development objectives of the ERBUD Group

The analysis of the significance results revealed that the ERBUD Group's current business model, its business activities, projects and budgets (short-term time perspective) are sufficiently resilient to cope with the proposed decision to engage the ERBUD Group in mitigating negative climate change and to address effectively the risks to this extent.

These activities were carried out in 2019 and will be implemented within the current business model and objectives of the ERBUD Group mainly by the companies: ERBUD S.A., PBDI S.A., ERBUD Industry Sp. z o.o., ERBUD Industry Centrum Sp. z o.o. and ERBUD Operations Sp. z o.o., which are companies able in particular to grasp market opportunities – products, business processes (see „upsides” in the table below), and also have an operational impact on the reduction of risks related to the negative impact of climate change (see ”downside” in the table below), contributing to the ERBUD Group's overall real impact on the reduction of negative climate change.

In addition to the above, the ERBUD Group has created a standardization system for environmental, quality and occupational safety management systems within these companies, setting up an Integrated Management System. In this light, given the existence of climate issues as an environmental element described in the ISO 14000:2015 group of standards, it should be noted, in terms of obtaining third party certification for the environmental management system used in the ERBUD Group as compliant with ISO 14001:2015, that in the short-term the resilience of the Group's business model to climate change and the quality of management in this respect is confirmed to be high. In order to determine the climate resilience of the business model in the med- and long-term, the ERBUD Group used the Carbon Delta model. On the basis of the scenarios of the different dynamics of the Earth's temperature changes until 2050 presented there, the ERBUD Group carried out in-depth analysis of the two of them: above 2 degrees Celsius and below 2 degrees Celsius and the related Carbon Delta indicators. Under each scenario, the analysis was carried out in a system of four phases: setting up a model of the company-climate impact, calculating the related security costs, analysing the security of the Group's current portfolio of products and processes and proposing additional security for the Group's products and processes. On the basis of the analysis presented, it has been concluded that the ERBUD Group will increase the number of its climate-related activities between 2020 and 2030, which will be written into the Group's objectives, without significant changes in its business model required.

The basis for future climate-oriented activities of the ERBUD Group within this timeframe was the development and implementation of the ERBUD Group Climate Policy. It is intended to provide a high level of commitment from the Management Board and the Group's management to their respective responsibilities in relation to climate change, also demonstrating to stakeholders that the Group is aware of this issue, but above all, it is an independent internal document ensuring that the ERBUD Group's due diligence processes in mitigating climate change are applied. Using the results of the above workshops and the guidance provided in the Climate Information Reporting Supplement (2019/C 209/01), including the appendix in the form of Recommendations of the Task Force on Climate Financial Disclosure (TCFD) (under Materials and Buildings Group). The Climate Policy with the following wording was adopted by the Management Board of ERBUD S.A. and the Management Boards of subsidiaries.

Below we present the text of the ERBUD S.A. Climate Policy. Under the Policy the Management Board committed itself to the following objectives driven by the need to improve the climate and to the methods of their achievement.

CLIMATE PROTECTION MANAGEMENT

CLIMATE POLICY OF ERBUD S.A. IN 2020–2050

The Management Board of ERBUD S.A. declares that it will take its best effort to attain the main objectives driven by a need to mitigate climate change and reduce the negative impact of these changes in the 2020-2030 period by adopting the following targets:

To define emission reduction targets for the organisation:

- In short-term (until 2023):
 - systematic analysis and control of the drivers of greenhouse gas emissions reduction by each of the investment projects underway,
 - the inclusion of a wide range of climatic aspects in the criteria for the procurement portfolio,
 - giving priority to investments based on the use of renewable energy production facilities.
- In the mid-term (until 2030):
 - compliance of the Organization’s emission reduction target with Poland’s commitment to the EU set at 7%, with 2019 as the base year.
- In long-term (by 2050):
 - consistency of the Organisation’s objectives with the policy of striving for climate neutrality of Poland and the European Union.

To define organization’s objectives aimed at improvement of energy efficiency:

- reduction of energy consumption based on the analysis of the energy consumption index to the revenues generated by the completed investment projects,
- to improve the structure of using the renewable energy sources by the investment projects underway in relation to the total cost of energy consumption by 10%.

CLIMATE PROTECTION MANAGEMENT

The objectives set by the organisation will be implemented through:

1. Introduction and maintenance of an indicator and a system for Organisation's suppliers assessment and appointment in the area of emissions and climate impact of the technologies and equipment they use.
2. Prioritisation and development of ERBUD S.A.'s construction technologies, related to an option of implementing low-emission investment projects or those aimed at improving the climate in every phase of the life cycle of a construction project implemented by the company, with the special focus on BREEAM and LEED type projects.
3. Optimization of working time of the internal combustion engines of machines and company cars to improve performance efficiency.
4. Delivery of necessary equipment to every construction site in case of possible air pollution.
5. Striving for full environmental protection of investment project maintaining the conditions of the existing ecosystem and microclimate.

These objectives will be further supported by:

- participation of the EXBUD S.A. in organisations and projects related to efforts taken to mitigate negative climate change,
- safeguarding full access for the employees to expert material that develops their knowledge and competence on climate issues and possible measures taken by the construction industry to mitigate its negative changes,
- development of systems of personnel responsibility for all proposed solutions for ERBUD S.A.'s activities to mitigate climate change.

The Management Board of the ERBUD S.A. considers so defined objectives and actions as a priority, guaranteeing the improvement of the climate. This climate policy is understood, implemented, effectively communicated and respected by the personnel and subcontractors of ERBUD S.A.

The manner of implementation of the climate policy will be consistent with all management standards operational at the ERBUD Group, forming part of the Integrated Management System across the Group. Notwithstanding the above, it should be noted that already in 2019 the first satisfactory results of activities related to the Climate Policy were recorded. These include:

- to define the ERBUD Group's objectives and metrics on climate issues in the short- and mid-term – see Climate Policy of ERBUD S.A. for details. The key objectives were defined as follows:
 - focusing on counting direct GHG emissions (due to Poland's current energy mix) and later on the minimisation of such emissions,
 - to introduce prioritization rules for decisions on on-going projects that serve to reduce negative climate impact,

CLIMATE PROTECTION MANAGEMENT

- to identify the risks and opportunities for the ERBUD Group on climate issues in the short-, mid- and long-term – see section Determining the significance of climate for the ERBUD Group,
- to define a single, consistent standard for the ERBUD Group, for the implementation of legal requirements on environmental and climate impact – the KOBIZE standard – see the Integrated Management Systems chapter for details,
- to define the documentation for the assessment of the ERBUD Group’s suppliers in terms of their environmental and climate impact – see the Integrated Management Systems chapter for details,
- to define the principles and carrying out periodic internal audits of the implementation of environmental and climate impact targets – see details in the Integrated Management Systems chapter.

The high level of significance of climate issues for the ERBUD Group led to the separation of natural capital during the aforementioned workshops falling into equity held and managed by the Group. Using the definition and the methodology of its separation, as developed by the Natural Capital Coalition, it has been determined that the following natural resources will be included in the ERBUD Group’s natural capital, giving the Group with economic and social benefits: mineral resources (ferrous and non-ferrous metal ores, aggregates and oil derivatives), water, trees (wood), air.

In view of the ERBUD Group’s core activity in the territory of Poland, it was considered that in terms of the long-term perspective (up to 2050), it would be necessary for the ERBUD Group to know in advance the objectives and resulting projects for the whole country. In connection with the issues described in the introductory part of this chapter, it seems, first of all, that the assumptions of Poland’s Energy Policy until 2040 are likely to change in the near future. Secondly, the quantitative scope and emission target for Poland by 2050 should also change.

As indicated in the objectives included in the Climate Policy of ERBUD S.A., the implementation of the above provisions, which prove the high responsibility of the ERBUD Group for climate issues, apart from the indications concerning the reduction of direct GHG emissions, is best demonstrated by the projects completed. Among numerous projects executed by the ERBUD Group in recent years, which have a positive impact on climate change mitigation, three large-size construction projects with BREEAM and LEED certification at the highest levels are worth mentioning:

- The Młociny Shopping Mall in Warsaw,
- The Baltic Park Pier in the City of Świnoujście,
- Eurocentrum Office Complex in Warsaw.

CLIMATE PROTECTION MANAGEMENT

THE MŁOCINY SHOPPING MALL

Facility: **The Młociny Shopping Mall with service and entertainment functions, and with indoor and outdoor infrastructure**

Investor: **Echo Investment S.A.; EPP Sp. z o.o.
Al. Jana Pawła II 22, 00-133 Warszawa**

Cubic capacity: **1 432 674 m³**

Green certificate: **BREEAM at the Very Good level**

Customer’s requirements on BREEAM:

- to reduce utility consumption by using sensors and timers,
- use of environmentally friendly materials,
- monitoring of utility consumption in the execution phase,
- convenient traffic arrangements for pedestrians and cyclists,
- protection of existing vegetation,
- providing acoustic comfort to the users of the facility.

Good practices applied by ERBUD S.A.:

- waste was segregated selectively,
- The zone for the remaining concrete was fenced off in order to dispose of the waste effectively,
- electronic access control was introduced to monitor effectively the incoming and outgoing people
- and on-site monitoring of the staffing composition.



THE MŁOCINY SHOPPING MALL

CLIMATE PROTECTION MANAGEMENT

BALTIC PARK MOLO

Facility: **Construction of buildings A, B, C of the hotel, leisure and service complex, along with the accompanying technical infrastructure and land development in Uzdrowskova Street in the City of Świnoujście**

Investor: **Zdrojowa Invest Sp. z o.o. Projekt 7 S.K.A.**

Cubic capacity: **184 995m³**

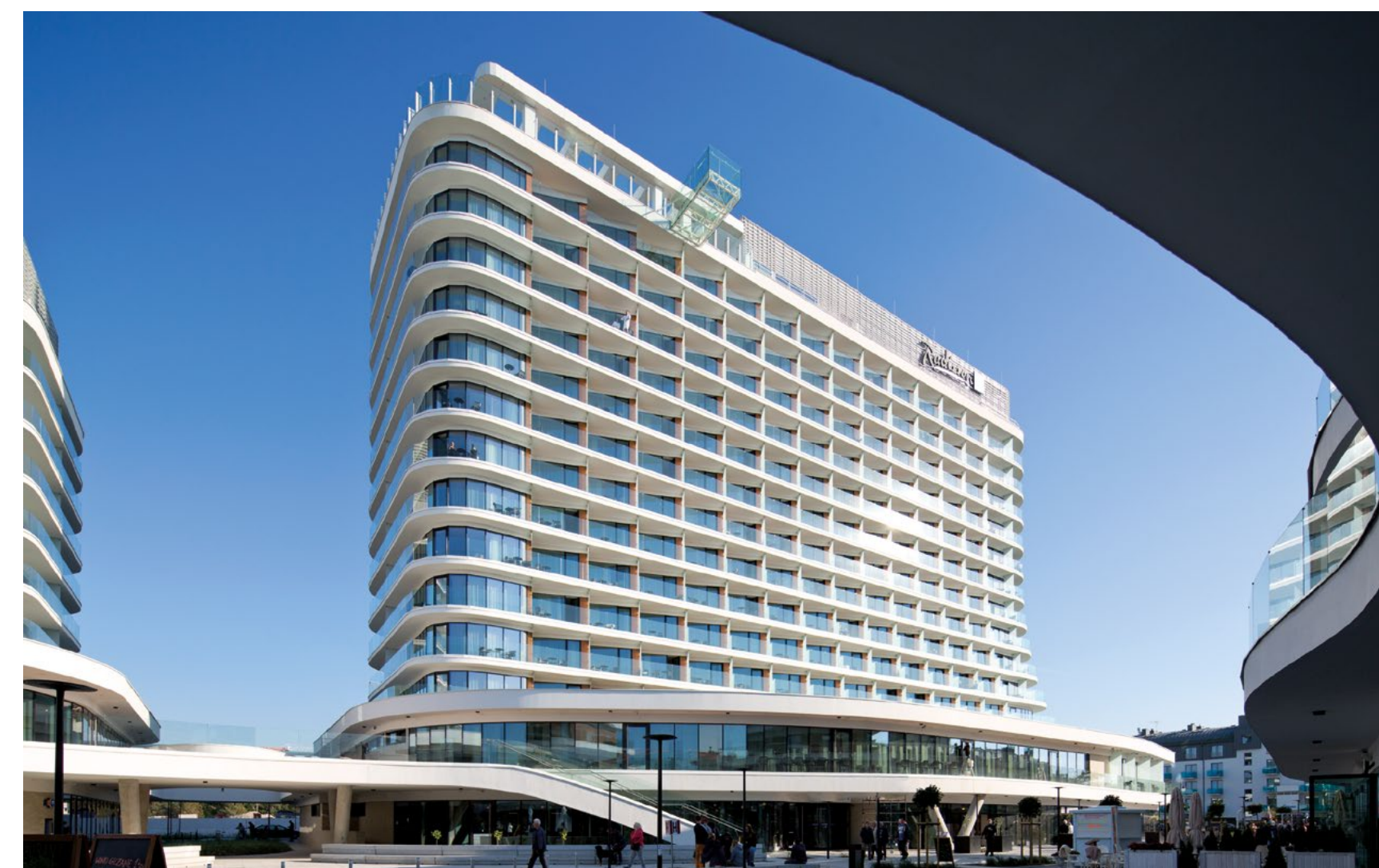
Green certificate: **LEED at the GOLD level**

Customer's requirements on LEED:

- use of materials containing recycled materials,
- use of building materials and regional products in minimum quantities of 30%,
- the use of quickly renewable materials in the project accounting minimum for 2.5% of the value of total material purchases,
- the use in the project of at least 50% of the wood materials and products which are certified according to FSC criteria,
- carrying out leakage or differential pressure tests,
- to document implemented practices consistent with the guidelines of the Internal Air Quality Management Plan during construction and before commissioning of the building.

Good practices applied by ERBUD S.A.:

- effective segregation of waste by fraction was carried out so that it could be recycled,
- The zone for the remaining concrete was fenced off in order to dispose of the waste effectively,
- Moistened geotextile was used on the construction site fence – consequently dust/sand was retained by the geotextile and did not get outside the construction site.



BALTIC PARK MOLO

CLIMATE PROTECTION MANAGEMENT

EUROCENTRUM OFFICE COMPLEX

Facility: **Hotel and office complex with EUROCENTRUM OFFICE COMPLEX services – Beta, Gamma, Delta buildings**

Investor: **Capital Park S.A.; ul. Klimczaka 1, 02-797 Warszawa**

Cubic capacity: **375 678 m³**

Green certificate: **LEED v.2009 Core&Shell**

Customer requirements: **GOLD level**

Obtained certificate: **PLATINUM level**

LEED-related Customer requirements:

- the construction site was secured in accordance with the erosion and sedimentation prevention plan,
- planting of local or adopted vegetation covering a certain percentage of a plot,
- implementation of the rainwater management plan, compliant with LEED requirements and design assumptions,
- use and documentation of the use of LEED-compliant roof surfaces and coverings SRI (Solar Reflectance Index) – use of bright materials,
- documentation of the use of fittings with the water consumption parameters specified in the design,
- adjustment and acceptance of sanitary and electrical systems (HVAC, E), system tests and preparation of test and acceptance plan,
- preparation and implementation of a measurement and verification (M&V) plan – execution of data recorders as designed and preparing a description of the operation / reading for them,
- min. 75% of construction waste was subjected to recycling or reusing to reduce waste in landfills,
- documentation of the desired percentage of materials that have recovered materials in stock in accordance with the LEED requirements,
- documenting the fact that 20% of materials (a percentage of the total cost of all materials) are local materials,
- documentation of origin of 50% (percentage of costs) of wood and wood-based products from suppliers / manufacturers holding FSC certificate,
- introduction of an indoor air quality plan during construction to ensure correct air quality during operation / construction,
- using and documenting the use of products that comply with LEED requirements concerning Volatile Organic Compounds (VOC).



EUROCENTRUM OFFICE COMPLEX

CLIMATE PROTECTION MANAGEMENT

CLIMATE RISKS AND ITS MANAGEMENT BY THE ERBUD GROUP

The analysis of the significance of climate issues presented here also made it possible to identify risks resulting from the significance of climate issues for the ERBUD Group, with a parallel analysis of their volatility in the short-, mid- and long- term. Using the results of the aforementioned workshops and the guidance provided in the Climate Information Reporting Supplement (2019/C 209/01), including the appendix in the form of Recommendations of the Task Force on Climate Financial Disclosure (TCFD) (under Materials and Buildings Group), types of climate risks were identified for the ERBUD Group. They are presented in a table:

CLIMATE PROTECTION MANAGEMENT

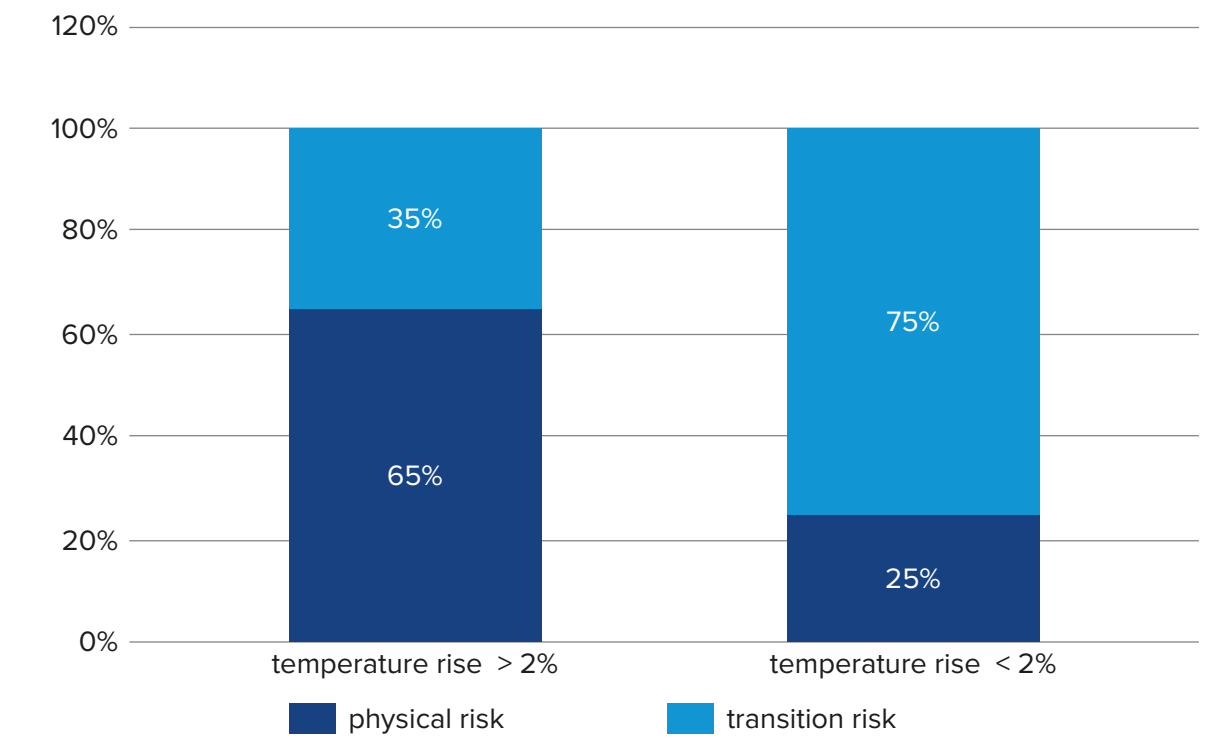
Climate risks identified for the ERBUD Group

Risk groups resulting from the financial significance	Individual environmental	Risk groups resulting from the significance and social risks	Individual risks
Acute physical risk	<ul style="list-style-type: none"> the risk of heat waves disrupting the value chain in connection with the overloading of the power system by air conditioners and reduction of the working time of employees, risk of violent storms or hurricanes disrupting the value chain due to short-term flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or discontinuation of the supply of process utilities the risk of floods disrupting the value chain due to flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or the discontinuation of the supply of process media, The risk of outbreak of fires disrupting the value chain by destroying 	Risks associated with the transition concerning political aspects	<ul style="list-style-type: none"> tightening energy efficiency requirements due to climate change and lack of access to water or overloading of the power system, changing the mechanisms for setting charges for greenhouse gas emissions affecting the purchase of fossil fuels or other non-renewable raw materials, changing land management policies due to their location in areas of climate risk or impact on climate changes.
		<ul style="list-style-type: none"> Transition risk concerning political aspects Transition risk concerning technological aspects Transition risk concerning market aspects Transition risk concerning loss of reputation 	<ul style="list-style-type: none"> the risk of a possible lawsuit in case of too much adverse impact on the climate, e.g. due to failure to adapt to climate change. the risk of not using technologies with less harmful effects on the climate. the risk of redirecting business customers' choices to solutions and structures that have an even more passive the risk of failure to attract and retain business customers, if the Group's operations are deemed to be harmful to the climate, the risk of failure to attract and retain personnel, if the Group's operations are deemed to be harmful to the climate, the risk of failure to attract and retain investors, if the Group's operations are deemed to be harmful to the climate, the risk of failure to attract and retain suppliers and subcontractors if the Group's operations are deemed to be harmful to the climate.
Long-term physical risk	<ul style="list-style-type: none"> the risk of reducing the amount of available process water disturbing the value chain, in connection with the drop in surface water levels and groundwater as a result of rainfall, the risk of reducing the working time of workers disrupting the value chain as the average temperature rises. 		

The risks were introduced into the ERBUD Group's risk model, finding their place in the category of environmental risks, but pretty close associated with financial and market risks.

CLIMATE PROTECTION MANAGEMENT

Once identified, the risks related to climate issues were included in the overall risk management system of the ERBUD Group. It is described in the Risk Management chapter. In this chapter, however, it should be noted that while developing the ERBUD Group's risk management system, in its climate risk component part, an analysis has been carried out to build up the strategic projects for the med-term in such a manner as to achieve a significant reduction in the level of climate risk by 2030, with a parallel reduction in the percentage of physical risk in relation to transition risk. The latter issue in the layout with both analysed scenarios is presented in the diagram opposite.



Changing the type of climate risks for the ERBUD Group in terms of the analysed temperature rise scenarios on Earth.

CLIMATE PROTECTION MANAGEMENT

CLIMATE RELATED KEY PERFORMANCE INDICATORS OF THE ERBUD GROUP

Taking into account the guidance provided in the Supplement on reporting climate related information (2019/C 209/01), together with the Annex in the form of Recommendations of the Task Force on Financial Information Disclosures on Climate Change (TCFD) (in the Materials and Buildings Group section), the following key performance indicators for the ERBUD Group related to climate have been identified:

1. EMISSIONS

- Direct emissions of greenhouse gases from sources which are owned or managed by the reporting company.
- Direct emissions (scope 1) of the ERBUD Group in 2019 totalled 25 878 600.43 kg CO₂ e.
- Indirect greenhouse gas emissions from the generation of electricity, steam, heat or cooling obtained and consumed (collectively referred to as "electric energy"). They were calculated on the basis of purchase invoices for purchased energy.
- Indirect emissions (scope 2) of the ERBUD Group in 2019 totalled 10 981 788.53 kg CO₂ e.
- Targets in absolute terms for greenhouse gas emissions.

Since a direct impact of the ERBUD Group is impossible, this ratio was calculated with reference to direct emissions only and with a short- and mid-term targets. The reasons for this approach are depicted earlier in this chapter. Direct emissions (scope 1) of the ERBUD Group will fall to a minimum of 24 067 098.40 kg CO₂ e.

2. ENERGY

- Total consumption or production of energy from renewable and non-renewable sources.

Since the ERBUD Group is not able to exert direct influence, the 2019 indicator values are consistent with the values for the Polish energy mix in this period. Thus, the total consumption of energy from renewable and non-renewable sources by the ERBUD Group in 2019 was 17,789.5 MWh. With reference to Poland's energy mix, 13,609 MWh of energy originated from non-renewable sources and 4180.5 MWh energy from renewable sources were used.

- Energy efficiency target.

The ERBUD Group's energy efficiency will increase by 7% by 2030 compared to 2019, reaching the level of 7.15 MWh of energy consumed/1 million of revenues generated in PLN. Since a direct impact of the ERBUD Group is impossible, this ratio was calculated with reference to improvement of the structure of emission sources only and with a short- and mid-term targets. The reasons for this approach are depicted earlier in this chapter.

CLIMATE PROTECTION MANAGEMENT

- Target consumption or generation of energy from renewable sources.

The share of renewable energy sources in the investment projects carried out by the ERBUD Group will reach 10% of the total cost of energy used by 2030, which will be added value to the level of share of renewable sources in purchased energy.

3. PHYSICAL RISK

- Assets declared in regions potentially more exposed to acute or long-term physical climate risk. In 2019 the ERBUD Group did not have any assets in the regions potentially exposed to acute or long-term physical climate risk, as determined by the analysis of the ISOK portal (National Coverage IT System)..

4. PRODUCTS AND SERVICES

- Percentage of the turnover generated in the accounting year by products or services related to activities that meet the criteria of significant contribution to mitigation of or adaptation to climate change, in accordance with the Regulation establishing a framework to facilitate sustainable investment projects (EU taxonomy).

In 2019, the ERBUD Group generated PLN 244.7 million in revenue from climate change mitigation projects, which accounts for 11% of the Group's sales revenues in this year. This result was obtained mainly in connection with the construction of photovoltaic farms, wind farms and environmental protection installations in manufacturing plants to reduce emissions.

5. GREEN FINANCING

At the end of 2019, the ERBUD Group did not have any climate-related green bonds or green debt instruments in trading.

GOOD PRACTICES OF WSE LISTED COMPANIES

RULES AND SCOPE OF CORPORATE GOVERNANCE

The Issuer applies the rules of corporate governance provided in the "Best Practice of WSE Listed Companies 2016", which were adopted by virtue of the Resolution of the Supervisory Board of the Warsaw Stock Exchange S.A. on 13 October 2015.

The content of the "Best Practice of WSE Listed Companies 2016", as well as the content of the Best Practice of ERBUD S.A. can be found on the Company's website at the following address: http://www.erbud.pl/dobre_praktyki.php. In 2019 the Company did not apply the following rules provided in the Best Practice of WSE Listed Companies 2016:

Rule	ERBUD S.A. comments
I. Information policy and communication with investors	
I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:	
I.Z.1.8. selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;	
I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;	The Company does not plan a transmission of a general meeting.
I.Z.1.20. an audio or video recording of a general meeting;	The Company does not perform audio or video recording of a general meeting.
IV General meeting and shareholders' relations	
IV.R.2. If it is justified due to the shareholding structure or the expectations of shareholders proposed to the company, as long as the company is able to provide the technical infrastructure necessary for the smooth conduct of the General Meeting of Shareholders by means of electronic communication, it should enable shareholders to attend the General Meeting of Shareholders using such means of communication in particular through: 1) real-life broadcast of the General Meeting of Shareholders; 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the General Meeting of Shareholders; 3) exercising, in person or through a proxy, the right to vote during the General Meeting of Shareholders.	Owing to the shareholding structure and the lack of such expectations on the part of the shareholders the Company does not plan to broadcast the proceedings of the General Meeting of Shareholders.
IV.Z.3. Presence of representatives of the media should be allowed at General Meetings.	There is not such demand.

GOOD PRACTICES OF WSE LISTED COMPANIES

VI. Wages and salaries

<p>VI.R.1. The remuneration of members of the company’s governing bodies and key managers should follow the approved remuneration policy.</p>	<p>The Company does not have remuneration policy for the members of Company’s governing bodies. Wages and salaries to this extent are based following arms’ length principle.</p>
<p>VI.R.2. The remuneration policy should be closely tied to the company’s strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.</p>	<p>The Company does not have remuneration policy for the members of Company’s governing bodies.</p>
<p>VI.Z.4. The Company in its activity report presents an account of the remuneration policy, containing at least:</p> <ol style="list-style-type: none"> 1) general information on the remuneration system adopted in the company, 2) information about terms and amount of remuneration of each management board, member, broken down into fixed and variable components of remuneration, indicating the key parameters for determining variables, remuneration components and payment rules for severance pay and other payments for terminating a relationship, work, mandate or other legal relationship with similar nature – separately for the company and each entity that is a member of the Capital Group, 3) information about non-financial components of remuneration due to individual members of the management board and key managers, 4) indication of material changes that have occurred in the remuneration policy during the last accounting year, or information about their absence, 5) operational assessment of the remuneration policy from the perspective of achieving its objectives, in particular long-term growth of shareholders’ value and stability of the company’s operation. 	<p>Management Report on activities of the Company specifies remunerations of the members of Management and Supervisory Boards.</p>



STAKEHOLDERS

KEY STAKEHOLDERS

The needs and expectations of the stakeholders represent major signpost for the sustainable development of the ERBUD Group. While shaping its relationships with the environment, the Group is committed to building stakeholder value through long-term cooperation based on mutual benefit, partnership, ethics, mutual trust, honesty and integrity.

Bearing in mind the best possible communication with key stakeholders, the ERBUD Group carried out a survey amongst representatives of all stakeholders. The analysis of the results obtained allowed us to identify the key stakeholders of the ERBUD Group. The opinions of key stakeholders are one of the most important guidelines for us in terms of content presented in this Report.



WORKFORCE

EMPLOYMENT POLICY

HUMAN CAPITAL MANAGEMENT

Human Capital Management Policy – in line with our strategic slogan „HR in Business – Business in HR” – focuses on supporting the development of the ERBUD Group by providing committed and qualified staff. We focus on diversity and take care that every employee can fully exploit his or her potential, while achieving job satisfaction and a work-life balance.

MAJOR TASKS OF THE HR DIVISION:

- to support the development of the ERBUD Group by providing committed and qualified staff,
- to identify and select key employees (e.g. through annual performance review systems, to develop the potential of the Group’s managers in terms of leadership (manager as a leader),
- to manage talents and to plan succession – individual career paths for key employees,
- to on-board and to induct newly recruited employees,
- to enhance the level of engagement,
- value-based management,
- to create a strong employer brand – at Group and local level,
- to manage wages and salaries of leaders and key employees.



DAGMARA SOBOLEWSKA
Director of HR Division at ERBUD S.A. / Proxy

WORKFORCE

EMPLOYMENT POLICY

EMPLOYEE ENGAGEMENT SURVEY

For the first time ever, the employee engagement survey covered all member companies of the ERBUD Group. Thanks to the unprecedented scale of the survey we can map out the needs, opportunities and challenges that our Group faces in the human capital management area.

In 2020, we will complete the analysis of responses to the survey and we will start implementing changes in line with the survey findings. The high attendance is proof that employees know that their voice is listened to and taken into account. Their trust is very important to us.

SCALE OF 2019 EMPLOYEE ENGAGEMENT SURVEY:

- **11** companies
- **2411** employees invited to participate in the survey
- **99** locations (Poland, Germany, Belgium)
- **1406** opinions collected
- **58%** total attendance rate
- **90%** the highest attendance rate (ERBUD Shared Services Sp. z o.o.)
- **2** survey forms (hard copy forms and online survey)
- **2** languages (in survey forms, information materials and Manager Guide)

WORKFORCE

EMPLOYMENT POLICY

LABOUR ASPECTS IN THE ERBUD GROUP WITH HIGHEST GRADE

- 88% employees believe that their colleagues respect them
- 83% employees feel professional fulfillment in their work (they like what they do; they do interesting things)
- 76% of workforce comes to work willingly on Mondays
- 75% of personnel believes that company is social and environmentally responsible
- 75% of personnel believes that the Company appreciates diversity
- 71% of personnel would recommend our Company without hesitation to their friends seeking jobs

Source: 2019 Employee Engagement Survey

We were the sole company in the construction industry to receive the Employer of Tomorrow award, granted by the Polish Agency for Enterprise Development (PARP).

EQUAL OPPORTUNITIES, OBJECTIVE REMUNERATION

We are constantly improving our HR processes, but one thing does not change, viz. how we evaluate and reward employees. We apply exclusively objective criteria such as: experience, competence and potential of employees and candidates. We cherish diversity, believing that a diversity-friendly working environment is an additional developmental stimulus – thanks to the synergy of almost 2 500 individuals.

We create equal opportunities for all, regardless of the form of employment, gender, age, origin, views. We ensure consistency in our remuneration, motivation and internal promotion policies. Every employee has equal access to training, development programmes and benefits.



MAGDALENA PENCAKOWSKA
Site Manager, the Wrocław Branch of ERBUD S.A.

I value the ERBUD for its commitment to diversity and for creating opportunities for employees regardless of their gender. After only half a year as a site manager, I took up the position of the Porpoise Port project. The woman on the construction site less and less often surprises other people – there are more and more female students in the technical faculties – but there are still not many female site managers. There is a large percentage of women involved in contracts in ERBUD – a friendly atmosphere, open organisational culture makes everyone integrate very quickly. It was also true in my case.

Magdalena Pencakowska

WORKFORCE

EMPLOYMENT POLICY

EMPLOYER BRANDING

The last two years have seen an intensive development of employer branding activities. A strong brand makes it easier for us to attract valued professionals. In addition, it also breeds promotes loyalty and commitment of the whole team by strengthening the sense of community built around important values for employees: reliability, credibility, responsibility.

OUR EMPLOYER BRANDING ACTIVITIES SUPPLEMENT AND REINFORCE ONE ANOTHER:

Activity in social media

- LinkedIn
- Facebook (fanpage: Ludzie w Erbudzie (People at Erbud))
- Instagram (ludzie_w_erbudzie)
- promoting our #KarieraNaMurBeton internship and apprenticeship programme

Projects with stakeholders

- main sponsor of the Construction Knowledge and Skills Contest
- participation in the EU project "Our Student, Our Employee" (development of a model internship programme)
- participation in the EU project Erasmus+ (creating innovative courses for selected positions)
- participation in the project of the Polish Chamber of Civil Engineers (Sector Competence Council for the Construction Industry)

Activities at universities

- attendance at Trade Fairs
- membership of the Advisory Board of the Dean of the Civil Engineering Faculty, Warsaw University of Technology
- presentations and lectures of ERBUD specialists at faculties and during fairs
- participation in the Employers Gala at the Wrocław University of Technology
- marketing classes at the Construction Faculty of the Kraków University of Technology
- accounts and profiles in virtual Career Offices at the Universities of Technology
- participation in committees, round tables, meetings and panel discussions

Collaboration with high schools

- cooperation with technical high schools in the cities of Warsaw, Łódź, Wrocław, Rzeszów, Grudziądz and Bydgoszcz
- presentations for students during classes
- participation in the Career and Science Fairs in the City of Rzeszów
- thematic showcases, posters, roll-ups, information leaflets at schools
- study tours at construction sites and facilities
- students participation in the Safety Week
- information at the schools' websites about cooperation and development opportunities in the ERBUD Group
- joint activities in social media

#KarieraNaMurBeton Programme, which comprises internships and apprenticeships

- **51** apprentices from universities
- **31** trainees from universities
- **53** apprentices from secondary schools
- **6** trainees under the Polish Business Council Programme
- **23** trainees and apprentices stayed in our company once the programme was over

WORKFORCE

PERSONNEL DEVELOPMENT

DEVELOPMENT ACTIVITIES

Annual performance reviews

In 2019 we continued the process of annual performance reviews initiated a year earlier. This is our proprietary solution, tailored to the needs and specific nature of the ERBUD Group and a strong driver of its development. Thanks to the annual performance reviews, we can even better match the training and career paths of our employees and strengthen their involvement.

Employees appreciate this formula because they can talk to their supervisor about their needs, plans and aspirations. It is also important to them that when analyzing the results, we always put emphasis on the tangible changes of annual performance reviews – both at the team level and at the Group level.

ERBUD’s Talent Development Programme

This is a programme that we launched in 2019, with the support of the renowned external company House of Skills.



PAWEŁ GÓRAWSKI
Foreman, ERBUD Industry Centrum Sp. z o.o.

I am one of the youngest participants of the 1,5-year long talent programme „Effective leader” being implemented at the ERBUD Group. It has been less than two years since I graduated and three years since I joined the company as an intern. I am very happy about this distinction. There is no better proof that the ERBUD Group is a fantastic place for people who constantly want to develop their competences and qualifications. I believe that interdisciplinary training, combining hard and soft knowledge, will prepare me for my consecutive roles in our organization. It’s also a great opportunity to... get some distance, arrange your thoughts in a certain order and look at things from a different perspective. On everyday basis I work in maintenance unit, and it is like a surgery on a living organism – every day is different and unpredictable. And it is one of the reasons why I like very much working for our company.

Paweł Górawski

WORKFORCE

PERSONNEL DEVELOPMENT

PERSONNEL TRAINING

We constantly upgrade competences of our employees. Their qualifications and experience, combined with their exceptional commitment, make the ERBUD in the construction industry a synonym of reliability and the superior quality of project execution.

In 2019, we expanded the proven formula of our academies with three new programmes.

Name of programme	Scale of activities
Foreman Academy (new)	27 persons, 8 training days
PBDI Manager Academy (new)	14 persons, 16 training days
Assistant Academy (new)	17 persons, 7 training days
Engineer Academy (Jan. 2018-Jun. 2019)	32 persons, 16 training days
Site Manager Academy	38 persons, 20 training days

Again, we organized a series of training courses with the support of the National Training Fund. In 2019, we were granted PLN 106 thousand in funding for training efforts at ERBUD S.A. and ERBUD Industry companies.

We continued or launched many other specialist and soft skill training courses. We have carried out customized training activities (e.g. co-financing of post-graduate studies or coaching sessions for top management).

SELECTED TRAINING COURSES/SESSIONS:

• MS Excel	34 persons	• Legal aspects of contracts	12 persons
• MS Project	35 persons	• Effective recruitment management	96 persons
• Finance for non-financiers	15 persons	• Language training with language instructor	110 persons
• PMI project management	9 persons	• Online language training	42 persons



DARIUSZ MARKIEWICZ
Senior Foreman, The Rzeszów Branch of ERBUD S.A.

I have been associated with ERBUD since 2006, before that I had worked for 3 years for another company, so I am able to compare. The ERBUD, as an employer, stands out thanks to its soundness, being as good as its word and compliance with arrangements made. It is also important for me that I can continue to develop – working on such complex, consortium-led projects as the Southern Hospital in Warsaw, and participating in training sessions, including the very interesting Foreman Academy. And... on a jocular note – we are the best proof that ERBUD is a family-run business. My brother also works here and is very pleased with the development and promotion opportunities.

Dariusz Markiewicz

WORKFORCE

RECRUITMENT

The ability to attract and retain the best employees in their areas has always been our asset. Employment stability is of particular importance and is becoming an invaluable asset, especially in times of labour shortage, a challenge that the construction industry has faced in recent years. 2019 was a year of standardization of recruitment processes, according to our needs and best practices in the marketplace.

We use a variety of recruitment channels: on-line portals and career offices, publication of advertisements on our website and in social media, headhunting, advertisements in the paper press, banner ads on site fences, posters, etc.

125 – successful recruitment cases in 2019

96 – persons of the management staff attended the recruitment workshops

OUR RECRUITMENT STANDARD CONSISTS OF:

- description of the recruitment process, methods of personnel acquisition and selection,
- new interview forms for all job categories,
- Recruitment Manager Handbook,
- recruitment workshops for executives,
- new, attractive form of job ads.



AGNIESZKA MAŁKIEWICZ

Site Engineer, the Kraków Branch of ERBUD S.A.

I deliberately chose ERBUD as a place for my internship. I knew that it was one of top five construction companies, executing various, innovative projects – I wanted to confront my academic experience with real life practice at such place. I really liked the fact that I could choose a facility for my internship – writing my engineering thesis on reinforced concrete, I picked up the construction project concerning the Liv dormitory. I adopted myself very quickly, thanks to the kind, supportive workmates and the unique working atmosphere. I am also impressed by the work organization on the construction site, on-track project execution as scheduled, the importance attached to quality and safety and personnel development. Therefore, when after 3 months of my internship, I was offered a job by the company, I did not hesitate.

Agnieszka Małkiewicz

WORKFORCE

COMMUNICATION WITH PERSONNEL

Committed, ambitious and competent employees are our greatest asset. Therefore, as a responsible employer, we care about their personal and professional development, but also about their health, safety and the best possible working environment.

TOOLS FOR COMMUNICATION WITH PERSONNEL:

- ERBUD Group’s newsletter „ERnews” – a monthly on-line magazine distributed to all employees, containing information about changes and new developments in the company, new contracts, events on the construction sites or the projects’ progress rates,
- websites of ERBUD Group member companies,
- communications of the Management Boards of the member companies e-mailed to the employees and delivered to line personnel in hard copies,
- social media „People in ERBUD” – profiles on Facebook, LinkedIn and Instagram, targeted at both candidates for jobs in our Group and at current personnel,
- intranet platforms,
- annual performance reviews,
- surveying of personnel opinions and engagement,
- team building trips
- occasional Christmas communication,
- corporate calendars,
- Integrated Annual Report.



DOROTA TRUŠKIEWICZ
Marketing and PR Director at ERBUD S.A.

Satisfaction with work and commitment is built through various forms of activities. We know how important internal communication is. Only a well-informed employee can be engaged in company life. Therefore, we develop constantly internal communication and check how it is evaluated by our personnel.

Doroata Truškiewicz

WORKFORCE

DATA SPECIFICATION

HEADCOUNT LEVEL AT ERBUD GROUP AS OF 31 DECEMBER 2019

GRI 102-8 Data on personnel and other persons working for the organisation

Headcount level (as of 31 Dec. 2019)	Total	of which women	of which men
By contract type			
Total employment contracts	2388	363	2025
Employment contracts with limited duration	696	101	595
Employment contracts with unlimited duration	1638	249	1389
Probation contracts	54	13	41
Civil law contracts	88	6	82
By age			
Employment contracts – persons below < 30 years of age	349	116	233
Employment contracts – persons between 30 and 50 years of age	1190	207	983
Employment contracts – persons above > 50 years of age	849	47	802
By position			
People working in managerial positions (employment contracts)	462	85	377
People working in non-managerial positions (employment contracts)	1926	285	1641
By nationality			
Persons with Polish citizenship (employment contracts)	2295	359	1936
Persons with foreign citizenship (employment contracts)	93	11	82
By education background – excluding ERBUD			
Persons with junior high school education and lower	230	0	230
Persons with basic vocational education	799	17	782
Persons with secondary comprehensive education	109	25	84
Persons with post-secondary education and secondary vocational education	383	37	346
Persons with higher education	759	277	482

WORKFORCE

DATA SPECIFICATION

GRI 102-41 The percentage of headcount covered by collective labour agreements.

GRUPA ERBUD	
ERBUD S.A.	0.00%
GWI Bauunternehmung GmbH	0.00%
ERBUD International Sp. z o.o.	0.00%
PBDI S.A.	0.00%
0.00% ERBUD Industry Group member companies	61.00%
IVT Weiner + Reimann GmbH	0.00%

INVESTORS

INVESTOR RELATIONS

Diversified, profitable order portfolio allows us to approach further Requests for Proposals (RFPs) selectively. A stable portfolio combined with our reputation as a solid, responsible partner gives us the comfort and honour of working with the best investors. This enables us to upgrade continuously our competences, to implement the most complex and innovative projects in Poland and abroad.

In May 2019, we completed the largest project in the history of our Group – the Młociny Shopping Mall in the City of Warsaw (worth PLN 646.5 million) – on schedule and in line with the expected quality. The Shopping Mall for which we acted in the capacity of the General Contractor, was constructed by one of our regular business partners, Echo Investment S.A. Another project with unprecedented scale, is the construction of a section of the S3 expressway by PBDI S.A. (total net contract value: PLN 715.2 million, half of the contract is executed by our consortium member MOSTY-ŁODŹ S.A. Bridge Works Enterprise). Our leading position in the construction business of medical facilities is confirmed by the role of general contractor of Non-invasive Medicine Centre in the City of Gdańsk (contract value PLN 153 million).

Traditionally we are strong in the segment of building construction segment. In this area, in 2019, apart from the aforementioned the Młociny Shopping Mall, we also constructed the Connoisseur Centre in the Prague District in Warsaw, an office building for Neuca S.A. in Toruń, the LIDL distribution centres in the Cities of Stargard and Bydgoszcz and in the town of Wyszaków. Maritime Science Centre in the city of Szczecin, Southern Hospital in the City OF Warsaw, the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Civilization and Old Age Diseases named after Prof. Zbigniew Religa w the City of Zabrze. We are also building a lot of apartment buildings across the country. Our German company GWI GmbH is developing, inter alia, the spectacular UpperNord Tower hotel, with residential and office functions in the City of Düsseldorf.

We pursue consistently a policy of segmental and geographical diversification. Our strength is a strong reference portfolio, but above all the reputation of a responsible partner built up over the years. Thanks to this, we can boast of the above-average percentage of investors in the industry who decide to commission consecutive prestigious projects to us.



JACEK LECZKOWSKI
Vice-President of the Management Board of ERBUD S.A.

We build investors' trust with uncompromising attachment to the Group's most important distinguishing features: partnership, responsibility, innovation and safety. For many our customers, we have been the first choice partner for many years now.

Jacek Leczkowski

INVESTORS

WHAT ARE THE GAINS OF THE INVESTORS WHO DECIDE TO COMMISSION US GENERAL CONTRACTING SERVICES OF THEIR INVESTMENT PROJECTS?

- We offer our own team of experienced employees and a base of proven subcontractors (human resources security; protection against economic ups and downs and against the situation on the labour market; an advantage when negotiating sole-source contracts).
- Our projects are carried out on schedule, with the utmost care, safety and workmanship quality.
- Our relationships are based on trust – such an approach enables us to operate in a foreseeable manner, at much lower transaction costs.
- We attach great importance to respecting the investment environment, i.e. relations with local communities and minimizing the impact of the investment on its neighbourhood, with particular emphasis on the natural environment and climate.
- We execute the most innovative projects in a given segment – including investments projects complying with the LEED or BREEAM standards (sustainable construction certificates).

INVESTORS

- We are one of the few companies in Poland, that is authorized to execute contracts of military and paramilitary nature (AQAP certificate).
- We focus on technological, process and organisational innovation (e.g. direct purchasing).
- We are a source of inspiration and knowledge about pioneering solutions for our partners (thanks to various, cross-sectional projects executed in Poland and abroad).
- We provide comprehensive care in every phase of investment project implementation and after its completion.
- We focus on win-win relationships, believing that it is in the common interest of the parties involved to seek constructive solutions in moments of dispute.
- We offer the highest standards of quality, safety and environmental management to minimize risks, not only for our Group, but also for our partners

SUBCONTRACTORS AND SUPPLIERS

CO-OPERATION WITH SUBCONTRACTORS AND SUPPLIERS

We offer the highest standards of quality, safety and environmental management to minimize risks, not only for our Group but also for our partners. The dynamically growing scale of the ERBUD Group’s activities makes us buy various materials and services on a daily basis, cooperating with both large and smaller suppliers and subcontractors. Thanks to their professionalism and reliability we can execute projects in adherence to their assumptions.

PARTNERSHIP RELATIONS

Honesty, truthfulness, professional integrity – these are the values that we have been following since the onset of the ERBUD Group operations. Thanks to such an approach we have a reputation in the Polish and foreign construction markets as the company with which it is worthwhile to go through thick and thin. We build business relationships on a win-win basis, we never use our advantage, we do not use legal or business loopholes, even if it would generate economic benefits to us in the short term.

We know that only partnership and mutual trust can lead us to the goal of timely completion of investment projects, with the highest quality and safety and within the assumed budget.

WHAT MAKES OUR RELATIONSHIPS WITH SUBCONTRACTORS DIFFERENT?

- we are a reliable, solvent and responsible General Contractor,
- when selecting subcontractors, we are guided solely by the subject-matter evaluation criteria, as set forth in the Supplier Qualification Charter and our detailed internal procedures,
- we protect our subcontractors against economic ups and downs,
- We want our subcontractors to act in compliance with our values and shared our understanding of the ethics concept and corporate social and environmental responsibility,
- We offer the companies collaborating with us an opportunity to develop continuously their competences – when implementing complex, innovative projects together we share knowledge and best practices.



GRZEGORZ SZYMONOWICZ
 Director of the Purchasing and Central
 Procurement Division
 ERBUD S.A.

After several years of increasing the scope and scale of central purchasing, we are confident that this operational model strengthens our position as a professional, transparent and reliable partner.

We are happy that activities optimizing purchases translate into measurable benefits, not only financial, but also environmental.

Grzegorz Szymonowicz

SUBCONTRACTORS AND SUPPLIERS

50–70 – this is a number of subcontractors that are on average involved in one ERBUD Group construction project.

CENTRAL PURCHASING

Central purchasing plays an increasingly important role in the ERBUD Group’s purchasing structure. Each year, the number of framework agreements used by all member companies of our Group is growing.

WHAT ARE THE BENEFITS FOR US GENERATED BY CENTRAL PURCHASING?

- More advantageous commercial terms,
- taking advantage of economies of scale,
- uniform, high standard of products and services,
- unification of processes related to purchasing and supply policy,
- objective, transparent selection criteria (no exclusivity rule),
- access to know-how of leading manufacturers, with whom – thanks to central purchasing arrangements – we have deeper relations,
- stronger position of the Capital Group (scale of purchasing),
- tangible financial benefits (framework agreements).



MONIKA ZUBIAK

Director for Production Preparation and Trade,
the Rzeszów Branch of ERBUD S.A.

We have maintained business relationships with many suppliers for years. Thanks to proven relationships we are less vulnerable to economic ups and downs or to imbalance in the labour market. We like to work with local partners, knowing that we are helping local communities to develop in this manner.

Monika Zubiak

SHAREHOLDERS

DIVIDEND POLICY

On 11 March 2019, the Management Board adopted a new ERBUD S.A. dividend policy, repealing the dividend policy of 26 January 2016. Pursuant to the adopted resolution, the Management Board will recommend to the General Meeting of Shareholders, after the evaluation of the motion by the Supervisory Board, concerning dividend payment accounting for from 30 to 70 per cent of net consolidated financial income generated in the previous financial year, taking into account the current and future financial standing of the Company and the Capital Group. In its recommendation on dividend payment, the Management Board will, in particular, take into account investment projects required by the execution of the ERBUD Group's strategy.

In its recommendation for the General Meeting of Shareholders, the Management Board will each time take into account the following key factors:

- investment requirements related to the implementation of the ERBUD Group strategy,
- the acquisition policy pursued by the Company and available financing in relation to that policy,
- liquidity needs of the Erbud Capital Group depending on current and expected market and regulatory environment,
- amount of liabilities in relation to current activities,
- liabilities under signed agreements on financing the operations of the Company and the ERBUD Group, including in particular loan agreements,
- proceeds from dividends received by the Company from its subsidiaries,
- optimization of the financing structure of the ERBUD Group's operations.

If the above factors have been assessed exceptionally and the Management Board's proposal regarding profit distribution has been viewed positively by the Supervisory Board, the Management Board may recommend a higher dividend payment, exceeding 70% of the consolidated net financial income.

SHAREHOLDERS

DIVIDEND POLICY

DIVIDEND PAID BY ERBUD S.A.

year	distribution of profit for accounting year	Dividend at ERBUD S.A. in the consecutive years:			Total dividends	
		record date	payment date	paid	per share	
2019						
2018	2017	5 June 2018	19 June 2018	14 093 044.90	1.1	
2017*		1 Sept. 2017	23 Jan. 2017	14 989 875.03	1.17	
2016	2015	17 May 2016	2 June 2016	15 374 230.80	1.2	
2015	2014	15 July 2015	30 July 2015	6 380 962.50	0.5	
2014	2013	21 July 2014	4 August 2014	8 900 182.20	0.7	
2013						
2012						
2011						
2010	2009	15 July 2010	30 July 2010	6 266 004.50	0.47	

*the company made an additional payment from supplementary capital in 2017

The Management Board may pay shareholders an advance on the expected dividend at the end of the accounting year, if the Company has sufficient funds to pay out and this option is provided for in the Statute. The Erbud SA's Management Board is authorized, pursuant to § 18, par. 4 of the of the Company's Statute and subject to Supervisory Board's consent, to pay a dividend advance. The company may pay an advance if its approved financial statements for the previous accounting year show profit. The advance may account maximum for half of the profit generated since the end of the previous accounting year, shown in the financial statements, audited by the statutory auditor, increased by reserve funds established out of profit, which the Management Board may use to pay advances, less uncovered losses and own shares.

SHAREHOLDERS

COMMUNICATION POLICY

ERBUD S.A. is a listed company, therefore it makes every effort to build the shareholders' value of the Group. Such policy of the Management Board is supported by transparent information communication with investors and analysts. The use of various communication tools enables the Company to comply with public disclosure requirements i.e. to provide its stakeholders with easy and non-discriminatory access to disclosed information.

In 2019 the ERBUD Group pursued transparent communication policy. For this purpose the Company:

- published 68 current reports and 8 periodic reports (separate and consolidated ones),
- updated regularly the corporate website at the address www.erbud.pl,
- it applied in practice the proprietary periodic reporting and financial performance presentation standards;
- it published on the corporate website current performance presentations for stock exchange analysts;
- it organised cyclically teleconferences for the managers and analysts (buy side) and analysts of brokerage houses and investment banks (sell side),
- the Company participated in the events and meetings arranged by the brokerage houses and investment banks and other capital market institutions;,,
- the Company was present in industry and economic media, mainly through interviews with the Management Board members.

Therefore the ERBUD Group undertakes to comply with most recommendations and rules set forth in „Best Practices of the WSE-Listed Companies 2016” excluding the application of 3 recommendations and 5 specific rules. At the same time, the Group substantiates the waiver following the principle „comply or explain”. This has been detailed in the passage on the status of the company’s application of the recommendations and rules set forth in the document titled „Good Practices of WSE Listed Companies 2016”, which can be found in the „Corporate Governance” tab on the ERBUD S.A. website.

ERBUD S.A. follows the rules regarding obligations and requirements developed for the Management and the Supervisory Boards. The Supervisory Board members meet the independence criteria established by the European Commission. The Company uses an internal controls, risk management and internal audit systems. The ERBUD Group applies also principles applying to the transactions with related entities.



JOANNA PIERSA
 Director of Management Board
 and Shareholder Supervision Office of ERBUD S.A. / Proxy

SHAREHOLDERS

ERBUD ON THE WARSAW STOCK EXCHANGE

ERBUD ON THE WARSAW STOCK EXCHANGE

The year 2019 was closed with WIG index up by +0.25% change in value terms. The WIG20 index was weaker against this background, since it was down 5.56% on a y/y basis, whereas mWIG40 index lost 0.03% over the year. Only small businesses fuelled sWIG80 index growth by 13.94%.

Compared to other European and global indices, the Warsaw WIG index performance was quite poor. The standing of the Warsaw Stock Exchange is also evidenced by data concerning the number of IPOs and delisted companies – last year only 7 companies had their IPOs in the main market and 22 entities were delisted. It was another year of decline in the number of listed companies.

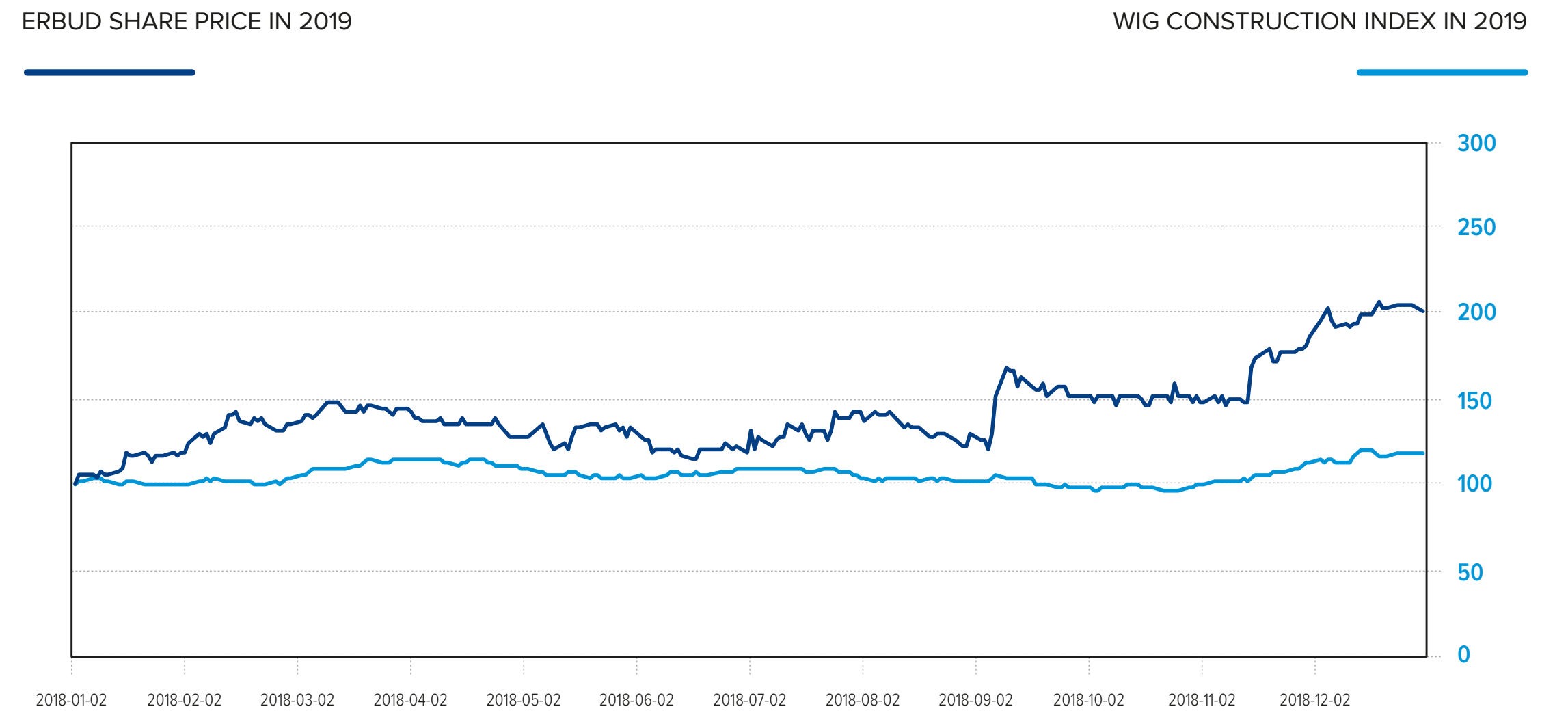
The main factors that discouraged investors from taking more risk on the stock exchange in 2019 included the trade war between the USA and China, the Brexit process that lasted equally long, or the vision of economic slowdown in Poland. On the top of the aforementioned factors the political uncertainty and speculation on the settlement of disputes between banks and holders of Swiss Franc-denominated loans was added.

Against this background, the construction sector companies listed on the WSE can be considered a fairly attractive form of capital investment – the WIG-construction index rose by 19% in 2019. The share price of ERBUD S.A. increased by more than 103% at that time and thus made up for most of the fall from 2018, when it lost more than half of its value.

In 2019 the Company did not issue any new stock.

Source: www.gpw.pl

Chart: behaviour of ERBUD S.A. share price and WIG-Construction index (value as of 1 Jan. 2019 = 100)



COMMUNICATION WITH EXTERNAL STAKEHOLDERS

Our activities involve a wide range of external stakeholders. They include: investors, suppliers and subcontractors, the stock exchange community, as well as the organisations and associations in which we hold membership. We run dialogue with everyone based on partnership, ethics, mutual trust, honesty and integrity.

INVESTORS, SUPPLIERS, SUBCONTRACTORS:

- websites presenting ERBUD Group member companies, their profiles, offers, current news, investment projects underway, CSR activities contact data of the companies
- Integrated Annual Report,
- printed matter (brochures, catalogues) and in interactive form bringing closer offer, values, opportunities and achievements of the Group,
- videos demonstrating value proposal, history, and executions to date of individual companies,
- special events on the construction and implementation sites (e.g. foundation stone laying ceremony, ground-breaking ceremony, topping out ceremony, opening),
- active membership in business and industry organizations
- business meetings,
- ERBUD Group's experts attend industry conferences,
- advertising and image-related activities.

STOCK EXCHANGE INVESTORS:

- a website dedicated to Investor Relations, containing regulations of the Management Board, Supervisory Board and General Meeting of Shareholders, a set of documents, e.g. on Corporate Governance, Dividend Policy, as well as current stock market information on ERBUD S.A,
- publication of periodic and current reports and press releases commenting price driving events,
- quarterly meetings with financial analysts.

COMMUNICATION WITH EXTERNAL STAKEHOLDERS

MEMBERSHIP IN ORGANISATIONS AND ASSOCIATIONS:

- Construction Safety Alliance – the initiative of 13 leading companies from the construction sector is used to take joint measures to reduce the number of accidents including fatalities through constant upgrading of work safety culture,
- Polish Business Council (PRB),
- Polish Association of Construction Employers,
- Polish Confederation Leviathan,
- Polish-German Chamber of Commerce,
- The Association of Stock Exchange Issuers,
- Polish Cluster of Construction Exporters,
- Association of Polish Electrical Engineers,
- Association of Construction Industry North Rhine-Westphalia e.V.,
- German Association of Concrete Technology and Construction Sector,
- DVGW German Association of Gas and Water Technologies.



ERBUD GROUP ACTIVITIES

ERBUD GROUP STRUCTURE



ERBUD S.A.

GWI
BAUUNTERNEHMUNG
GMBH

ERBUD
INTERNATIONAL
SP. Z O.O.

ERBUD
OPERATIONS
SP. Z O.O.

PBDI S.A.

ERBUD
INDUSTRY
SP. Z O.O.

IVT
WEINER + REIMANN GMBH

100 %

97.86 %

100 %

100 %

90 %

100 %

The Warsaw Branch

The Toruń Branch

The Wrocław Branch

The Kraków Branch

The Rzeszów Branch

The Szczecin Branch

ERBUD Industry Centrum Sp. z o.o.

99.01 %

ERBUD Industry Pomorze Sp. z o.o.

100 %

ERBUD Industry Południe Sp. z o.o.

99.29 %

THE SHARES IN PERCENTAGE TERMS STAND FOR EQUITY INTEREST OF PARENT COMPANIES.

CALENDAR OF EVENTS

2019



JANUARY

- Appointment of Paweł Zaorski to the position of a member of the Management Board of ERBUD Industry Sp. z o.o.
- Appointment of Piotr Gutowski to the position of Vice-President of the Management Board of PBDI S.A.
- Suspension of the topping out on the construction site of the NEUCA office building in the City of Toruń.
- The consortium consisting of PBDI S.A. and Electrum Sp. z o.o. signed up a contract for the construction of a wind farm in Barwice.

CALENDAR OF EVENTS

2019



FEBRUARY

- Official opening of a new operating theatre and helipad on Debica hospital site.
- Completion of construction of Lake Hill Resort&Spa in the locality of Sosnówka.
- Completion of the project at Pomorzany Combined Heat and Power Plant in the City of Szczecin (ERBUD Industry Sp. z o.o.).
- Signing of Co-operation Agreement with Lifelong Learning School Complex in the City of Rzeszów concerning students preparation for builder trade.

CALENDAR OF EVENTS

2019



MARCH

- Completion of the construction of the Silesia Outlet Centre in the City of Gliwice.
- Launch of construction works concerning the Popowice Port project, Phase II, Building B in the City of Wrocław.
- Publication of 2018 financial performance: record high sales revenues of PLN 2.3 billion, a portfolio of orders worth PLN 2.5 billion.

CALENDAR OF EVENTS

2019



APRIL

- Signing by ERBUD S.A. of the construction contract concerning the construction of the Legnicka 33 apartment project in the City of Wrocław.
- ERBUD S.A. entered into a contract for reconstruction and extension of the municipal indoor swimming pool in the Sports and Leisure Centre in the City of Stargard.
- Launch of construction works concerning the Popowice Port project, Phase III, Building C in the City of Wrocław.
- The organization of the Third Charity Ball by the "Common Challenge" ERBUD Foundation named after Eryk Grzeszczak.

CALENDAR OF EVENTS

2019



MAY

- Completion of the construction of the Młociny Shopping Mall by Wrocław Branch of ERBUD S.A. (the contract value equals to PLN 646 484 309.50).
- Publication of the ERBUD Group financial performance in Q1 2019: revenues, gross profit and EBIT were up.
- Signing of a contract by GWI GmbH for the shell of the UpperNord Tower in Düsseldorf and a retirement home in Düren.
- PBDI S.A. signed a contract for the construction of the Żukowice wind farm.
- Signing by ERBUD Operations Sp. z o.o. a contract for thermal efficiency improvement works in the Ludwik Rydygier Specialist Hospital in the City of Kraków.
- Ordinary General Meeting of Shareholders.

CALENDAR OF EVENTS

2019



JUNE

- ERBUD S.A. signed a contract with the Independent Public Clinical Hospital No. 4 in the City of Lublin for the execution of thermal efficiency improvement works.
- Embedment of ground-breaking plaque for the swimming pool to be constructed in the town of Tomaszów Lubelski by ERBUD S.A.
- Establishment of Jacek Leczkowski, ERBUD S.A. as a commercial representative.
- Paweł Średniawa was appointed to the position of the President of Management Board of PBDI S.A.; Piotr Gutowski and Marcin Szerszeń – to the positions of Vice-Presidents of the Management Board.

CALENDAR OF EVENTS

2019



JULY

- Contracts signed for new ERBUD S.A. projects: the building of the Maritime Science Centre in the City of Szczecin, the building of the Podkarpackie Lung Disease Centre in the City of Rzeszów, the Soleil de Malta housing project in the City Poznań and the Lake Hill II hotel complex in the locality of Sosnówka near Jelenia Góra,

CALENDAR OF EVENTS

2019



AUGUST

- PBDI S.A. entered into civil works contracts for the construction of Lichnowy wind farm.
- PBDI S.A. signed four contracts with R. Power Group for the construction of photovoltaic power plants.
- Sale of a development project (retirement house) in Düren by GWI GmbH.

CALENDAR OF EVENTS

2019



SEPTEMBER

- Publication of the financial performance of the ERBUD Group in H1 2019; net profit totalled PLN 16.1 million.
- ERBUD Group's personnel satisfaction and engagement survey.
- ERBUD S.A. signed a contract for the execution of the Silesian Clinic and Scientific Centre for the Prevention and Treatment of Environmental, Civilisation and Old Age Diseases named after Prof. Zbigniew Religa next to the Silesian Centre for Heart Diseases in the City of Zabrze.
- Completion of construction of the Holiday Inn Express hotel on site of the Rzeszów-Jasionka airport.

CALENDAR OF EVENTS

2019



OCTOBER

- Embedment of cornerstone for the Maritime Science Centre building in the City of Szczecin.
- ERBUD S.A. signed a contract for the construction of a housing project called NOVUM III Apartments in Kraków.

CALENDAR OF EVENTS

2019



NOVEMBER

- Publication of the ERBUD Group's financial performance Q3 2019; EBIT at PLN 44 million, net profit at the level of PLN 28 million.
- ERBUD Operations Sp. z o.o. signed a contract for general overhaul and reconstruction of Dormitory No. 3 of the Medical University of Łódź.
- PBDI S.A. signed wind farm construction contracts: Szymankowo wind farm with a total capacity of 38.115 MW, Dębowa Łąka wind farm with a total capacity of 33.3 MW and Świecie wind farm with a total capacity of 16.3 MW.
- The consortium consisting of ERBUD S.A. and ERBUD Industry Sp. z o.o. signed a contract for the construction of a semi-dry flue gas cleaning plant at the Tychy Generation Plant owned by TAURON Ciepło Sp. z o.o.
- ERBUD S.A. signed a contract for the execution of two phases involving the construction of the Nova Królikarnia housing estate in the City of Warsaw.
- GWI GmbH signed a contract for construction of an apartment building in the City of Düsseldorf.

CALENDAR OF EVENTS

2019



DECEMBER

- Changes in the composition of the Management Board of ERBUD S.A. Józef Adam Zubelewicz resigns from the position of a member of the Management Board. The Supervisory Board of ERBUD S.A. appointed the Management Board with the following composition: Dariusz Grzeszczak – President of the Management Board, Agnieszka Głowacka – Vice-President of the Management Board and Jacek Leczkowski – Vice-President of the Management Board.
- 7 awards were granted in the Build Safely competition organized by the National Labour Inspectorate.
- Completion of the Seaside Park Hotel in the City of Kołobrzeg.
- ERBUD S.A. signed a contract for the construction of an apartment building in the City of Wrocław.
- Signing by ERBUD Industry Sp. z o.o. a contract for the construction of new peak power sources with PGE Energia Ciepła S.A., the Wybrzeże Branch of the Gdansk CHP Plant

BUILDING CONSTRUCTION

DOMESTIC OPERATIONS

ERBUD S.A.

ERBUD S.A. operates mainly in the segment of building construction. The Company specializes in the construction of residential buildings, office buildings, industrial buildings, public utility buildings as well as shopping malls, hotels and hospitals. The Company has operated for 30 years in the Polish market and in the markets of other European Union countries. Vast majority of projects is executed by ERBUD S.A. in the commercial market. The Company has co-operated with numerous business partners for many years now. The ERBUD S.A.'s regular customers include, inter alia, Dom Development S.A., Red Real Estate and member companies of the Capital Park Group, CGL Group, Vantage Development Group, Griffin Group or BBI Group. In the territory of Poland the Company has six branch offices in the following cities: Warsaw, Toruń, Wrocław, Szczecin, Rzeszów and Kraków.

At the end of December 2019 the total headcount at ERBUD S.A. was 795 workers.

The year 2019 saw changes in the composition of the ERBUD S.A. Management Board. At the end of December 2019, Józef Adam Zubelewicz resigned from the position of a Member of the Management Board due to his retirement. In connection with this resignation, the Supervisory Board appointed Jacek Leczkowski, a former Proxy at ERBUD S.A., and previous President of the Management Board of PBDI S.A.'s subsidiary, to the position of Vice President of the Management Board of ERBUD S.A. At the same time, by virtue of the decision of the Supervisory Board, the composition and functions in the Management Board of ERBUD S.A., effective from 2020, are as follows:

- Dariusz Grzeszczak – President of the Management Board,
- Agnieszka Głowacka – Vice-President of the Management Board
- Jacek Leczkowski – Vice-President of the Management Board

Józef Adam Zubelewicz remained within the ERBUD Group in the position of an Advisor to the Management Board of ERBUD S.A.

In 2019 a total of 30 internal audits were carried out at ERBUD S.A. branches, which confirmed that the Company complies with the highest management standards.

In this year's editions of the Build Safely Competition, organised by the National Labour Inspectorate, the ERBUD Group won seven awards in total. Three construction sites managed by ERBUD S.A. took 1st places. In total, over the last 10 years, the Group's projects have been awarded 43 times.

BUILDING CONSTRUCTION

DOMESTIC OPERATIONS

A very important and complex project, which we implemented in 2019 involved preparation of all organizational units (mainly construction sites) for registration in waste database (BDO). It is a mandatory system for waste producers and enables them to monitor on-line the life cycle of each waste.

In 2019 ERBUD S.A. executed, inter alia, the following construction projects:

- The Młociny Shopping Mall with Service and Entertainment functions in the City of Warsaw – the construction was completed in May 2019 on schedule, as agreed with the Investor and in line with the expected quality; ERBUD S.A., acting in the capacity of the General Contractor, was responsible for the overall investment project, including the detailed design and preparation of internal and external infrastructure,
- LIDL Distribution Centre in the City of Stargard,
- The Connoisseur Centre in the Prague District of Warsaw,
- Toyota / Lexus car showroom in the City of Kraków,
- NEUCA S.A. office building in the City of Toruń,
- Non-Invasive Medicine Centre in the City of Gdańsk,
- Setting up of the Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Prof. Zbigniew Religa in the City of Zabrze,
- The Podkarpackie Lung Disease Centre in the City of Rzeszów,
- Cultural Heritage Research and Conservation Centre in the City of Toruń,
- The Maritime Scientific Centre in the City of Szczecin.

The year 2019 in the Polish construction market was characterised by stabilisation, which should also prevail in the current year. According to the Management Board, the potential of the investment market is still high, both in Poland and in foreign countries. The Company's order book is stable and the Management Board will continue to engage in projects with satisfactory profitability. In 2020 the Company's objective is to achieve an operating profit margin of at least 2%.

BUILDING CONSTRUCTION

DOMESTIC OPERATIONS



PIOTR AUGUSTYNIAK
Director of Toruń Branch of ERBUD S.A. / Proxy

The key projects executed in 2019 by the Toruń branch, managed by Director Piotr Augustyniak:

- Non-Invasive Medicine Centre in the City of Gdańsk
- NEUCA S.A. office building in the City of Toruń,
- Cultural Heritage Research and Conservation Centre based in the City of Toruń,
- LIDL Distribution Centre in the City of Stargard,
- warehousing facility in the locality of Ostaszew near Toruń.



ŁUKASZ ŚWIĄTKOWSKI
Director of Warsaw Branch of ERBUD S.A. / Proxy

In 2019 major projects executed by the Warsaw Branch, led by Łukasz Świątkowski, Director were as follows:

- a building with apartments to let in Suwak Street in the City of Warsaw,
- the Seaside Park Hotel in the City of Kołobrzeg,
- the Foxtrot dormitory in the City of Warsaw,
- the Nova Królikarnia housing estate in the City of Warsaw
- construction of a primary school in the Białołęka District, Warsaw.



RADOSŁAW KAŁAMAGA
Director of Wrocław Branch of ERBUD S.A. / Proxy

The key projects executed in 2019 by the Wrocław branch, managed by Director Radosław Kałamaga:

- the Młociny Shopping Mall with service and entertainment functions in the City of Warsaw
- Lake Hill Resort & SPA vacation center in the locality of Sosnówka near Jelenia Góra,
- a multi-family, apartment building at Lubińska / Legnicka streets in the City of Wrocław,
- the "Port Popowice" (Popowice Harbour) housing estate in the City of Wrocław,
- the Oleofarm manufacturing plant in the City

BUILDING CONSTRUCTION

DOMESTIC OPERATIONS



MARCIN WASYLKO

Director of Szczecin Branch of ERBUD S.A. / Proxy

The key projects executed in 2019 by the Szczecin branch, managed by Director Marcin Wasylko:

- The Maritime Scientific Centre in the City of Szczecin,
- The Connoisseur Centre in the Prague District of Warsaw,
- The Soleil de Malta – apartment buildings located in the City of Poznań,
- Conversion and extension of the indoor swimming pool of Sports and Leisure Centre in the City of Stargard,
- an apartment building in Chmielewskiego Street in the City of Szczecin.



ARTUR ŁUCZAK

Director of Rzeszów Branch of ERBUD S.A. / Proxy

In 2019 the key projects executed by the Rzeszów branch, managed by Director Artur Łuczak, were as follows:

- The Silesian Clinical and Scientific Centre for the Prevention and Treatment of Environmental, Modern Age and Old Age Diseases, named after Prof. Zbigniew Religa in the City of Zabrze,
- The Podkarpackie Lung Disease Centre in the City of Rzeszów,
- The Southern Hospital in the City of Warsaw,
- the Holiday Inn Express Hotel in the City of Rzeszów
- extension by adding an indoor swimming pool to the buildings in Tomaszów Lubelski.



PIOTR DOBOSZ

Director of Kraków Branch of ERBUD S.A. / Proxy

In 2019 the key projects executed by the Kraków branch, managed by Director Piotr Dobosz, were as follows:

- Novum 3 Apartments,
- the Silesia Outlet Shopping Mall with commercial and service functions in the City of Gliwice,
- Toyota / Lexus car showroom in the City of Kraków,
- a manufacturing plant in the City of Sanok
- NOVUM II apartment building in the City of Kraków.

BUILDING CONSTRUCTION

DOMESTIC OPERATIONS

ERBUD OPERATIONS SP. Z O.O.

The Company has been operating in the construction market since 2001, and until the end of 2018 it operated under the name ERBUD Rzeszów. The current name has been valid since January 2019.

ERBUD Operations performs both general contracting and subcontracting. Thanks to the professional and experienced personnel with the highest qualifications and qualifications in the construction industry, and thanks to the financial background, the Company implements even the most complicated investments throughout the country.

In order to meet customers' expectations, in 2019 the company launched a new unit specializing in reinforced concrete works. It has also developed the existing design and construction supervision departments, whose task is to prepare investment areas and supervise the implementation.

At the end of December 2019 the total headcount at ERBUD Operations was 109 workers.

In 2019, in the Forbes Diamonds competition ERBUD Operations Sp. z o.o. took second place in the Podkarpackie Province in the category of companies with revenues from PLN 50 to PLN 250 million.

In 2019 ERBUD Operations executed, inter alia, the following projects:

- construction of the Specialist Clinics and Server Room in the A2 building of the Clinical and Didactic Centre of the Medical University of Łódź,
- renovation of Dormitory 3 at Medical University of Łódź,
- the improvement of thermal efficiency of the Specialist Hospital named after Ludwik Rydygier in the City of Kraków.
- the construction of the Health Resort Park in the locality of Ciężkowice.

The key business partners of the Company include: Dräger Polska Sp. z o.o., Fast Group Sp. z o.o., MP Prolift Sp. z o.o., FIBRAIN Sp. z o.o., PZL CEZAL Lublin Sp. z o.o.

The Company's priority for 2020 is to execute the existing contracts as well as to win new ones using the „design and build” system and for general contracting of medical facilities, spatial development projects as well as renovations and thermal efficiency improvement of public utility facilities. The aim is also to enhance own capacity.



MIROSŁAW MŁYNARSKI
President of the Management Board
of ERBUD Operations Sp. z o.o.

A graduate of the Economics Faculty at the Maria Curie-Skłodowska University in Lublin. In the 1992–2003 period he worked for PHZ Polservice Sp. z o.o. Initially as an export specialist in Rzeszów, then in 1997–2004 delegated to the Branch Office in Germany, he worked in the following positions: Project Manager, Office Manager in Berlin and Munich. Since 2004 he has been associated with the ERBUD Group: from 2004 to 2017 he was Director of the Rzeszów Branch of ERBUD S.A., from January 2011 to March 2018 he was a Proxy of ERBUD S.A.

BUILDING CONSTRUCTION

FOREIGN OPERATIONS

GWI BAUUNTERNEHMUNG GMBH

GWI Bauunternehmen GmbH with its registered office in Düsseldorf operates in the German market. The Company mainly executes building construction projects, which include office, residential, hotel and public utility projects.

At the end of December 2019 the total headcount at GWI was 55 workers.

In 2019 an external audit was carried out at GWI by BG BAU. Consequently the Company was granted an

AMS BAU certificate confirming the effectiveness of the occupational health and safety management system. In 2019 the Company completed, inter alia, the following projects:

- The shell of the Carre Belge Hotel in Cologne – works were completed in February 2020,
- the construction of the retirement home in Neue Jülicher Straße in Düren – completion scheduled for April 2020,
- the shell of the UpperNord Tower hotel and residential building in Düsseldorf (the 120-metre-high skyscraper will be the highest of its kind in the city) – the works are scheduled to be completed in September 2021.

The Management Board of GWI intends to take advantage of the continuing high demand in the construction market to offset the effects of a possible economic downturn in the coming years. The Management Board's ambition for the Company is to become the market leader in Düsseldorf in terms of the number of completed shell and general contracting projects. In 2020, the company counts on maintaining a similar sales volume compared to the previous year. It is also open to cooperation with existing and new consortium members as well as with the investors.



BUILDING CONSTRUCTION

FOREIGN OPERATIONS



AXEL ANDREAS WAHL
President of the Management Board of GWI GmbH

A graduate of Fachhochschule in Aachen. From 1991 to 2000 he worked at HEITKAMP in Düsseldorf in various technical positions: site manager, project manager and site group director. From the year 2000 the President of Management Board of GWI GmbH.



TOMASZ KRZYWICKI
Finance Director / Proxy of GWI GmbH

A graduate of Marketing and Management Faculty at the Nicolaus Copernicus University in Toruń and an MBA at the Düsseldorf Business School at the Heinrich-Heine-Universität in Düsseldorf. Associated with the ERBUD capital group since May 2000, since 2007 a proxy, commercial and financial director of GWI GmbH.



MIRCO BAGH
Technical Director of the General Construction Branch / Proxy, GWI GmbH

A graduate of construction engineering at DH Baden-Württemberg Mosbach. From 2000 to 2003, he was an employee and then head of the technical department of Franz Brüggemann in Duisburg. From 2004 to 2006 he worked as site manager on a turn-key basis for G&H Innenausbau in Mannheim. In 2006, he was employed as site manager of the General Building Department at GWI GmbH. Since the beginning of 2015 he has been Technical Director of the General Construction Branch of GWI GmbH.

BUILDING CONSTRUCTION

FOREIGN OPERATIONS

ERBUD INTERNATIONAL SP. Z O.O.

ERBUD International Sp. z o.o. based in Toruń operates on Western European markets, mainly in Belgium and the Netherlands. The company's operations are mainly carried out by a branch in Düsseldorf. ERBUD International constructs, renovates, provides maintenance and modernisation services for public utility buildings, residential buildings, industrial and power engineering facilities. It specializes in the execution of shells and comprehensive repair and modernization services in industry and power sector. When executing contracts in the European Union countries, ERBUD International relies on its own specialized staff. At the end of 2019 the headcount level at the Company was 216 people. In 2019, the company executed, among other things, the following buildings:

- De Panne Hotel – a hotel in the seaside locality of De Panne (Belgium),
- Cadix Antwerp – University campus in Antwerp (Belgium),
- Brecht / Sint Lenaarts – a housing estate with single-family houses in Brecht (Belgium).

The key customers of the Company include companies from the Groups: BAM, Van Roey, Strabag and Jan De Null. For most of them, ERBUD International executes shells of the buildings. In 2019, the share of specialist construction works performed by the Company for the chemical industry reached 30% of total sales. In 2020, the ERBUD International will aim increasing this level to 50%. In addition, the Company plans, among other things, to accept the raw state of medium-sized facilities for execution, not as a subcontractor, but as a general contractor.



BOGDAN DÜRR
President of the Management Board of ERBUD International Sp. z o.o.



MARCIN MROZIK
Financial Director /Proxy, ERBUD International Sp. z o.o.

A graduate of Marketing and Management Faculty, majored at: financial management, at the Nicolaus Copernicus University in Toruń. He completed his MBA (General Management) degree at the Düsseldorf Business School. He has been with the ERBUD Group since March 2005. In 2002-2004 he worked at Deutsche Bahn AG, in Frankfurt am Main, and in 2001 at BASF AG in Ludwigshafen.

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



THE MŁOCINY SHOPPING MALL WITH SERVICE AND ENTERTAINMENT FUNCTIONS

Contractor



execution period: **June 2016 – May 2019**

size: **1 432 674 m³**

location: **Warsaw / Poland**

investor: **Echo Investmetnt S.A., EPP Sp. z o.o.**



LIDL DISTRIBUTION CENTER

Contractor



execution period: **August 2018 – October 2019**

size: **732 579 m³**

location: **Stargard / Poland**

investor: **LIDL Sp. z o.o. Sp. K.**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



CONNOISSEUR PRAGUE DISTRICT CENTER

Contractor



execution period: **October 2015 – May 2019**

size: **225 791 m³**

location: **Warszawa / Poland**

investor: **The Connoisseur Prague District Centre Sp. z o.o. Sp. K.**



TOYOTA / LEXUS CAR SHOWROOM

Contractor



execution period: **August 2018 – May 2020**

size: **65 875 m³**

location: **Kraków / Poland**

investor: **ASO MR Sp. z o.o. Sp.K.**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



NEUCA S.A. OFFICE BUILDING

Contractor



execution period: **May 2018 – January 2020**

investor: **Martinigue Investment Sp. z o.o.**

size: **89 479 m³**

location: **Toruń / Poland**



NON-INVASIVE MEDICINE CENTRE

Contractor



execution period: **October 2018 – January 2021**

investor: **The Medical University of Gdańsk**

size: **140 802 m³**

location: **Gdańsk / Poland**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



THE SILESIUM CLINICAL AND SCIENTIFIC CENTER FOR THE PREVENTION AND TREATMENT OF ENVIRONMENTAL, MODERN AGE AND OLD AGE DISEASES, NAMED AFTER PROF. ZBIGNIEW RELIGA

Contractor



execution period: **September 2019 – August 2022**

size: **70 000 m³**

location: **Zabrze / Polska**

investor: **The Silesian Centre for Heart Diseases in the City of Zabrze**



THE PODKARPACKIE CENTER FOR LUNG DISEASES

Contractor



execution period: **July 2019 – March 2021**

size: **35 130 m³**

location: **Rzeszów / Polska**

investor: **The Provincial Clinical Hospital No. 1 named after Frederic Chopin in Rzeszów**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



THE UPPERNORD TOWER

Contractor



execution period: **July 2019 – September 2021**

investor: **BCC BauKompetenzCenter ein Unternehmen der CG Gruppe**

size: **29 200 m²**

location: **Düsseldorf / Germany**



LAKE HILL RESORT & SPA HOTEL

Contractor



execution period: **July 2017 – March 2019**

investor: **Lake Hill Sp. z o.o. Sp.k.**

size: **61 483 m³**

location: **Sosnówka near Jelenia Góra / Poland**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



HOTEL HOLIDAY INN EXPRESS

Contractor



execution period: **July 2018 – September 2019**

investor: **Chopin Airport Development Sp. z o.o.**

size: **16 914 m³**

location: **Rzeszów / Poland**



HOTEL CARRÉ BELGE

Contractor



execution period: **October 2018 – February 2020**

investor: **Objektgesellschaft Capitol GmbH**

size: **37 650 m³**

location: **Cologne / Germany**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



**CULTURAL HERITAGE RESEARCH
AND CONSERVATION CENTER**

Contractor



execution period: **June 2018 –
March 2021**

size: **21 360 m³**

location: **Toruń / Poland**

investor: **Nikolaus Copernicus
University**



THE MARITIME SCIENCE CENTER

Contractor



execution period: **July 2019 –
March 2021**

size: **257 504 m³**

location: **Szczecin / Poland**

investor: **The Maritime Science Centre
named after Prof. Jerzy
Stelmach in the City of Szczecin**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



EXTENSION OF THE OLEOPHARM PLANT

Contractor



execution period: **October 2018 – September 2019**

investor: **Oleofarm Sp. z o.o.**

size: **34 865 m³**

location: **Wrocław / Poland**



NOVA KRÓLIKARNIA – THE CONSECUTIVE PHASES OF THE HOUSING ESTATE

Contractor



execution period: **November 2017 – April 2019**

investor: **Enterprise 2016 Sp. z o.o. / Ronson Development**

size: **40 124 m³**

location: **Warsaw / Poland**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



THE NOVUM APARTMENTS, PHASE III

Contractor



execution period: **October 2019 – October 2021**

size: **107 296 m³**

location: **Kraków / Poland**

investor: **AN3 Sp. z o.o.**



THE SOLEIL DE MALTA APARTMENTS

Contractor



execution period: **July 2019 – July 2021**

size: **126 807 m³**

investor: **Bouygues Immobilier Polska Sp. z o.o.**

location: **Poznań / Poland**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



SENIOR CITIZENS' CENTRE

Contractor



execution period: **December 2018 – April 2020**

investor: **Pflegequartier Düren GmbH**

size: **37 600 m³**

location: **Düren near. Cologne / Germany**



FOXTROT DORMITORY

Contractor



execution period: **May 2018 – September 2019**

investor: **Student Depot Sp. z o.o. / Echo Investment S.A.**

size: **44 530 m³**

location: **Warsaw / Poland**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



CADIX UNIVERSITY CAMPUS

Contractor



execution period: **March 2018 – February 2019**

location: **Antwerp / Belgium**

investor: **N.V. STRABAG Belgium S.A.**



RENOVATION OF DORMITORY NO. 3 OF MEDICAL UNIVERSITY

Contractor



execution period: **November 2019 – April 2021**

location: **Łódź / Poland**

investor: **Medical University of Łódź**

BUILDING CONSTRUCTION

SELECTED BUILDING CONSTRUCTION PROJECTS



CONSTRUCTION OF A PRIMARY SCHOOL

Contractor



execution period: **October 2018 – July 2020**

size: **59 280 m³**

investor: **The Capital City of Warsaw – the Białołęka District**

location: **Warsaw / Poland**



HEALTH RESORT PARK IN THE LOCALITY OF CIĘŻKOWICE

Contractor



execution period: **July 2019 – January 2021**

size: **8 ha**

investor: **The Municipality Office in Ciężkowice**

location: **Ciężkowice near Tarnów Poland**

ROAD ENGINEERING CONSTRUCTION

PBDI S.A.

PBDI S.A. with its registered office in Toruń runs its activities in the following areas:

- road works using own equipment,
- construction of photovoltaic farms – preparation of necessary infrastructure, delivery and assembly of equipment including but not limited to the photovoltaic panels, solar inverters and support structures;,
- design and construction of foundations, access roads, manoeuvring areas, construction of transformer stations (main offtake points), HV and MV cable lines on the occasion of construction of wind farms,
- earthworks during the construction of shopping malls and other public utility buildings;
- construction of infrastructure for agricultural sector including but not limited to rooms, warehousing facilities and silos.

The driving force behind the Company's development is its team, made up of young people with high technical competence, for whom building is a passion. At the end of 2019 the Company's headcount was 365 workers.

The year 2019 saw a changes in the composition of the Company's Management Board. On 7 January 2019, Piotr Gutowski was appointed to the position of Vice-President of Management Board that previously consisted of: Jacek Leczkowski – President of the Management Board, Paweł Średniawa – Vice-President of the Management Board. Previously Piotr Gutowski worked for the Company as Commercial Director. Effective from 30 May 2019, Jacek Leczkowski resigned from the position of the President of the Management Board due to the succession plans in the ERBUD Group and preparations for taking over new responsibilities. On 31 May 2019, the Company's Supervisory Board appointed Paweł Średniawa to the position of President of the Management Board, and Piotr Gutowski and Marcin Szerszeń to the positions of Vice Presidents of the Management Board. Marcin Szerszeń previously worked for the Company as the Implementation Director. Each member of the Company's Management Board has ten years of experience working within its structures.

PBDI S.A. attaches particular importance to the issue of security during its investments. The Company is a member of the Construction Safety Alliance at the District Labour Inspectorate in the City of Bydgoszcz.

In 2019, the Company carried external audits in the following areas: occupational health and safety (for compliance with BS OHSAS 18001, PN N 18001 and ISO 45001) and environmental management system (for compliance with ISO 14001). The audits' findings were positive.

ROAD ENGINEERING CONSTRUCTION

PBDI S.A.

In 2019 PBDI S.A. executed, inter alia, the following projects:

- construction of a S3 expressway section – executed in a 50%/50% basis by the consortium with Przedsiębiorstwo Robót Mostowych MOSTY-ŁÓDŹ S.A (MOSTY-ŁÓDŹ Bridge Works Enterprise),
- construction of photovoltaic farms with a capacity of about 6 MW on the EPC basis, involving the design, supply of the necessary equipment, including photovoltaic panels and inverters, building of the necessary infrastructure and commissioning,
- extension and redevelopment of provincial road No. 209 at Suchora – Bytów section,
- development of the detailed design, construction and commissioning of Potęgowo-East and Potęgowo-West wind farms.

The auctions for the generation of electricity from renewable energy sources (RES), settled in the fourth quarter of 2019, provide grounds to expect the development of construction business in the wind and photovoltaic power segments. PBDI S.A. is one of the construction leaders in the renewable energy sector in Poland. The company takes measures to maintain its leading position in the RES construction segment, both in the field of wind farm and photovoltaic farm construction. At the same time, the Company remains active on its traditional road engineering market. This activity is currently focused on the markets of the Kujawsko-Pomorskie and Zachodniopomorskie provinces, where the Company's bituminous mass plants are located. An important project for the Company is the construction of a section of the S3 expressway (from Kamienna Góra to the state border), executed under a contract signed in 2018. This year, this task, after the design phase, will enter the implementation phase.

ROAD ENGINEERING CONSTRUCTION

PBDI S.A.



JACEK LECZKOWSKI
President of the Management Board
of PBDI S.A. until 30 May 2019

A graduate of the Poznań University of Technology. In June 1995 he established a general partnership Rembet Plus. From 2008 the President of the Management Board of Rembet Plus Sp. z o.o., in which 75% shareholding was acquired by ERBUD S.A. In 2010 following the consolidation of PRD S.A. and Rembet Plus Sp. z o.o., which led to the establishment of PBDI S.A., he assumed the position of President of the Management Board. On 2 January 2020 he was appointed to the position of Vice-President of the Management Board of ERBUD S.A.



PAWEŁ ŚREDNIAWA
President of the Management Board
of PBDI S.A. from 31 May 2019
(prior to 30 May 2019 Vice-President of the
Management Board of PBDI S.A.)

A graduate of the Nicolaus Copernicus University in Torun and Poznan University of Economics. Paweł is also a graduate of MBA Program at the Kozminski University in Warsaw. He has been associated with PBDI S.A. since its foundation in 2010. In the position of Director of Finance he has contributed actively to the Company development and successes. He was also involved in the process of PRD and Rembet Plus integration and transformation into the current Company. His earlier professional experiences date back to the times when he worked for BZWBK bank and Fortis Bank.

ROAD ENGINEERING CONSTRUCTION

PBDI S.A.



MARCIN SZERSZEŃ
Vice-President of the Management Board
of PBDI S.A. effective from 31 May 2019

A graduate of the Gdańsk University of Technology, since 1998 he has held Building Licenses to manage and supervise construction, road engineering and bridge works as well as hydrotechnical and drainage works. He attended many professional courses and sessions, including postgraduate studies in Management and Marketing. In 2017 he was granted an MBA diploma. He is a member of the Polish Chamber of Civil Engineers and the Association of Consulting Engineers and Experts. In 2018, he became a member of the Council of the Polish Chamber of Commerce of Road Engineering representing the Kujawsko-Pomorskie Province. Since 2010, he has worked for the ERBUD Group.



PIOTR GUTOWSKI
Vice-President of the Management Board
of PBDI S.A. effective from 7 January 2019

A graduate of Marketing and Management at the Faculty of Economic Sciences and Management and a graduate of the Faculty of German Philology at the Nicolaus Copernicus University in Toruń. He has worked for the ERBUD Group since 2009. He started his professional career at Rembet Plus, which later merged with PBDI S.A. As Commercial Director he was responsible, inter alia, for acquisition of contracts in the field of renewable energy sector (wind and photovoltaic farms). Since 2015 he has also held the position of Proxy in PBDI S.A. He is fluent in German and English.

ROAD ENGINEERING CONSTRUCTION

SELECTED ROAD ENGINEERING CONSTRUCTION PROJECTS



TURNKEY CONSTRUCTION OF 6 PHOTOVOLTAIC FARMS WITH THE NECESSARY TECHNICAL INFRASTRUCTURE FACILITIES AND EQUIPMENT

Contractor



execution period: **November 2018 – May 2019**

size: **6MW**

investor: **Engie Zielona Energia Sp. z o.o.**

location: **southern Poland area**



EXTENSION AND RECONSTRUCTION OF PROVINCIAL ROAD NO. 209 AT THE SUCHORA – BYTÓW SECTION

Contractor



execution period: **August 2018 – November 2019**

size: **7996 m**

investor: **Provincial Roads Authority in Gdańsk w Gdańsku**

location: **Suchorze – Bytów (the Pomorskie Province / Polska)**

ROAD ENGINEERING CONSTRUCTION

SELECTED ROAD ENGINEERING CONSTRUCTION PROJECTS



DEVELOPMENT OF THE DETAILED DESIGN, CONSTRUCTION AND COMMISSIONING OF THE POTĘGOWO EAST AND POTĘGOWO WEST WIND FARMS

Contractor



execution period: **May 2019 – July 2020**

size: **219,5 MW**

investor: **Potegowo Mashav Sp. z o.o.**

location: **The Pomorskie Province / Poland**



RENOVATION OF ŻÓŁKIEWSKIEGO STREET

Contractor



execution period: **June 2019 – December 2019**

size: **535 m**

investor: **MZD in Toruniu**

location: **Toruń / Poland**

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

ERBUD INDUSTRY

The ERBUD Industry Group consists of companies dealing with both the implementation of engineering projects for industry and energy sector, as well as with maintenance, diagnostics and technical audits of facilities, manufacturing lines, systems and tanks.

At the end of 2019 the headcount totalled 638 workers in ERBUD Industry Group.

In 2019 there were changes in the Management Boards of ERBUD Industry Group companies: in February Paweł Zaorski was appointed President of the Management Board of ERBUD Industry Pomorze Sp. z o.o.; in October Paweł Zaorski was appointed President of the Management Board of ERBUD Industry Centrum Sp. z o.o.

ENGINEERING DIVISION

The Engineering Division (ERBUD Industry Sp. z o.o.) focuses on the execution of specialist construction and erection works and projects executed on a turn-key basis in the field of modernisation and construction of new industrial and power engineering facilities and process plants in the field of environmental protection and feeding fuel to power boilers.

In 2019, in ERBUD Industry Sp. z o.o. UDT-CERT audit was carried out. Consequently the Company was re-certified to comply with quality, environmental and health and safety management systems (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018). The auditors did not find any non-compliances with the standards and did not identify any area for improvement.

The projects implemented by ERBUD Industry Sp. z o.o. in 2019 included inter alia:

- construction of a flue gas treatment plant on a turn-key basis including semi-dry desulphurisation and non-catalytic denitification for three WR-25 boilers and one WR-40 boiler at the Częstochowa CHP plant,
- the construction on a turn-key basis of a peak load boiler house comprising two 30MW gas/oil-fired boilers and two 30MW electrode boilers along with the necessary infrastructure at the Combined Heat and Power plant in the City of Gdańsk,
- A turnkey construction of a gas-fired boiler house based on the boiler with the capacity of 42MWt at Michelin Polska S.A.'s manufacturing plant in the City of Olsztyn

The Company's major customers include: PGE Energia Ciepła S.A., Michelin Polska S.A. and Grupa Azoty Zakłady Azotowe „Puławy” S.A. (Azoty Group, Puławy S.A. Nitrogen Works)

For the Company, the key priority in 2020 is to adapt flexibly to the changes in the power market resulting from the abandonment of coal-fired power generation through active participation in the construction of boiler and Combined Heat and Power plants based on gaseous fuel.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

ERBUD INDUSTRY

MAINTENANCE DIVISION

Maintenance Division (companies: ERBUD Industry Centrum Sp. z o.o.; ERBUD Industry Pomorze Sp. z o.o.; ERBUD Industry Południe Sp. z o.o.) focuses on the maintenance and modernization of technological, industrial and power systems. It is also responsible for testing machinery and industrial equipment. Moreover its specialization also covers the organizational and technical consulting services and technical examination of facilities, manufacturing lines, systems and tanks.

In 2019, the service companies commissioned several audits by third parties, and consequently they received a total of nine certificates confirming compliance with standards in the field of, inter alia, welding, production of heat centres, manufacturing of pressure tanks, pipelines, water and steam boiler components, as well as the Integrated Management System and Occupational Health and Safety.

In 2019 the ERBUD Industry Group's member companies delivering maintenance services performed, inter alia, the following contracts:

- routine repair of the Konin-based Municipal Waste Thermal Treatment Plant,
- construction and modernization of the district heating main in the City of Zgierz,
- delivery and erection of the supporting structure as well as pipelines and other components of the air compensation system at the Pfeleiderer manufacturing plant in the locality of Wieruszów,
- major overhaul of the OFz-425 Boiler No. 2 at the Siersza Power Plant at the locality of Trzebinia,
- major overhaul of the K-7 boiler with auxiliary systems, ducts, fans and slag trap at Rybnik-based power plant,
- modernization of electrostatic precipitator (ESP) No. 1 along with modernization of dust transport system at coking plant in the town of Dąbrowa Górnicza.

The key customers of the maintenance companies that are members of the ERBUD Industry Group include: Veolia Energia Poznań S.A., Veolia Energia Łódź S.A., Pfeleiderer Wieruszów S.A., Pfeleiderer Grajewo S.A., Ciech Soda Polska S.A., TAURON Wytwarzanie S.A., TAURON Ciepło Sp. z o.o., PGE Energia Ciepła S.A., PGNIG Termika Energetyka Przemysłowa S.A., JSW KOKS S.A., STEICO S.A., Energoremont Sp. z o.o. and Bertsch Energy GmbH & Co KG.

The main objectives for the ERBUD Industry Group's maintenance companies for 2020 include: to develop the range of services provided to existing customers and to attract new contractors, as well as to enhance the organizational effectiveness of the Group. The maintenance companies intend to continue organic growth with new framework contracts for repair and maintenance services for the power and district heating sectors, both in Poland and Germany.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

ERBUD INDUSTRY



MIROSŁAW BIAŁOGŁOWSKI
a Member of the Management Board of ERBUD Industry Sp. z o.o., Director of Engineering Division

A graduate of the Warsaw University of Technology, Master's degree in engineering, specializing in mechanical engineering. He completed post-graduate studies at the University of Warsaw and at the Leon Koźmiński Academy of Entrepreneurship and Management in Warsaw. He has been associated with the maintenance services for the power engineering sector and industry, where he held key management functions, for over 30 years (Energomontaż-Północ S.A. / Polimex-Mostostal S.A.). He started working for the ERBUD Industry Group, where he manages engineering and industrial construction segment, in January 2014.



MARCIN NOWICKI
a Member of the Management Board of ERBUD Industry Sp. z o.o., Director of Accounting and Finance Division

A graduate of finance and accounting faculty at the Warsaw School of Economics and Copenhagen Business School. He has 15 years of experience in the area of finance, acquired at the Budimex Group. He started working for the ERBUD Industry Group in August 2015. Apart from managing the Accounting and Finance Division of ERBUD Industry Sp. z o.o., he also exercises corporate supervision over finance in maintenance companies.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

ERBUD INDUSTRY



PAWEŁ ZAORSKI

The President of the Management Board of ERBUD Industry Pomorze Sp. z o.o., the President of the Management Board of ERBUD Industry Centrum Sp. z o.o.

A graduate of the Olsztyn University of Agriculture and Technology, a master's degree in engineering with a specialization in mechanics and machine construction. He has been working for over 20 years in the power industry and industrial service sector, working in managerial positions at ZREW S.A., Polimex-Mostostal S.A., ZRE Katowice S.A. Work at ERBUD Industry.



DARIUSZ BADEJA

President of the Management Board of ERBUD Industry Południe Sp. z o.o.

A graduate of the Silesian University of Technology, Master's degree in mechanical engineering, specializing in welding. Graduated from Executive MBA Faculty at the Gdansk Foundation for Manager Training. He has been working in the segment of assembly, repair and maintenance services for the power industry and industry for 25 years now. In this area he performed tasks including, but not limited to as COO in EPE Rybnik Sp. z o.o., Deputy Plant Manager and Branch Director at Polimex Mostostal and Director of the Plant Maintenance at Polimex Energetyka. Since August 2015 he has been President of the Management Board of Erbud Industry Południe Sp. z o.o.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

ERBUD INDUSTRY

ORGANISATIONAL STRUCTURE OF ERBUD INDUSTRY



OPERATIONAL AREA OF ERBUD INDUSTRY



- CENTRAL**
- The Łódź Branch
 - The Poznań Branch
 - The Warszawa Branch
 - The Grajewo Branch
 - The Wieruszów Branch
 - The Konin Branch
 - The Inowrocław Branch

- POMERANIA**
- The Gdańsk Branch
 - The Toruń Branch

- SOUTH**



CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

SELECTED CONSTRUCTION AND MAINTENANCE PROJECTS EXECUTED FOR INDUSTRY AND POWER SECTOR

<p>Construction of a flue gas treatment plant on a turn-key basis including semi-dry desulphurisation and non-catalytic denitification for three WR-25 boilers and one WR-40 boiler at the Częstochowa Rejtan Combined Heat and Power Plant.</p>	<p>investor: Fortum and Power Heat Polska Sp. z o.o.</p>	<p>execution period: October 2017 – September 2020</p>
<p>Construction of a „turnkey” peak load boiler house consisting of two 30MW gas-oil-fired boilers each and two 30MW electrode boilers each, together with the necessary infrastructure at the Gdańsk CHP Plant two 30MW electrode boilers each, along with the necessary infrastructure at the Gdańsk CHP Plant.</p>	<p>investor: PGE Energia Ciepła S.A.</p>	<p>execution period: December 2019 – April 2021</p>
<p>A turnkey construction of a gas-fired boiler house based on the boiler with the capacity of 42MWt at Michelin Polska S.A.’s manufacturing plant in the City of Olsztyn.</p>	<p>investor: Michelin Polska S.A.</p>	<p>execution period: March 2018 – January 2020</p>
<p>Modernization of Electrostatic Precipitator (ESP) No. 1 along with modernization of dust transport system.</p>	<p>investor: JSW KOKS S.A. w Dąbrowie Górniczej</p>	<p>execution period: June 2019 – March 2020</p>
<p>Repair works in the Gdańsk and Gdynia Combined Heat and Power Plants owned by PGE Energia Ciepła S.A. The Sea Coast Branch. Restoring full technical efficiency to the equipment in compliance with the Operation and Maintenance Manual and safeguarding full operational efficiency of the equipment in the engine room, including turbine sets, cooling water devices, internal district heating and steam network, oil system and heat exchangers.</p>	<p>investor: PGE Energia Ciepła S.A.</p>	<p>execution period: June 2019 – May 2023</p>

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

SELECTED CONSTRUCTION AND MAINTENANCE PROJECTS EXECUTED FOR INDUSTRY AND POWER SECTOR

<p>Overhaul of the 1XA and 2XK1 exchangers, delivery and erection of the support structure and pipelines and other components.</p>	<p>investor: Energoremont Sp. z o o.</p>	<p>execution period: May 2019 – January 2020</p>
<p>Routine repair of the Konin-based Municipal Waste Thermal Treatment Plant.</p>	<p>investor: Miejski Zakład Gospodarki Odpadami Komunalnymi Sp. z o.o.</p>	<p>execution period: June – July 2019</p>
<p>Construction and upgrading of housing estate district heating main conduit in the City of Zgierz – from 1B/1 Kolorowa Street, A. Struga to 1C'/K21' and K17' – the Sybiraków round-about.</p>	<p>investor: PGE Energia Ciepła S.A.</p>	<p>execution period: October 2019 – June 2020</p>
<p>Delivery and erection of the supporting structure as well as pipelines and other components of the air compensation system.</p>	<p>investor: Pfleiderer Wieruszów S.A.</p>	<p>execution period: April 2019 – June 2020</p>
<p>Major overhaul of the OFz-425 Boiler No. 2 at TAURON Wytwarzanie S.A.: the Siersza Power Plant Branch at the locality of Trzebinia Part 1 – Major overhaul of OFz-425 boiler No. 2.</p>	<p>investor: TAURON Wytwarzanie S.A. (TAURON Generation S.A.)</p>	<p>execution period: October 2018 – June 2019</p>
<p>Major overhaul of the K-7 boiler with auxiliary systems: ignition systems for burners, dust pipes, air ducts, flue gas ducts, flue gas fans and slag trap at PGE Energia Ciepła S.A. The Rybnik Branch: Part 1 – Proper repair of boiler No. K-7.</p>	<p>investor: PGE Energia Ciepła S.A.</p>	<p>execution period: February 2019 – October 2019</p>

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

IVT WEINER + REIMANN GMBH

IVT Weiner + Reimann GmbH with its registered office in Oberhausen operates in the German market, especially in the Ruhr Area. The company provides comprehensive services for industry. It delivers assembly and disassembly services pertaining to the industrial and supply facilities, as well as it provides reliable and flexible support to ensure maximum safety and smooth process execution at the customers' manufacturing plants. The Company also comprises its subsidiary, IVT Menzenbach GmbH, which operates in the area of employee lease.

At the end of 2019 the IVT's headcount was 234 persons. In 2019 the Company completed, inter alia, the following projects:

- execution of central heating and sanitary systems in a development project in the town of Duisburg,
- installation of the chiller on the roof of the König Pilsener Arena in Oberhausen,
- the installation of water supply and air conditioning systems in the Oberhausen school complex,
- renovation of the Oberhausen outdoor pool and sauna,
- installation of a garden and a greenhouse on the roof of an office building in Oberhausen.

The IVT's major customers include: ArcelorMittal, OGM Oberhausener Gebäudemanagement, RAG Aktiengesellschaft, INEOS Solvents, Minegas, Mingas Power, Cargill, Benteler Steel/Tube.

In 2020, IVT will focus on maintaining and further developing the existing business relationships with customers. The priority is also care for a friendly working atmosphere and engagement of personnel, who are the most valuable asset and represent the foundation of the Company's business model. One of the most important tasks for 2020 remains the recruitment of new qualified employees. The Management Board also perceives development opportunities in closer cooperation with sister companies of the ERBUD Group, which could contribute to the company's expansion beyond the Ruhr area and build a larger network of business relationships.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

IVT WEINER + REIMANN GMBH



CARSTEN WEINER
A member of the Management Board of IVT Weiner + Reimann GmbH

In 1997 he was granted a degree of an engineer in the field of central heating and ventilation. In 2001 he graduated from the Gelsenkirchen University of Technology with a master's degree in power supply engineering. He obtained additional qualifications in the field of EWE welding engineer in 2004. In 2005 he graduated from specialist programme and became a certified refrigeration systems designer. Since 2007 he has been a member of the Management Board of IVT Weiner + Reimann GmbH and IVT Menzenbach GmbH.



ANDREAS SCHMITZ
A member of the Management Board of IVT Weiner + Reimann GmbH

In 1992, he completed training for the position of procurement and sales specialist in industry. Then he graduated from university in the field of accounting and controlling and in the HR area. At the Bochum University Technology he attended training courses on CINA® and CEC®. He graduated, with magna cum laude, from Management School St. Gallen, with certification in the areas of strategic management, management efficiency and influence through leadership. For many years he worked in a position of a commercial director and was a proxy in several large companies. Since 2014, he has been a member of the management, and since October 2018 he has been a member of the Management Board of IVT Weiner Reimann GmbH and IVT Menzenbach GmbH.

CONSTRUCTION AND MAINTENANCE SERVICES FOR THE INDUSTRY AND POWER SECTOR

SELECTED CONSTRUCTION AND MAINTENANCE PROJECTS EXECUTED FOR INDUSTRY AND POWER SECTOR

Renovation of heating and sanitary systems.	investor: Vivawest Wohnen GmbH	execution period: March 2019 – December 2020
Installation of the turbocharger on the roof.	investor: CentrO. Management GmbH	execution period: July 2019 – December 2019
Renovation of the hydraulic and air conditioning systems at Oberhausen schools. Works performed under project "Good School 2020".	investor: Oberhausener Gebäude Management GmbH (OGM)	execution period: March 2019 – December 2020
Renovation of the outdoor swimming pool and sauna at Revierpark Vonderort.	investor: Freizeitgesellschaft Metropole Ruhr mbH	execution period: July 2018 – May 2019
Lighthouse design, financed by the Federal Republic of Germany, under project management of "Frauenhofer Institute".	investor: OGM Oberhausen – Altmarktgarten Oberhausen	project completion: November 2019



CSR



THE ERBUD “COMMON CHALLENGE” FOUNDATION NAMED AFTER ERYK GRZESZCZAK

Over five years of its activities the ERBUD Common Challenges Foundation has permanently changed for the better the lives of more than one hundred exceptional people, charges of children’s homes entering adulthood and teenagers leaving foster care. The Foundation’s trademark are its proprietary projects – “TOGETHER Programme” and “Recipe for success”.

Facts & Figures about 5 years of Foundation’s activities:

- **107** persons covered by long-term customised support,
- **3** people were employed by member companies of the ERBUD Group,
- **6** children’s homes holding working relationships with the Foundation,
- **1% of tax** – already for the year 2020, the Foundation’s supporters will be able to donate 1% of their taxes to the Foundation for its statutory activities.

Established in 2015, the ERBUD Common Challenges Foundation formalised the social activities that ERBUD (and later the ERBUD Group) has been carrying out almost since its foundation. We were taught empathy and sensitivity to the needs of others by the best teacher Eryk Jan Grzeszczak, the founder of the company.

The ERBUD personnel has always been particularly close to the problems of children’s homes. Many years of cooperation with the Children’s Home No. 4 in Warsaw have confirmed that help in becoming independent and entering adulthood is what often determines the quality of the later years of lives of children’s home charges and foster care.

The idea of the ERBUD Foundation, set up and run by Lucyna Grzeszczak, was first born out of the desire to face this social challenge, and then it was followed by the Foundation’s proprietary projects called: “The TOGETHER programme” and “The Recipe for Success”. In 2019, both programmes were developing dynamically.

A distinguishing feature of the Foundation’s activities is that it is able to encourage numerous people and institutions, with its approach to the problem, that are not indifferent to the problems of young people – thanks to this, the scale of the Foundation’s activities can be even greater, which translates into better results and lasting social change. Among the friends of the Foundation there are both ERBUD employees who assume the roles of Volunteers and Mentors, as well as other organizations that team up with us under particular initiatives.



LUCYNA GRZESZCZAK
President of the Eryk Grzeszczak’s „Common Challenges” named after Eryk Grzeszczak

Good is the only thing that multiplies when you share it – and the activities of our Foundation is the best proof of that. We also accompany our mentees after the completion of the projects, we see how inspiring it is when someone extends a helping hand to you when you are experiencing all those twists and turns of life. We are proud to have been able to provide support to over 100 people. I believe that in the coming years, – thanks to the status of a public benefit organization and the possibility of transferring 1% of the tax – we will be able to gradually increase the scale of our activity.

Lucyna Grzeszczak

THE ERBUD “COMMON CHALLENGE” FOUNDATION NAMED AFTER ERYK GRZESZCZAK

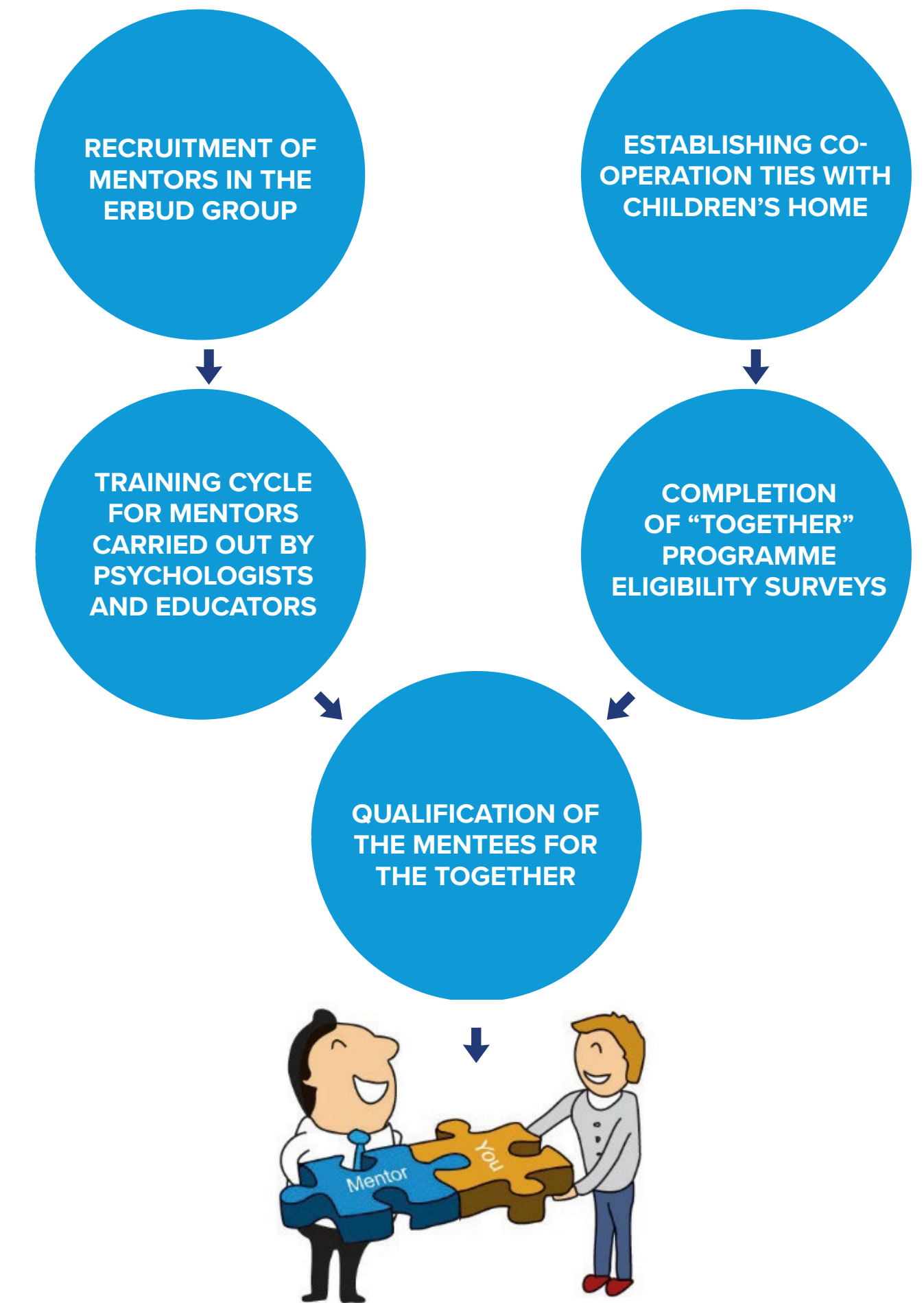
Thanks to the „Legia” Sports Club Foundation, our charges took part in the „Everyone paddle” event. Our Foundation’s charges once again took part in the „Dinner with the Stars” event. We are currently considering cooperation with retirement homes – we want our charges to strengthen their social competences and empathy, e.g. by reading books to the seniors or giving a helping hand during a walk.

A major milestone in the Foundation’s activities was the filing of the documents with the court in October 2019 with an application to register the Foundation as Public Benefit Organisation. Officially, the Foundation was granted this status on 29 January 2020. This means that from the next tax year onwards, all supporters of the Foundation will be able to additionally support it with 1% of their tax payments.

On Friday 12 April 2019, the third edition of the Charity Ball organized by the Erbud’s Common Challenges Foundation took place. During the gala dinner, the Foundation’s activities were summed up and the charity auction was carried out. The total proceeds from ticket sales and auctions was appropriated to further Foundation activities and to support our charges.

TOGETHER PROGRAMME

It is a proprietary programme of the Foundation, and its main pillar is the idea of cooperation between the Mentor and the Mentee, aimed at effective independence of the Mentee. The Foundation’s Mentors are specially trained employees of the ERBUD Group, and the Mentees fall into 17–22 age category. We provide various forms of support for the Mentees: from vocational and language courses to psychotherapy and legal aid. We always tailor support tools to the specific needs of the Mentee. The Mentees, building lasting relationships with Mentors, learn how important in life is determination, self-confidence, optimism, curiosity about the world, constant learning and development.



THE ERBUD “COMMON CHALLENGE” FOUNDATION NAMED AFTER ERYK GRZESZCZAK

What did we manage to achieve in 2019?

- we started the renovation of the apartment for another of our Mentees – her Mentor, ERBUD personnel and Foundation Volunteers got strongly involved with the works.
- we financed further driving licence courses,
- We subsidized tuition fees at the University for one of the Mentees,
- We provided employment for 3 persons in our company,
- we organized workshops on self-presentation techniques.

”RECIPEE FOR SUCCESS” PROGRAMME

Although several months have passed since the programme pilot (in September 2018), the scale of its impact on the fate of young people cannot be overestimated – and it is dynamically growing.

The unique value of the programme is the two-way support:

- charges of children’s homes acquire skills that will come useful in their adult lives,
- educators and personnel members of orphanages learn modern techniques of supporting youth and motivating them to become independent.

We have worked out such an effective formula of the program together with highly regarded female psychologists who have been working with young people struggling with life’s problems for many years now: Agnieszka Tkaczyk and Ewa Banach. The annual project cycle consists of monthly meetings and training sessions with charges and educators and individual psychological support for young people.

What did we manage to achieve in 2019?

- In October we launched a project in locality of Chełmno near the City of Toruń,
- In November, we successfully completed a year-long project in the localities of Pasłek and Marwica,
- we prepared everything to launch another project – in the City of Elbląg (the project was launched in the first quarter of 2020).

THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



Lucyna Grzeszczak, the President of Erbud's Common Challenge Foundation named after Eryk Grzeszczak, opened the Third Charity Ball of the Foundation by thanking everyone who contributed to our initiative.



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



The ERBUD Group personnel is very actively involved in our activities and participate in the implementation of the Foundation's proprietary programs. They also contribute their donations to the Foundation purse in the form of buying Charity Ball tickets. In the photo: Małgorzata and Maciej Wróblewski, Bartosz and Ilona Wiśniewska, Mariola and Waldemar Zielińscy and Ewa and Remigiusz Kwiatkowski.

THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



The artistic part of each Foundation's Ball is supported personally by Members of the Board of ERBUD S.A. This time, Agnieszka Głowacka, Vice-President of the Management Board of ERBUD S.A., performed jointly with Dansinn by Malitowski Group a dance arranged to the music of the immortal band Queen.



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



The artistic highlights of the night included Aleksandra Kopp who was singing the song titled "Two Hearts" from the "Cold War" film. Accompanied by a trio for clarinets and bassoons, contributed by Andreas Schmitz, a member of the Management Board of IVT Weiner + Reimann GmbH.

THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



Throughout the school year 2018 / 2019 we ran the „Recipe for Success” programme at the Children’s homes at the towns of Pastęk and Marwica.



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



The mentees of the ERBUD Foundation took part in the charity operation titled „Everyone paddle 2019” organised by the „Legia” Sports Club Foundation.

THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



On 16 November 2019 we completed the implementation of the „Recipe for Success” programme in the Children’s Homes in the towns of Pasłek and Marwica. During the final game, our Mentees could test their culinary skills... Our chefs were very ambitious in their approach to the task, especially as each of them could feel like in the Master Chef Junior TV show and put on an apron with his/her name on it!



THE ERBUD "COMMON CHALLENGE" FOUNDATION NAMED AFTER ERYK GRZESZCZAK



Lucyna Grzeszczak, President of the Management Board of the ERBUD’s „Common Challenges” Foundation, took part in the final part of this edition of the programme and the culinary contest for the Mentees.

CSR AND SPONSORING ACTIVITIES

Successively developing activities of the ERBUD Foundation Common Challenges of Eryk Grzeszczak is not the only form of social engagement of our Group. The ERBUD Group member companies support various social initiatives, their selection is consistent with our Social and Sponsoring Policy. We also support the sports and charitable activities of our personnel. In 2019, we were involved in sponsorship of the several areas listed below.

An important aspect of our social and sponsorship activities is to support vocational education in the area of construction professions. We are involved in this process at both secondary and higher education levels. Our goal is to train personnel for the ERBUD Group, but also to support Polish vocational education system, which is trying to regain its social status after a period of stagnation. This area of endeavours is so important for us because we have been operating in the construction sector for 30 years now and we have actively striven at raising the prestige of the construction professions.

In 2019 we took the following measures in this area:

- main sponsor of the Construction Knowledge and Skills Contest,
- a membership of the Advisory Board of the Dean of the Civil Engineering Faculty, Warsaw University of Technology
- presentations and lectures of ERBUD specialists at construction faculties,
- marketing classes at the Construction Faculty of the Kraków University of Technology,
- cooperation with technical high schools in the cities of Warsaw, Łódź, Wrocław, Rzeszów, Grudziądz and Bydgoszcz,
- thematic showcases, posters, roll-ups, information leaflets at construction secondary technical schools,
- educational trips for school children and students on construction sites,
- students participation in the Safety Week,
- information at the schools' websites about cooperation and development opportunities in the ERBUD Group

CSR AND SPONSORING ACTIVITIES

It is obvious to us that our employees are our most valuable asset and we support their development and education. We take care for health and well-being of our personnel. We organize or support their activities and participation in sports competitions. We do not forget about paying attention to the strike effectively work/life balance.

In 2019 we took the following measures in this area:

- the participation of the ERBUD Group in the Third Infrastructure and Construction Sector Sports Olympic Games organised by the Polish Association of Construction Employers, the ERBUD team ended the rivalry in the first place, ERBUD S.A. was also the sponsor of the Games,
- ERBUD Operations Sp. z o.o. was a strategic sponsor of World Heart Day Rzeszów 2019 and 25th New Year's Eve Run Nałęczów – Sao Paulo and Nordic Walking competition 31 December 2019 – 1 January 2020,
- 2 Hours for the Family – for several years now the ERBUD Group has been taking part in this social operation.

In various ways we do our best to help children, the younger and the older ones. We operate mainly through the "Common Challenge" ERBUD Foundation. However, this is not the only form of our activity in this area:

- the organization of the Third Charity Ball by the "Common Challenge" ERBUD Foundation named after Eryk Grzeszczak, which is the main method to raise funds for the Foundation ,s operations.
- IVT Weiner + Reimann GmbH made donations to the "It's for Kids" Foundation and SCHAKI – Self-help groups for children after a brain attack (stroke),
- for many years, we have been one of the sponsors of the "Dinner with Celebrities" campaign,
- the Wrocław branch of ERBUD S.A. and ERBUD Operations Sp. z o.o., as in previous years, joined the group of sponsors of The Concert of Hope 2019,
- In 2019, GWI GmbH continued its efforts to support the construction of schools and care homes for disabled children in Kenya.

Another area of our social activities is the participation in the initiatives of our friends and business partners, which included:

- sponsorship of the Everyone Paddle 2019 operation of the Legia Sports Club Foundation – ERBUD S.A.,
- participation of ERBUD Foundation's mentees in the charity operation titled "Everyone Paddle 2019" of the Legia Sports Club Foundation,
- sponsorship of the Opera and Operetta Gala organized by AHK Polish-German Chamber of Industry and Commerce – ERBUD S.A.,
- sponsorship of 21 Days of Debica Art 2019 – ERBUD Operations Sp. z o.o.

CSR AND SPONSORING ACTIVITIES



CSR AND SPONSORING ACTIVITIES



The climax at 3rd Infrastructure and Construction Sector Sports Olympic Games – The Captain of the ERBUD Group Team Jacek Leczkowski – Vice President of the Management Board of ERBUD S.A. raises the cup for the best team handed over by Dariusz Grzeszczak, President of the Management Board of ERBUD S.A.



CSR AND SPONSORING ACTIVITIES



ERBUD team consisted of: Dariusz Grzeszczak – President of the Management Board of ERBUD S.A., Lucyna Grzeszczak – President of the Management Board of the ERBUD Common Challenges Foundation, Magdalena Budnik – representative of the Marketing and PR Department of ERBUD S.A. and Przemysław Suska – Erbud S.A. Formwork Director; took part in the „Everyone Paddle 2019” Legia Sports Club Foundation’s charity operation

CSR AND SPONSORING ACTIVITIES



CSR AND SPONSORING ACTIVITIES



Awards ceremony – prizes handed over to the winners of the Polish Construction Knowledge and Skills Contest, where ERBUD S.A. was the main sponsor.



CSR AND SPONSORING ACTIVITIES



Trainees and interns of the ERBUD Group in 2019.

CSR AND SPONSORING ACTIVITIES



CSR AND SPONSORING ACTIVITIES



A meeting with the students of the Lifelong Learning School Complex in the City of Rzeszów. Monika Zubiak – Deputy Director of the Production Preparation and Trade Department, the Rzeszów Branch of ERBUD S.A. told about the specific nature of work on the construction site.



CSR AND SPONSORING ACTIVITIES



Educational trip to EC3 Veolia Łódź organized by Erbud Industry Centrum Sp. z o.o. for the students of Technical Education School Complex No. 20 in the City of Łódź.

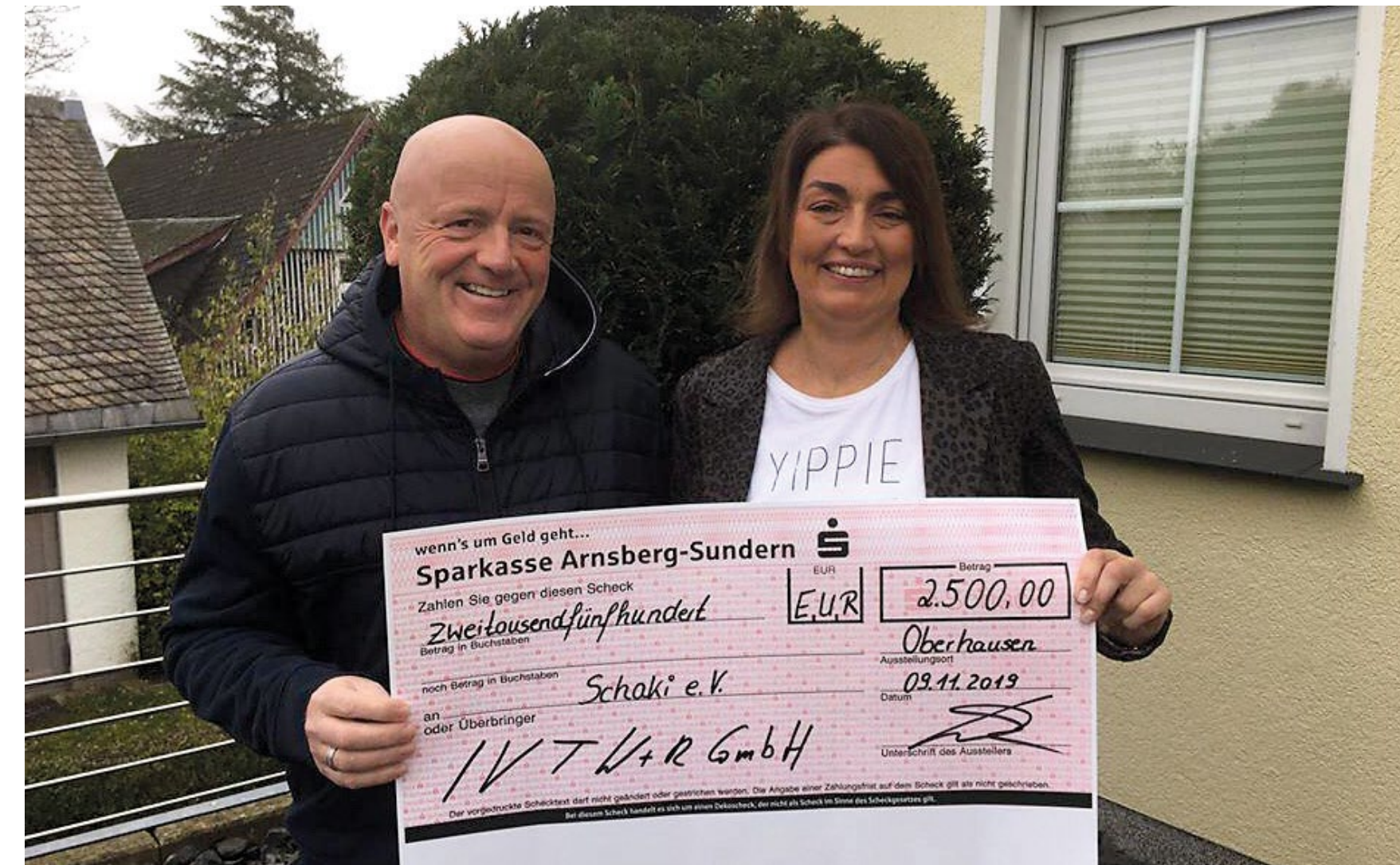
CSR AND SPONSORING ACTIVITIES



CSR AND SPONSORING ACTIVITIES



IVT Weiner + Reimann GmbH makes a donation to the Foundation „It’s for Kids”; in the photo: Uli Bohnen – CEO of GsU Netzwerk Oberhausenn, Dunja Nieskens and Timm Fliesen – „It’s for Kids” Foundation and Carsten Weiner – a Board Member of IVT Weiner + Reimann GmbH.



CSR AND SPONSORING ACTIVITIES



IVT Weiner + Reimann GmbH makes a donation to SCHAKI – Self-help group for children after a stroke; in the photo: Andreas Schmitz – a Board Member of IVT Weiner + Reimann GmbH and Tanja Wenzel – SCHAKI – Self-help group for children after a stroke.

CSR AND SPONSORING ACTIVITIES



CSR AND SPONSORING ACTIVITIES



For many years ERBUD S.A. has been one of the sponsors of the „Dinner with the Stars” at the Jeffs restaurant. The Erbud Common Challenges Foundation’s mentees also participate in the event.



CSR AND SPONSORING ACTIVITIES



At the Concert of Hope 2019, the ERBUD Group was represented by Jan Michalak, a retired Site Manager, ERBUD S.A. the Rzeszów Branch.

CSR AND SPONSORING POLICY

ASSUMPTIONS

The ERBUD Group treats sponsorship and CSR activities as one of the tools to implement its long-term development strategy. The Group's sponsoring activities are aimed at image building of the Group with member companies that achieve handsome economic performance, but are also friendly to the communities in which they operate and are socially responsible. By sponsoring activity we mean activities run to the benefit of the sponsored entity. These activities are carried out in return for activities aimed at building positive image of the Group's brands, propagation of trademarks and boosting sponsors' prestige.

MAJOR CSR AND SPONSORING ACTIVITY AREAS

- CSR and sponsoring activities connected with the business areas where ERBUD Group member companies operate.

Activities undertaken in this area allow to promote the business activities of the Group member companies. The activities are run to the benefit of: local communities, supporting personnel training in areas related to the Companies' business activities, supporting sports activities.

- Sponsoring and CSR activities run in consultation with business partners of the ERBUD Group member companies.

This area of activity is aimed at creating a positive image of the Group's brands and building their prestige. Our activities in this area are mainly focused on supporting sports and charity activities of our business partners.

- Supporting of activities of „Common Challenges” Foundation named after Eryk Grzeszczak.

The Foundation primary goal is to help young people, brought up at children's homes, who are in difficult life situations who at the threshold to adulthood face a number of problems connected with getting independent. The assistance is provided through the implementation of the Foundation's proprietary programmes: "The TOGETHER programme" and "The Recipe for Success". The majority of the Foundation's activities are carried out by the ERBUD Group personnel on volunteer basis.

CSR AND SPONSORING POLICY

OBJECTIVES OF MEASURES TAKEN

- To build a positive image of the Group and individual Group Companies as brands characterized not only by high professionalism of business activities, but also friendly and sensitive to social and local needs.
- To promote the Group's and the ERBUD Group's brands by raising their awareness amongst business partners.
- To convey a message across to the communities key to the Group and its member companies and to emphasize the importance of always high standards of undertakings and initiatives that the Group supports.
- To build the reputation of the Group and its member companies and to gain recognition and sympathy of the public.
- To support promotional and trading activities of the Group and its member companies.

RANGE OF MEASURES TAKEN

Our activities are focused on the area of activities of the ERBUD Group member companies and of the ERBUD „Common Challenges” Foundation named after Eryk Grzeszczak.

DISCLAIMERS

All our sponsoring and social activities are carried out without the use of controversial and discriminating content that could offend social groups or abuse the trust of the recipients. Our actions do not contain negative emotions. The implementation principles applied to the sponsoring and CSR activities supplement the effective legislation that ERBUD S.A. strictly complies with including the Constitution of the Republic of Poland and the Civil Code, Act on Press Law, Act on Combating Unfair Competition, Act on Protection of Consumer Rights, Act on Personal Data Protection, Act on Copyright and Related Rights and Industrial Property Law.

The ERBUD Group will not engage in the events that could harm objects of historical or artistic significance or which could have a negative impact on the environment.

The ERBUD S.A. Group does not engage in the projects related to the political activities, serving any discrimination, violating the law or generally accepted social norms, or thematically referring to alcohol, addictions and pathology.

A construction worker wearing a yellow hard hat, a high-visibility green and blue safety vest, and a brown tool belt is working on a construction site. The worker is positioned on a metal structure, possibly a rebar grid, and is using a hammer. The background shows a blue metal fence with the word 'ERBUD SA' repeated. The text 'FINANCIAL STATEMENT' is overlaid in large white letters on the right side of the image.

FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF RESULT

	For a 12-month-period ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
GOING CONCERN		
Revenues from sales of products and services	2 313 363	2 331 896
Cost of products and services sold	2 166 664	2 242 754
Gross profit/(loss) on sales	146 699	89 142
Cost of sales	6 003	5 354
General and administrative (G&A) costs	92 235	92 258
Other operating income	20 827	9 082
Other operating expenses	8 860	11 341
(Loss)/Reversal of the value of financial assets and contract valuation assets	(2 203)	(6 549)
Share in net profits/losses of equity-accounted subsidiaries	175	(31)
Operating profit /(loss)	58 400	(17 309)
Financial income	2 566	6 547
Financial expenses	12 080	10 855
Gross profit /(loss) from continued operations	48 886	(21 617)
Income tax	13 842	(481)
Net profit /(loss) from continued operations	35 044	(21 136)
Net profit /(loss) for the accounting period	35 044	(21 136)
Profit /(loss) generated in the accounting period appropriated to:		
Shareholders of Parent Company	33 634	(20 378)
Non-Controlling Stakeholders	1 409	(757)
Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
Net profit/loss from continued operations per share (in PLN)	2.74	(1.65)
Net earnings per share from core activity (in PLN)	2.74	(1.65)
Average weighted number of ordinary shares (in pcs.)	12 811 859	12 811 859
Diluted net earnings from continued operations per share (in PLN)	2.74	(1.65)
Diluted earnings per share (in PLN)	2.74	(1.65)
ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT OF PROFIT, INCLUDING ALTERNATIVE PROFIT MEASUREMENTS		
Amortization and depreciation	21 295	14 985
EBITDA	79 695	(2 324)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	For a 12-month-period ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
Consolidated profit / (loss), net	35 044	(21 136)
Foreign exchange gains/losses resulting from translation of statements of foreign entities	6	(1 768)
Pricing of hedging instruments	(475)	1 075
Other comprehensive income (including tax effect) subject to reclassification into profit	(469)	(693)
Comprehensive income in the accounting period	34 575	(21 829)
Appropriated to:		
Shareholders of Parent Company	33 173	(20 984)
Non-Controlling Stakeholders	1 402	(845)
Comprehensive income attributable to the Shareholders of Parent Company due to:		
Going concern operations	33 173	(20 984)
	33 173	(20 984)

STATEMENT OF CHANGES IN EQUITY OF THE SHAREHOLDERS OF THE PARENT COMPANY

	Share capital	Share premium	Reserve capital	F/X gains/losses from conversion of foreign units	Pricing of hedging instruments	Retained earnings	Total	Equity of non-controlling stakeholders	Equity
As of 31 Dec. 2017	1 281	213 197	11 103	860	1 762	47 654	275 857	9 999	285 856
Posting of a write-down according to MSFF 9 as of 1 January 2018	–	–	–	–	–	(8 714)	(8 714)	–	(8 714)
As of 1 Jan. 2018	1 281	213 197	11 103	860	1 762	38 940	267 143	9 999	277 142
Net result in the accounting period	–	–	–	–	–	(20 378)	(20 378)	(758)	(21 136)
Comprehensive income in the accounting period	–	–	–	1 162	(1 768)	–	(606)	(87)	(693)
Other comprehensive income	–	–	–	1 162	(1 768)	(20 378)	(20 984)	(845)	(21 829)
Dividend	–	(1 554)	–	–	–	(12 539)	(14 093)	(958)	(15 051)
Posting for the first time of DE subsidiaries	–	–	–	–	–	–	–	44	44
Revaluation of fixed assets	–	–	–	–	–	701	701	–	701
Other	–	288	–	–	–	119	407	(503)	(96)
As of 31 Dec. 2018	1 281	211 931	11 103	2 022	(6)	6 843	233 174	7 737	240 911
As of 1 Jan. 2019	1 281	211 931	11 103	2 022	(6)	6 843	233 174	7 737	240 911
Net result in the accounting period	–	–	–	–	–	33 635	33 635	1 409	35 044
Comprehensive income in the accounting period	–	–	–	(468)	6	–	(462)	(7)	(469)
Other comprehensive income	–	–	–	(468)	6	33 635	33 173	1 402	34 575
Dividend	–	–	–	–	–	–	–	(623)	(623)
Buyback of shares in subsidiaries	–	–	282	–	–	–	282	(385)	(103)
Other	–	–	–	–	–	56	56	–	56
As of 31 Dec. 2019	1 281	211 931	11 385	1 554	–	40 534	266 685	8 131	274 816

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018
ASSETS	1 173 495	1 098 400
Goodwill	39 303	39 462
Tangible fixed assets	105 107	72 498
Financial assets	2 720	5 750
Deferred tax assets	33 524	30 410
Receivables under building contracts – bid bonds	9 080	9 535
Fixed assets	189 734	157 655
Inventory	87 320	20 100
Receivables under building contracts – bid bonds	53 082	53 362
Receivables under building contracts – pricing	202 460	176 425
Trade receivables and other receivables	469 704	463 660
Financial assets	3 461	7 493
Cash and cash equivalents	148 240	206 608
Cash at VAT account	12 918	7 249
Short-term prepayments	6 576	5 848
Current assets	983 761	940 745
LIABILITIES	1 173 495	1 098 400
Share capital	1 281	1 281
Share premium	211 931	211 931
Reserve capital	11 385	11 103
Accumulated other comprehensive income	1 554	2 016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Retained earnings	40 534	6 843
Equity of shareholders of the Parent Company	266 685	233 174
Equity of non-controlling stakeholders	8 131	7 737
Equity	274 816	240 911
Interest debt	100 786	82 179
Provisions	18 087	17 658
Deferred tax liabilities	1 573	2 697
Building contract liabilities – bid bonds	19 428	10 405
Long-term liabilities	139 874	112 939
Interest debt	131 661	45 976
Provisions	44 653	40 690
Building contract liabilities – bid bonds	116 699	108 097
Building contract liabilities – pricing	156 021	116 313
Trade payables and other liabilities	299 643	404 984
Prepaid deliveries	10 128	28 490
Short-term liabilities	758 805	744 550
ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENT ON FINANCIAL POSITION		
Assets used as collaterals for debt-related liabilities	16 420	18 126
Contingent assets	101 952	99 686
Contingent liabilities	620 836	734 606

CONSOLIDATED CASH FLOW STATEMENT

	For a 12-month-period ended on 31 Dec. 2019	For a 12-month-period ended on 31 Dec. 2018
OPERATIONAL CASH FLOWS		
Gross profit/loss	48 886	(21 617)
Amortization and depreciation	21 295	14 985
Foreign exchange gains/losses	(529)	152
Interest and share in profits (dividend)	3 632	2 007
Other non-cash adjustments	(1 557)	81
Income tax paid	(11 820)	(10 744)
Change in balance of working capital	(175 778)	82 571
Operational cash flows, net	(115 871)	67 435
INVESTMENT ACTIVITY CASH FLOWS		
Proceeds from the sales of interest in a subsidiary	3	5
Inflows from credits/loans extended	7 476	9 438
Other inflows	2 479	5 272
Expenditures on the acquisition of tangible fixed assets	(12 440)	(13 989)
Loans extended expense	–	(4 248)
Expenditures on the acquisition of shares in companies	(106)	(276)
Expenditures on the acquisition of subsidiaries less cash acquired	–	(23 634)
Other	(251)	(185)
Investment activity cash flows, net	(4 870)	(27 617)
FINANCIAL ACTIVITY CASH FLOWS		
Income from credits and loans taken	126 265	47 839
Other inflows	175	–
Debt (principal) repayment expense	(58 667)	(47 259)
Debt (interest) repayment expense	(4 785)	(4 713)
Dividend payment	(615)	(15 297)
Other expenses	–	(3 950)
Financial activity cash flows, net	62 373	(23 380)
NET CASH FLOWS		
Opening cash balance	206 608	190 170
Foreign exchange gains/losses concerning cash and cash equivalents	–	–
Closing cash balance, of which:	148 240	206 608
- restricted cash	27 881	18 772

BASIC DATA CONVERTED INTO EURO

	2019		2018	
	PLN	EUR	PLN	EUR
Fixed assets	189 734	44 554	157 655	36 664
Current assets	983 761	231 011	940 745	218 778
Equity	274 816	64 534	240 911	56 026
Liabilities and provisions for liabilities	898 679	211 032	857 489	199 416

	For a 12-month-period ended on 31 Dec. 2019		For a 12-month-period ended on 31 Dec. 2018	
	PLN	EUR	PLN	EUR
Revenues from sales of products and services	2 313 363	537 766	2 331 896	546 508
Cost of products and services sold	2 166 664	503 665	2 242 754	525 617
Gross sales profit/(loss)	146 699	34 102	89 142	20 892
Operating profit/(loss)	58 400	13 576	(17 309)	(4 057)
Gross profit/(loss) from continued operations	48 886	11 364	(21 617)	(5 066)
Net profit/(loss) from continued operations	35 044	8 146	(21 136)	(4 953)

	For a 12-month-period ended on 31 Dec. 2019		For a 12-month-period ended on 31 Dec. 2018	
	PLN	EUR	PLN	EUR
Operational cash flows, net	(115 871)	(26 935)	67 435	15 804
Investment activity cash flows, net	(4 870)	(1 132)	(27 617)	(6 472)
Financial activity cash flows, net	62 373	14 499	(23 380)	(5 479)
Net cash flows	(58 368)	(13 568)	16 438	3 852
Opening cash balance	206 608	48 048	190 170	45 594
Closing cash balance	148 240	34 810	206 608	48 048

BUSINESS UNITS COVERED BY THE CONSOLIDATED FINANCIAL STATEMENTS

ERBUD S.A.

ERBUD International Sp. z o.o.

PBDI S.A.

ERBUD Operations Sp. z o.o.

Grupa ERBUD Industry

Grupa GWI Bauunternehmung GmbH

ERBUD Shared Services Sp. z o.o.

Grupa ERBUD Holding GmbH
(Erbud Beteiligungs GmbH, IVT Weiner + Reimann GmbH, IVT Menzenbach GmbH)

Hebud Sp. z o.o.

JV WMER Matoc Polska Sp. z o.o.

ACCOUNTING POLICY

YEAR 2019

1. DESCRIPTION OF MAJOR ACCOUNTING POLICIES APPLIED

The accounting principles applied to drafting this Consolidated Financial Statement as of 31 December 2017 are presented below and were applied in all presented periods continuously, unless it is stated otherwise.

1.1. GROUNDS FOR DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENT

The Financial Statement was drawn up in compliance with the requirements set forth in the International Accounting Standard applicable to the annual financial accounting (IAS 34), which was approved by the European Union. This Annual Consolidated Financial Statement should be read in conjunction with the audited Consolidated Financial Statement of the Group for the accounting year closed on 31 December 2018.

The Consolidated Financial Statement is presented in Polish currency (Polish zloty, „PLN”), and all values are specified in thousands of Polish zlotys.

The Financial Statement has been drawn up on historical cost basis, except for financial derivatives that were priced at fair value.

Going Concern

This Consolidated Financial Statement has been drawn up following going concern principle applicable to all Group member companies in the foreseeable future. As at the date of approval of this financial statement, no indications prevailed of a risk to the continuation of Group member companies’ operations following a going concern principle.

Pricing at fair value

The measure of fair value of an asset or liability the Group takes into consideration the properties of a certain asset or liability, if the market players take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The Group classifies fair value measurement principles using the fair value hierarchy, reflecting the weight of source data used for measurement, pursuant to IFRS No. 13.

Conversion of items into foreign currencies

The financial statement items are measured in the currency of the core business environment where the entity carried out its operations („functional currency”). The functional currency of the Parent Company and the currency used for the presentation of the consolidated financial statement is the Polish zloty (PLN).

Transactions in foreign currencies are posted into ledgers in nominal terms converted into the Polish zlotys using the average exchange rate of the National Bank of Poland. At the moment of realisation the foreign exchange differences are posted as financial gains or losses.

ACCOUNTING POLICY

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the average exchange rate set for a given currency by the National Bank of Poland as of the end of the accounting period.

The foreign exchange differences are posted respectively into the line "financial gains (losses)" or in cases defined by accounting principles (policy), are capitalised in the assets value. The non-cash assets and liabilities recognised at historic cost expressed in foreign currency are posted at historical exchange rate prevailing at the transaction date. Non-cash assets and liabilities carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of pricing at fair value.

At the balancing date assets and liabilities of foreign branches are converted into the Group's presentation currency as follows:

- assets and liabilities are translated at the closing rate applicable at the balancing date,
- the revenues and costs are converted using average rate (unless the conversion at average rate would deviate substantially from the values obtained using the exchange rate prevailing at the transaction date).

Foreign exchange gains resulting from the conversion of foreign units are recognized in equity as other total income on accrual basis – foreign exchange gains on the translation of foreign units. At the moment of disposal of a foreign entity, the accumulated differed foreign exchange gains included in the equity, concerned with a certain foreign entity, are posted into profit and loss account.

1.2. IMPACT OF NEW STANDARDS

The application of new and amended standards, and their interpretations.

In these consolidated financial statements, the Group applied the following provisions of IFRS 9 and IFRS 15 effective from 1 January 2018 and IFRS 16 effective from 1 January 2019. The impact of changes is described below.

New IFRS 16 "Leases"

The new standard regulating lease contracts (including hire and rent contracts) includes a new definition of lease.

Significant changes apply to the lessees: the standard requires that for each lease contract, the value of the "right to use an asset" and a corresponding financial liability should be recognised in the balance sheet. The right to use the assets is then depreciated, while the liability is priced in the amortized cost. Simplifications are foreseen for short-term contracts (up to 12 months) and low-value assets.

The accounting approach to leases from the lessor's side is similar to the principles set forth in the previous IAS 17.

The changes apply to annual periods beginning on or after 1 January 2019. The Company used the simplified approach when applied the standard for the first time.

ACCOUNTING POLICY

According to the calculations carried out by the Group, assuming application of the lessee's marginal interest rate, the total assets and liabilities of the Company were up by PLN 23 million as of 1 January 2019. The Company took advantage of the exemption under which it did not have to classify low value assets under lease. The threshold value was established for the Group at the level of PLN 15,000 for each new single asset. The Group also enjoys the exemption for short-term contracts, including extension options and the break-up probability.

1.3. BUILDING CONTRACTS

The Group signs fixed-price contracts for the execution of construction contracts, mainly in the areas of apartment construction (including entire housing estates), hotels, SPA facilities, shopping malls, power plants, production halls, and highways.

Revenues and costs related to the building contracts are recognized by the Group in adherence to contract execution progress rate method. To determine contract execution progress rate, the Group applies the percentage of work progress method, i.e. determines the value of revenues and costs for executed building contracts in the period from the contract date to the balancing date proportionally to the progress rate determined by the measurement of the work performed. From thus determined figures the Group deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period.

If it is not possible to estimate in a reliable manner the financial result of the building contract (it is not feasible to determine the progress rate of the non-completed service in a reliable manner at the balancing date), then the revenues are recognised only and exclusively up to the level of costs borne, whose recovery is probable, whereas contractual costs are carried as the costs of the period in which costs were borne.

On the other side, the pricing results (i.e. the determination of revenues and costs using the progress rate method) are recognized as "Receivables (or Liabilities) Under Building Contracts – Pricing".

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Group recognizes invoiced revenue in the line "Trade and other receivables". The Contractors under building contracts signed with the Group withhold a part of the payments as a performance bond for the contracts. These figures are recognized as "Building contract receivables – bid bonds" and are refundable most often after project completion after the end of the guarantee period.

The Group engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities". The Group retains a portion of payments to subcontractors in relation to performance bond, and recognizes it in the line „Building contract liabilities – bid bonds”.

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position.

ACCOUNTING POLICY

1.4. CAPITAL MANAGEMENT AND DEBT**1.4.1. CAPITAL MANAGEMENT**

Share capital comprises common stock and is carried at the nominal value (in adherence to the Statutes of the Parent Company and an entry made into the National Court Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal value. It is recognised in the line „Share premium reserve capital”.

Other supplementary capitals are set up mainly from retained earnings including amounts obligatorily appropriated to the reserve capital in accordance with the requirements of the Commercial Companies Code.

Equity allocated to the non-controlling interests represents a part of equities of subsidiaries covered with full consolidation that belongs to other stakeholders than the entities that are Group members.

Net profit (loss) of subsidiaries partially owned by the stakeholders other than members of the Group represents profit (loss) of the non-controlling interests.

1.4.2. CREDIT AND LOAN LIABILITIES

Credit and loan liabilities are initially recognized at fair value less transaction costs. At each balancing date, credits and loans are priced at amortized cost using effective interest rate.

1.4.3. DEBT RELATED TO ISSUED BONDS

Liabilities under issued bonds are initially recognised at fair value less transaction costs. At each balance sheet date, this liability is valued at amortized cost using the effective interest rate.

1.4.4. FINANCIAL LEASE LIABILITIES

Lease is classified as a financial lease if substantially all risks and benefits resulting from the ownership of the leased asset are assigned to the lessee. Financial lease contracts are initially recognized at the lower of: the fair value of the leased asset or the present value of the minimum lease payments.

The fixed assets used under financial lease contracts are depreciated following the principles applied by the Group to its own assets. If there is no reliable certainty that once the lease contract is over the Group will be assigned the ownership title, the assets are depreciated over a shorter period of time than the lease term and economic life.

ACCOUNTING POLICY

1.4.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand as well as short-term deposits with maximum maturity of three months. The Group has at its disposal cash with restricted availability. This category comprises primarily funds securing bank guarantees issued in relation to the building contracts executed by the Group and derivatives-related liabilities, if their restricted availability period does not exceed 3 months. The Group discloses cash with restricted availability as cash and cash equivalents in the consolidated statement of financial position.

1.5. REPORTING SEGMENTS

Based on the management reporting presented to the main operational decision-maker (i.e. the Management Board of the Parent Company), the Group identified five basic reporting segments:

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
- road engineering construction,
- industrial construction at home,
- industrial construction in foreign countries,
- other segments.

The breakdown of the overall business into individual segments was done through qualification of individual entities of the Group on the basis of their core, statutory activities and significance of companies' operations for the segment. Such breakdown corresponds to the distribution of major risks and returns on investments made.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Consolidated Financial Statements. The transactions among individual segments are performed following arm's length principle.

The Management Board analyses the segment results using key performance indicators (KPIs) such as EBIT, EBIT and EBITDA margin. It should be borne in mind that these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. The Group defines EBIT as gross profit increased by financial costs less financial revenues. The EBIT margin is defined as the ratio of EBIT to sales revenues expressed as a percentage. EBITDA is defined as EBIT increased by depreciation in the period.

ACCOUNTING POLICY

1.6. TAXATION

The mandatory burdening of the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the value of assets and liabilities shown in the accounting books and their tax value and the tax loss deductible in the future, the Group companies, using the balance sheet method, set up: deferred income tax liabilities in respect of positive temporary differences and determine deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

Deferred income tax assets and liabilities are not recognized in the case of temporary differences arising upon initial recognition of an asset or liability in a transaction that is not a business combination and in case of transactions that have no impact on either the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legal right to set-off tax liabilities and current tax liabilities, and if the deferred tax concerns a tax imposed by the same tax authority on the same taxpayer. It implies that deferred income tax assets and liabilities are compensated in individual Group member companies.

1.7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**1.7.1. FINANCIAL ASSETS AND LIABILITIES**

The Group is in the possession of the following financial instrument categories:

- loans and receivables,
- financial liabilities priced at amortized cost,
- derivative instruments designated as hedging instruments in hedge accounting.

1.7.2. FINANCIAL ASSETS – LOANS EXTENDED

Loans extended are initially recognized at fair value increased by transaction costs, and subsequently they are measured at amortized cost, taking into account any write-down due to impairment.

The amount of the impairment write-off for loans extended is equal to the difference between the carried amount of these receivables and the present value of estimated future cash flows under their title, discounted using the original effective interest rate (i.e. the interest rate determined at the initial recognition).

ACCOUNTING POLICY

1.8. FINANCIAL DERIVATIVES

All financial derivatives owned by the Group are hedging instruments under the cash flow hedge accounting policy applied by the Group.

The Group hedges cash flows resulting from loans granted by the Group and inflows from building contracts signed with contractors. Changes in the fair value of derivative financial instruments in the part constituting an effective hedge refer directly to the revaluation reserve. The ineffective part is posted into income statement as financial income or financial costs. In the period in which the hedged item of a financial instrument affects the financial result, the amount related to this instrument previously recognized in other total income is also transferred to the income statement.

1.9. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the Erbud Group is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Management Board of the Parent Entity is responsible for defining the rules for the management of such risks and for verifying them.

1.9.1. MARKET RISK – CURRENCY RISK

While performing their core operations, the Group member companies enter into building contracts that are denominated in EUR. The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. The contracts executed are mostly concluded by the Group in Polish currency (PLN), while contracts executed abroad are concluded in EUR.

With regard to receivables and liabilities resulting under concluded construction contracts that will be paid for in EUR and with reference to loans denominated in EUR, the Group applies forward contract hedging for EUR currency as part of hedge accounting.

1.9.2. MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly in connection with the utilization of debt financing i.e. bank credits and loans, issued bonds and financial lease products by the Group member companies. In addition, the Group invests idle cash partly into variable interest rate deposits and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Group to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate expose the Group to the risk of fair value volatility, however, owing to the fact that the Group does not measure these items at fair value, this impact is not reflected in the financial statements.

The Group monitors the exposure to interest rate risk and prepares interest rate forecasts.

ACCOUNTING POLICY

1.9.3. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Group maintains an appropriate amount of cash and transferable securities as well as enters into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group pursues a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash.

Liquidity management is supported by the existing liquidity forecast reporting system by the Group member companies.

1.10. TANGIBLE FIXED ASSETS

The most important items of tangible fixed assets are means of transport as well as technical equipment and machinery used primarily for the construction of public, commercial, residential and industrial facilities. In addition, the Group is also in the possession of buildings and structures as well as lands.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs.

The initial value of tangible fixed assets comprises their purchasing price plus all costs connected directly with the purchase and adaptation of the asset to the condition fit for use. The initial value also comprises the cost of spare parts of machinery and equipment when incurred, if the recognition criteria are met, i.e. the Group expects that spare parts will be used for more than one year and it is possible to assign them to a specific item of tangible fixed assets.

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred, except when such costs cause an increase of expected future economic benefits from holding a given item of tangible fixed assets – then incurred costs increase the initial value of such item.

The Group annually verifies the residual value, useful life and depreciation methods of tangible fixed assets.

Fixed assets under construction are priced at the level of costs connected directly with their acquisition or manufacturing including costs of financing, less write-downs for impairment. Fixed assets under construction are not depreciated until their construction has been completed.

ACCOUNTING POLICY

1.11. INVENTORY

The following items are mainly recognized in individual inventory categories:

- materials: items kept at storage sites to be used in manufacturing processes, especially in construction activities;
- work in progress: costs of incomplete development projects;
- finished goods: ready-to-sell apartments, commercial premises and structures;
- commodities: land used for the execution of development projects.

Materials and goods are valued at the purchase price, and their expenditure is accounted for using the FIFO („first in-first out”) method. Work in progress and finished goods are priced at the cost of direct materials and labour, together with an appropriate mark-up of indirect production costs determined based on the assumption of normal utilization of production capacity, excluding costs of external financing. At the balancing date the inventory is priced taking lower of the two values: purchasing price or the cost of manufacturing and net selling price.

Under materials the Group posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract). The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate.

1.12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

In the trade receivables as well as other receivables category the Group recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Group) and budget receivables, including corporate income tax receivables and tax on goods and services receivables.

Receivables due to deliveries and services, whose maturity is usually from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. As of the balance sheet date, these items are carried at amortized cost, including any revaluation write-off.

1.13. OTHER ASSETS

Assets held for sale are assets whose carrying amount in the balance sheet will be recovered mainly through a sale transaction rather than through their further use. These items are priced taking any of the amounts, with the lower value: carrying amount in the balance sheet and fair value less disposal costs (fair value is determined in accordance with IFRS 13).

ACCOUNTING POLICY

The Insurance item comprises prepayments made by the Group under insurance contracts concerning future reporting periods. They are recognized in the income statement proportionally to the time expired.

1.14. PROVISIONS

The Provisions category mainly comprises provisions for warranty repairs, provisions for employee benefits and post-employment benefits, and provisions for litigations and disputes.

Provisions for warranty repairs

Provisions for warranty repair costs result from the Group's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. Assumptions used to calculate the provision for warranty repairs as of 31 December 2019 were based on the records of warranty repairs in the 2014-2018 period..

Provisions for short-term employee benefits

This category comprises provisions for non-utilized holidays. The basis for calculation of provision for non-utilized leave is the specification of non-utilized leave days at a certain balancing date broken down by employees and their daily gross salary plus social contribution surcharges paid by the Employer.

Provision for benefits in the post-employment period

This category comprises provisions for retirement and pension severance pays, to be paid by the Group under the effective law and the remuneration rules and regulations. The amount of the provision is determined at the present value using actuarial techniques requiring the adoption of certain assumptions. Assumptions vital to pricing include the levels of discount rates, projected rates of return on assets (ROA), forecast wage increases. Due to pricing complexity, the assumptions made, its long-term nature, the liabilities related to the above mentioned benefits are very sensitive to assumption changes. All the above assumptions are verified and updated at the end of each reporting period.

Provisions for litigation and disputes

Detailed analysis of potential risks related to litigation, making decisions about a need to reflect the impact of such litigation in the Group's financial statements and the amount of the provision are made by the legal departments and Management Boards of individual Group member companies.

ACCOUNTING POLICY

1.15. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities include primarily trade payables to non-related parties, advances received, payroll liabilities and tax liabilities.

Trade payables are initially carried at fair value (corresponding to the nominal value) and as of the balancing date they are priced at amortized cost.

The received advance payments refer mainly to payments from contractors for the performance of building contracts and are recognized at the nominal value of the payment received.

Wage and salary payables are recognized at the value due for the work performed, calculated in accordance with the signed contracts.

Tax liabilities (including tax on goods and services, corporate income tax, personal income tax) are recognized at the amount requiring payment by the Group in compliance with the effective and applicable legislation.

1.16. GROUP STRUCTURE AND INVESTMENTS INTO JOINT VENTURES AND TRANSACTIONS WITH RELATED ENTITIES

Related entities and consolidation rules: The consolidated financial statements comprise data of the Parent Entity and its subsidiaries

Subsidiaries are consolidated using the full method from the date of control acquisition to the date of control loss. The control is exercised when the Parent Company is exposed to variable financial results due to its involvement in the entity in which it made investment, or when it has the right to changing financial results and is capable of influencing the level of these financial results by exercising its control over the entity. The financial statements of subsidiaries are drawn up for the same accounting period as the financial statement of the Parent Company using consistent accounting principles. If control is lost over a subsidiary, the profit or loss on the transaction resulting in the control loss is recognized in the income statement.

Settlement of acquisition of ventures is made using the acquisition method. Under this method the identifiable assets and liabilities acquired are carried at fair value as of the acquisition date. The payment made under merger of business entities is priced using fair value, calculated as collective sum of fair values as the date of acquisition of assets submitted by the Group, liabilities taken by the Group against previous owners of the acquired entity and equity instruments issued by the Group in exchange for taking over control over acquired entity. The acquisition costs are recognized in the profit and loss account at the moment of incurring them. The surplus of the acquisition price and non-controlling interests measured at fair value over the fair value of the net assets acquired, including the exceptions specified in IFRS 3, is goodwill.

Joint ventures are recognized by the Group using the equity method.

ACCOUNTING POLICY

1.17. CHANGES IN APPLIED ACCOUNTING PRINCIPLES**1.17.1. AMENDMENT TO ESTIMATES**

In the accounting period closed on 31 December 2019 no changes in estimation methodology took place.

1.17.2. AMENDMENT TO ACCOUNTING PRINCIPLES

In the accounting period closed on 31 December 2019 no changes were made to the applied accounting principles.

Effective from 1 January 2018, the Company formally and legally began to apply the International Financial Reporting Standards approved by the European Union (EU IFRS) for the preparation of separate financial statements. The decision on drawing up separate financial statements pursuant to EU IFRS standard was taken by the approving authority – the Minutes of the Extraordinary General Meeting of Shareholders of 16 January 2019..



**INTEGRATED REPORT
EXECUTIVE SUMMARY**

OUTLOOK

The Management Board's priority over the next two years is to further improve profit at all levels with the revenues being stable.

The key growth drivers of the Group will include further diversification of business lines, including in particular a gradual increase of foreign activities mainly in the Western European countries. The German market remains invariably significant for the Group, where we assume further growth in revenues in the building construction and maintenance service segments.

In the years to come, we will implement consistently a segmental and geographical diversification programme, and we will strive at ensuring and secure the widest possible sources of revenues for the Group. In connection with the assumed diversification of activities, it will be necessary to expand cooperation with existing subcontractors and to select new partners with specific competences.

The years to come will be mainly marked by the implementation of sustainable building construction, road engineering and RES-related projects. We also see a great opportunity for profit generation in the growth of engineering and maintenance service segments. The companies GWI GmbH, IVT Weiner + Reimann GmbH and ERBUD INTERNATIONAL Sp. z o.o. will continue to support significantly the development of the Group outside Poland by executing orders in segment and geographical terms. Flexibility of organization and rich know-how PBDI S.A. will continue to attract significant projects in the area of wind and photovoltaic farms as well as road and engineering investment projects. We hope that ERBUD Industry will expand its order portfolio, running projects throughout the country as well as abroad.

Responsible financial and order selection policies and execution discipline will allow to achieve the expected profitability on construction contracts. In the years to come, our overriding goal will be to maintain profitability at a safe level of about 2% while maintaining a stable level of revenue.

The stable situation of the ERBUD Group also results from the high level of employee engagement. We plan to continue our activities in this area intensively. They ensure a constant and secure level of employment built on the basis of numerous initiatives and programmes consistent with the company's long-term policy in this area. In order to implement the assumed development tasks, it will remain necessary to maintain an optimal level of employment. The ERBUD Group will continue to focus on the careful selection of its personnel, as well as on the development of training programmes, both for current and new personnel.

REPORT SPECIFICATION

We have honour and pleasure to present another ERBUD Group Integrated Report. Current edition presents Group operations in 2019. We have drawn up this document in accordance with the international GRI Sustainability Reporting Standards. The Report structure is based on the CORE level of the reporting standard of Global Reporting Initiative Sustainability Reporting Standards. The publication of Integrated Annual Report is the fulfilment of a duty imposed by Directive 2014/95/EU approved on 22 October 2014. The Report content was prepared in a systemically structured manner, proposed by the Communication of the European Commission, which provides guidance for reporting on non-financial information: Supplement concerning the reporting of climate-related information (2019/C 209/01), along with an annex involving Recommendations of the Task Force for the Disclosure of Financial Information Related to Climate Change (TCFD) (in the part concerning Materials and Buildings Group) and reading the above documents as an extension of the provisions of the Directive of the European Parliament and of the Council (2014/95/EU) concerning non-financial reporting effective from 1 January 2017 in Poland (by virtue of amendments to the Accounting Act). The Directive deals with the disclosure of non-financial and diversity information by some entities and Groups that meet certain criteria. This Report fulfils the duties, imposed by the Directive, on reporting on the following issues: social, environmental, employee, human rights, counteracting corruption and bribery among selected large undertakings operating in the territory of the European Union. Companies covered by the Directive are obliged to present: policies in the areas indicated, risk assessment and their performance.

The ERBUD Group applies an annual reporting cycle. The last Integrated Annual Report was published on 28 March 2019. The ERBUD Group recognises and appreciates the great importance of managing and reporting on these issues. As a socially responsible economic operator, the Group puts the 2019 Integrated Annual Report into the hands of its stakeholders. The preparation of the first Integrated Annual Report for

2016 was preceded by a professional preparation process. The groups of internal and external stakeholders were identified. Then both groups were surveyed. Based on the results obtained, a standard for the preparation of the Integrated Annual Report in the ERBUD Group was developed. This Integrated Annual Report for 2019 was prepared in accordance with the standard.

The presented document does not introduce any corrections to the information contained in the 2018 Integrated Annual Report. We also did not make any changes to the scope of the report, nor to the measurement methods used in the report. We do not present any significant changes in the reporting period in terms of size, structure, form of ownership or value chain. For the first time in this Report we present data related to the ERBUD Group's commitment to limiting negative climate change.

The presented Report was not subject to external revision. The Group has not taken a decision either about the policy on the external revision of consecutive editions of the Integrated Annual Reports.



DOROTA TRUŚKIEWICZ
 Director of Marketing and
 PR Department of ERBUD S.A.

KEY REPORTING ASPECTS

In table below we describe key reporting aspects that reflect our activities in the context of sustainable growth. The GRI guidelines define the aspect limit concept i.e. evaluation whether the impact of a certain aspect refers to the organisation itself or whether the impact is visible externally. In most cases the identified aspects exert two-way impact, inside and outside the company and they differ with a degree and nature of impact as well as weight for individual stakeholders. The presented Report is the fourth Integrated Annual Report of the ERBUD Group. This edition has been enriched with information on the ERBUD Group's commitment to limiting negative climate change, and there have been no other changes to the scope or limits of aspects since last year's edition.

Key reporting aspects	Internal impact of the aspect in organisation	External impact of the aspect in organisation
ERBUD Group in market environment		
Company growth and its future plans	*	*
Employment policy and working conditions	*	*
Occupational Health and Safety	*	*
Personnel training and education	*	*
Internal communication method and quality	*	
Communication method and quality	*	*
Transparency and transparent rules of co-operation with the customers	*	*
Transparency and transparent rules of co-operation with the subcontractors	*	*
Evaluation and selection of subcontractors from the perspective of working conditions offered by them		*
The ERBUD Group vs. environment		
Commitment to mitigation of negative climate change.	*	*
Construction projects and their environmental impact: priorities, plans, effects	*	*
Waste management	*	*
Water and energy consumption	*	*
The activities of the Eryk Grzeszczak's „Common Challenges” Foundation named after Eryk Grzeszczak	*	*
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The Annual Integrated Report was prepared in accordance with GRI Sustainability Reporting Standards.

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ERBUD S.A., ul. Franciszka Klimczaka 1, 02-797 Warszawa, entered into the Entrepreneurs' Register, kept by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under No.: 0000268667, Tax ID (NIP) No. 8790172253, share capital: PLN 1 281 185.90.

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