ERBUD S.A.

Current Report No. 12/2019
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Topic:

Dividend policy in ERBUD S.A.(“Issuer”)

Legal basis:
Article 17(1) of the MAR – confidential information

Content of report:

With reference to Current Report No. 5/2016 of 27 January 2016, in which the Management Board of ERBUD S.A. (the "Company") has defined the dividend payment policy, we hereby inform that on 11.03.2019 the Management Board adopted a resolution on changing the dividend policy, repealing its current content and giving the following new wording.

Preamble

The dividend policy is an element of strategic management of the development of each company while maintaining a balance between the amount of dividend paid and opportunities of successfully investment of earnings.
The purpose of this policy is to enable the shareholders of Erbud S. A. (the “Company") to evaluate the implementation of a long-term investment programme based on clear and stable criteria for the distribution of the profit generated.

Dividend distribution policy

1. Principles of dividend policy in Erbud S.A.
   1.1 It is the intention of the Management Board of Erbud S.A. to recommend to the General Meeting, upon the assessment of the proposal by the Supervisory Board, payment of dividends amounting to 30-70 percent of the consolidated net profit earned in the previous financial year, having regard to the current and future financial situation of the Company and companies belonging to the Group (“ERBUD Group”).
   1.2 In its recommendation to the General Meeting, the Management Board each time takes into account, inter alia, the following key factors:
   - investment needs resulting from the implementation of the strategy of the Erbud Group;
   - the acquisition policy pursued by the Company and financing available in connection therewith;
   - liquidity needs of the Erbud Group depending on current and expected market and regulatory conditions;
   - liabilities due to current operations and debt service;
   - liabilities under concluded agreements on financing the operations of the Company and the Erbud Group, 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.

   1.3 In case the above factors are exceptionally well assessed and the Management Board's proposal concerning the distribution of profit is positively assessed by the Supervisory Board, the Management Board may recommend a higher dividend than indicated in point 1.1.
   1.4 In subsidiaries in which the Company holds over 70% of shares/stocks, the aim is to pay dividend amounting to 100% of the net profit, as far as this is possible due to the law in force in a given territory and justified from the point of view of, including but not limited to:
   - the tax provisions in force in a given territory;
   - the financial situation of subsidiaries; and
   - the prospects for their future activities.

   1.5 The decision on the distribution of profit, including the payment and the amount of dividend, pursuant to Article 395 of the Commercial Companies Code, is taken by the annual general meeting after each financial year.

2. Persons entitled to the dividend. The Record Date and the Payment Date.
   2.1 The shareholders of the Company have the right to share in the profit, which is shown in the annual financial statements audited by the statutory auditor, approved by the resolution of the General Meeting to be paid to the shareholders of the Company (right to dividends).
   2.2 The General Meeting of Shareholders is the body authorised to make decisions on distribution of the Company's profit and dividend payment. The General Meeting, which should be held within six months after the end of each financial year, adopts a resolution on whether and which part of the Company's profit disclosed in the audited financial statements should be allocated to the payment of dividends.
   2.3 The Annual General Meeting of the Company sets the Record Date and Payment Date.
   2.4 The Record Date may be set for a day falling not earlier than five days and not later than three months from the day on which the resolution on the distribution of profit has been adopted.
   2.5 The Date of Dividend Payment by ERBUD SA is set by 31 August.
   2.6 Deciding on the Record Date and the Payment Date should take into account the *Best Practice for WSE Listed Companies 2016*, i. e. these days should be set so that the period between them is no longer than 15 business days.
   2.7 A resolution of the General Meeting regarding the payment of a conditional dividend may contain only such conditions, the possible fulfilment of which will take place before the Record Date.
3. Determination of the manner of announcing information on the adoption and terms of dividend payment.
   3.1 Information on the General Meeting's intention to adopt a resolution on the payment of dividend and the proposed content of this resolution is published in the form of a current report via the Electronic Information Transmission System (ESPI) and through the Company's website at least 26 days before the date of the General Meeting whose agenda includes the adoption of such resolution.
   3.2 Information on the amount of the dividend, the value of the dividend per share, the number of shares covered by the dividend, the Record Date and the Payment Date will be provided by the Company in an analogous form immediately after the occurrence of the event.
4. Possibility of payment of interim dividend.
   The Management Board may pay interim dividend to shareholders towards the expected dividend at the end of the financial year, if the Company has sufficient funds to make such a payment and the Articles of Association provide for such a possibility. Pursuant to § 18(4) of the Company's Articles of Association and with the consent of the Supervisory Board, the Management Board of Erbud S.A. is authorised to pay interim dividend. The Company may pay interim dividend if its approved financial statements for the previous financial year show a profit. The interim dividend may not exceed a half of the profit earned from the end of the previous financial year, disclosed in the audited financial statements, increased by reserve capitals created from profit and which may be available to the Management Board for the purpose of making interim dividend payments, and reduced by uncovered losses and own shares.
5. Existing dividend preference.
   There are no preference shares in the Company.