ERBUD S.A.

REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

I. Supervisory Board composition

In the period from 1 January 2018 to 31 December 2018 the Supervisory Board of ERBUD S.A. consisted of:

- Udo Berner – Chairman
- Gabriel Główka– Deputy Chairman
- Albert Dürr – Member
- Zofia Dzik – Member
- Janusz Lewandowski – Member
- Michał Otto – Member
- Janusz Reiter – Member.

On 18 May 2018, the General Meeting of Shareholders of ERBUD SA appointed the Supervisory Board of ERBUD S.A. for a new joint three-year term of office consisting of:

- Udo Berner – Chairman
- Gabriel Główka– Deputy Chairman
- Albert Dürr – Member
- Michał Otto – Member
- Janusz Reiter – Member
- Piotr Kaczmarek – Member.

Two committees report to the Supervisory Board:

1. Audit Committee which from 1 January 2018 to 28 May 2018 was composed of:

- Gabriel Główka – Chairman
- Albert Dürr – Member
- Michał Otto – Member.

On 29.05.2018, the Supervisory Board appointed by Resolution No. 19/2018 the Audit Committee for a new joint three-year term of office with the following composition:

- Michał Otto – Chairman (Independent Member of the Audit Committee, on the Committee since 28.04.2016)
- Gabriel Główka – Member (Dependent Member of the Audit Committee, on the Committee since 15.11.2006)
- Janusz Reiter – Member (Independent Member of the Audit Committee, on the Committee since 29.05.2018).

Thereafter, on 03.12.2018, the Supervisory Board of ERBUD SA appointed by Resolution No. 49/2018 the fourth Member of the Audit Committee in the person of:

- Piotr Kaczmarek – Member (Independent Member of the Audit Committee, on the Committee since 03.12.2018).

2. Remuneration Committee which from 1 January 2018 to 28 May 2018 was composed of:

- Udo Berner – Chairman
- Albert Dürr – Member
- Michał Otto – Member.

On 29.05.2018, the Supervisory Board appointed by Resolution No. 20/2018 the Remuneration Committee for a new joint three-year term of office with the following composition:

- Udo Berner – Chairman
- Michał Otto – Member
- Janusz Reiter – Member.

As members of the Company's Audit Committee of the Company, Messrs. Michał Otto, Janusz Reiter, Piotr Kaczmarek and Gabriel Główka (until 14.11.2018) meet the criteria of independence within the meaning of Art. 129(3) of the Act on Certified Auditors.
In addition, Gabriel Główka fulfils the requirements of the Act on Certified 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 standing, 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 Credit Committee of the Warsaw Region of ING Bank Śląski. The most important objective of the 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 finance area of this business entity - in the position of Chief Financial Officer, (iv) while in office at the National Qualification Commission for Property Appraisal.

The requirements of the Act on Statutory Auditors regarding on having knowledge and skills in the field of Issuer's operations have been met by Gabriel Główka. Gabriel Główka graduated from the Warsaw School of Economics, the Faculty of Production Economics, where he majored at the Construction and Investment Economics. He has been a research worker and lecturer at the Warsaw School of Economics for over 30 years; currently at the Institute of Corporate and Investment Financing, at the Investment and Real Estate Department. In 2002-2004 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, items (1), (3) and (5) of the Act on Certified Auditors.

In 2018, four meetings of the Audit Committee convened by the Chairman of the Audit Committee were held, in which other Members of the Supervisory Board were allowed to participate. Moreover, in August 2018, a meeting of the Audit Committee with the Management Board of ERBUD S.A. was held in connection with the plan to announce a loss disclosed in the separate and consolidated financial statements for the first half of 2018. The meeting was devoted to the matter of monitoring the company's relations with financial institutions and preparing recommendations for the

Management Board regarding the intensification of procedures affecting better risk control (increased activity of the Audit and Internal Control Department and the Legal Department).

The dependent members of the Supervisory Board of ERBUD SA are:
Mr. Udo Berner and Mr. Albert Dürr (who represent the shareholder Wolff & Müller Baubeteiligungen GmbH & Co. KG and Wolff & Müller Holding GmbH & Co. KG) and Mr Gabriel Główka (since 15.11.2018).

II. Activities of the Supervisory Board

In the period from 1 January 2018 to 31 December 2018, there were five meetings of the Supervisory Board of ERBUD S.A. (on 21.03.2018, 18.05.2018, 29.05.2018, 07.09.2018 and 03.12.2018) and four meetings of the Audit Committee (on 21.03.2018, 22.06.2018, 27.08.2018 and 30.11.2018).

During the Supervisory Board meetings in 2018, the Board became acquainted with the current financial performance and current operations of both the Company and the ERBUD Group in the context of the ERBUD Group's strategy for 2019-2023.

Moreover, the Supervisory Board actively participated in the development of the recovery program in connection with the operating loss of PLN 40 million disclosed on 30 June 2018 and familiarized itself with the Company's budget for 2019 assumed by the Management Board of the Company.

As part of the analysis of practices and procedures set out in the Act on Certified Auditors, Auditing Companies and Public Supervision (Journal of Laws of 2017 item 1089), the Audit Committee, acting pursuant to Art. 130(1)(4) of the aforementioned Act, in 2018 adopted a resolution on the assessment of the auditor’s independence and the approval to provide by the statutory auditor of allowed services which are not an audit in the Company, i.e. services related to the review of the Company's financial statements for the first half of 2018.

On 29 May 2018, the Supervisory Board appointed the Management Board of ERBUD S.A. for another joint three-year term of office with the following composition:

Dariusz Grzeszczak – Member
Józef Zubelewicz – Member
Agnieszka Głowacka – Member.

In 2018, fifty two resolutions were adopted by the Supervisory Board, both at meetings and by circulation.

Resolutions adopted by the Supervisory Board mainly concerned the following matters:

1. Consent for the acquisition of 100% of shares in IVT Weiner + Reimann GmbH and IVT Mezenbach GmbH;
2. Consent for founding of JV WMER Matoc sp. z o.o;
3. Consent to renew credit and guarantee lines (and to conclude new agreements);
4. Appointment of the Management Board of ERBUD S.A. for another joint three-year term of office;
5. Appointment of the Audit Committee Members for a new joint three-year term of office;
6. Consent to new investments exceeding the powers of the Company's Management Board - offers regarding such large projects were discussed at meetings, as well as approved in written resolutions passed by circulation;

7. Considering and giving opinion on the proposal regarding the allocation of profit and dividend payment for 2017;
8. Issuing opinion on the Management Board Report to the 2017 financial statements;
9. Issuing opinions on draft resolutions of the AGM, including granting a vote of acceptance to the members of the Management Board of ERBUD S.A.;
10. Approving the performance plan, operating result and overheads budget of the Management Board of ERBUD S.A. for 2019.

Moreover, the Supervisory Board was receiving from the Management Board of ERBUD S.A. monthly reports describing the current financial and economic position of the Company and the ERBUD Group.

Essential Company's matters and figures were analysed and discussed by the Audit Committee and the Supervisory Board with the Management Board of ERBUD S.A. both by phone during the meetings of the Supervisory Board, as well as in the form of videoconferences.

The Management Board kept the members of the Supervisory Board informed in writing and orally about special events. The Management Board also notified the Supervisory Board members in advance of all important events and significant decisions that were to be taken.

III. Assessment of the Company's situation, including the assessment of internal control systems, risk management, compliance and internal audit.

The Supervisory Board confirms that in the ERBUD Group there is an internal audit and control unit directly subordinate to the Management Board of ERBUD S. A.

The Internal Audit and Control Department creates independent workplaces focused on the planning and coordination of audit and control projects.

The responsibilities of the Internal Audit and Control Department include:

- Supervision over the processes taking place in the Company in terms of economy, legality, purposefulness, reliability, as well as transparency and openness of solutions applied.
- Identification of risk areas and initiation of corrective and preventive actions in order to eliminate irregularities that may occur in the future, by creating recommendations for specific solutions and standards.
- Submission of proposals for changes in the organization of implemented projects and changes aimed at reducing the costs of implementation or increasing the competitiveness of the ERBUD's offer.
- Examination of the correctness of performing tasks falling within the scope of activity of the Company's organisational units - presentation of reports, post-inspection statements and recommendations.
- Disclosing financial irregularities and ensuring compliance of activities with applicable legal regulations, rules of expertise and established internal standards and procedures.
- Determining the actual condition of performance of tasks falling within the scope of activity of controlled entities, documenting it, comparing it with the required condition and assessing the actual facts in terms of legality, economy, purposefulness and reliability. Identifying persons responsible for irregularities.

- Preparation and implementation of annual plans of audits and controls, as well as ad hoc audits and controls ordered by the Management Board of the Company.
- Monitoring the implementation of recommendations from audit / control proceedings and providing support in the implementation of recommendations.
- Close cooperation with the Controlling Department regarding the correctness of the valuation of long-term contracts as at the control date (including the balance sheet date); joint monthly analysis of results on individual projects, including potential risks.

The activities of the Audit Department are carried out on the basis of planned audits and controls as well as ordered by the Management Board.

The Company has been developing (in co-operation with other construction companies) regulations for risk management (compliance).

In the opinion of the Supervisory Board, all obligations related to financial reporting and operating activities are fulfilled by the units established for this purpose in a correct manner.

The Supervisory Board positively assesses the control mechanisms functioning in the Company.

IV. Assessment by the Supervisory Board of the compliance of the Report on ERBUD S.A. operations and the annual Financial Statements with the books, documents and facts.

Both the Supervisory Board and the Audit Committee of ERBUD S.A. held several meetings, the purpose of which was to analyse separate and consolidated financial documents for the period from 01.01.2018 to 31.12.2018.

Acting pursuant to §70(1)(14) and §71(1)(12) of the Regulation of the Minister of Finance of 29 March 2018 on periodic information provided by issuers of securities and on conditions for recognizing information required by law of a non-member country as equivalent, the Supervisory Board of ERBUD S.A. adopted on 27 March 2019 a resolution stating that the Report on operations of ERBUD S.A. and the ERBUD Group, the annual separate financial statements of ERBUD S.A. and the consolidated financial statements of the ERBUD Group are consistent with the accounting books, records, and facts.

The Supervisory Board justified its assessment as follows:
ERBUD S.A. keeps its trading books in a proper manner and economic events are correctly reflected in the accounting records. The Report on operations and financial statements properly reflect the formal and actual state of affairs of ERBUD S.A. and the ERBUD Group.

The Management Board of the Parent Company is responsible for preparing a Consolidated Report on operations in accordance with the law provisions.

The Management Board of the Parent Company and members of the Supervisory Board are obliged to ensure that the Consolidated Report on operations together with the separated parts meet the requirements provided for in the Accounting Act.

In its opinion issued on 27 March 2019, the auditor stated that the Consolidated Financial Statements of the ERBUD Group, in which ERBUD S.A. is the parent company,

- present a true and fair view of consolidated financial position of the ERBUD Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the financial year ended on that day, pursuant to applicable International Financial Reporting Standards as adopted by the European Union and in accordance with applied accounting principles (policy);
- comply in form and content with legal requirements applicable to the Group and with Articles of Association of the Parent Company.

The opinion is consistent with the supplementary report prepared to the Audit Committee, issued by PwC on 27 March 2019.

The statutory auditor conducted the audit in accordance with the International Auditing Standards in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors and pursuant to provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision ("Act on Statutory Auditors" – Polish Journal of Laws of 2017, item 1089 as amended), as well as the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" - Journal of Laws of EU L158). The auditor's responsibilities under the National Auditing Standards are described in the section "Auditors' Responsibilities for auditing the Consolidated Financial Statements".
The auditor believes that the audit evidence he have obtained is sufficient and appropriate to provide a basis for the opinion issued.

The Management Board of Erbud SA also represented that Financial Statements of ERBUD SA for 2018 were prepared in accordance with applicable accounting principles and presents in a true, fair and clear manner the financial position of ERBUD SA.

The Supervisory Board of Erbud SA examined and positively assessed the following documents provided by the Management Board as to their compliance with the Company's accounting books, records and facts:

1. Separate Financial Statements of ERBUD S.A. for the year ended 31 December 2018, including:
   a) the Management Board Report on operations of ERBUD S.A. in the financial year ended 31 December 20187;
   b) the Balance Sheet as of 31 December 2018, showing total assets and total liabilities of PLN **775,875,615,95** (say: seven hundred and seventy-five million, eight hundred and seventy-five thousand, six hundred and fifteen Zloty and ninety-five Groszy);
   c) the Profit and Loss Statement for the period from 1 January 2018 to 31 December 2018, showing a net profit of PLN **-12,254,355.09** (say: minus twelve million, two hundred and fifty-four thousand, three hundred and fifty-five Zloty and nine Groszy);
   d) the Cash Flow Statement showing an **increase** in cash in the financial year ended 31 December 2018 by PLN **33,732,197.06** (say: thirty-three million, seven hundred and thirty-two thousand, one hundred and ninety-seven Zloty and six Groszy);
   e) the Statement of Changes in Equity showing a **decrease** in equity in the financial year ended 31 December 2018 by PLN **36,502,639.96** (say: thirty-six million, five hundred and two thousand, six hundred and thirty-nine Zloty and ninety-six Groszy);
   f) additional information about the accounting policy applied and other explanatory notes.

2. Consolidated Financial Statements of the ERBUD S.A. Group for the year ended 31 December 2018, including:

   a) the Management Board Report on operations of the ERBUD Group in the financial year ended 31 December 2018;
   a) the Consolidated Balance Sheet of the ERBUD Group as of 31 December 2018, showing total assets and total liabilities of PLN **1,098,400,106.82** (say**:** one billion, ninety-eight million, four hundred thousand, one hundred and six Zloty and eighty-two Groszy);
   b) the Consolidated Profit and Loss Statement of the ERBUD Group for the period from 1 January 2018 to 31 December 2018, showing a net loss of PLN **-21,135,696.59** (say: minus twenty-one million, one hundred and thirty-five thousand, six hundred and ninety-six Zloty and fifty-nine Groszy);
   c) the Consolidated Cash Flows Statement of the ERBUD Group showing an **increase** in cash in the financial year ended 31 December 2018 by PLN **16,437,719.97** (say: sixteen million, four hundred and thirty-seven thousand, seven hundred and nineteen Zloty and ninety-seven Groszy);
   d) the Statement of Changes in Consolidated Equity showing a **decrease** in equity in the financial year ended 31 December 2018 by PLN **44,943,563.37** (say: forty-four million, nine hundred and forty-three thousand, five hundred and sixty-three Zloty and thirty-seven Groszy);
   e) additional information about the accounting policy applied and other explanatory notes.

3. Auditor's opinion and report of 27 March 2019.

Consequently, the Supervisory Board resolved to submit this assessment to the AGM of Shareholders of ERBUD S.A.

The Supervisory Board recommends to the General Meeting of ERBUD SA to approve:

- the Separate Financial Statements of ERBUD SA for the financial year ended 31 December 2018;
- the Consolidated Financial Statements of the ERBUD Group for the financial year ended 31 December 2018;
- the Management Board Report on operations of the ERBUD Group, including the Management Board Report on operations of ERBUD S.A. in 2018;
- Integrated Annual Report on the activities of the ERBUD Group containing non-financial data.

V. Assessment of the Management Board's proposal to cover the net loss of ERBUD S.A. for the year ended on 31 December 2018

The Supervisory Board positively assesses the ERBUD S.A. Management Board's proposal addressed to the AGM of ERBUD S.A. regarding covering the net loss of ERBUD S.A. for 2018 in the amount of PLN **-12.254,355.09** (say: minus twelve million, two hundred and fifty-four thousand, three hundred and fifty-five Zloty and nine Groszy), which recommends covering the loss from future profits.

VI. Self-assessment of the activities of the Supervisory Board

The Supervisory Board made a self-evaluation of its activities in 2018. Members of the Supervisory Board, following the established custom, completed the self-assessment questionnaire, and the answers were analysed by the Chairman of the Supervisory Board, who then presented his conclusions to the Supervisory Board.

The Supervisory Board was independent as regards the assessment of the Management Board's work and the Company's operations, also in the area of its functioning as a public interest entity. With respect to the composition of the Supervisory Board, it may be stated that members of the Supervisory Board have diverse knowledge and experience. Members of the Supervisory Board represent a high level of professional competence and are persons with substantive preparation that corresponds to the specifics of the activities of the Company and the Erbud Group. All members of the Supervisory Board exercised due diligence in the performance of their duties, using their knowledge, qualifications and skills.

While performing its duties, the Supervisory Board used information and documents presented by the Management Board, as well as by the employees of the Company designated for this purpose, in particular those from the Internal Audit or Legal Departments. In the opinion of the Supervisory Board, cooperation with the Company's Management Board was very smooth. Members of the Supervisory Board were involved in works of the Management Board, participating in its meetings, usually in its full composition. All the few absences were always justified. The activities that the Supervisory Board is obliged to perform were carried out in a timely manner and with the utmost care. The decisions were taken after detailed discussions and after hearing the arguments of the Management Board often using expert assessments and opinions prepared by external advisors. Important observations and opinions of members of the Supervisory Board were reflected in the minutes of the Board's meetings. All members of the Supervisory Board performed their functions in an active manner, demonstrating the required level of involvement in the work of the entire Supervisory Board. Members of the Supervisory Board devoted the necessary time to performing their duties arising from their membership in the supervisory body, including committees of the Supervisory Board, in particular the Audit Committee. In the light of obligations under the law and the Company's Articles of Association, the Supervisory Board duly fulfilled its duties of permanent supervision over the Company what could be seen in the matters connected with:

- the analysis of the results of internal controls and audits;
- the analysis of the budget of the Company and the ERBUD Group for 2019;
- the extension of the contract with the auditing company to review and audit the financial statements of the Company and the Erbud Group.

In the opinion of the Supervisory Board members, the Supervisory Board of the Company correctly performed its obligations arising from the law, the Articles of Association and the Regulations of the Supervisory Board.

VII. Assessment of the Company's compliance with information obligations regarding the application of Corporate Governance principles as defined in the Rules of Warsaw Stock Exchange and regulations on current and periodic information provided by issuers of securities

The Supervisory Board assessed how the Company fulfils its reporting obligations regarding the application of Corporate Governance principles as defined in the Rules of Warsaw Stock Exchange and regulations on current and periodic information provided by issuers of securities.

The Supervisory Board welcomes the fulfilment by ERBUD S.A of the duties referred to above.

From 1 January 2016, ERBUD S.A follows the guidelines developed by the Warsaw Stock Exchange Board in the Corporate Governance Code named "Best Practice of WSE Listed Companies 2016".

The Supervisory Board acknowledged the fact that ERBUB S.A. identifies the types of events being subject to classification in ERBUD S,A. in terms of their recognition as confidential information to be disclosed in reports.

The Supervisory Board also got acquainted with the regulations regarding the disclosure by issuers of current and periodic information introduced by the virtue of Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Polish Journal of Law 2014 item 133).

VIII. Assessment of the rationality of the Company's policy on charitable work, sponsorship or other activities, or information on the lack of such policy

The Supervisory Board conducted an assessment of the rationality of the Company's policy on charitable and sponsorship activities.

In 2018, the Company strongly focused on supporting the “ERBUD - Wspólne Wyzwania” Foundation [Common Challenges Erbud Foundation] named after Eryk Grzeszczak, which focuses on helping children from orphanages and those under foster care to go through the process of becoming independent.

In 2018, the ERBUD Foundation was implementing three projects, namely:

- „TOGETHER Programme - employee mentoring;
- “Getting Independent Vehicle” together the Robinson Crusoe Foundation;
- „Recipe for Success” - diagnosing the needs of children and youth by providing practical techniques to increase motivation, involvement and perseverance in setting personal goals. It also includes diagnosing needs, raising psychological competences and improving professional skills of educators.

The continuous development of the ERBUD Foundation's activities is not the only form of social engagement of the ERBUD Group.

The ERBUD Group member companies support various social initiatives; their selection is consistent with our Social and Sponsoring Policy. The Group also supports the sports activities of its personnel. In 2018, the Group was involved in sponsorship of the several social areas.
A key aspect is to carry out activities aimed at supporting vocational education. This is important mainly because it creates personnel training opportunities and getting it ready for future work, but also because of a constant need to build the work ethics of construction professions.

- Following-up the cooperation with the Technical College of Construction and Architecture in Warsaw;
- Launching a series of meetings and training sessions for students of Upper-Secondary School Complex No. 20 in Łódź;
- Starting cooperation with the Construction Schools’ Complex in Wrocław;
- Sponsoring the Knowledge and Building Skills Contest organized by the Faculty of Civil Engineering at the Warsaw University of Technology.

The companies of the ERBUD Group take care for health and well-being of their personnel.

- For several years now, the ERBUD Group has been taking part in the "2 Hours for Family" campaign;
- The ERBUD Group constantly participates in the Second Sports Olimpics of the Infrastructure and Construction Industry organized by the Polish Association of Building Employers;
- The ERBUD S.A. football team took part with great success in a football tournament organized in Stuttgart by our shareholder Wolff & Müller;
- The representatives of PDBI participated in the 14th Polish Championships of Road Workers in Alpine Skiing and Snowboarding named after Wojtek Malusi.

SUMMARY

- Expenses incurred for CSR activities in ERBUD SA in 2018 amounted to PLN 50,000;
- Seventeen charity campaigns;
- Fifty-two persons covered by the Foundation's activity.

The Supervisory Board positively assesses the implementation of the binding Social and Sponsoring Policy by the Erbud Group member companies.

IX. Dividend

In 2018, the Company paid out a dividend - Resolution 5/2018 of the General Meeting of Shareholders dated 18.05.2018. The Record Date was set at 05 June 2018 and the Payment Date at 19 June 2018.
For the payment was allocated PLN 1.10 per share, i.e. a total of PLN 14,093,044.90.
The amount of PLN 12,539,246.93 came from the net profit generated by the Company in 2017 increased by PLN 1,553,797.97 from the company's reserves.
The Management Board of the Company justified the recommendation for dividend distribution with good financial results in the ERBUD Group for 2017, as well as good liquidity ratios.

Warsaw, April 23, 2019

_____

Udo Berner
Supervisory Board Chairman