ERBUD S.A.

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

I. Supervisory Board composition

In the period from 1 January 2017 to 31 December 2017 the Supervisory Board of ERBUD SA consisted of:

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

Two committees report to the Supervisory Board:

Audit Committee with the following composition:

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

Remuneration Committee with the following composition:

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

Members of the Supervisory Board, including members of the Audit Committee, meet the criteria of independence, except for two members of the Supervisory Board: Mr. Udo Berner and Mr. Albert Dürr who represent the shareholder Wolff & Müller GmbH & Co. KG.

II. Activities of the Supervisory Board

In the period from 1 January 2017 to 31 December 31, there were hold four meetings of the Supervisory Board of ERBUD SA (on: 14/03/2017, 23/05/2017, 26/09/2017, 21/11/2017) and four meetings of the Audit Committee (on: 13/03/2017, 20/06/2017, 29/08/2017 and 13/11/2017).

On 1 June 2017, in connection with the appointment of Mrs. Agnieszka Głowacka as a Member of the ERBUD SA Management Board, the Chairman of the ERBUD SA Supervisory Board, who is also the Chairman of the Remuneration Committee pursuant to the Resolution of the Supervisory Board No. 21/2015 of 29 May 2015 regarding authorization of a Member of the Remuneration Committee to represent the Company in matters related to concluding, extending, modifying and terminating employment contracts with the Members of the Management Board of the Company, signed a Manager Agreement with Mrs. Agnieszka Głowacka, Member of the ERBUD SA Management Board. The remuneration of other Members of the Management Board does not change.

At each meeting, the Supervisory Board reviewed the current financial results and current operations of the Company, as well as the operations of the ERBUD Group, in terms of the ERBUD Group

strategy, planned acquisitions, etc.

In 2017, the Management Board of ERBUD SA changed its composition, i.e. on 23 May 2017, by the resolution of the Supervisory Board No. 17/2017, Ms. Agnieszka Głowacka associated with ERBUD since 1998, acting as the Finance Director, was appointed to the Management Board of ERBUD SA. After the appointment of Mrs. Agnieszka Głowacka to the Management Board of ERBUD SA, the Management Board of the Company was as follows:

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

On 13 September 2017, Mr. Paweł Smoleń, Member of the ERBUD SA Management Board, submitted a resignation from his function, with effect as of 16 October 2017. In connection with the above, since 17 October 2017, the Management Board of ERBUD SA is a three-person body, i.e.:

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

Following the entry into force of the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision, the Supervisory Board of ERBUD SA made every effort to prepare the Company for new regulations resulting from the Act, such as:

- ✓ introducing changes to the existing Regulations of the Audit Committee of ERBUD SA;
- ✓ introducing changes to the currently binding Regulations of the Supervisory Board of ERBUD SA;
- ✓ adoption of the policy of selecting an auditor;
- ✓ providing the Company with new statements of independence of the Audit Committee members;
- ✓ increasing the frequency of meetings of the Audit Committee of the ERBUD SA.

In 2017, thirty four resolutions were adopted by the Supervisory Board, both at meetings and by circulation.

Resolutions of the Supervisory Board were mainly concerned with:

1. approving the appointment of a new member of the ERBUD SA Management Board;
2. renewing credit and guarantee lines (and concluding new ones);
3. giving consent to new investments exceeding the powers of the Company's Management Board - offers regarding such large projects were discussed at meetings and approved in written resolutions passed by circulation;
4. approving the issue of series C bonds;
5. Issuing opinion on draft resolutions to be adopted by the AGM, including those on granting discharge to the members of the Management Board of ERBUD SA;
6. approving the performance plan, operating profit and overheads budget of the ERBUD SA Management Board for 2018;
7. approving amendments to the Regulations of the Audit Committee of ERBUD SA;

8. considering and giving opinion on the proposal regarding the allocation of profit and dividend payment for 2016;
9. issuing opinion on the Management Board Report to financial statements for 2016;
10. approving the establishment of HEBUD sp. z o. o in Belarus.

The Supervisory Board was receiving from the ERBUD SA Management Board monthly reports describing the current financial and economic position of the Company.

Essential Company's matters and figures were analysed and discussed by the Audit Committee and the Supervisory Board with the Management Board of ERBUD SA 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 took note of the fact that an internal audit department operates in the ERBUD Group and that unified compliance and risk management regulations are being developed (in consultation with other construction companies).

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

The Supervisory Board positively assesses control mechanisms functioning in the Company. The entire meeting of the Audit Committee on 20 June 2017 was devoted to the analysis of risks.

IV. Assessment of Financial Statements of ERBUD SA for the year ended 31 December 2017 and the Management Board Report on ERBUD SA operations in 2017

Pursuant to Article 382(3) of the Commercial Company Code, the special duties of the Supervisory Board include the assessment of the Management Board report on the company's activity and the financial statements for the previous financial year in terms of their compliance with the accounting books, documents and facts, and of the Management Board's proposal on distribution of profit, as well as submitting to the General Meeting of Shareholders an annual written report on the above assessment.

On 9 May 2016, the Supervisory Board of ERBUD SA selected PricewaterhouseCoopers sp. z o. o. ("Certified auditor") as the entity authorised to audit financial statements of the ERBUD Group in the next 3 years, to perform audit of separate financial statements of ERBUD SA and annual consolidated financial statements of the ERBUD Group for the financial years 2016, 2017 and 2018.

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

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

The Financial Statement of ERBUDE SA for the year ended 31 December 2076 and the Management Board Report on ERBUD SA operations in 2017 were assessed in detail by the Audit Committee of the Supervisory Board at the meeting held on 21 March 2018 and discussed with the Management Board and the certified auditor at the Supervisory Board's meeting held on the same day.

In its opinion issued on 27 March 2018, the auditor assured that the Consolidated Financial Statements of the ERBUD Group, in which ERBUD SA is the parent company

- present a true and fair view of consolidated financial position of the ERBUD Group as at 31 December 2017, and of its consolidated profit and consolidated cash flows for the financial year ended from 31 December 2017 pursuant to 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 regulation applicable to the Company and with Company's Articles of Association.

The opinion is consistent with the additional report prepared for the Audit Committee and which was issued on 27 March 2018.

The certified auditor's unqualified opinion on auditing the Separate Financial Statements of ERBUD SA was issued on 27 March 2018.

The auditor also assured that the Report on operations of ERBUD SA in the financial year 2017 is complete within the meaning of Article 49 of the Accountancy Act and of Section 92 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities, and the conditions for the recognition of equivalent to the information required by the law of the State which is not a Member State(Polish Journal of Laws of 2014, item 133, as amended) and the information contained therein is consistent with the audited Financial Statements.
The Management Board of Erbud SA also represented that Financial Statements of ERBUD SA for 2017 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 submitted by the Management Board as to their compliance with the Company's accounts, records and facts:

1. Separate Financial Statements of ERBUD SA for the year ended 31 December 2017, including:

   a) the Management Board Report on operations of ERBUD SA in the financial year ended 31 December 2017;
   b) the Balance Sheet as of 31 December 2017, showing total assets and total liabilities of PLN **689,732,930.65** (say: six hundred and eighty-nine million, seven hundred and thirty-two thousand, nine hundred and thirty Zloty and sixty-five Groszy);
   c) the Profit and Loss Statement for the period from 1 January 2017 to 31 December 2017, showing a net profit of PLN **12,539,246.93** (say: twelve million, five hundred and thirty-nine thousand, two hundred and forty-six Zloty and ninety-three Groszy);
   d) the Cash Flow Statement showing a **decrease** in cash by PLN **58,537,139.18** (say: fifty-eight million, five hundred and thirty-seven thousand, one hundred and thirty-nine Zloty and eighteen Groszy) in the financial year ended 31 December 2017;
   e) the Statement of Changes in Equity showing an **increase** in equity by PLN **14,941,573.95**

(say: fourteen million, nine hundred and forty-one thousand, five hundred and seventy-three Zloty and ninety-five Groszy) in the financial year ended 31 December 2017;

f) additional information about the accounting policy applied and other explanatory notes;

2 Consolidated Financial Statements of the ERBUD Group for the year ended 31 December 2017, including:

a) the Management Board Report on operations of the ERBUD Group in the financial year ended 31 December 2017;
b) the Consolidated Balance Sheet of the ERBUD Group as of 31 December 2017, showing total assets and total liabilities of PLN **942,687,116.04** (say**:** nine hundred and forty-two million, six hundred and eighty-seven thousand, one hundred and sixteen Zloty and four Groszy);
c) the Consolidated Profit and Loss Statement of the ERBUD Group for the period from 1 January 2017 to 31 December 2017, showing a net profit of PLN **23,931,837.32** (say**:** twenty-three million, nine hundred and thirty-one thousand, eight hundred and thirty-seven Zloty and thirty-two Groszy);
d) the Consolidated Cash Flows Statement of the ERBUD Group showing a **decrease** in cash by PLN **67,102,238.63** (say: sixty-seven million, one hundred and two thousand, two hundred and thirty-eight Zloty and sixty-three Groszy) in the financial year ended 31 December 2017;
e) the Statement of Changes in Consolidated Equity showing an **increase** in equity by PLN **25,050,638.23** (say: twenty-five million, fifty thousand, six hundred and thirty-eight Zloty and twenty-three Groszy) in the financial year ended 31 December 2017;
f) additional information about the accounting policy applied and other explanatory notes;

3. Auditor's opinion and report of 27 March 2017.

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

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 2017;
- the Consolidated Financial Statements of the ERBUD Group for the financial year ended 31 December 2017;
- the Management Board Report on operations of ERBUD SA in 2017;
- the Management Board Report on operations of the ERBUD Group in 2017.

V. Assessment of the Management Board's proposal on distribution of net profit of ERBUD SA for the year ended on 31 December 2017

The Supervisory Board positively assesses the ERBUD SA Management Board's proposal addressed to the AGM of ERBUD SA regarding the allocation of net earnings of ERBUD SA, with recommendation to pay the dividend for 2017 in the amount of PLN 14,094,934.90, of which PLN 12,539.246.93 comes from the net profit of ERBUD SA achieved in 2017, and the remaining amount, i.e. PLN 1,553,797.97 will be taken from the supplementary capital of ERBUD SA.

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

In 2017, the Supervisory Board made a self-evaluation of its activities. Members of the Supervisory Board completed the self-assessment questionnaire and it was analysed by the Chairman of the Supervisory Board.

Most Members of the Supervisory Board have due knowledge and experience required to exercise their functions and were able to devote the necessary time to perform their duties

By resolution of 19 October 2017 the General Meeting of ERBUD S.A. adopted the new Rules of the Supervisory Board adjusting the hitherto regulations to the amended regulations relating to the Act on certified auditors

As a result of ordering works, the Supervisory Board adopted on 26 September 2017 the Rules of the Audit Committee to be in line with the new Rules 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 under the name "Best Practice of WSE Listed Companies 2016".

In the following 2017 year, the Company applied the detailed principles of Corporate Governance set out in point I.Z.1.11 of Best Practices, i.e. the Policy of selecting an auditor was adopted.

An internal division of responsibilities of individual members of the Management Board has been introduced.

The Supervisory Board acknowledged the fact that ERBUB SA identified the types of events being subject to qualifying by ERBUD SA for recognition as confidential information to be disclosed in reports.

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 2017, the Company strongly focused on supporting the “ERBUD - Wspólne Wyzwania” Foundation

[Erbud's Common Challenge Foundation] named after Eryk Grzeszczak, which focuses on helping children from orphanages to become independent.

2017 was a year of an intense work of mentors, who are employees of the ERBUD Group, with their charges (Children's Homes charges / children under foster care).

In December 2017, the Foundation signed annexes both with mentors and charges extending cooperation with the Foundation until 30 June 2018.

The following activities were taken by the Group as well:

- sponsoring of the annual event called "Operetta and Opera Gala Night of the Polish-German Chamber of Industry and Commerce [AHK] in Warsaw;
- sponsoring of the Hope Concert organised in Wroclaw by the "Na Ratunek" [Let's Come to Rescue] Foundation;
- support to the organisation of the Winter Rally of the Siemacha Association;
- support to the organisation of the Mother's Day celebrations at the Mother and Child Institute in Warsaw;
- sponsoring of the amateur basketball team of PBDI SA Poland during 14th International FIMBA Maxibasketball Championship in Tuscany, Italy;
- sponsoring by PBDI SA of the speedway racing team of GetWell Toruń Sports Club in the 2017 season;
- sponsoring of the TOFIFEST International Film Festival in Torun by PBDI SA;
- sponsoring of 25th anniversary of the Polish Association of Construction Employers [PZPB];
- follow-up of co-operation with the Technical School of Construction and Architecture in Warsaw;
- participation in the charity campaign "Let's get down to rowing everybody"[„Wszyscy Do Wioseł"] of the Legia Foundation;
- participation in a social campaign "Two Hours for Your Family";
- sponsoring of the annual event "New Year's Lunch with Celebrities" ["Noworoczny Obiad z Gwiazdami"].

SUMMARY

- Expenses incurred for CSR activities in ERBUD SA in 2017 amounted to PLN 30,000.
- Number of hours of volunteers' work: 1760.
- 12 charity campaigns.

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

IX. Dividend

In 2017, the Company made an extraordinary dividend payment - Resolution 3/2016 of the Extraordinary General Meeting of Shareholders of 22 December 2016. The dividend day was set for 9 January 2017, and the payment date for 23 January 2017.

For dividend payment, the amount of PLN 1.17 per share, i.e. the total amount of PLN 14,989, 875.03 was appropriated from the Company's reserve fund, set up using retained earnings. 12 811 859 shares were entitled to the dividend payment.
Recommendation for extraordinary dividend payment was justified by the Management Board of ERBUD through the stable financial situation of the Company and the whole ERBUD Group and satisfactory orders portfolio of the Group, as well as positive Company's cash flow of PLN 47.5 million resulting mainly from the sale of shares of Budlex SA and the settlement of this transaction in October 2016.

The Company's net profit for 2016, in accordance with Resolution 6/2017 passed by the AGM on 23 May 2017 was allocated to reserve capital.

Warsaw, 12 April 2018

_____

Udo Berner
Supervisory Board Chairman