Independent Auditor's Report

to the General Meeting of Shareholders and Supervisory Board of Erbud S.A.

Audit Report on the Annual Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying Annual Consolidated Financial Statements of the Erbud S.A. ("Group") in which ERBUD S.A. is the parent company (the "Parent Company"):

- present a true and fair view of the Group's consolidated financial position as of 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year ended on that day in accordance with applicable International Financial Reporting Standards as endorsed by the European Union and with the accounting principles (policies) adopted;
- comply in form and content with legal requirements applicable to the Group and the Articles of Association of the Parent Company.

This opinion is consistent with our supplementary report to the Audit Committee, which was issued as of the date of this report.

Scope of the audit

We have audited the Annual Consolidated Financial Statements of the Erbud S.A. Group, which comprise:

- Consolidated statement of financial position as of 31 December 2019;

and the following documents drawn up for the accounting year from January 1 to 31 December 2019:

- consolidated statement of result;
- consolidated statement of other comprehensive income;
- consolidated statement of changes in equity;
- consolidated cash flow statement, and
- explanatory notes containing the description of adopted accounting principles and other information.

Basis for our opinion

Basis for our opinion

Our audit was carried out in compliance with the International Standards on Auditing with the wording of the National Standards on Auditing, by the National Council of Statutory Auditors (NCSA) and pursuant to the 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 2019, item 1421, as amended), as well as EU Regulation 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). Our responsibilities under those National Audit Standards are further described in the Section *"The Auditors' Responsibilities for auditing the Consolidated Financial Statements".*

We believe that the audit evidence we have obtained is sufficient and appropriate to represent grounds for giving our opinion.

Independence and Ethics

We are independent from the Group in compliance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and with other ethical requirements that apply to our audit of financial statements in Poland. We fulfilled our other ethical obligations in accordance with these requirements and the IFAC Code.
During the audit, the key certified auditor and the audit company remained independent of the Group in accordance with the independence requirements set out in the Act on Certified Auditors and in the EU Regulation.

Our approach to the audit

Summary



Key: Istotność = Materiality; Zakres badania = scope of audit; Kluczowe sprawy badania = Key audit issues

- The overall materiality set when planning the audit was determined at the level of PLN 17.4 million, which accounts for 0.75% of the Group's sales revenues.
- We audited the Parent Company and its 6 subsidiaries in Poland.
- The audit team visited and performed selected audit procedures for the following subsidiaries: Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A., Erbud Industry Sp. z o.o., Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o., Erbud Industry Południe Sp. z o.o., Erbud International Sp. z o.o.
- The scope of our audit covered 90% of consolidated revenues of the Group and 87% of consolidated assets of the Group before making consolidation exclusions.
- Accounting treatment of building contracts.

We have planned our audit by determining materiality and assessing the risk of material misstatement of the Consolidated Financial Statements. In particular, we considered where the Management Board of the Parent Company made subjective judgments; for example, with respect to significant accounting estimates that required assumptions and consideration of future events that are inherently uncertain. We also referred to the risk

of the Management Board circumventing internal control, including - *inter alia* - whether there was evidence of partiality of the Management Board, which would represent a risk of significant misstatement caused by fraud.

We have adjusted the scope of our audit to perform sufficient work enabling us to issue an opinion on the Consolidated Financial Statements as a whole, taking into account the structure of the Group, accounting processes and controlling, as well as the industry in which the Group operates.

Materiality

The scope of our audit was impacted by the assumed level of materiality. The audit was designed to obtain reasonable assurance over whether the Consolidated Financial Statements as a whole are free from material misstatement. Misstatements can arise from fraud or error. Misstatements are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

Based on our professional judgment, we have established quantitative thresholds for materiality, including overall materiality with reference to the Consolidated Financial Statements as a whole, which we present below. These thresholds, together with qualitative factors, enabled us to determine the scope of our audit and the type, timing and scope of audit procedures, as well as to assess the impact of misstatements, both individually and jointly, on the consolidated financial statements as a whole.

The concept of materiality is used by the auditor both in the planning and conducting the audit as well as in assessing the impact of misstatements identified during the audit and unadjusted misstatements, if any, on the financial statements and when formulating the auditor's opinion. Therefore, all opinions, statements and statements included in the auditor's audit report are expressed having regard to the quantitative and qualitative materiality level determined in accordance with the audit standards and professional judgment of the certified auditor.

Overall materiality for the Group	PLN 17.4 million in 2019
Determination basis	0.75% of the Group's sales revenues
Rationale for adopted basis	We have taken the value of sales revenues as a basis for determining materiality due to the historical fluctuation in gross profit and due to the fact that this index is monitored and analysed both by owners and users of the Group's Financial Statements. We have assumed materiality at the level of 0.75%, because, based on our professional judgment, it falls within the acceptable thresholds of quantitative materiality.

We agreed with the Parent Company's Audit Committee that we would inform about misstatements identified during the audit of Consolidated Financial Statement with the value exceeding PLN 0.9 million, and also about any misstatements below this figure, if in our opinion it would be reasonable due to qualitative factors.

Key audit issues

The key audit issues are issues that, in our professional judgment, were the most significant during our audit of the Consolidated Financial Statements of the current period. They cover the most significant risks of material misstatement assessed, including the assessed risks of material misstatement due to fraud. We have addressed these issues in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and have summarized our reaction to these types of risks, and - where we consider it appropriate – we have presented observations related to these risks. We do not express a separate opinion on these issues.

Key audit issue	How our audit addressed this issue
Accounting treatment of building contracts In 2019, the Group recognized revenues from building contracts in the amount of PLN 2 109.1 million, which was disclosed under "Revenues from sales of goods and services" in the Consolidated Financial Statement of Result. As of 31 December 2019, the results of valuation of building contracts were presented in the Consolidated Financial Statement on the assets side in the amount of PLN 202.5 million and on the liabilities side in the amount of PLN 156.0 million, respectively in the lines of the Consolidated Statement of Financial Position "Receivables under building contracts - valuation" and in "Liabilities under building contracts - valuation". Revenue under building contracts is recognised over time with progress of work performance. The Group companies measure contract progress rate by determining revenues during the contract term using the performance-based method and the expenditure-based method. Applying the performance-based method, the actual revenues and costs generated by the performance of building contracts in the period from the Contract Date to the Balance Sheet Date, including revenues and costs which influenced the financial result in the previous years, are determined in proportion to contract progress rate, by evaluating the performance achieved and milestones.	Our audit procedures included in particular: • obtaining an understanding of the internal control system as regards valuation of building contracts and identification of the result for the period from these contracts; • testing selected samples under selected controls relevant for the determination of the correct valuation of building contracts, concerning in particular: (a) the drawing up and regular review of project budgets and, where appropriate, updating thereof; (b) the verification and appropriate allocation of project costs; these tests included confirmation of the allocation of a cost invoice to the relevant building project; • carrying out retail tests on a chosen sample of contracts, selected using quantitative and qualitative criteria, including:: – the reconciliation of contract revenues with the contract; – the recalculation of revenues according to the stage of completion of the project adopted by the Group, reconciliation of incurred costs and recalculation of the planned margin and analytical verification of the project progress rate;

Applying the expenditure-based method, revenues from the performance of building contracts in the period from the contract date to the balance sheet date, taking into account the revenues which had impact on the financial result in previous years, are determined proportionally to progress rate of a given contract by comparing the costs incurred under a given contract according to the inventoried costs as of the balance sheet date to the total cost budget of a given contract.

Taking into account the specific nature of the Group's operations, the determination of the amount of revenues due in a given accounting year requires estimation and is based on projected (budgeted) costs and total revenues for each contract. The estimates are concerned both with unforeseen costs arising in the course of the work, but also the likely amount of extra remuneration, e.g. for extended scope of construction work.

The Management Board of the Parent Company regularly analyses all cases of contracts where there is a risk of additional material costs, initially not included in the budget, and assesses to what extent they make it possible to establish a credible variable remuneration. Where such situations arise, the budget shall be updated.

Disclosures on the accounting policy adopted by the Group and settlement of building contracts are presented in the Notes 2. and 4.1.-4.2. attached to the Consolidated Financial Statement.

Bearing in mind the inherent risk of uncertainty related to significant estimates made by the Management Board of the Parent Company and the amount of revenues from building contracts in the Group, we decided that this is a key issue for our audit.

- obtaining an understanding, through discussions with the management and analysis of documents, the reasons for deviations of the actual margin in relation to the budgeted one and where we considered it necessary, verification of these deviations from the source documentation;
- the comparison of invoiced revenues and payment for the issued invoice;
- the verification of reclassifications between costs allocated to individual projects in order to address the risk of incorrect allocation of contract costs;
- the test of correctness of recognition of cost invoices received after the balance sheet date in the cost of projects;

- evaluating the source evidence regarding litigation for on-going and completed projects and possible penalties and claims;
- assessing the completeness and correctness of disclosure of building contracts in the consolidated financial statements.

Responsibility of the Management and Supervisory Boards for consolidated financial statement

The Management Board of the Parent Company is responsible for the drawing up of the annual Consolidated Financial Statements that gives a true and fair view of the financial position and the financial performance of the Group in compliance with the International Financial Reporting Standards, as endorsed by the European Union, adopted accounting principles (policy) as well as applicable laws and regulations and the Articles of Association. The Management Board is also responsible for such internal control that it considers to be key to enable the drawing up of Consolidated Financial Statement that is free from material misstatement, whether caused by fraud or error.

In drawing up the Consolidated Financial Statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board either intends to liquidate the Group or to cease its operations, or have no realistic alternative but to liquidate or discontinue operations.

The Management Board of the Parent Company and members of the Supervisory Board are obliged to ensure that the Consolidated Financial Statement meets the requirements set forth in the Accounting Act of 29 September 1994 („Accounting Act" – uniform text Journal of Laws of 2019, item 351, as amended) The Supervisory Board members are responsible for overseeing the financial reporting process.

Auditor's responsibilities for auditing the Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the National Audit Standards will always detect a material misstatement, if any. Misstatements can arise from fraud or error and are considered material if, individually or jointly, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statement.

The scope of the audit does not include assuring the future profitability of the Group or the effectiveness or efficiency of running its businesses by the Management Board of the Parent Company at present or in the future.

As part of an audit in accordance with the Audit Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Consolidated Financial Statement, whether due to fraud or error, design and perform audit procedures corresponding to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or bypassing of the internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under certain circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- assess the appropriateness of the accounting principles (policy) applied and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Company;
- conclude on the appropriateness of the use of the going concern basis of accounting by the Management Board of the Parent Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statement. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and Supervisory Board regarding, *inter alia*, the planned scope and timing of the audit and significant audit findings, including any significant flaws of internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and report to the Committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, we inform about related safeguards.

From the issues communicated to the Audit Committee, we determine those issues matters that were most significant during the audit of the Consolidated Financial Statements of the current period and therefore belong to the key audit issues. We describe these issues in our auditor's report, unless law or regulations precludes public disclosure of such issues or when, under extremely rare circumstances, we determine that an issue should not be communicated in our report, because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosure.

Other information including the Report on Activities

Miscellaneous information

Miscellaneous information comprise the Report on the Group's and Parent Company's Activities for the accounting year ended 31 December 2019 (the "Combined Activity Report") along with the Statement on Corporate Governance, and also a separate report on the non-financial information for the Parent Company and the Group (jointly Miscellanea Information).

Responsibilities of the Management and Supervisory Boards.

The Management Board of the Parent Company is responsible for drawing up Miscellanea Information compliance with the effective law.

The Management Board of the Parent Company and the members of the Supervisory Board are obliged to ensure that the Report on Group Operations along with the separated parts, including separate report on non-financial information meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our opinion on the audited Consolidated Financial Statement does not cover the Miscellaneous Information.

In connection with our audit of the Consolidated Financial Statement it is our responsibility to read the Miscellaneous Information and, by doing so, consider whether they are materially inconsistent with the Consolidated Financial Statements, our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in Miscellaneous Information, we are required to report that fact in our Audit Report. Our responsibility pursuant to the requirements set forth in the Act on Auditors is also to issue an opinion, whether the Combined Activity Report has been prepared in line

with the regulations and whether it is consistent with the information provided the Annual Consolidated Financial Statement.

In addition, we are required to express an opinion as to whether the Parent Company and the Group have included the required information in the Corporate Governance Statement and to inform whether the Parent Company and the Group have drawn up separate Report on non-financial information.

Opinion on the Report on Activities

In our opinion, based on the work undertaken in the course of the audit, the Combined Report on the Group's and Parent Company's activities:

- has been prepared in accordance with the requirements of Art. 49 Accounting Act and paragraphs 70 and 71 of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by the issuers of securities and on conditions for recognizing information required by the law of a non-member state as equivalent ("Regulation on Current Information" – Polish Journal of Laws of 2018, item 757);
- is consistent with the information contained in the Consolidated Financial Statement and Financial Statement.

Furthermore, we declare that in the light of the knowledge about the Group and the Parent Company and their environment acquired during our audit, we have not identified any material misstatements in the Combined Activity Report.

Opinion on the Declaration of compliance with Corporate Governance

In our opinion, the Corporate Governance Statement includes the information specified in Art. 70(6), point 5 of the Regulation on Current Information. In addition, we express the opinion that the information referred to in Art. 70(7) point 5, letters c-f, h) and i) of this Regulation contained in the Declaration of Compliance with Corporate Governance Rules is consistent with the applicable regulations and information contained in the Consolidated Financial Statements.

Statement on non-financial information

Pursuant to the requirements of the Act on Statutory Auditors, we confirm that the Parent Company and the Group in the Combined Report on Activities information on the preparation of a separate report on non-financial information, referred to in Article 49b, par. 9 and Article 55, par. 2c of the Accounting Act and that the Parent Company and the Group prepared such a separate report.

We have not performed any certification work concerning separate report on non-financial information and do not express any assurance about it.

Report on other legal and regulatory requirements

Statement on delivery of non-audit services

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are compliant with laws and regulations in force in Poland and that the non-audit services prohibited under Art. 5(1) of the EU Regulation and Art. 136 of the Act on Certified Auditors were not provided.

In the audited period we did not deliver non-audit services to the Group to the Parent Company and entities controlled by it in the European Union.

Appointment of an audit firm

We have been appointed for the first time to audit the Annual Consolidated Financial Statements of the Group by virtue of a resolution of the Supervisory Board of 9 May 2016 and again by virtue of a resolution dated 22 March 2019. The Group's Consolidated Financial Statement we have audited continuously since the accounting year ended 31 December 2016, that is for four (4) consecutive years.

The lead certified auditor responsible for conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of audit firms under No. 144, the result of which is this report of the independent statutory auditor, is Piotr Wyszogrodzki.

Piotr Wyszogrodzki
Lead Certified Auditor
Register No. 90091

Warsaw, 6 April 2020