Topic:
Information on the change of the Articles of Association of Erbud SA

Content of report:
ERBUD SA informs that by Resolution No. 3/2016 of the Extraordinary General Meeting of ERBUD SA dated 19 October 2016, an amendment of the Articles of Association has been adopted.

Erbud SA publishes the existing provisions of the Articles of Association and the wording of the adopted changes.

1. Changes to Article 11 of the Articles of Association:

The current wording of Art.11 of the Articles of Association:

"Article 11

1. *The Supervisory Board shall be composed of 5 to 7 members, including the Chairman and Vice-Chairman of the Supervisory Board.*
2. *Members of the Supervisory Board shall be appointed by the General Meeting for the three-year period of common term of office. The General Meeting shall appoint the Chairman and Vice-Chairman of the Board.*
3. *Competencies of the Supervisory Board:*
    1) *Approval of projects of strategic longstanding plans for the Company;*
    2) *Approval of projects of annual material and financial plans;*
    3) *Approval of the Company's projects of investment plans;*
    4) *Granting consent for the acquisition, sale and encumbrance of real estate as well as for similar rights;*
    5) *Granting consent to shift the production, set up and liquid units and subsidiaries and acquire new businesses;*
    6) *Granting consent for providing by the Company guarantees, property warranties, issuing bills, taking over guarantees, opening letters of credit with a value over the equivalent to the amount of € 2,000,000.00 (two million Euro) each time;*
    7) *Granting consent for capital investments over the equivalent to the amount of € 100,000.00 (one hundred thousand Euro), excluding capital investments, treasury bills and bonds issued in Poland or countries where the Company operates;*
    8) *Granting consent for the acquisition, disposal and load on shares in other entities;*
    9) *Setting vote procedure of Company representatives in the bodies of the subsidiaries and associated related to appointment and dismissal of members of the subsidiaries and associated, dissolution or liquidation of these companies, changes of business purposes, division or merger of subsidiaries and associated;*
    10) *Granting consent to perform any actions not related to the Company's scope of business and extraordinary acts of value exceeding the equivalent to the amount of € 100,000.00 (one hundred thousand Euro);*
    11) *Granting consent to enter into arrangements with:*
        a) *employees of shareholders,*
        b) *dominants in relation to the Company, sub-units to the dominant subjects or spouse or person remaining with them in common life, relatives and kins to second degree, adopting or adopted, those related to care or guardianship, as well as with such subjects in which one of these persons is a dominant or manager;*
        c) *any other shareholders who have more than 5% of votes at the General Meeting of the Company, as well as units which are depending from them or subjects which they are managing;*

d) entities controlled by the Company;

e) persons managing or supervising the Company, or their spouses, those remaining with them in the common life, relatives and kins to second degree, adopting or adopted, as well as well as with such subjects in which one of these persons is a dominant or manager;

12) Granting consent for investments above the equivalent to the amount of € 100,000.00 (one hundred thousand Euro), unless these investments are included in the investment plan approved by the General Meeting;

13) Granting consent for the conclusion of contracts for rental, lease and license with a validity period of more than 36 months;

14) Granting consent to submit tenders and conclude construction contracts with a net value exceeding the equivalent to the amount of € 15,000,000.00 (fifteen million Euro), while for joint bids deciding is the net bid sum and not the share of the Company in the offer;

15) Granting consent to dispose with a right or incur an obligation of value exceeding the equivalent to the amount of € 2,000,000.00 (two million Euro);

16) Employment of an employee with the annual salary of more than the equivalent to the amount of € 100,000.00 (one hundred thousand Euro).

*"**Equivalen**t" means the equivalent of Euro quoted in other currency, calculated in accordance with the average exchange rates, announced by the National Bank of Poland on the day directly preceding the day on which the Management Board submitted to the Supervisory Board a request for consent to the transaction, and in the absence of such a request the date of the transaction."*

The new wording of Art. 11 of the Articles of Association:

"Article 11

1. *The Supervisory Board shall be composed of 5 to 7 members, including the Chairman and Vice-Chairman of the Supervisory Board.*
2. *Members of the Supervisory Board shall be appointed by the General Meeting for the three-year period of common term of office. The General Meeting shall appoint the Chairman and Vice-Chairman of the Board.*
3. *Competencies of the Supervisory Board:*
   1) *Approval of strategic longstanding plans for the Company;*
   2) *Approval of annual material and financial plans;*
   3) *Approval of Company's investment plans;*
   4) *Granting consent for the acquisition, disposal or encumbrance on real property, perpetual usufruct or interests in real estate;*
   5) *Granting consent to shift production, set up and liquid units and subsidiaries and acquire new businesses;*
   6) *Granting consent for providing by the Company guarantees, property warranties, issuing bills, taking over guarantees, opening letters of credit with a value over the equivalent to the amount of € 2,000,000.00 (two million Euro) each time;*
   7) *Granting consent for capital investments over the equivalent to the amount of € 100,000.00 (say: one hundred thousand Euro), excluding capital investments, treasury bills and bonds issued in Poland or countries where the Company operates;*
   8) *Granting consent for the acquisition, disposal or encumbrance of shares in other entities;*
   9) *Setting the vote procedure of Company representatives in the bodies of the subsidiaries and associated related to appointment and dismissal of members of the subsidiaries and associated, dissolution or liquidation of these companies, changes of business purposes, division or merger of subsidiaries and associated;*

10) *Granting consent to perform any actions not related to the Company's scope of business and extraordinary acts of value exceeding the equivalent to the amount of € 100,000.00 (one hundred thousand Euro).*
11) *Granting consent to conclude agreements with shareholders holding at least 5% of the total number of votes at a General Meeting and related parties within the meaning of international accounting standards adopted pursuant to Regulation No 1606/2002 of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards. This obligation does not apply to typical transactions and those concluded on market terms within the operating business conducted by the Company with entities belonging to the Capital Group;*
12) *Granting consent for investments exceeding the equivalent of € 100,000.00 (say: one hundred thousand Euro), unless these investments are included in the investment plan approved by the Supervisory Board;*
13) *Granting consent for the conclusion of agreements on rental, lease and license with the duration of more than 48 months that are concluded outside the ordinary course of business and are not provided for in the budget;*
14) *Granting consent to submit tenders and conclude construction contracts with a net value exceeding the equivalent to the amount of € 15,000,000.00 (say: fifteen million Euro), while for joint bids deciding is the net bid sum and not the share of the Company in the offer;*
15) *Granting consent to dispose with a right or incur an obligation of value exceeding the equivalent to the amount of € 2,000,000.00 (say: two million Euro);*
16) *Granting consent to employ of an employee with an annualized salary exceeding the equivalent of € 100,000.00 (say: one hundred thousand Euro);*
17) *Granting consent for the Company's Management Board members to serve on the management or supervisory boards of companies outside the Group, and also in the cases referred to in Art. 380 § 1 of the Code of Commercial Companies;*
18) *Other issues falling within the competence of the Supervisory Board by law, provisions of the Articles of Association, passed at the request of the Management Board or delegated pursuant to a resolution of the General Meeting.*

*"**Equivalen**t" means the equivalent of Euro quoted in other currency, calculated in accordance with the average exchange rates, announced by the National Bank of Poland on the day directly preceding the day on which the Management Board submitted to the Supervisory Board a request for consent to the transaction, and in the absence of such a request the date of the transaction."*

2. Art. 11a and 11b are added the Articles of Association in the following wording:

"Article 11a

1. *As long as the Company's shares will be admitted to trading on a regulated market, at least two members of the Supervisory Board should meet the criteria of independence from the Company and significant related parties, under the rules of Corporate Governance, passed by the Council of the Warsaw Stock Exchange, governing the regulated market in the territory of Poland on which the Company's shares are listed.*
2. *In the case of non-compliance with the independence criteria referred to in point 1 above by any member of the Supervisory Board, or the loss of the status of an Independent Member of the Supervisory Board during the term of office shall not terminate his/her mandate and has no effect on the ability of the Supervisory Board to exercise the powers provided for in the Code of Commercial Companies and in the Articles of Association.*

Article 11b

1. *As long as the Company's shares will be admitted to trading on a regulated market, the Supervisory Board shall appoint an audit committee, which consists of at least 3 (three) of its*

members, including at least one member should meet the requirements of independence within the meaning of Art. 6 § 5 of the Act of 7 May 2009 on auditors and their associations, entities authorized to audit financial statements and public oversight, and have qualifications in accounting or auditing.

2. *The Supervisory Board, which consists of no more than 5 (five) members can perform the tasks of the audit committee.*
3. *The tasks of the audit committee, in particular, are:*
   1) *monitoring the financial reporting process;*
   2) *reviewing the related party transactions;*
   3) *monitoring the effectiveness of internal control systems, internal audit and risk management;*
   4) *monitoring the performance of financial audit;*
   5) *monitoring the independence of the auditor and the entity authorized to audit financial statements, including cases when other services than financial audit shall be provided to the Company;*
   6) *recommending to the Supervisory Board the entity authorized to audit financial statements and financial position of the Company.*
4. *The Supervisory Board may also appoint other committees, in particular the nomination and remuneration committee. Detailed tasks and principles for the appointment and functioning of each committee, including the audit committee, shall be determinate by the Supervisory Board."*

3. Changes to Article 15 of the Articles of Association:

The current wording of Art. 15 of the Articles of Association:

"Article 15

Competences of the General Meeting:

1) *Reviewing and approving the Management Board's report on the activities of the Company and the financial statements for the previous financial year;*
2) *Passing a resolution on distribution of profits or covering losses;*
3) *Granting a vote of acceptance to members of the Management Board;*
4) *Adoption of Company's longstanding strategic plans, annual material and financial plans, and investment plans;*
5) *Adoption of the Rules of the Supervisory Board and stipulation of principles of remuneration of the Supervisory Board members;*
6) *Increasing or decreasing the share capital;*
7) *Revision of the Articles of Association of the Company;*
8) *The Company's merger with another commercial company;*
9) *Dissolution and liquidation of the Company;*
10) *Issue of convertible bonds, bonds with pre-emptive right or subscription warrants;*
11) *Disposal or leasing the whole Company or its organized parts and establishment of limited material rights on it;*
12) *Deciding on other matters that in accordance with provisions of the Code of Commercial Companies or the wording of the Articles of Association are within the competence of the General Meeting."*

The newt wording of Art. 15 of the Articles of Association:

1. *Competences of the General Meeting:*
   1) *Reviewing and approving the Management Board's report on the activities of the Company and the financial statements for the previous financial year;*

2) *Passing a resolution on distribution of profits or covering losses;*
3) *Granting a vote of acceptance to members of the Management Board;*
4) *Adoption of the Rules of the Supervisory Board and stipulation of principles of remuneration of the Supervisory Board members;*
5) *Increasing or decreasing the share capital;*
6) *Revision of the Articles of Association of the Company;*
7) *The Company's merger with another commercial company;*
8) *Dissolution and liquidation of the Company;*
9) *Issuance of convertible bonds, bonds with pre-emptive right or subscription warrants;*
10) *Disposal or leasing the whole Company or its organized parts and establishment of limited material rights on it;*
11) *Considering the issues raised by the Supervisory Board, the Management Board or by shareholders of the Company;*
12) *Deciding on other matters that in accordance with provisions of the Code of Commercial Companies or the wording of the Articles of Association are within the competence of the General Meeting.*

2) *To purchase or sell real property, and for perpetual usufruct or interests in real estate, a resolution of the General Meeting shall not be required."*