Directors' Report on ERBUD Capital Group Operations in H1 2020

2 September 2020



ERBUD

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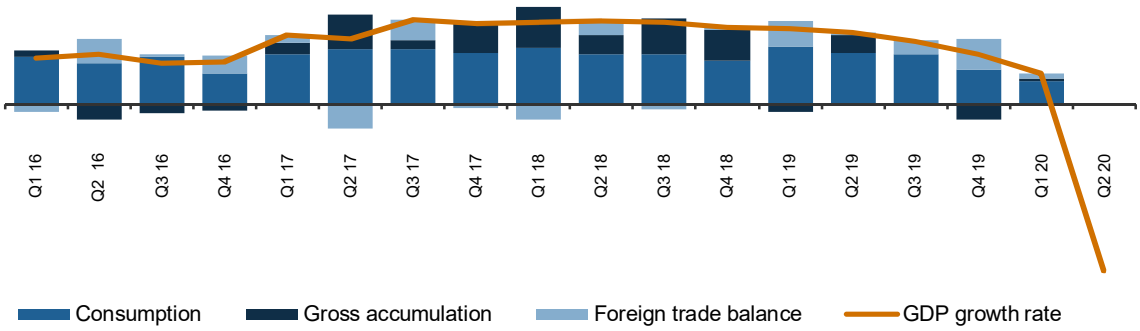
1. MACROECONOMIC ENVIRONMENT

1.1. Economic situation

1.1.1.Poland

The preliminary estimates of the Polish Central Statistical Office (GUS) concerning the GDP growth rate in Poland in the second quarter of 2020 at the level of -8.2% clearly indicate a collapse of the economic growth, which prevailed in Poland for many years. The slowdown in the growth rate of the Polish economy was already visible in the first quarter of 2020 at the outbreak of the COVID-19 pandemic, although it was on a much smaller scale than in most European countries. There has been a significant fall in both consumption, investment and international trade. The current situation is without precedence and it concerns not only Poland but also the global economy.

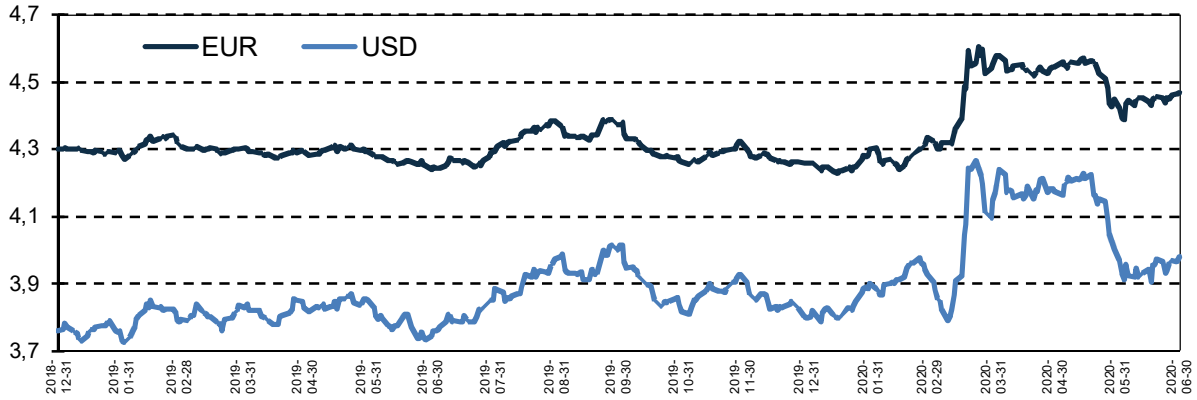
GDP growth structure in Poland



Source: Polish Central Statistical Office (GUS, Polish Statistics), Statistical Newsletter 06/2020, Preliminary GDP estimation in Q2 2020.

The COVID-19 pandemic caused a strong weakening of the Polish currency (PLN) against the euro and the US dollar in mid-March 2020. - the highest average PLN/EUR exchange rate was 4.6044 (on 24 March) and PLN/USD 4.2654 (on 23 March). The depreciation of the Polish zloty came partially to a halt at the end of May 2020, but the exchange rate of the Polish currency remains at lower levels than in 2019. In the H1 2020, the Polish currency depreciated against the euro and the US dollar by almost 5%.

Polish currency exchange rates



Source: National Bank of Poland, Archives of average exchange rates – Table A

In the first quarter of 2020, the dynamics of consumer prices of goods and services recorded high levels (above 4%), while in the second quarter, inflation slowed down slightly, mainly due to a strong drop in oil prices and a partial slowdown in food price growth. At the end of June 2020, the inflation rate was 3.3% (0.8 p.p. above the inflation target of the National Bank of Poland). Prices of consumer goods and services have remained high despite a significant reduction in economic activity, which is due to more expensive services (a result of adjustment to new sanitary regime), an increase of excise

duty on spirits and cigarettes effective from the onset of the year and an increase of housing charges such as refuse collection.

According to the National Bank of Poland's report of July 2020, the inflation rate in 2020 would reach 3.3%, in 2021 it will fall to 1.5%, and in 2022 it will rise again to 2.2% as a result of economic recovery. At the same time, the National Bank of Poland emphasises that the forecasts are burdened with a very high risk connected with the further course of the COVID-19 pandemic.

During the first half of 2020 the Monetary Policy Council cut the reference interest rate three times (on 17 March, 8 April and 28 May) from an already historically low level of 1.5% down to 0.1%. The reason for interest rates' reduction was to mitigate the effects of the pandemic, counteract a decline in economic activity and support households and businesses.

1.1.2.European Union

After the very poor performance in Q1 2020, the preliminary estimates of GDP growth rate in Q2 2020 show a real collapse of the economies caused by the pandemic: a 14.1% y/y decrease in the overall European Union and 15% y/y in the Euro zone.

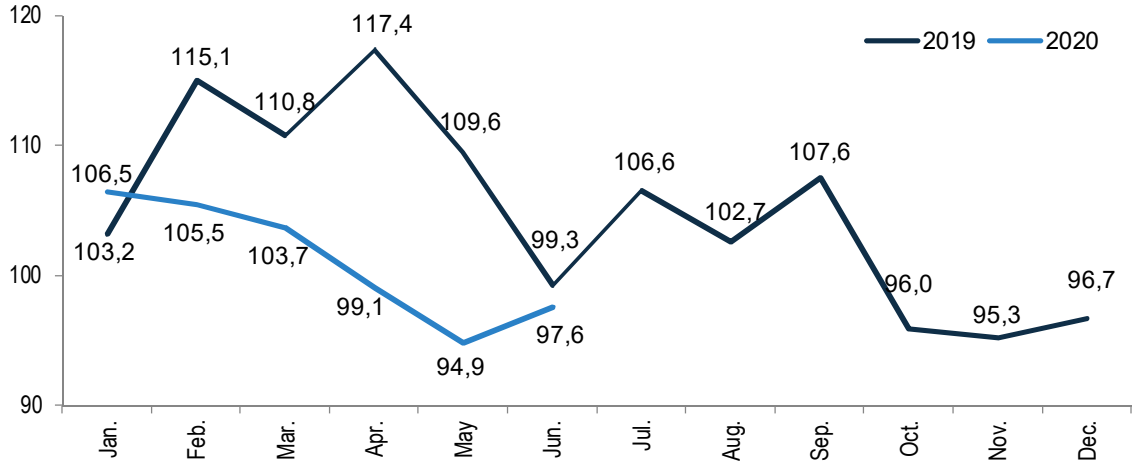
In the countries where the ERBUD Capital Group operates, GDP growth in the Q2 2020 (y/y) was as initially estimated by Eurostat as follows:

- Germany -11.7%
- Belgium -14.5%,
- France -19.0%,

1.2. Standing of the Polish construction sector

After a poor performance in Q4 2019, the construction industry entered the Q1 2020 with a slight improvement in production growth rate, but the effect of the pandemic led to falls already in Q2 2020. The falls are not as large as in other sectors of the economy. There were no construction stoppages, yet in June 2020 alone, construction and assembly production shrank by 2.4% compared to the same period last year. The largest downturns were in the building construction segment, while in the construction of civil engineering facilities and specialist works the level of production was comparable to that a year ago.

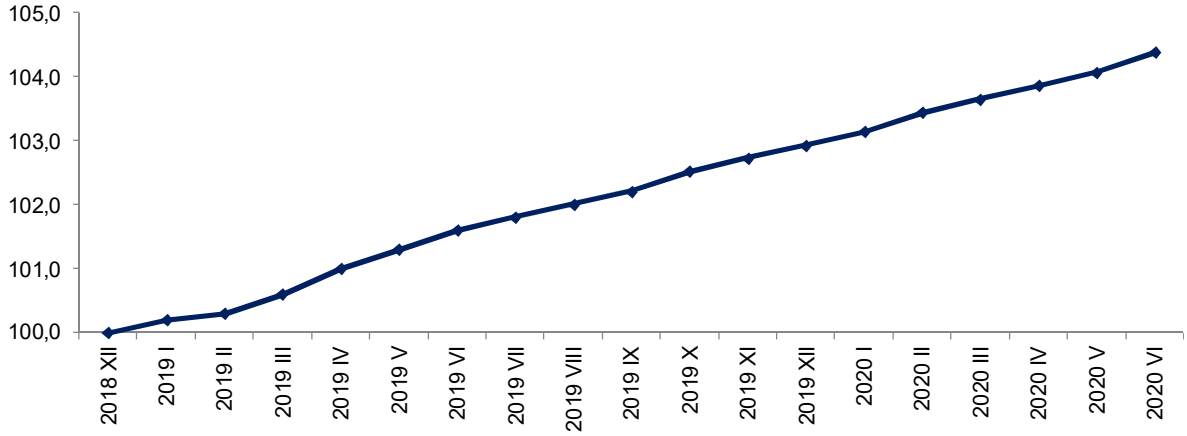
Construction and erection service growth rate (y/y, in %)



Source: Polish Central Statistical Office (Polish Statistics), monthly information on growth rates of construction and erection services

The slowdown of production activities in the construction sector is not yet fully reflected in the housing sector, although there are signs of a slowdown. In H1 2020, developers commissioned 62.4 thousand housing units, i.e. up by 6.1% compared to the corresponding period of the previous year, and the number of new building permits for developers was down by 5.8% i.e. 74.2 thousand housing units.

Construction and erection production price index
(December 2018 = 100%)

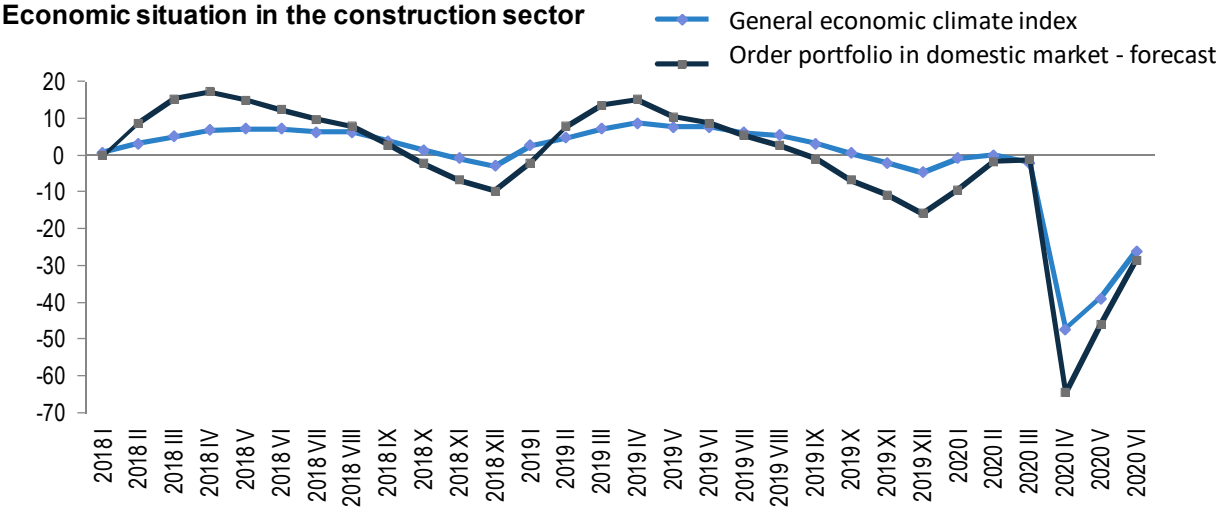


Source: Polish Central Statistical Office (Polish Statistics), prices indices of construction and erection production

Since mid-2017 the prices of construction and assembly production have been steadily growing, which affects all segments of the construction sector. Historically this was the result of the on-going boom in the construction sector, pressure wage increases, as well as an expansionary monetary policy. At present, the increase in prices is greatly influenced by uncertainty about the future economic situation and the higher operational costs under the new sanitary regime. Average prices of construction and erection production in June 2020 were up by 2.6% compared to the corresponding period of the previous year.

It is worth mentioning that the dynamics of construction and assembly production prices published by the Polish Central Statistical Office (GUS, Polish Statistics) does not fully reflect price changes in real terms due to limited access to specific contracts between the contracting authority and the contractor, especially those referring to large investment projects. Numerous experts claim that the actual price hikes are higher than those officially published.

Economic situation in the construction sector



Source: Polish Central Statistical Office (GUS, Polish Statistics), The Statistical Newsletter No. 06/2020

The mood of the construction industry plunged in April 2020 to record low levels with the arrival of the COVID-19 pandemic, but since then the indicators have been making up for the losses. It should be noted that despite high seasonality during the year (the peak is reached in summer time), moods remain at historical minima, which is mainly driven by high uncertainty about the future economic situation. Companies are expecting a fall in orders, they are planning to downsize headcount levels but, at the same time, payment bottlenecks are becoming less important.

In Q1 2020, the pandemic still did not have a significant impact on the financial performance of construction companies. As in the previous year, around 60% of the entities posted a net profit, but nevertheless, the return on sales fell significantly from 3.1% a year ago to 2.1% in Q1 2020.

According to the Coface report, the number of bankruptcies in the construction industry in H1 2020 was down by 16% than a year ago (fall from 61 to 51), which indicates a relatively good standing of the industry against the background of the whole economy.

1.3. Regulatory changes

1.3.1. Regulations with a significant impact on the activities of construction companies

On 1 January 2020, a law came into force with the aim to reduce payment backlogs. There will be a reduction (to a maximum of 30 days from the date of invoice delivery) of payment deadlines in commercial transactions where the debtor is a public entity (excluding public entities being healthcare entities). Shortening (to a maximum of 60 days) the payment deadline in transactions where the creditor is a micro-, small- or medium-sized businessman and the debtor is a large businessman (the so-called asymmetric transaction). The largest corporate income tax payers (capital groups and CIT taxpayers whose income exceeds EUR 50 million per year) will report annually to the Minister of Economy on their payment dates. The first reports on payment practices are to be published in 2021. (they will provide information for 2020). According to the Act, those affected by payment backlogs will be entitled to a PIT and CIT relief for bad debts, modelled after the mechanism applied to the VAT tax.

The Act of 31 March 2020 amending the Act on special arrangements for the prevention, counteracting and combating COVID-19 virus, other infectious diseases and crises caused by them and certain other acts provisions were implemented, with reference to the circumstances accompanying the occurrence of COVID-19 virus, on the proper contract performance. If the COVID-19 virus impact on the proper contract performance has been found out, it is possible to demand from the contracting authority: a change in the date of contract performance or a part thereof, or temporary suspension of contract performance or a part thereof, a change in the manner of delivery of supplies, services or works, a change in the scope of the contractor's performance and a corresponding change in the contractor's remuneration - provided that the increase in remuneration caused by each subsequent change does not exceed 50% of the value of the original contract. If a public procurement contract contains provisions for contractual penalties or damages for liability for non-performance or misperformance of contract due to the designated circumstances, the contracting party shall present the impact of the circumstances accompanying the occurrence of COVID-19 virus on contract proper performance and the impact of the circumstances accompanying the occurrence of COVID-19 virus on the legitimacy of determination and enforcement of those penalties or damages or their amount.

In connection with the outbreak of COVID-19 epidemic, a number of acts were enacted by the parliament to compensate businessmen for the negative impact of the epidemic. The anti-crisis shield contains a package of solutions prepared by the government to protect the Polish state and citizens against the crisis caused by the pandemic. It is based on five pillars: protection of jobs and worker safety, financing of entrepreneurs, health care, strengthening of the financial system, public investments. The key aid instruments provided under the anti-crisis shield for businessmen include, inter alia, the following: exemption of the contribution payer from the obligation to pay dues in the period from 1 March to 31 May 2020, lack of additional costs (extension fee) when deferring tax payments or spreading them into instalments, postponement of the date of payment of income tax advances on wages paid in March and April 2020 to 1 June 2020, part financing of worker wages, idle time pay in the amount of PLN 2,080 for contractors and the self-employed, co-financing of a part of the costs of workers' wages and social insurance contributions calculated on the basis of such wages, part financing of the business operating expenses (a decline in turnover), financial support from the Industrial Development Agency (IDA) and the Polish Development Fund (PDF).

1.3.2. Regulations with a material impact on the activities of accounting and financial services

The effective date of legislation providing for filing of a new electronic document common to the transmission of VAT returns and information on VAT records was shifted from 1 April 2020 to 1 October 2020. As a consequence, the obligation to file VAT-7/VAT-7K tax returns will be combined with the obligation to send Standard Audit Files for Tax (SAF-T_VAT) files.

Effective from 1 July 2020, a new VAT rate matrix comes into force - goods for VAT purposes will be marked using the Combined Nomenclature (CN) or the Polish Classification of Construction Industry (PKOB). Therefore, the Polish Classification of Goods and Services (PKWiU 2008), which has been applied so far, will be discontinued to that extent.

1.4. Factors that will affect the Group's operations in the quarters to come

1.4.1.Economic growth rate

According to the National Bank of Poland's projection of July 2020, the GDP decline in Poland is expected to reach -5.4% in 2020, and then the economy would grow in 2021 and 2022 by 4.9% and 3.7% respectively. Private consumption will be accompanied by growing concerns about unemployment and a change in consumer purchasing behaviour forced by the pandemic, and consequently the demand will only recover in mid-2021. On the investment side, public expenditure will continue to be an important driver, while private investments will be held back due to uncertainty about the future. The foreign trade position will be mainly affected by the disruption of international supply chains and the global reduction in demand. The whole is to be supported by an expansive monetary policy, which the Monetary Policy Council launched in Q2 2020, reducing interest rates practically to nil.

Similar forecasts are provided by the European Commission, estimating a decline in Poland's GDP at the level of -4.6% in 2020, a revival of economic growth at the level of 4.3% in 2021 and by the International Monetary Fund (a decline of -4.6% in 2020 and an economic growth of 4.2% in 2021).

1.4.2. European Union funds

According to the Ministry of Development's Report titled "The implementation status of the European funds in Poland in 2014-2020", as of 31 July 2020, 65,550 contracts were signed, worth PLN 477.5 billion, of which the EU contribution amounted to PLN 291.1 billion, which means that over 90% of European monies has already been distributed. It is clear that current budget is almost fully spent, but a new draft EU multiannual budget for 2021-2027 has been developed, worth more than EUR 1 trillion, as well as a EUR 750 billion Reconstruction Fund to mitigate the economic impact of the pandemic. From the total budget, Poland will receive around EUR 125 billion in direct subsidies, plus EUR 160 billion in loans. The Reconstruction Fund provides for two allocation methods (non-reimbursable grants and low-interest loans) and consists of the Recovery and Resilience Facility, the Just Transition Fund and other smaller funds and programmes.

1.4.3.Construction sector growth prospects

Current forecasts indicate a slight decline (around -3%) in construction and erection production in 2020, which can already be seen when looking at the performance indicators after the first half of the year. The number of new housing and non-housing projects is clearly declining , and local government projects are expected to slow down due to the budgetary dire straits of local governments. It seems that the main source of growth in the market will remain engineering construction segment (roads and railways) in connection with the completion of projects implemented with the EU funds.

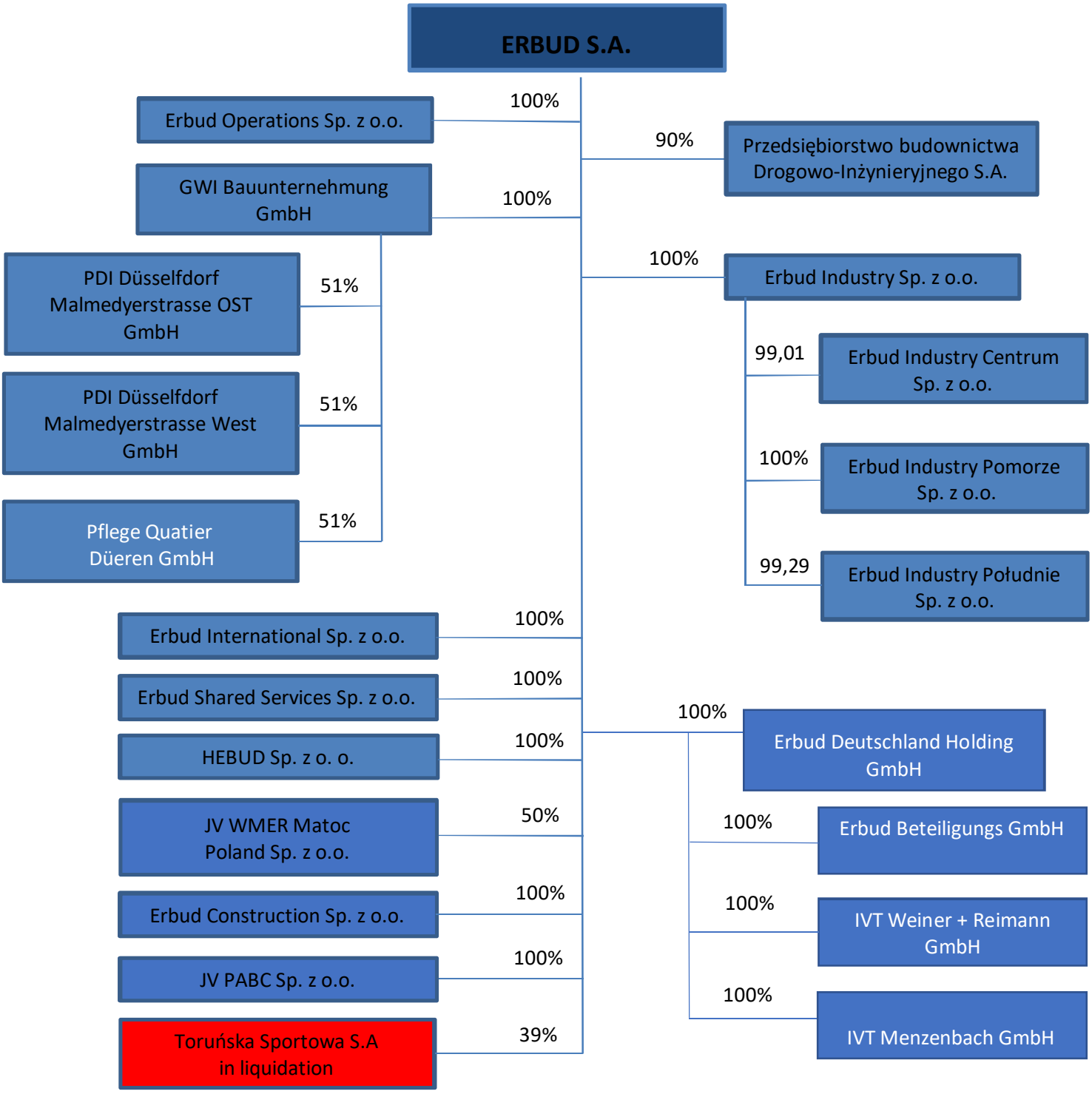
In addition, the Governmental Local Investment Fund with a budget of PLN 6 billion has also been launched. The funds are earmarked for municipalities, counties and cities for investment projects such as renovations of schools and kindergartens, water supply and sewage disposal systems, roads.

The experts point out that, for the time being, there should not be any redundancies in the industry, but the wage pressure to date will certainly weaken and the already strong price competition between contractors will intensify due to the decreasing number of orders.

2. ERBUD GROUP ACTIVITIES IN H1 2020

2.1. Capital Group structure

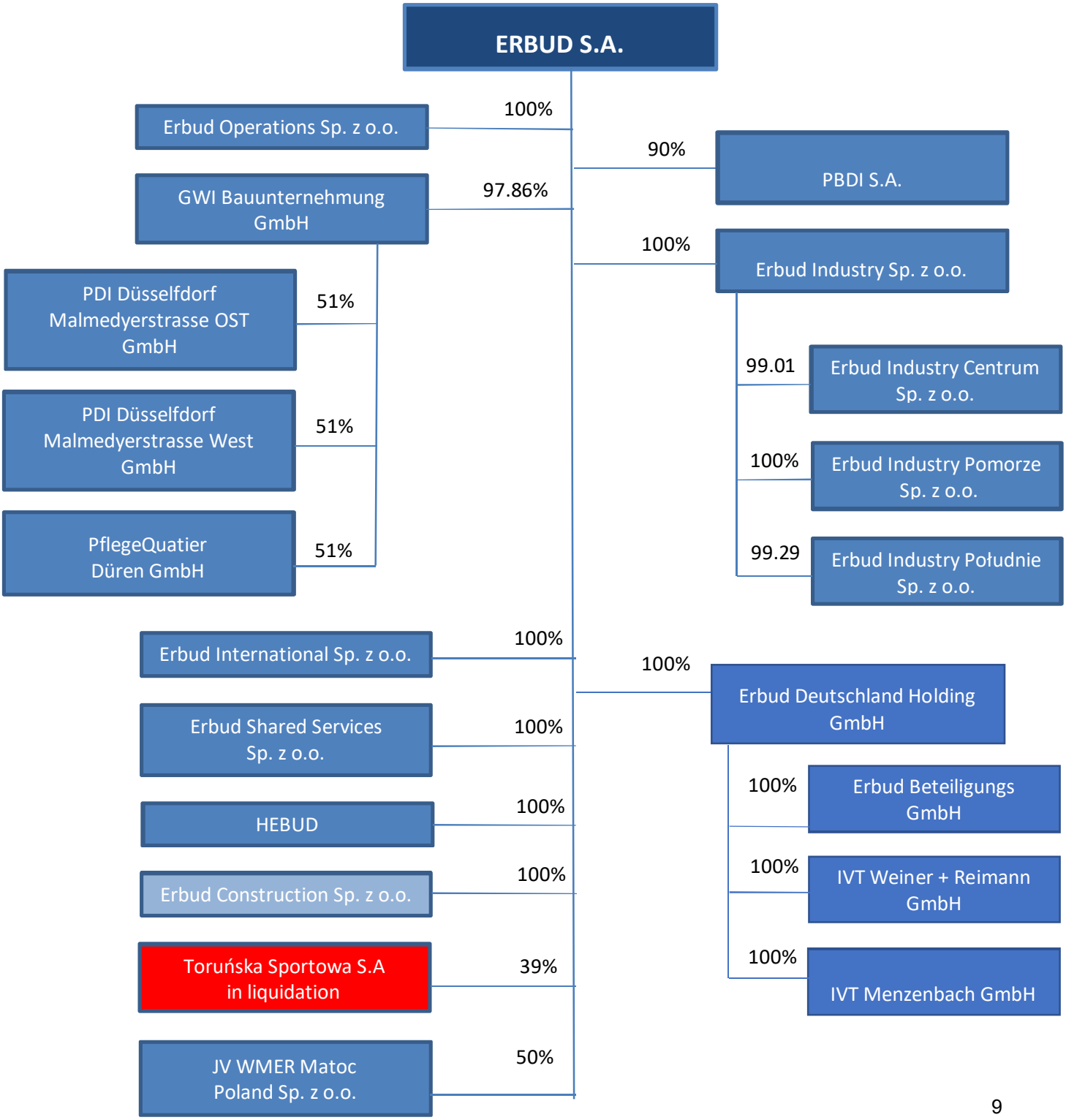
As of the date of publication of the Financial Statements draw up as of 30 June 2020, i.e. as of 7 September 2020, the organisational structure of ERBUD GROUP was as follows:


ERBUD S.A.
Erbud Operations Sp. z o.o.
100%
GWI Bauunternehmung GmbH
100%
PDI Düsselfdorf Malmedyerstrasse OST GmbH
51%
PDI Düsselfdorf Malmedyerstrasse West GmbH
51%
Pflege Quatier Düeren GmbH
51%
Erbud International Sp. z o.o.
100%
Erbud Shared Services Sp. z o.o.
100%
HEBUD Sp. z o. o.
100%
JV WMER Matoc Poland Sp. z o.o.
50%
Erbud Construction Sp. z o.o.
100%
JV PABC Sp. z o.o.
100%
Toruńska Sportowa S.A in liquidation
39%
90%
Przedsiębiorstwo budownictwa Drogowo-Inżynieryjnego S.A.
100%
Erbud Industry Sp. z o.o.
99,01
Erbud Industry Centrum Sp. z o.o.
100%
Erbud Industry Pomorze Sp. z o.o.
99,29
Erbud Industry Południe Sp. z o.o.
100%
Erbud Deutschland Holding GmbH
100%
Erbud Beteiligungs GmbH
100%
IVT Weiner + Reimann GmbH
100%
IVT Menzenbach GmbH

As opposed to 15 May 2020, i.e. the date of publication of the financial statements for Q1 2020, the organisational structure of the GROUP has changed as follows:

- on 21 July 2020, a subsidiary of ERBUD S.A. – GWI Bauunternehmung GmbH (GWI GmbH) acquired its shares from Mr Axel Wahl to redeem them. Prior to the transaction, ERBUD S.A. held 97.86% of the share capital of GWI GmbH. After transaction closing, ERBUD S.A. held 100% of the share capital of GWI GmbH.

On 3 August 2020 the Management Board of ERBUD S.A adopted Resolution No. 37/2020 concerning the liquidation of its subsidiary - "HEBUD" limited liability company with its registered office in Byelorussia. The end date for liquidation process was scheduled for 21 May 2021. The company "Evolution of Business" Private Company based in Ukraine was appointed to the position of liquidator. The reason for the liquidation is the failure to achieve the objective of company foundation, which was to recruit construction workers in Byelorussia.

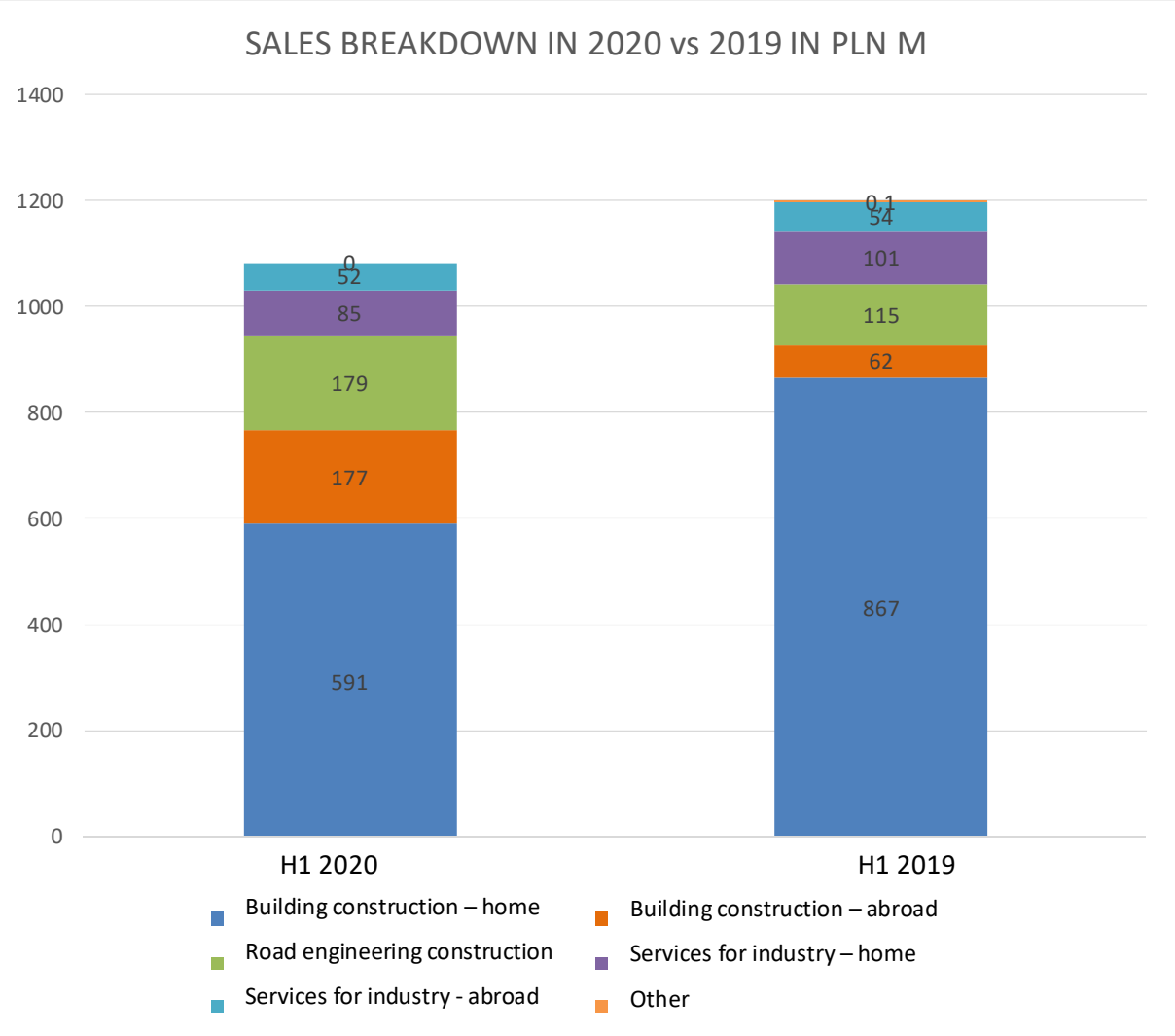


2.2. Breakdown of activities

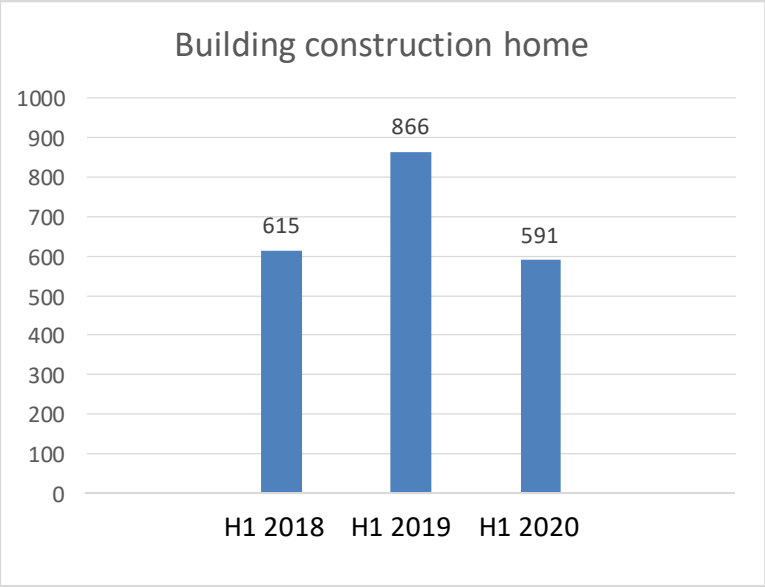
The ERBUD Group is top five leading construction groups in Poland. The scope of its activities covers a wide range of construction and erection services, performed both in the capacity of a general contractor and sub-contractor, road-engineering services, maintenance services for a wide range of industries, construction of denitrification and desulphurization plants, construction of modern, environmentally friendly boiler plants.

The Group operates in the following segments: building construction in Poland, building construction in foreign countries , road engineering construction, maintenance services for the industry in Poland, maintenance services for the industry in foreign countries. The major part of the Group's revenues is generated by domestic building construction activities. In H1 2020, the segment's revenue accounted for 54.48% of total sales revenues, compared to 72.29% in the same period last year. A decline in the share of domestic building construction compared to the same period last year is driven by a very high comparative base. As a reminder, last year ERBUD S.A. executed two large contracts, i.e. the Młociny Shopping Mall and the Distribution Centre for Lidl Polska. Another reason for such situation is the shifting of resources (workforce) into segments with higher profitability.

The Group carries out orders at home and abroad (mainly in Germany and Belgium). In the first half of this year, operations in Poland accounted for 78.86% of the total revenues. In the comparative period, this share accounted for 90.26% of the Group's sales revenues.



2.3. Residential/commercial buildings in Poland



Building construction projects in Poland are carried out mainly by ERBUD S.A. and Erbud Operations Sp. z o.o. ERBUD S.A. operates through six branches located in the following cities: Kraków, Rzeszów, Toruń, Warsaw, Szczecin and Wrocław.

In H1 2020, the Group's net revenues from building construction in Poland totalled PLN 590,815 thousand, and were down by 31.82% compared to the corresponding period of the previous year.

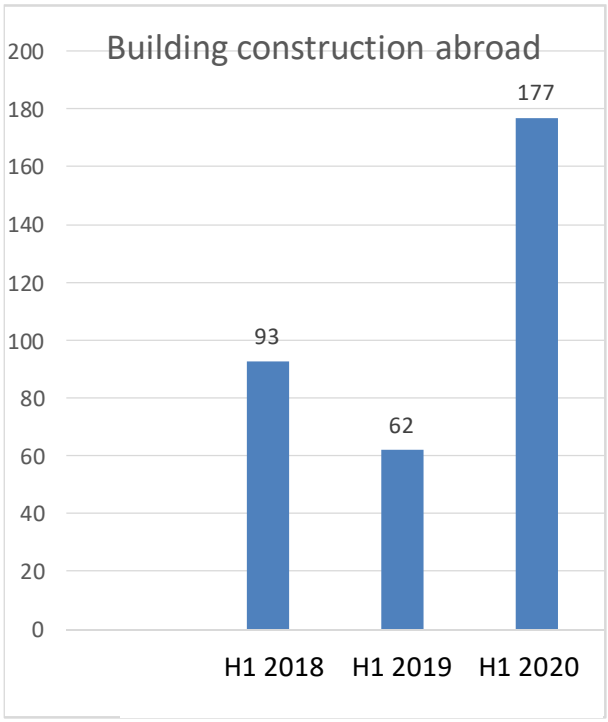
At the end of June 2020, the order portfolio in the domestic building construction segment was worth PLN 1.1 billion compared to PLN 1.2 billion at the end of June 2019, of which PLN 0.5 billion was in H2 2020.

Major contracts signed by ERBUD S.A. until the Report's publication date:

- **7 January 2020** – construction of a new Brain laboratory and research building for the Medical University of Lodz by a consortium made up of ERBUD S.A. (a stake in the consortium equal to 50%) and BUDOMAL Przedsiębiorstwo Remontowo-Budowowalne Rafał Leśniak with registered office in Łódź (a stake in the consortium equal to 50%). The total net contract value is PLN 40.5 million,
- **22 January 2020** - construction of a multi-family residential building with an underground parking lot facility and services on the ground floor - "Dom Mehoffera" for YIT Development Sp. z o.o. with its registered office in Warsaw. The total net contract value is PLN 37.9 million,
- **28 January 2020** - the construction of two G and H residential buildings in the second phase of the project called "Port Popowice" in the City of Wrocław for a subsidiary of Vantage Development S.A., Port Popowice Ltd., General partnership. . The contract value equals to PLN 103.97 million
- **17 February 2020** - the construction of a multi-apartment residential building - a hotel with the necessary technical and road infrastructure, underground car-park facility and land development, on a site located in Wrocław, at ul. H. Sienkiewicza 18-22 for BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o. The contract value equals to PLN 69.9 million.
- **17 February 2020** - the construction of a multi-apartment residential building - a hotel with the necessary technical and road infrastructure, underground car-park facility and land development, on a site located in Wrocław, at ul. H. Sienkiewicza 18-22 for BC WROCŁAW SIENKIEWICZA Sp. z o.o.. The contract value equals to PLN 167.7 million.
- **20 March 2020** - construction of a multi-family building with services at the ground floor level and an underground car-park facility, located on the site in the City of Bydgoszcz, at ul. Garbary 5 for "COLIAN DEVELOPER Sp. z o.o. Sp. komandytowa. The total net contract value is PLN 37.2 million,
- **30 April 2020**– civil works during works at the following wind farms: Ustka, Górzyce, Parnowo for the member companies of the EDF RENOUVELABLES S.A. Group Contracts signed by the Consortium composed of ERBUD S.A. and its 90% subsidiary PBDI S.A. The total net contract value is PLN 68.74 million, The value of works performed by the Issuer will not exceed 30% of the value of contracts.

- **4 June 2020**- construction works on the construction of Farma Wiatrowa Dębsk consisting of 55 wind power plants with a total maximum capacity of 121 MW for Polenergia Farma Wiatrowa 3 Sp. z o. o. based in Warsaw.. Contracts signed by the Consortium composed of ERBUD S.A. and its 90% subsidiary PBDI S.A. The total net contract value is PLN 79.82 million. The value of works performed by the Issuer will not exceed 45% of the value of contracts.
- **30 June 2020**- for construction of a multi-family apartment building at ul. Grochowska 230 and 228 in the City of Warsaw for BOUYGUES IMMOBILIER POLSKA Sp. z o.o. with its registered office in Warsaw. The total net contract value is PLN 23.3 million.

2.4. Residential/commercial buildings in foreign countries



Building construction projects in foreign countries are mainly carried out by GWI BAUUNTERNEHMUNG GmbH (in Germany) and Erbud International Sp. z o.o. and ERBUD S.A. (in the markets of the following countries: Belgium, the Netherlands, Luxembourg and France).

In the first six months of 2020 the ERBUD Group generated PLN 177.2 million revenues in foreign markets, up by 183.89% compared to the same period last year.

The significant increase in revenues in H1 2020 was fuelled by the commissioning of the Neue Jülicher Straße 52, 52353 Düren Senior Residential Complex, where the Company is both an investor through a subsidiary in which it holds 51% of the shares, and a general contractor. The commissioning is one of the final phases leading to payment for the investment project sold, which will take place by the end of 2020 once all the faults have been remedied.

In June 2020, the foreign order portfolio totalled PLN 0.85 billion in value terms. This compares to PLN 0.2 billion in the corresponding period of 2019, with PLN 0.54 billion in H2 2020.

After balancing date - on 27 July 2020, the company signed a contract for the construction of an administration building for TZMO Deutschland GmbH worth EUR 6.03 million.

Erbud S.A. is currently implementing projects in Belgium (construction of housing units in Kortrijk for BAM, construction of the headquarters of the Delen bank in Antwerp for the THV Van Laere-MBG-Vanhout.pro Special Purpose Vehicle (SPV), and projects in refineries and chemical plants for Mourik).

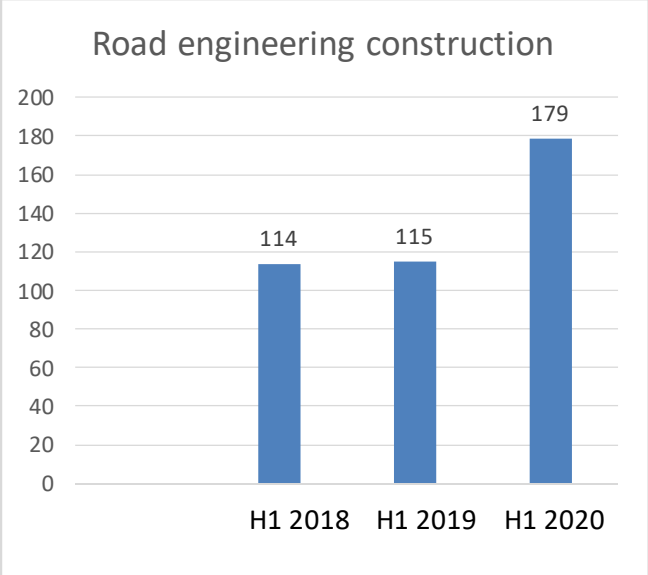
Erbud International is executing the following projects in Belgium:

- Apartments in Sterrebeck for Vanhout acting as an investor
- De Panne Hotel for MBG acting as an investor
- Binnenvaert apartments in Antwerp for DCA acting as an investor
- The retirement home in the locality of Merelbeke for THV Woonzorg Centrum-Zuid Special Purpose Vehicle.
- Apartments in Oud-Turnhout for Artem acting as an investor
- Apartments in the locality of Sint-Niklaas for Baunv acting as an investor
- Apartments in the locality of Turnhout THV Hoveniersstraat Turnhout Special Purpose Vehicle
- Apartments in the locality of Brecht for Artem acting as an investor

- A hospital building in the locality of Charleroi for S.M. GILLY 2024 Special Purpose Vehicle

The prospects for the construction market in both Belgium and the Netherlands are good, mainly due to large private investment in real estate in the absence of an alternative to investing idle funds. The building contractors continue to battle with a shortage of local workforce, resulting in a demand for subcontractors. The evolving legislation on the secondment of workforce result in increased inspections on the activities of foreign construction companies in the Belgium construction market, which leads to the elimination of unfair players from the market and, consequently, to growing interest in the co-operation with the Erbud Group member companies.

2.5. Road engineering construction

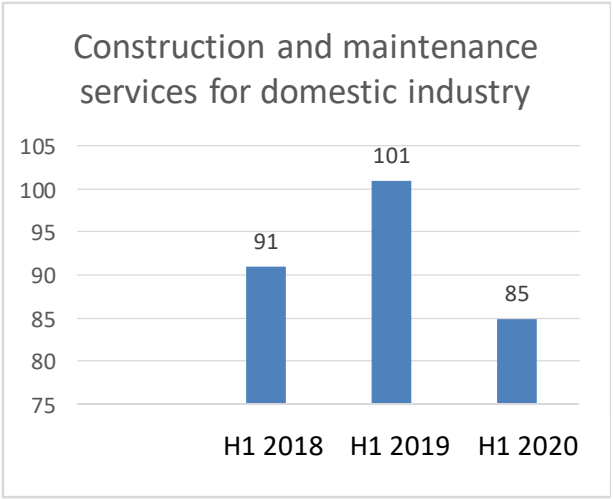


The road engineering segment a subsidiary of ERBUD S.A. – Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A. PBDI is operational. The Company is active the road construction segment. The scope of its services also includes the design and construction of foundations, access roads and vehicle manoeuvre area, as well as civil works performed during the construction of wind farms and photovoltaic farms.

As of the end of June 2020, the PBDI's order portfolio was half full with the road construction projects, whereas the other half of portfolio include Renewable Energy Sources (RES) projects.

In the first six months of 2020, the engineering and road construction activities brought the ERBUD Group PLN 179.4 million in revenues, up by 56% compared to the same period last year (PLN 114.9 million).

At the end of June 2020, the order portfolio for this segment was worth PLN 0.85 billion, of which PLN 0.34 billion was for 2020. In the comparable period of 2019, the portfolio for this segment was worth PLN 0.66 billion.



2.6. Construction and maintenance services for the domestic industry

Projects in the power sector and the broadly understood industry fall into the scope of activities of Erbud Industry and its three subsidiaries: Erbud Industry Centrum (Central Poland), Erbud Industry Pomorze (Pomerania) and Erbud Industry Południe (South).

In H1 2020, the revenues generated in the construction and maintenance services for power sector segment totalled PLN 85 million, compared to PLN 101 million in the same period of the previous year, which represents a decline by a 15.46%.

Projects in the segment underway:

Engineering:

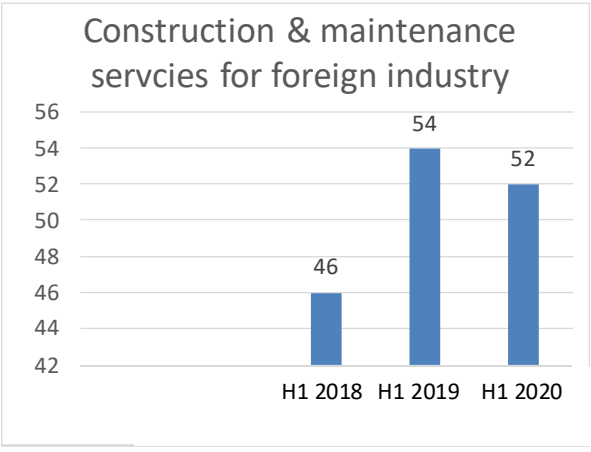
- Modernisation of the flue gas cleaning plant at the district heating plant in the City of Częstochowa for Fortum Power and Heat Polska Sp. z o.o.
- Redevelopment of the legacy CHP plant of Michelin Polska SA in the City of Olsztyn.
- Construction on a turnkey basis of flue gas cleaning system including catalytic denitrification (SCR) process and flue gas dedusting process along with the upgrading of boiler No. 2 OP-215 at Puławy Nitrogen Fertilizers Plant for ZA Puławy SA...
- Construction of new peak load generating sources for PGE Energia Ciepła S.A. The Wybrzeże Branch of the Gdansk CHP Plant.

Maintenance services:

- Unscheduled works and maintenance of lifting equipment at the EC-3 plant, maintenance works on coal handling equipment at the EC-3 plant and maintenance of lifting equipment at the ZSC plant for Veolia Energia Łódź S.A.
- Routine and preventive repairs, overhauls and maintenance as well as troubleshooting and removal of equipment breakdowns for Veolia Energia Poznań ZEC S.A., heat distribution company;
- Maintenance of the equipment of the Municipal Waste Incineration Plant for the Municipal Waste Management Company Sp. z o.o. in the City of Konin;
- Periodic overhaul of a boiler of the Municipal Waste Thermal Treatment Plant for the Municipal Waste Management Company Sp. z o.o. in the City of Konin;
- Modernisation of K2 and K4 boilers in the mechanical part for Ciech Soda Polska.
- Comprehensive maintenance services of MWK-9 and MWK-12 fan mills on the site of the Combined Heat and Power Plant of the Manufacturing Plant in Janikowo
- Erection works and deliveries for Power Units Nos. 1, 3 and 5 at TAURON Wytwarzanie Spółka Akcyjna - Oddział Elektrownia Jaworzno III (TAURON Power Generating Unit SA - Jaworzno 3 Power Plant Branch)
- Delivery and assembly of the boiler pipelines under the "Seas Norway" project for Bertsch Energy GmbH & Co KG
- major overhaul of OP-230 boiler No. 10 at Gdańsk-based Combined Heat and Power Plant
- Service of equipment in the engine room, including turbine sets, cooling water equipment, internal heating and steam network, oil system and heat exchangers in the Gdańsk and Gdynia Combined Heat and Power Plants, owned by PGE Energia Ciepła S.A., the "Wybrzeże" Branch.

30 June 2020. The Group had an order portfolio in the power segment worth PLN 0.24 billion vs. PLN 0.13 billion as of the end of June 2019, of which PLN 0.12 billion was in H2 2020.

2.7. Construction and maintenance services for the industry in foreign countries



Projects in the power sector and the widely understood industry in foreign countries are covered by the scope of activities of IVT Weiner + Reimann GmbH and IVT Menzenbach GmbH. In H1 2018, in addition to the IVT companies, the contract executed by Erbud Industry South for Bertsch Energy GmbH & Co KG was also added to the segment.

In H1 2020, the revenues of the Construction and Maintenance Services for the Industry in Foreign Countries segment totalled PLN 52 million, down by 4.1% compared to the H1 of the previous year (PLN 54 million).

IVT companies deliver services in the following areas:

- Industrial engineering;
- Electrical engineering, measurement and control technology;
- Construction services engineering (facility management);
- Gas, water and district heating systems;
- Engineering of steel and pipeline structures;
- Industrial curing;
- Provision of qualified temporary workers on a commercial basis.

IVT's activities focus on the Rhine-Ruhr region - in addition to its head office, IVT has branch office located on the customers' premises.

IVT activities are based on long-term customer relations. The IVT customer portfolio comprises companies operating in the following sectors:

- power sector and municipal services (Minegas and Mingas Power),
- industry (Cargill Deutschland, RAG),
- construction sector including housing construction (OGM Oberhausener Gebäudemanagement, Vivawest Wohnen),
- chemical sector (INEOS Solvents Germany),
- as well as steel mills and foundries (ArcelorMittal Duisburg, ArcelorMittal Bremen).

As of 30 June 2020, the order portfolio in this segment was worth PLN 0.066 billion, of which PLN 0.016 billion was in H2 2020.

2.8. Brief description of significant achievements or failures of the issuer in the period covered by the report together with a list of the major events concerning the issuer.

In the H1 2020, there were no significant achievements or failures in the Issuer's Group that could have any impact on its financial position. Both the Issuer and its subsidiaries run their statutory activities.

The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows: (i) temporary absence of construction staff, which may contribute to the delay of construction processes, (ii) delays in the supply of construction materials and services, (iii) slowdown in the activities of public administration bodies, including in particular administrative decision-making process, (iv) contracting authorities' decisions to suspend work on individual construction contracts, (v) contracting authorities' decisions not to implement planned construction projects, e.g. due to difficulties in raising financing.

In the opinion of the Management Board of the ERBUD Group, as of the date of publication of the financial statements, drawn up as of 30 June 2020, the liquidity positions of the Group and the Company remain stable.

During the period under discussion, the Group provided current reports: 13/2020, 15/2020; 17/2020 in which it provided information about the influence of SARS-CoV-2 virus on the activity of the Issuer's Group. The aforementioned reports were related to the suspension of construction works in Belgium by the Issuer's principals and then to the resumption of works effective from 20 April 2020.

Three member companies of the ERBUD Group - Erbud International Sp. z o.o.; Erbud Industry Południe Sp. z o.o. and Erbud Operations Sp. z o.o. have benefited from public aid under Article 15, letter b) of the Act of 2 March 2020 on special arrangements for the prevention, counteracting and combating COVID-19 virus, other communicable diseases and the crisis situations caused by them.

2.9. Directions for development of the ERBUD Group's operations in the following quarters

In H1 2020 the ERBUD Group will continue its efforts primarily to build a portfolio for the 2020-2021 period.

Building a profitable order portfolio in all business segments is a priority in subsequent periods.

Another equally important task facing the ERBUD GROUP is to take care of its cash position and access to third party capital. The financial position of the ERBUD Group is stable. As of 30 June 2020 the Group had PLN 165.6 million of available cash and PLN 7.9 million on VAT account, which totalled PLN 173.5 million. Interest liabilities totalled PLN 228.9 million, including PLN 17.57 million from reclassification of lease contracts pursuant to the amended IFRS 16 standard. Long-term debt totalled PLN 95.9 million, with the largest item being bond liabilities maturing in September 2021 ; short-term debt: - PLN 132.9 million. The net debt, excluding the debt driven by the IFRS amendment, totalled to PLN 37.77 million.

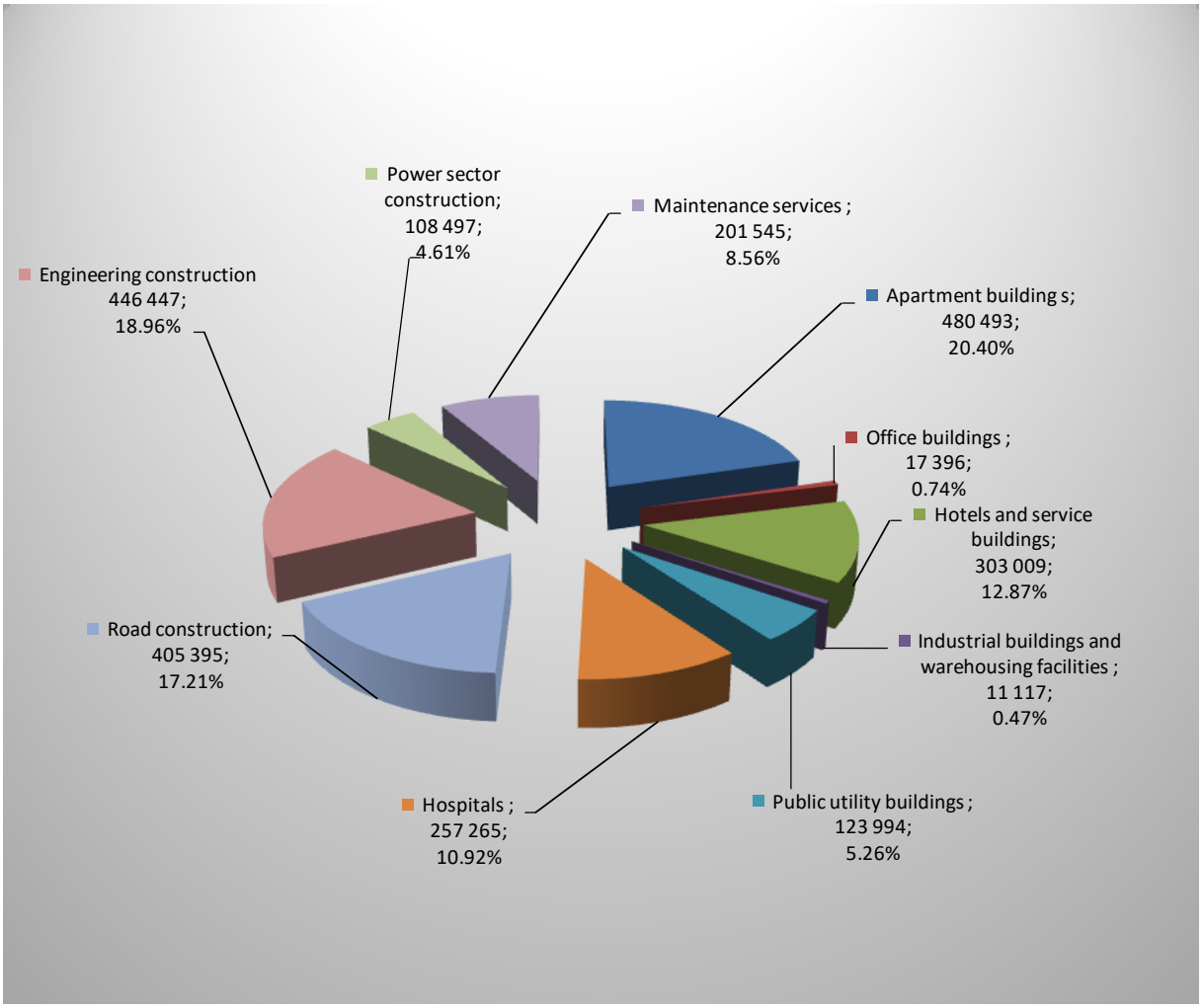
As of 31 December 2019 the Group had PLN 148.2 million of available cash and PLN 12.9 million funds accumulated in the VAT account. Interest liabilities totalled PLN 232.4 million of which PLN 22.5 million was under long-term and short-term lease (IFRS 16 standard). Net debt excluding liabilities under IFRS 16 standard including funds accumulated in separate VAT accounts amounted to PLN 47.8 million.

In the comparison period as of 30 June 2019 the Group had PLN 109.8 million of available cash and PLN 4.3 million in the VAT account, which totalled jointly PLN 114.1 million. Interest liabilities totalled PLN 183.3 million, including PLN 20.0 million from reclassification of lease contracts pursuant to the amended IFRS 16 standard. Long-term debt totalled PLN 96.6 million, with the largest item being bond liabilities maturing in September 2021 ; short-term debt: - PLN 86.7 million. The net debt, excluding the debt driven by the IFRS amendment, totalled to PLN 96.8 million.

The Erbud Group entered H2 2020 with a very stable order portfolio of worth approximately PLN 2.35 billion. Meanwhile the value of the portfolio falling into 2020 is worth approximately PLN 1.05 billion. For comparison sake, in the same period of the previous year, the value of the portfolio as of 30 June 2019 was PLN 2.2 billion, of which PLN 1.7 billion fell into 2019.

In the period from January to July 2020, the Group signed contracts worth approximately PLN 1,324 million. In value terms, the highest number of contracts was signed the domestic building construction segment (PLN 574 million), followed by the road engineering segment (PLN 454 million), domestic and foreign industry (PLN 226 million) and foreign building construction segment (PLN 70 million).

The structure of the current portfolio, which is dominated by orders for the construction of housing, road, engineering, commercial and service facilities, public utilities and hospitals, is as follows:



Group's order portfolio structure: '000 PLN

3. ERBUD GROUP FINANCIAL PERFORMANCE IN H1 2020

A description of the principles for drawing up semi-annual condensed financial statements (separate and consolidated) can be found in the consolidated and separate financial statements in the section "Background information".

3.1. Key drivers of financial performance

In H1 2020 the ERBUD Group generated a net profit on continued operations totalling PLN 11,696 thousand compared to a profit of PLN 16,147 thousand in H1 2019. The main reasons for a decline in net profit compared to the comparable period are as follows:

- very good performance at the EBIT level in the road engineering segment - up by 74%;

- the commissioning of the project: Neue Jülicher Straße 52, 52353 Düren Senior Citizens' Complex and the recognition of sales revenues and profits

- A one-off event occurred in 2019 - ERBUD S.A. generated an additional proceeds totalling PLN 4.7 million for the shares in the subsidiary Budlex S.A. sold in 2016 as a result of the final settlement of the development project carried out by Budlex S.A. in 2015;

- much lower EBIT value in the building construction segment in Poland - down by 42%

- impact of COVID -19 virus on foreign activities - closure of construction sites in Belgium by the customers for over a month;

Major drivers of the Group's financial performance in H1 2020 included:

- Lack of large projects in building construction at home - sales down by 26% in the Q2 and by 32% in H1 2020;

- execution of a profitable order portfolio in the building construction business but under constant cost pressure;

- excellent operating performance of the subsidiaries such as IVT GmbH; GWI GmbH and PBDI S.A;

- large shortage of orders in the construction and industrial services segments.

Consolidated Profit and Loss Account in analytical terms (in '000 PLN)

ERBUD S.A. did not publish ANY financial forecasts for 2020.

Item	2020	2019	Difference	%
Revenues from sales of products, merchandise and services	1,084,522	1,198,722	-114,200	-9.53%
Net profit/loss on sales	75,457	62,599	12,858	20.54%
Net profit/loss on sales	6.96%	5.22%		
Operating profit (EBIT)	21,061	25,372	-4,311	-16.99%
% EBIT	1.94%	2.12%		
EBITDA	32,335	35,757	-3,422	-9.57%
% EBITDA	2.98%	2.98%		
Gross profit/loss	18,026	21,010	-2,984	-14.20%
% Gross profit/loss	1.66%	1.75%		
Net profit/loss	11,696	16,147	-4,451	-27.57%
% net profit/loss	1.08%	1.35%		

3.2. Sales revenues

In H1 2020, the Group's net sales revenues totalled PLN 1,084,522 thousand, and were down by 9.53% compared to the same period in the previous year. Outside the segment: road engineering construction (an sales up by 56.09% compared to 30 June 2019) and building construction in foreign countries (up by 183.89% compared to 30 June 2019), meanwhile all other segments saw their revenues decline.

3.3. Costs

The main cost item of the ERBUD Group (67.06% of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. In H1 2020, they totalled PLN 695.2 million, i.e. they were down by 15.91% compared to the same period of the previous year.

Moreover, a significant share in the Group's cost structure was held by:

- Expenses on materials and energy - they totalled PLN 162 million (15.6% of operating expenses) and were down by 30.74% compared to H1 2019.
- Employee benefit costs - they were closed at the level of PLN 156 million (15.02% of the operating expenses), down by 0.03% compared to the same period in the previous year.

The fall in individual costs by category is mainly due to the sales decline observed in H1 2020. The employee wages and benefits remained at a level identical to that of the comparable period due to the market environment. Significant wage increase due wage pressure prevailing in 2018.

Operating costs ('000 PLN)

	For a 6-month-period ended on 30 June 2020	For a 6-month-period, ended on 30 June 2019	%
Third party services	695,186	826,743	16%
Material and energy consumption	162,098	234,032	31%
Employee benefit expenses	155,733	155,781	0%
Amortization and depreciation	11,274	10,386	-9%
Taxes and charges	3,535	4,899	28%
Other cost categories	8,685	9,763	11%
Value of merchandise and materials sold	130	1,099	88%
Total costs by category	**1,036,641**	**1,242,703**	**17%**

3.4. Other income

Other operating income and expenses

In H1 2020, the Group's profit/loss on other operating activities, including impairment of financial assets and contract valuation assets, was PLN 274 thousand, compared to PLN 15,800 thousand in the same period of the previous year. Among other operating income, the highest figure in 2019 was: the receipt of additional remuneration for the sales of shares in Budlex S.A. totalling PLN 4,700 thousand, compensations received by the parent company in the amount of PLN 2,156 thousand, and release of provisions totalling PLN 2,136 thousand. Among other operating costs, other operating costs represented the highest figure of PLN 780 thousand. (with the highest share taken by donations: PLN 217 thousand, followed by fines and penalties: PLN 159 thousand). As at 30 June 2020, other operating income were down by 54% compared to the previous year, whereas other operating expenses were up by 333%, mainly due to set up provisions - up by 3708% and revaluations write-downs on receivables - up by 878%.

Financial activity gains/losses

The Group's financial activity gain/loss was negative and totalled PLN 3,035, compared to a loss of PLN 4,361 thousand in H1 of the previous year. On the cost side, the highest items included interest on bonds, loans and other (- PLN 3,721 thousand) and bank arrangement fees (- PLN 1,291 thousand). The financial costs in H1 2020 were up by 10% in total compared to 2019.

In the category of financial income in H1 2020, foreign exchange gains/losses (61% of the value of financial income) took the largest share. As of 30 June 2020 the financial income as up by 207% compared to that on 30 June 2019.

3.5. Statement of Financial Position

On 30 June 2020, the total assets of ERBUD S.A. Capital Group totalled PLN 1 192.7 million and were up by 1.63% compared to the end of 2019.

Major items of the Group assets were as follows:

- Short-term trade receivables and other receivables including deposits. They totalled PLN 583.22 million i.e. they accounted for 48.90% of the total assets. Their value was up by 11.56% compared to the end of 2019.
- Another significant item in the assets were receivables from the valuation of construction contracts - PLN 216.7m - 18.17% of total assets (up by 7.06% compared to 31December 2019).
- Cash and cash equivalents in the amount of PLN 173.57m, including cash accumulated in the VAT account (up by 7.7% compared to the 2019 closing balance).
- Fixed assets were valued at PLN 191.1m, i.e. 16.03% of total assets. Their value was up by 0.74% compared to the end of 2019. They consisted mainly of tangible fixed assets (PLN 104.9 million), goodwill (PLN 40 million) and deferred tax assets (PLN 36.5 million)

As of 30 June 2020, equity totalled PLN 286.9 million (including non-controlling shareholders' equity of PLN 6.6m) compared to PLN 274.8 million as of the end of 2019 (up by 4.41%).

In addition, the following items accounted for a significant share in the Group's balance sheet total:

- Total short-term liabilities of PLN 776.7m (65.13% of liabilities) were up by 2.37% compared to those on 31 December 2019.
- The interest debt totalled PLN 228.9m (18.88% of liabilities), including PLN 17.56 million to the amendment to IFRS 16. The interest debt was down by PLN 3.5m (1.52%) than at the end of 2019.

3.6. Cash flows

In H1 2020 the ERBUD Group recorded positive cash flows of PLN 17.4 million (PLN -96.8 million in the same period of the previous year). They consisted of:

- positive operational cash flows of PLN 34.2 million (positive change in working capital);
- negative cash flows from investment activities in the amount of PLN - 6.8 million.
- negative cash flows from financial activities in the amount of PLN -10.05 million.
- As of 30 June 2020 the Group held cash and cash equivalents of PLN 173.57m, including cash accumulated in the VAT account (up by 7.7% compared to the 2019 closing balance).

3.7. Changes in equity

As of 30 June 2020, equity totalled PLN 286.9 million (including non-controlling shareholders' equity of PLN 6.6m) compared to PLN 274.8 million as of the end of 2019 (up by 4.41%).

Changes in equity in value terms were driven by the result for the reporting period.

3.8. Interest debt

At the end of June 2020, the ERBUD Group's total interest debt (loans, borrowings, bonds, leases) totalled PLN 228.9 million including PLN 132.96 million of short-term debt.

A decline in interest liabilities compared to the 2019 closing balance (PLN 3.5 million) is primarily due to the smaller impact of IFRS 16 on interest liabilities than that at the end of 2019.

	30 June 2020	31 Dec. 2019	30 Jun. 2019
cash assets	173,571	161,158	109,830
interest liabilities	228,911	232,447	183,334
interest liabilities IFRS 16	17,569	22,569	20,083
actual interest debt (loans, bonds, lease contracts)	211,342	209,878	163,251
Net debt	**37,771**	**48,720**	**53,421**

As of the balance sheet date, the Group has access to bank and multi-purpose insurance lines with the total value of PLN 1,249,700 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees.

As of the balance-sheet date, the Group utilized PLN 132,804 thousand to draw down overdraft facilities, and PLN 666,889 thousand.

- **On 29 January 2020** Annex No. 22 was signed by ING Bank Śląski S.A. based in Katowice to the Multi-Purpose Agreement of 6 July 2010. Under these Annexes, ERBUD S.A. and its subsidiaries: PBDI S.A. and Erbud Industry Centrum Sp. z o.o. may use the multi-purpose line up to a total of PLN 142 million, and may incur debt under this line up to PLN 50 million. ERBUD S.A. and its subsidiaries may use the lines within the sublimits specified: ERBUD S.A. - PLN 142 million, including an option of incurring debt up to PLN 50 million. The sublimit for PBDI S.A. is PLN 28 million with an option of incurring debt up to PLN 5 million; the sublimit for Erbud Industry Centrum Sp. z o.o. is PLN 10 million with an option of incurring debt up to PLN 4 million. The above-mentioned banking product was made available until 31 January 2020.

- **On 31 January 2020** Annex No. 18 signed with mBank S.A. based in Warsaw to the Loan agreement of 2 June 2009 and Annex No. 14 to the Framework Agreement of 2 February 2010, and the Umbrella Facility Overdraft Agreement. Under these Annexes and the Agreement, ERBUD S.A. and its subsidiary PBDI S.A. may use guarantee and credit products up to the total amount of PLN 105 million under the sublimits specified below: ERBUD S.A. - PLN 105 million including an option of incurring debt up to PLN 115 million; the sublimit for PBDI S.A. is PLN 10 million with an option of incurring debt up to PLN 5 million. The above-mentioned banking product was made available until 29 January 2020.

- **On 10 March 2020** Annex No. 21 signed with BNP Paribas SA. based in Warsaw to the Multi-Purpose Agreement of 7 July 2005. Under this Annex, ERBUD S.A. and its subsidiary PBDI S.A. may use the multi-purpose line up to the total amount of PLN 102 million and may incur debt under this line up to PLN 8 million. ERBUD S.A. may use the line up to a maximum

amount of PLN 102 million, including incurring debt up to PLN 3 million, while PBDI S.A. may use the line up to PLN 18 million, including incurring debt up to PLN 5 million. The above-mentioned banking product was made available until 30 April 2021.

- **On 26 June 2020** Annex No. 18 to the Loan Agreement of 30 June 2009 was singed. Under this Annex, the Issuer may utilize a multi-purpose line (overdraft and bank guarantee line) in the amount of PLN 50 million. The line's maturity date is 30 June 2021.

The Group's loans and borrowings from banks are secured with:

- contractual and capped mortgages on the Group's assets,
- assignments of rights under building contracts,
- mutual sureties extended by the member companies in the Group,
- submission to enforcement pursuant to Article 777 of the Civil Code
- clauses with entitlement to deduct receivables from bank accounts
- blank promissory notes,
- transfer of ownership title to cash deposits representing the contractual percentage of secured receivables.

A summary of the above securities and collaterals is included in the semi-annual consolidated financial statements of the ERBUD Group for the period from 1 January to 30 June 2020.

Loan agreements and multi-purpose financial agreements (a loan with a guarantee facility) as of the date of publication of the condensed financial statements contain financial ratios that the borrower has undertaken to maintain during the term of the loan. As of 30 June 2020 the Group has not broken any of the financial ratios (covenants) set forth in the applicable agreements with financial institutions.

Bank	Indicator	Required level	Levels achieved as of 30 June 2020
Indicators based on consolidated data			
Alior Bank	EBIT margin	**min. 1%**	2.46%
	debt /EBITDA	**2.5 - at the end of June 2019 and 2.0 at the end of December 2019**	0.50
	current liquidity	**min. 1.2**	1.99
	capitalisation	**min. 20%**	24.06%
ING Bank	Net debt / EBITDA	**2,5 in Q1-3 and 2,0 - Q4**	0.50
	capitalisation	**min. 0.20**	0.24
	current ratio	**min. 1.2**	1.99
Santander Bank Polska	Net debt / EBITDA		
	Q2 2019	**max 2.5**	0.50
	Q4 2019	**max. 2.0**	
	current liquidity	**min. 1.2**	1.99
	share of equity	**min. 20%**	24.06%
	EBIT profitability	**min. 1%**	2.46%
PKO BP	share of equity	**min. 20%**	24.06%
	EBIT profitability	**min. 1%**	2.46%
	current ratio	**min 1.2**	1.99
	Net debt / EBITDA		
	Q2 2019	**max 2.5**	0.50
	Q4 2019	**max. 2.0**	
HSBC S.A.	Net Debt/EBITDA ratio	**min. 3.5**	0.50
	Current ratio -	**min 1.2**	1.99
mBank S.A.	EBIT margin	**min. 1%**	2.46%
	current liquidity	**min. 1.2**	1.99
	share of equity	**min. 20%**	24.06%
	Net debt / EBITDA	**max. 2.5 at the end of Q2**	0.50
		max. 2.0 at the end of Q4	
BNP Paribas Bank Polska S.A.	current liquidity	**min. 1.2**	1.99
	solvency ratio	**(not lower than 20%)**	23.3%

	Net debt	**2.5 in Q1-3 and 2.0 - Q4**	0.50
	EBIT profitability	**min. 1%**	2.46%

Loan agreements signed by ERBUD Group member companies - as of 7 September 2020

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	Overdraft facility	8,000	PLN	WIBOR 3M + 1.5%	30 April 2021	one-off	ERBUD S.A.; PBDI S.A. - 5 000
mBank S.A.	Overdraft facility	15,000	PLN	WIBOR 1M + 1.6%	29 Jan. 2021	one-off	ERBUD S.A.; PBDI S.A. – 5 000,
PKO Bank Polski S.A.	Overdraft facility	20,000	PLN	WIBOR 3M 2.28%	30 June 2021	one-off	ERBUD S.A.
Alior Bank S.A. Group	Overdraft facility	10,000	PLN	WIBOR 3M+1.6%	30 Sept. 2020	one-off	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft facility	50,000	PLN	WIBOR 1M +1.65%	31 Jan. 2021	one-off	ERBUD S.A.; PBDI S.A.; ERBUD Industry Centrum
Santander Bank Polska SA	Overdraft facility	5,000	PLN	WIBOR 1M +1.7%	31 Oct. 2020	one-off	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Overdraft facility	5,000	PLN	WIBOR 1M + 1.5%	30 April 2021	one-off	ERBUD Industry Sp. z o.o.
BNP Paribas Bank Polska S.A.	project finance facility	15,000	PLN	WIBOR 1M + 1.5%	30 April 2021	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska SA	working capital facility	5,000	PLN	WIBOR O/N+1,30%	30 Sept. 2020	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska SA	working capital facility	4,000	PLN	WIBOR O/N+1,30%	30 Sept. 2020	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska SA	working capital facility	2,000	PLN	WIBOR O/N+1,30%	30 Sept. 2020	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska SA	working capital facility	6,000	PLN	WIBOR O/N+1.30%	30 Sept. 2020	one-off	ERBUD Industry Południe Sp. z o.o.
Credit Agricole Bank Polska SA	working capital facility	4,500	PLN	WIBOR O/N+1.3%	30 Sept. 2020	one-off	ERBUD Industry Pomorze Sp. z o.o.
BNP Paribas Bank Polska S.A.	Overdraft facility	2,000	PLN	WIBOR 1M + 1.8%	30 April 2021	one-off	ERBUD Industry Pomorze Sp. z o.o.
mBank S.A.	Overdraft facility	200	PLN	WIBOR O/N + 1.9%	31 Jan. 2021	one-off	ERBUD Operations Sp. z o. o.

mBank S.A.	Overdraft facility	3,000	PLN	WIBOR 1M + 1.45%	29 Sept. 2020	one-off	ERBUD Operations Sp. z o. o.
ING Bank Śląski S.A.	Investment loan	4,287	PLN	WIBOR 1M + 2.15%	30 Nov. 2025	On instalment basis	PBDI S.A.
CommerzBank AG	Overdraft facilities	2,000	EUR	EURIBOR 3M+ 0.25%	31 May 2021	one-off	GWI GmbH
PKO BP S.A. German Branch	Overdraft facilities	1,325	EUR	EURIBOR 1M + 2.1%	30 June 2021	one-off	GWI GmbH
Dutche Bank AG	Overdraft facilities	1,000	EUR	2.25%	30 June 2021	one-off	GWI GmbH
Deutsche Apotheker- und Ärztebank eG	Overdraft facilities	20,000	EUR	3M EURIBOR+2.2%	30 Sept. 2020	one-off	PflegeQuatier Düren GmbH (51% subsidiary of GWI GmbH)
HSBC France (Joint Stock Company) Branch in Poland	Non-revolving loan	2,275	EUR	EURIBOR 3M+ 2.2%	24 Feb. 2023	instalments	Erbud Beteiligungs GmbH
Commerzbank	Overdraft facilities	1,500	EUR	EURIBOR + 1.5%-2.0%	Valid indefinitely	one-off	IVT Weiner + Reimann GmbH
National Bank AG	Overdraft facilities	1,000	EUR	EURIBOR + 1.5%-2.0%	Valid indefinitely	one-off	IVT Weiner + Reimann GmbH
Santander Bank AG	Overdraft facilities	1,000	EUR	EURIBOR + 1.5%-2.0%	Valid indefinitely	one-off	IVT Weiner + Reimann GmbH
Commerzbank	Investment loan	26	EUR	2.50%	31 Dec. 2020	instalments	IVT Weiner + Reimann GmbH
National Bank AG	Investment loan	299	EUR	1.50%	31 May 2027	instalments	IVT Weiner + Reimann GmbH
National Bank AG	Investment loan	79	EUR	EURIBOR + 1.25%	20 Apr. 2022	instalments	IVT Weiner + Reimann GmbH
Ford Bank AG	Car loan	129	EUR	0.00%-3.92%	31 Jul. 2022	instalments	IVT Weiner + Reimann GmbH
Santander Bank AG	Car loan	412	EUR	0.00%-3.92%	31 Jul. 2022	instalments	IVT Weiner + Reimann GmbH
	Total:	**159,185**	**PLN**				
	Total:	**31,045**	**EUR**				

3.9. Contingent receivables and liabilities

Contingent liabilities under the guarantees and sureties granted are both sureties issued by the member companies of the ERBUD Group and guarantees issued by the banks and insurance companies to the ERBUD Group's contractors to secure their claims against the Group under the construction contracts performed, with the banks and insurance companies being entitled to a back claim against the ERBUD Group to this extent.

Surety extended by ERBUD S.A. – as of the publication date of the Financial Statements

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ERBUD S.A.	GWI GmbH (subsidiary)	8,932	Overdraft facility	Commerz-Bank	31 May 2021	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor
ERBUD S.A.	GWI GmbH (subsidiary)	7,101	overdraft facility – EUR 1 590	PKO BP S.A.	31 Dec. 2024	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety per year
ERBUD S.A.	GWI GmbH (subsidiary)	8,843	Line for financial guarantees in the amount of EUR 1 980	PKO BP S.A. (German Branch)	31 Dec. 2031	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,466	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherungsverband, R+V ; Swiss RE	31 Dec. 2020	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,466	Overdraft facility of EUR 1 million	Deutche Bank AG	30 May 2021	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor
ERBUD S.A.	ERBUD Industry Sp. z o.o. (subsidiary)	20,000	multi-purpose credit line	BNP Paribas Bank Polska S.A.	24 Feb. 2033	Civil surety, The Guarantor charges a surety fee of 1% of the value
ERBUD S.A.; IVT Menzenbach GmbH; IVT Weiner&Reiman GmbH – Joint and several surety	Erbud Beteiligungs GmbH	15,975	Non-renewable loan for the acquisition of shares in IVT Weiner+Reimann GmbH (EUR 3,577 thousand)	HSBC	24 Mar. 2023	Civil surety, The Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	PBDI S.A.	6,720	Investment loan	ING Bank Śląski S.A.	30 Nov. 2028	Civil surety, The Guarantor charges a surety fee of 1% of the value
Total:		**76,503**				

Surety extended to ERBUD S.A. – as of the publication date of the Financial Statements

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
PBDI S.A. (subsidiary of ERBUD S.A.; ERBUD International Sp. z o.o. (subsidiary of ERBUD S.A.) – joint and several guarantee	ERBUD S.A.	50,000	multi-purpose credit– guarantee line (LKW)	PKO BP S.A.	30 Sept. 2027	Civil surety, the Guarantor charges a surety fee of 1% of the value

A list of sureties at Erbud Industry Group:

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
Erbud Industry Sp. z o.o.	Erbud Industry Pomorze (a subsidiary in 100% owned by Erbud Industry)	2,000	Overdraft facilities	BNP Paribas S.A.	16 Jan. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value

Liabilities under guarantees granted to third parties ('000 PLN)

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
ERBUD S.A.				
30 June 2020	58,183	218,239	233,746	510,168
31 Dec. 2019	39,079	225,341	173,705	438,125
30 Jun. 2019	53,408	284,700	164,986	503,094
PBDI S.A.				
30 June 2020	4,898	64,025	22,184	91,107
31 Dec. 2019	5,648	53,911	18,964	78,523
30 Jun. 2019	4,708	37,781	19,148	61,637
GWI GmbH				
30 June 2020	11,809	14,342	51,870	78,021
31 Dec. 2019	10,797	13,038	44,243	68,788
30 Jun. 2019	13,160	12,206	45,293	70,659
Erbud International Sp. z o.o.				
30 June 2020	0	223	0	223

31 Dec. 2019	0	213	0	213
30 Jun. 2019	0	0	425	425
ERBUD Industry Sp. z o.o.				
30 June 2020	14,888	9,711	5,249	29,848
31 Dec. 2019	0	4,656	6,026	10,682
30 Jun. 2019	1,500	4,978	4,567	11,045
Erbud Industry Centrum Sp. z o.o.				
30 June 2020	200	6,481	1,373	8,054
31 Dec. 2019	600	4,301	1,280	6,181
30 Jun. 2019	0	3,294	1,493	4,787
ERBUD Industry Południe Sp. z o.o.				
30 June 2020	174	3,627	1,725	5,526
31 Dec. 2019	347	1,089	1,643	3,079
30 Jun. 2019	28	371	1,785	2,184
ERBUD Industry Pomorze Sp. z o.o.				
30 June 2020	0	1,542	2,256	3,798
31 Dec. 2019	50	1,133	1,852	3,035
30 Jun. 2019	350	1,133	2,223	3,706
ERBUD Operations Sp. z o.o.				
30 June 2020	2,098	8,744	4,111	14,953
31 Dec. 2019	270	8,317	3,951	12,538
30 Jun. 2019	780	4,780	2,806	8,366
IVT Weiner + Reimann GmbH				
30 June 2020	2,426	67	0	2,493
31 Dec. 2019	2,078	64	0	2,142
30 Jun. 2019	675	64	1,377	2,116
IVT Menzenbach GmbH	719	0	0	719
30 June 2020	0	0	0	0
31 Dec. 2019	686	0	0	686
30 Jun. 2019	685	0	0	685
30 June 2020	**Total**			**666,889**
31 Dec. 2019	**Total**			**623,992**
30 Jun. 2019	**Total**			**668,794**

Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	30 June 2020 (value in PLN M)	31 Dec. 2019 (value in PLN M)
Contingent liabilities under lawsuits brought against ERBUD S.A.	46.4	46.7

Based on legal opinions and knowledge of cases, the Management Board of ERBUD S.A. determines the probability of the Company winning cases related to contingent liabilities to be significant. In the category of contingent liabilities, the highest amount equals to PLN 34.4 million and concerns the dispute with MPL Modlin Sp. z o.o.

As of 30 June 2019, the Group had the following contingent receivables under guarantees where the ERBUD Group companies are beneficiaries.

Contingent receivables under guarantees held

Item	As of 30 June 2020 in '000 PLN	As of 31 Dec. 2019	As of 30 June 2019 in '000 PLN	Company
Performance bond, retention bond, payment guarantees	82,475	72,878	72,134	ERBUD S.A.
Performance bond, retention bond	16,507	10,494	9,560	PBDI S.A.
Performance bond, retention bond	0	0	0	Erbud International Sp. z o.o.
Performance bond, retention bond	22,082	20,825	0	GWI GmbH
Performance bond, retention bond	0	0	0	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond	15,877	14,549	15,404	ERBUD Industry Sp. z o.o.
Performance bond, retention bond	41	138	138	ERBUD Industry Pomorze Sp. z o.o.
Performance bond, retention bond	776	535	1,419	ERBUD Industry Południe Sp. z o. o.
Performance bond, retention bond	1,775	1,089	2,757	ERBUD Operations Sp. z o.o.
Performance bond, retention bond	45	43	43	IVT Weiner + Reimann GmbH
Performance bond, retention bond	0	0	0	IVT Menzenbach GmbH
Total:	**139,578**	**120,551**	**101,455**	

Bank guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2020 (in '000 PLN)

Guarantor	Type of liability	Limit amount '000	Currency	Obligor
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	90,000	PLN	ERBUD S.A.
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	2,000	EUR	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	99,000	PLN	ERBUD S.A.; PBDI S.A. (18 000)
mBank S.A.	Bid bonds, performance bond, retention bond	90,000	PLN	ERBUD S.A. (PBDI S.A. – 10,000)
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	30,000	PLN	ERBUD S.A.
Santander Bank Polska SA	Bid bonds, performance bond, retention bond	45,000	PLN	ERBUD S.A.
HSBC Bank Polska SA	Bid bonds, performance bond, retention bond	70,000	PLN	ERBUD S.A.
Credit Agricole Bank Polska SA	Bid bonds, performance bond, retention bond	30,000	PLN	ERBUD S.A. (30 000), ERBUD Industry Centrum Sp. z o.o. (7 500), ERBUD Industry Sp. z o.o. (10 000), ERBUD Industry Południe (5 000) i ERBUD Industry Pomorze Sp. z o.o (2 500)
ING Bank Śląski S.A.	Bid bonds, performance bond, retention bond	92,000	PLN	ERBUD S.A. (92 000), PBDI S.A. (23 000) and ERBUD Industry Centrum Sp. z o.o. (6 000)
mBank S.A.	Bid bonds, performance bond, retention bond	927	PLN	PBDI S.A.
mBank S.A.	Bid bonds, performance bond, retention bond	1,500	PLN	Erbud Operations Sp. z o.o.
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	1,650	EUR	GWI GmbH
Total:		**548,427**	**PLN**	
Total:		**3,650**	**EUR**	

Insurance guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2020 (in '000 PLN)

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond, advance payment	230,000	PLN	ERBUD S.A. (including for PBDI S.A. 15 000; including Erbud Industry Sp. z o.o. – 20.000)
PZU S.A.	Bid bonds, performance bond, retention bond, advance payment	29,173	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	3,621	PLN	ERBUD S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	50,000	PLN	ERBUD S.A.
Generali TU S.A.	Bid bonds, performance bond, retention bond, advance payment	15,553	PLN	ERBUD S.A.
Euler Hermes AG.	Bid bonds, performance bond, retention bond	3,495	EUR	GWI GmbH, ERBUD S.A. and ERBUD International Sp. z o.o
ZURICH	Bid bonds, performance bond, retention bond	786	EUR	GWI GmbH
R+V	Bid bonds, performance bond, retention bond	7,000	EUR	GWI GmbH
AXA	Bid bonds, performance bond, retention bond	1,000	EUR	GWI GmbH
Bayerischer Versicherungverband	Bid bonds, performance bond, retention bond	1,500	EUR	GWI GmbH
Swiss RE	Bid bonds, performance bond, retention bond	1,364	EUR	GWI GmbH
Credendo	Bid bonds, performance bond, retention bond	2,500	EUR	GWI GmbH
VHV Versicherungen	Bid bonds, performance bond, retention bond	500	EUR	GWI GmbH
Generali S.A.	Bid bonds, performance bond, retention bond	10,000	PLN	PBDI S.A.
AXA	Bid bonds, performance bond, retention bond	41,000	PLN	PBDI S.A.
InterRisk	Bid bonds, performance bond, retention bond	7,000	PLN	PBDI S.A.
Uniqa TU S.A.	Bid bonds, performance bond, retention bond	5,000	PLN	PBDI S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	10,000	PLN	PBDI S.A.
Wiener DU S.A. VIG	Bid bonds, performance bond, retention bond, advance payment	5,000	PLN	PBDI S.A.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	3,000	PLN	ERBUD Industry Pomorze Sp. z o.o.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	4,000	PLN	Erbud Industry Centrum Sp. z o.o.
TU WARTA S.A.	Bid bonds, performance bond, retention bond	1,000	PLN	Erbud Industry Centrum Sp. z o.o.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	500	PLN	ERBUD Industry Południe Sp. z o.o.

Generali S.A.	Bid bonds, performance bond, retention bond	77	PLN	ERBUD Industry Południe Sp. z o.o.
KUKE S.A.	Bid bonds, performance bond, retention bond	241	PLN	ERBUD Industry Południe Sp. z o.o.
AXA	Bid bonds, performance bond, retention bond	2,500	PLN	ERBUD Industry Sp. z o.o.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	3,000	PLN	ERBUD Operations Sp. z o.o.
TU Gothaer.	Bid bonds, performance bond, retention bond	1,500	PLN	ERBUD Operations Sp. z o.o.
R+V	Bid bonds, performance bond, retention bond	3,000	EUR	IVT Weiner + Reimann GmbH
Total:		422,165	PLN	
Total:		21,145	EUR	

3.10. The Management Board's position on the forecasts for a certain year in the light of the performance presented as of 30 June 2020.

The Issuer's Management Board did not publish financial forecasts for 2020.

4. RISK MANAGEMENT

Risk management is a very important aspect of the ERBUD Group. The Management Board approaches the problem of risk management systemically, taking into account all possible potential risks such as:

Internal risks	External risks
Strategy • **lack of fast adaptation to ever changing market environment** • **failure to keep abreast with changing technology** • **erroneous choice of partner** **Organization** • **poor communication between operational units** • **misappropriations** • **breaches of guidelines and internal procedures**	Economics • fluctuation of raw material prices • interest rate changes • exchange rate fluctuations • inflation rate growth • increase of insurance contributions Politics • regulatory changes • entry barriers • trade embargoes • regulatory changes

Personnel • **occupational diseases** • **labour strikes** • **lack of competencies** • **loss of workers** **Processes and assets** • **accidents during transport** • **fire / failures** • **defective product quality and pollution / contamination**	Market • customer pressure on price reduction - customer consolidation • failure to comply with contractual terms by key suppliers/subcontractors • labour force deficiency in the marketplace • loss of intellectual property • competition growth Nature • flood • hurricane wind • epidemic/pandemic Social • crimes • increase of damages awareness • demonstrations

Types of risks specifically monitored in the ERBUD Group

4.1. Financial Risk

4.2.1. Currency risk

The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. Contracts executed in Poland are generally concluded by the Group in Polish currency, and contracts executed abroad are concluded in Euro. As part of their core business, the Group member companies enter into construction contracts, which are denominated in foreign currencies (primarily in Euro).

In the case of contracts denominated in foreign currencies, the Group is particularly exposed to the currency risk related to the appreciation of the Polish currency (PLN) - the expected proceeds from the contract decrease, if the domestic currency appreciates.

In the case of contracts denominated in Euro for which it is impossible to match the currency, the Group hedges the material foreign exchange risk using forward contracts with key parameters as close as possible to those of the hedged item.

When entering into hedging transactions, the Company applies hedging accounting principles.

In the period under discussion, neither the Issuer nor the Group member companies executed contracts exposed to currency risk.

4.2.2. Interest rate risk

The interest rate risk occurs mainly in connection with the utilization of debt financing i.e. bank credits and loans, financial lease products and bond issue by the Group member companies. These financial instruments are based on variable interest rates and expose the Group to the risk of changes in cash flows. This risk is partially offset by the Group's idle cash deposits invested on the basis of a variable interest rate. However, the current monetary policy does not guarantee compensation for the costs incurred in connection with bank debt by means of deposit income.

Save for the bonds and investment loans, the Group enters into short-term debt financing agreements (up to 12 months), which reduces the risk related to a sudden increase in interest rates.

In relation to the above the Group monitors its exposure to interest rate risk and interest rate projections and allows for hedging of material interest rate risk through *interest rate swaps*. When entering into hedging transactions, the Group applies hedging accounting principles.

The interest rate risk related to the existing debt was considered immaterial from the perspective of its impact on the Group's financial performance , therefore in H1 2020, interest rate risk management was limited to the on-going monitoring of the market developments.

4.3.3. Price risk

The ERBUD Group is exposed to the price risk associated with the price hikes of the most frequently purchased construction materials, such as steel and concrete. The prices in the contracts concluded with investors are usually fixed throughout the entire effective term of the contract. Therefore, price hikes of materials have an adverse effect on the Group's financial performance.

As a result of the increase in material prices, the prices of services provided to the Group by its subcontractors may also increase.

In order to mitigate the price risk, the ERBUD Group monitors the prices of the most frequently purchased materials on an on-going basis, and the contracts signed have appropriately adjusted parameters concerning, *inter alia*, contract effective term and contract value adapted to the market situation.

This is a risk to which the Group is particularly exposed during the period under discussion and in the near future. A risk that has a direct impact on profitability, and thus on the risk of covenants breaking as a result of lower-than-required profitability. In connection with the above, the Management Board together with the managerial staff undertakes numerous actions to renegotiate prices with Investors and to assume additional provisions for this type of risk in the calculation of new contracts.

4.4.4. Credit risk

The ERBUD Group's financial assets, which are exposed to credit risk, are mainly trade receivables and construction performance bonds. The Group has a policy of assessing and verifying credit risk related to all contracts. Before signing a contract, each counterparty is evaluated in terms of its capability to meet its financial obligations. In the event of a negative assessment of the counterparty's payment capability, entering into the contract depends on the establishment of adequate financial or asset collaterals. Moreover, contracts with investors contain clauses providing for the right to suspend the execution of works, if there is a delay in the transfer of payments for services rendered. If possible contractual clauses are also developed to condition payments to subcontractors on the receipt of funds from the investor.

The ERBUD Group does not have concentrated credit risk on trade receivables, since the Group has a high number of customers, both domestic and foreign.

The Group sets up a write-down for impairment loss updating receivables when there is objective evidence that the Group will not be able to obtain due amounts under original terms of receivable payment.

4.4.5. Liquidity risk

The Group's operations require financial commitment and pre-financing of the works in progress as most of the projects are invoiced once a month and invoices are usually paid after 30 days from the date of receipt. There are also projects for which invoicing takes place once a quarter or after completion of a certain milestone, which extends the period of pre-financing of construction works.

In order to reduce the risk of liquidity loss, the Group member companies maintain an appropriate amount of cash and transferable securities as well as enter into credit line agreements, which serve as additional liquidity security.

ERBUD S.A. also benefits from debt financing raised through the issue of bonds worth PLN 52 million.

In addition, ERBUD S.A. and some of the Group's entities performing construction work, while being in the construction process, are obliged to provide a performance bond, guarantee of repairing defects and faults, and in some cases refund the advance payment or guarantee of payment. Therefore, in addition to debt financing, ERBUD S.A. and some subsidiaries utilize lines for financial guarantees both from banks and from insurance companies.

As part of both cash and equity transactions, the Group member companies cooperate with highly reliable financial institutions, without causing a significant concentration of credit risk. The Group pursues also a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash. Liquidity management is supported by the existing liquidity forecast reporting system by the Group member companies.

As of 30 June 2020 the ERBUD Group had the capacity to meet its short-term liabilities. All Group member companies paid their interest and trade payables on time.

As at the report date and in the long term, the Management Board sees no threats to financial liquidity.

4.2. Operational risk

The activities of the ERBUD Group are accompanied by many operational risks, such as:

- Risk of underestimation of contract execution costs. If the value of all works necessary to perform the contract, specified in the tender offer, is underestimated, the Group may incur a loss or generate a lower profit on a certain contract.
- Risk of failure to recognise extra costs of works by the Employer. The proper performance of the subject matter of the contract sometimes requires the performance of extra works not specified in the contract, and thus incurring costs higher than accepted. Additional work may also result in the contract execution deadline being exceeded. The Group's request for additional fee may be considered groundless by the Employer.
- Risk of suspension of contracts by the investor.
- Protests by residents or ecologists in the case of road investments, delaying construction work.
- Risk of poor quality of delivered materials.
- Risk related to liability under the warranty for physical defects and guarantee of the quality of performed works.
- Risk related to the responsibility for the improper performance of construction works by subcontractors.
- Risk of loss of managerial and engineering staff. Decisions to reassign some of these staff and the no possibility to replace them with suitable staff may have a negative impact on the performance of certain contracts.

4.3. Macroeconomic Risk

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish economy and the European economy. The development opportunities for the construction sector are particularly influenced by the share of investments into economic growth. Most analysts predict that, *inter alia*, thanks to the inflow of funds from under the new EU perspective, which will be allocated to investment projects, the GDP growth rate will remain at approximately 3% in the coming quarters.

However, good development prospects for the construction sector may at the same time contribute to enhanced competition originating from both Polish and foreign companies. The mounting competition poses a risk of construction output.

4.4. Legal Risk

Possible changes to certain regulations may adversely affect the activities of the ERBUD Group. In particular, this refers to:

- New environmental protection requirements which may make it necessary to obtain further permits and delay the implementation of the investment.
- Changes in the regulation of licences and public procurement (e.g. introduction of additional innovation and social security requirements).
- Tightening of requirements concerning guarantee, warranty and subcontracting contracts in bidding procedures.
- Aggressive fiscal policy - such as the split payment mechanism - which will affect the GROUP's liquidity.
- Risks related to the implementation of GDPR Regulation.

4.5. Tax Risk

As business entities, the Group member companies are also exposed to the risk related to the tax systems in force effective in the countries where they run their business activities. Recently in Poland there have been a number of changes in all taxes. Additionally, the Group member companies upkeep business relations with one another, which requires pursuing a very restrictive transfer pricing policy. The Group works jointly tax counselling companies on a permanent basis. Members of the financial units attend in numerous training courses and sessions. Periodic audits are also carried out with the focus on tax security issues.

4.6. Environmental Risk

Environmental risk management at ERBUD S.A. is a permanent element of the process approach and is defined for each investment project. This process starts with the identification of environmental aspects and their environmental impact. For material environmental aspects, objectives and targets are set leading to the mitigation of the Company's negative environmental impact.

The major environmental aspects of ERBUD S.A. include, but are not limited to:

- land contamination,
- water pollution,
- air emissions,
- the environmental nuisance of the manufacturing process (noise, vibrations),
- utilisation of natural resources,
- substances applied in the construction products,
- waste including in particular hazardous waste,
- other aspects related to the specific nature of the construction activity.

In the organisation, an assessment of the probability of occurrence of threats or opportunities resulting from a given environmental aspect is carried out, and then an analysis of possible environmental damages and benefits related to the occurrence of a certain event is made. The classification of risks is determined on the basis of defined matrices, which present criteria of probability of occurrence of an undesirable phenomenon (environmental hazard) and criteria of the effect of the occurring phenomenon (outcome). The purpose of the aforementioned analysis is to determine what risks and impacts on the environment result from the identified significant environmental aspects and what is their environmental impact and contract performance. The defined environmental risks are constantly monitored when each construction project is being performed and described in the Environmental Programme, which defines:

- environmental objectives for individual environmental aspects,
- the risks and opportunities associated with environmental aspects and the risks and benefits related to them,
- preventive measures to minimize risks and achieve objectives,
- persons responsible for preventive measures.

The effect of the assessment of the environmental impact of a facility, through the identification of significant risks, is to indicate ways to reduce the negative environmental impact of construction activity in the future.

4.7. Climate Risk

Based on the guidance provided in the Climate Information Reporting Supplement (2019/C 209/01), including the appendix in the form of Recommendations of the Task Force on Climate Financial Disclosure (TCFD) (under Materials and Buildings Group), types of climate risks were identified for the ERBUD Group. They are presented in a table below:

Risk categories based on financial materiality	Individual risks	Risk categories based on environmental and social materiality	Individual risks
Acute physical risk	- the risk of heat waves disrupting the value chain due to the overloading of the energy system by air conditioners and shortening the working time of employees, - the risk of abrupt storms or hurricanes disrupting the value chain due to flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or the discontinuation of the supply of process utilities, - the risk of floods disrupting the value chain due to flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or the discontinuation of the supply of process utilities, - the risk of outbreak of fires disrupting the value chain by destroying your own property or that of your partners in the value chain.	Risks associated with the transition concerning political aspects	- tightening energy efficiency requirements due to climate change and lack of access to water or overloading of the power system, - change of the mechanisms for setting charges for greenhouse gas emissions affecting the purchase of fossil fuels or other non-renewable raw materials, - changing land management policies due to their location in areas of climate risk or impact on climate changes.
Long-term physical risk	- the risk of reducing the amount of available process water disrupting the value chain, in connection with the drop in surface and groundwater levels as a result of rainfall, - the risk of reducing the working time of workers disrupting the value chain as the average temperature rises.	Transition risk concerning political aspects	- the risk of a possible lawsuit in case of too much adverse impact on the climate, e.g. due to failure to adapt to climate change.
		Transition risk concerning technological aspects	- the risk of not using technologies with less harmful impact on the climate.
		Transition risk concerning market aspects	- the risk of redirecting business customers' choices to solutions and structures that have an even more passive impact on the climate.
		Transition risk concerning loss of reputation	- the risk of failure to attract and retain business customers, if the Group's operations are deemed to be harmful to the climate, - the risk of failure to attract and retain personnel, if the Group's operations are deemed to be harmful to the climate, - the risk of failure to attract and retain investors, if the Group's operations are deemed to be harmful to the climate, - the risk of failure to attract and retain suppliers and subcontractors, if the Group's operations are deemed to be harmful to the climate.

4.8. Cyberattack Risk

The group of risks to which the companies are currently exposed includes also cyberattack risk. According to the Forbes monthly, Poland is on the 20th position in the ranking of the most threatened countries. Although the major industries exposed to cyberattacks are energy and transport, they also include the industries in which the ERBUD Group operates. These usually concerned theft of personal data. Given the above, the Management Board of ERBUD S.A. decided already in 2018 to carry out a "stress-test" and take out an insurance policy with protection against the consequences of cyber attacks. All the Group member companies pursue a uniform IT policy.

4.9. Coronavirus Risk

The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows: (i) temporary absence of construction staff, which may contribute to the delay of construction processes, (ii) delays in the supply of construction materials and services, (iii) slowdown in the activities of public administration bodies, including in particular administrative decision-making process, (iv) contracting authorities' decisions to suspend work on individual construction contracts, (v) contracting authorities' decisions not to implement planned construction projects, e.g. due to difficulties in raising financing.

In the opinion of the Management Board of the ERBUD Group, as of the publication date of the financial statements, drawn up as of 30 June 2020, the liquidity positions of the Group and the Company remain stable.

As the situation continues to evolve, management of the company believes that it is not possible to provide quantitative estimates of the potential impact of the current situation on the company. The management will continue to monitor the potential impact and will take all possible steps to mitigate any negative impact on the ERBUD Group.

In the opinion of the Management Board of the ERBUD Group, the greatest threat of the pandemic to the construction sector will be the slowdown of private investments. Investors are already encountering major problems in raising funding for new investment projects. Today it is not known whether it is feasible to bridge the gap with public investments.

4.10. Insurance

The ERBUD Group uses insurance products covering company's business risk, Directors & Officers Civil Liability and construction and erection risks (covering contract work and property under construction).

Additionally, the Group uses motor insurance.

Insurance contracts

Insurer	Valid from	Valid to	Subject of insurance	Value of insurance
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2020	31 Jan. 2021	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2020	31 Jan. 2021	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2020	31 Jan. 2021	Construction and erection all risks insurance	Open

Chubb European Group Limited Sp. z o.o. Polish Branch	23 Feb. 2020	31 May 2021	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million
Chubb European Group Limited Sp. z o.o. Polish Branch	1 Jun. 2019	31 May 2020	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	8 June 2020	7 June 2021	D&O Insurance	PLN 40 million

4.11. Litigations

Information about lawsuits pending before a court, an authority competent for arbitration proceedings or a public administration body, including information about:

Both in cases where the Issuer is the plaintiff (cases related to receivables) and in cases where the Issuer is the defendant (cases related to payables) the position of the Issuer and its legal advisors prove that the proceedings will be solved in favour of the Issuer.

Proceedings to which ERBUD SA is a party as of the Report Date, concerning payables or receivables of the Issuer or its subsidiary (including the case subject, the amount in dispute, the date of the proceeding initiation and the Issuer's perspective)

Material proceedings to which the Issuer is the plaintiff:

1.

Defendant: Bank Millennium S.A. in Warsaw

Date of filing a lawsuit: 22 December 2010

Value of the dispute: PLN 71,065,496

In 2008 Bank Millennium S.A. advised ERBUD S.A. to conclude FX option transactions to hedge against FX risk under the contracts denominated in EUR executed by the Issuer. The Bank's proposal was driven by a need of the Issuer to obtain security adequate to its situation. According to the Company, the product was not optimally adjusted to the ERBUD S.A. needs. In Q4 2008, as a result of a drastic revaluation of Polish zloty (PLN) in the PLN/EUR pair, Bank Millennium S.A. informed the Issuer about a negative valuation of the exposure held at that time.

At the same time, a dispute arose over the content of FX option transactions, mainly with respect to the exclusion of option structures. During numerous discussions, the Issuer presented its position to the Bank, in which it demanded that the transaction be carried out with the undertaking of actions aimed at enforcing of existing claims. In order to limit the amount of potential loss, the disputed transactions were restructured and the Bank was informed about legal actions taken in the future to remedy the loss resulting from FX option transactions. The restructuring details were presented by the Issuer in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. The Issuer never agreed with the position of Bank Millennium S.A. and therefore called upon the Bank twice demanding the Bank to pay the amount of PLN 71,065,496, which consists of the amounts collected by the Bank from the Issuer's bank account, foregone profits and costs of legal and financial advisors. In connection with the above, the Issuer decided to bring an action for payment of compensation for the loss.

On 16 September 2016 the Management Board of ERBUD S.A. was informed by its legal counsels about the decision taken by the District Court in Warsaw. Pursuant to the decision, the Court dismissed the Issuer's claim in its entirety.

On 4 November 2016, the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal allegations focus in particular on incorrect findings and

conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer.

The above ruling does not have any influence on the financial position of the Issuer because the entire loss related to options was settled in the year of its occurrence, i.e. in 2008.

On 29 May 2018 the Court of Appeal in Warsaw announced the ruling in the case filed by ERBUD S.A. against Bank Millennium S.A., in which it upheld the appeal of the Company.

The Court of Appeal in Warsaw, in its decision of 29 May 2018, overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision about the costs of the appeal proceedings.

On 13 July 2018 the Company was informed about a complaint filed by Bank Millennium S.A. with the Supreme Court against the ruling of the Court of Appeal in Warsaw of 29 May 2018 concerning the action brought by ERBUD S.A. against Bank Millennium S.A.

In its complaint Bank Millennium questions the advisability of repealing the ruling and referring the case back to the District Court in Warsaw for re-examination, indicating that the Court of Appeal should decide the case itself. on behalf of the Company its Legal advisors submitted a response to the complaint.

On 28 September 2018 the Supreme Court issued a decision about the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. By virtue of its decision of 28 September 2018 the Supreme Court, overruled the appealed decision of the Court of Appeal in Warsaw of 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on the costs of the appeal proceedings.

On 3 June 2019 Court of Appeal in Warsaw decided:
To admit ex officio evidence from a court expert's opinion in the field of finance, economics and banking to the circumstances:

- clarification of the substance and mechanism of the contracts concluded by the parties on 9 and 11 July 2008 and 14 August 2018 as regards the contract between the parties;
- whether the above-mentioned contracts were adjusted to the plaintiff's market position;
- what function they performed, and in particular whether they performed a function securing the plaintiff's interests;
- whether the type of the switch (bilateral or unilateral) was important for the performance of the function securing the plaintiff's interests;
- assessment of risk of both parties to the above mentioned contracts, determination whether there was an identical probability of profit and loss on both sides and determination of possible disproportion of positions of both parties to this end;
- whether by concluding the above-mentioned contracts the plaintiff was exposed to the exchange rate risk, whether the defendant was exposed to the exchange rate risk and whether the degree of such risk was determined, in particular whether the risk was unlimited for any of the parties;
- whether the conclusion of the aforementioned contracts was of speculative nature;
- determine whether the information provided to the plaintiff prior to the conclusion of the aforementioned contracts was complete, reliable and comprehensible, whether the content of the information provided represented a sufficient basis for risk analysis and making a fully judged decision regarding the conclusion of the aforementioned contracts.

Have the court expert draw up a written opinion in three copies within two months.

Further decisions shall be taken after the expert's opinion has been drawn up.

By the date of publication, the expert had drawn up an opinion and the parties, both the plaintiff and the defendant, had responded in writing to the expert's opinion.

2.

Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic

Date of filing a lawsuit: 14 February 2012

Value of the dispute: PLN 26,923,644.16

Current state of the affairs: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22,925,604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014, the defendant filed a counterclaim for the amount of PLN 5,651,633. On 6 November 2015, a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties have been interviewed. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018, the court dismissed both oppositions. The court made a decision to have an expert draw up an opinion. The date of hearing is missing.

3.

Defendant: Kępska S.A. with its registered office in Warsaw

Date of filing a lawsuit: 22 April 2014

Value of the dispute: PLN 9,877,132

The Issuer is claiming from Kępska S.A. the payment of remuneration for the execution of construction works. Action brought on 22 April 2014. The Issuer requested that Kępska S.A. be adjudicated to pay the above amount.

In the course of the case examination, a court expert opinion and two complementary opinions were prepared. According to these opinions, Erbud performed the works under the contract in compliance with deadlines amended by the annexes and by virtue of additional agreement.

By virtue of its decision of 24 April 2018, the Court allowed the claim for payment and adjudicated Kępska S.A. to pay Erbud the amount of PLN 9,877,131.31 with statutory interest. In the rationale, the Court stated that the defects of the works referred to by the defendant did not entitle the defendant to withdraw from the agreement and that Erbud should be paid for works performance.

On 6 November 2018, as a result of appeals filed by Erbud and Kępska S.A. against the court decision, the Court of Appeal in Wrocław recognized, by virtue of its ruling, the termination of the general contractor agreement by Erbud SA to be effective, adjudicated the amount of PLN 4,316,464.11 plus interest from Kępska S.A. to Erbud SA, set aside the court decision for re-examination with regard to the receivables awarded therein in the amount of PLN 5,560,667.20, and dismissed the appeals of the Parties to the remaining extent.

After the case was reopened by the District Court in Opole (Ref. No.: VI GC 58/19) the evidence involving a supplementary expert's opinion on the property and construction appraisal and real estate management was examined.

On 4 March 2020, the District Court closed the trial. The publication of the judgment was scheduled for 19 August 2020.

Upon the Issuer's request, the Court Enforcement Officer runs enforcement proceedings to obtain the cash benefit awarded to Erbud.

At the same time, on the basis of the obtained executive title, the Issuer filed for initiation of enforcement proceedings against a part (secured with a mortgage) of the legally awarded amount of PLN 2,901,964.11 from the real estate at ul. Kępska 8 in the City of Opole, encumbered with a compulsory mortgage established in favour of Erbud. Proceedings to this extent are run by the Court Enforcement Officer at the District Court in the City of Opole.

4.

Defendant: Academy of Music in the City of Łódź

Date of filing a lawsuit: 20 December 2013

Value of the dispute: PLN 2,050,515

Counterclaim

Defendant: ERBUD SA

Value of the dispute: PLN 4,135,790.96

Date of filing a lawsuit: 16 December 2014

On 20 December 2013 ERBUD S.A. brought an action for payment of PLN 1,895,430.00 as remuneration for the construction works performed by the Plaintiff for the Defendant under Contract No. 694/U/AMŁ/2012 of 20 December 2012, under which the Plaintiff issued an invoice to the Defendant on 30 July 2013, and for the payment of PLN 74,934.40 - in relation to the statutory interest due to the Plaintiff on the amount of remuneration accrued from the due date of the claim (i.e. 29 August 2013) to the date of bringing an action (i.e. 20 December 2013) and the amount of PLN 80,150.37 - as compensation of Academy's misperformance of the Contract No. 209/U/AMŁ/11 of 15 September 2011, as a result of which ERBUD S.A. suffered damage in the form of higher costs of running construction activities for a period longer than provided for in the aforementioned Contract, i.e. in the period from 1 June 2013 to 15 July 2013. The defendant Academy of Music filed a response to the statement of claim demanding that the statement of claim be dismissed in its entirety and referred to its statutory right of set-off of contractual penalties. Pursuant to the Decision of 5 November 2015 the Court merged the case with a counterclaim brought by the Academy of Music. More witnesses are being interviewed. Upon the request of the Academy of Music, mediation proceedings were conducted in order to reach a settlement. The Parties did not agree during mediation, the proceedings are continued. The expert delivered its opinion on 16 December 2017. There was also an on-site inspection attended by an expert. A supplementary opinion was submitted and ERBUD S.A. filed charges against it and supported its current position. The defendant's objections to the expert's opinion led to the development of supplementary opinions No. 4 and No. 5, in which the expert upheld the position voiced in the main opinion.

On 20 March 2019 the court closed the hearing and on 22 March 2019 announced its decision under which:

1) awarded ERBUD the amount of PLN 1,970,364.40 with statutory interest, accrued from 19 December 2013 until the date of payment,
2) the remaining part of lawsuit was dismissed (counterclaim)
3) ordered the costs of court proceedings totalling PLN 120,203.57 to be paid to ERBUD.

The Academy of Music filed an appeal against the part including the claim, and ERBUD S.A. has responded to the appeal (I ACa 770/19). After the hearing was held on 14 July 2020, the Court closed the proceedings and on 17 July 2020 announced a judgment by virtue of which it dismissed the Academy's appeal in its entirety and adjudicated the amount of PLN 16,050 equal to the costs of proceedings to the benefit of ERBUD.

5.

Defendant: Platinum Resort Sp. z o.o.

Date of filing a lawsuit: 3 December 2018

Value of the dispute: PLN 16.301.236,97

Erbud filed a request with the District Court in Szczecin to secure a cash claim in the amount of PLN 5,455,851.09 in relation to the contractual penalty for withdrawal from the Construction Works Contract of 26 January 2017 for the execution of the project titled "Construction of a four-star hotel complex consisting of: Three hotel buildings with land development in Żeromskiego Street in the City of Świnoujście" by encumbering the properties belonging to Platinum Resort Sp. z o.o. with a joint compulsory mortgage. By virtue of its Decision of 19 November 2018

the Court granted security by entering the compulsory mortgage into the land and mortgage registers of the aforementioned real estate, as well as by the attachment of bank accounts of Platinum Resort Sp. z o.o.

On 3 December 2018 the Issuer filed a lawsuit for payment of PLN 16,301,236.97 together with interest in the writ of payment proceedings for remuneration and other claims related to the execution of the aforementioned investment together with an additional request for securing claims.

Platinum Resort Sp. z o.o. filed a complaint against the decision on security to which the Issuer's attorneys replied. To date, the Szczecin Court of Appeal has not heard the complaint.

The Szczecin District Court found that there were no grounds for issuing a payment order and referred the case to be examined in ordinary proceedings. The claim was forwarded for servicing to the defendant. By virtue of decision of 22 February 2019 the District Court secured the claim of Erbud S.A. for another amount of PLN 3.5 million by establishing a compulsory mortgage on the property.

The Court of Appeal validly dismissed the Defendant's complaint regarding the provision of security.

On April 27, the Defendant filed a response to the statement of claim together with the counterclaim in which he requests that Erbud be awarded PLN 13,516,629.86, consisting of PLN 5,455,851.09 as an alleged contractual penalty calculated by the Defendant and PLN 8,060,778.77 as reimbursement of the allegedly overpaid remuneration collected by Erbud for the performance of the construction contract.

Erbud's attorneys submitted a replica of the response to the statement of claim together with the response to the counterclaim, upholding the existing position and requesting that the counterclaim be dismissed in its entirety.

The hearing dates scheduled for 27 and 29 April 2020 were cancelled due to the implementation of an epidemic emergency status. Therefore the first hearings will take place on 7 and 14 September 2020.

Estimated date for completion of proceedings before the Court of First Instance: 2022.

The value of other litigations where ERBUD S.A. is the Defendant totals PLN 23,413,027.13

Material proceedings to which the Issuer is the defendant

1.

Plaintiff: Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (*Warsaw Modlin Aiport*) ("MPL")

Defendant: ERBUD S.A. in Warsaw

Date of servicing an action to ERBUD S.A.: 23 May 2014

Value of the dispute: PLN 34 381 374.64

On 12 May 2014, a statement of claim was delivered to ERBUD S.A. in which the Warsaw Modlin Airport (MPL) requested payment of PLN 34,381,374.64 for damages along with statutory interest and litigation costs. The damages claimed by the Warsaw Modlin Airport (MPL) consists of losses and benefits incurred by the plaintiff and lost as a result of allegedly improper performance by ERBUD of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway.

11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Airport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the plaintiff, the Company instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount of PLN 19,892,366.30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by ERBUD S.A. for repairs of the airfield surface at the Warsaw-Modlin airport.

The case has a complicated factual state of affairs and extensive evidence has been submitted during the proceedings. It will be necessary take several proofs from the expert opinions.

At the same time, ERBUD S.A. supports the assessments presented in the earlier memoranda, according to which the risk of awarding a claim in favour of MPL is lower than the chance of claim dismissal. However, even if the Court found MPL's claim justified, the amount of awarded damages

would be significantly lower than the amount claimed in the action brought by MPL, since ERBUD S.A. is able to question almost every element of the claim lodged by MPL.

Total value of other proceedings where ERBUD S.A. is the defendant: PLN 10,862,856.03

4.12. Information about transactions with related parties in the ERBUD GROUP

In H1 2020 and until the date of publication, neither the Issuer nor its subsidiaries entered into any transactions other than those related to the normal activities of the aforementioned entities. All transactions are concluded following arms' length principle.

4.13. Other information key to the assessment of the personnel, economic and financial standing, financial result and any changes, necessary to assess the Issuer's capacity to meet its obligations;

The Company believes that there is no material information for the assessment of the aforementioned factors other than indicated in the Director's Report.

4. CORPORATE GOVERNANCE - SELECTED INFORMATION

5.1st Share capital

As of 30 June 2020 EXBUD SA's share capital totalled PLN 1,281,185.90 and divided into 12.811.859 ordinary bearer shares with a par value of PLN 0.1 each. As of the date of publication of the Condensed Consolidated Financial Statements for H1 2020, the share capital of ERBUD S.A., as a result of the repurchase of its own shares carried out in July 2020 (for a detailed description of the process see page 54 of the Report) amounted to PLN 1,281,185.90 and was divided into 12,811,859 ordinary shares with a par value of PLN 0.1 per share, of which 412,500 were ERBUD S.A. own shares without a right to vote at the General Meeting of Shareholders.

On 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. is to adopt Resolution No. 5/2020 on the reduction of the Issuer's share capital from PLN 1,281,185.90 to PLN 1,239,935.90, i.e. by PLN 41,250. The redemption of shares shall be performed through the reduction of Company's share capital.

There are no restrictions on the transfer of the ownership title, nor on the exercise of voting rights attached to the shares held. Nor do the Company's shares confer any special control rights vis-a-vis the Issuer.

Until the date of publication of the financial statements, the level of the Company's share capital had not changed.

5.2nd ERBUD S.A.'s shareholders

As of 7 September 2019 i.e. the date of publication of the Financial Statements, the list of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders of ERBUD S.A. was as follows:

Name of shareholder	As of 7 September 2020		As of 15 May 2020	
	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG including Wolff & Müller Holding GmbH & Co. KG	4,012,025	31.31%	4,152,865	32.41%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,063,812	16.11%	2,136,260	16.67%
ING Open-End Pension Fund	1 200 000	9.37%	1,200,000	9.37%
Aviva Open-End Pension Fund Aviva BZ WBK	1,183,146	9.23%	1,183,146	9.23%
Dariusz Grzeszczak	747,654	5.84%	773,900	6.04%
PKO OFE	715,279	5.58%	715,279	5.58%
Adler Properties Sp. z o. o. controlled by Józef Adam Zubelewicz	398,111	3.11%	412,087	3.22%
Józef Adam Zubelewicz	250,699	1.96%	259,500	2.03%
ERBUD SA - own shares without voting rights at General Meeting of	412,500	3.22%[x]	0	0.00
Other shareholders	1,828,633	14.27%	1 978 822	15.45%
Total:	**12,811,859**	**100.00%**	**12,811,859**	**100.00%**

X - own shares of ERBUD S.A. without the right to vote at the General Meeting of Shareholders

On 20 July 2020 the buy-back of ERBUD S.A.'s own shares initiated by virtue of Resolution No. 15/2020 of the Company's Ordinary General Meeting of Shareholders, dated 30 June 2020 on authorising the Company's Management Board to acquire own shares for the purpose of their redemption and setting up a reserve capital earmarked for the acquisition of own shares for the purpose of their redemption and (ii) by virtue of the Resolution No. 32/2020 of the Company's Supervisory Board of 28 May 2020 on giving consent to the buy-back of own shares, and (iii) by virtue of the Resolution No. 33/2020 of the Company's Supervisory Board of 28 May 2020 on giving consent to transactions as part of the buy-back process of own shares.

On 1 July 2020, the Management Board of ERBUD S.A., pursuant to the aforementioned Resolutions, adopted Resolution No. 30/2020, which defines the terms and for the buyback of own shares:

1. The total amount for which the Company will acquire Own Shares, along with the costs of their acquisition, shall not exceed the total amount of: PLN 16,500,000 (in words: sixteen million five hundred thousand);
2. The total number of Own Shares to be acquired under the Tender offer shall not exceed: 412 500 shares; (in words: four hundred twelve thousand five hundred shares)

3. The price at which Own Shares shall be acquired: PLN 40.00 (in words: forty zloty per Own Share and was determined taking into account the terms and conditions set forth in the Resolution;
4. The buy-back of Own Shares shall be carried out in compliance with the following schedule:
   a) date of announcement of the Tender Offer: 1 July 2020,
   b) the start date for the acceptance of bids from shareholders: 6 July 2020,
   c) the end date for the acceptance of bids from shareholders: 17 July 2020,
   d) expected date of acquisition of Own Shares by the Company: 22 July 2020

On 20 July 2020, Dom Maklerski mBank S.A. sent the Company a summary of the share buy-back process.

As part of the purchase, sales offers were made for a total number of 12,163,339 Company shares. Due to the fact that the total number of the Company's shares submitted by the Company's shareholders for sale under the Company's Tender offer exceeded the total number of shares the Company intended to acquire under the Tender Offer, the Company made a proportional reduction of the Company's share sales offers, applying the reduction rules defined in detail in the Tender Offer. The average reduction rate of the share sales offers submitted was 96.61%.
The Own Shares acquired by the Company account for 3.22% of the Company's share capital and of the total vote at the Company's General Meeting of Shareholders.
The purpose of the acquisition of the Own Shares is to redeem Own Shares and subsequently to reduce the Company's share capital, pursuant to Art. 359 of the Polish Companies' Code.

On 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. is to adopt Resolution No. 5/2020 on the reduction of the Issuer's share capital from PLN 1,281,185.90 to PLN 1,239,935.90 i.e. by PLN 41,250. The redemption of shares shall be performed through the reduction of Company's share capital.

As of the Report Date, the Company did not have information about contracts, which could result in future changes in the percentage structure of shares held by the existing shareholders.

Number of ERBUD S.A.'s shares held by the managing and supervising persons

As of the date of publication of the financial statements, i.e. on 7 September 2020, the list of managing and supervising persons holding directly or indirectly through subsidiaries the Issuer's shares was as follows:

Related person	Type of relation	As of 7 September 2020		As of 15 May 2020	
		Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	A Management Board member	2,063,812	15.11%	2 136 260	16.67%
Dariusz Grzeszczak	A Management Board member	747,654	5.84%	773,900	6.04%
Albert Dürr	A Supervisory Board member	27,508	0.21%	28,000	0.22%
Agnieszka Głowacka	Vice-President of the Management Board	3,938	0.03%	4,077	0.03%
Jacek Leczkowski	Vice-President of the Management Board	5,174	0.04%	5,356	0.04%

As of the date of publication of the financial statements for Q1 2020, the number of shares held by the Issuer's management and supervisory members has changed as a result of the share buyback process described above.

As of the Report Date, the Company did not have information about contracts, which could result in future changes in the percentage structure of shares held by the existing shareholders.

Signatures of the ERBUD S.A.'s Management Board members:

Dariusz Grzeszczak	**Jacek Leczkowski**	**Agnieszka Głowacka**
President of the Management Board	**Vice-President of the Management Board**	**Vice-President of the Management Board**

Warsaw, 2 September 2020