

ERBUD CAPITAL GROUP
2020 Operations Report

(COMPRISES 2020 ERBUD S.A. OPERATIONS REPORT)

8 April 2021

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A LETTER OF THE MANAGEMENT BOARD MEMBERS

Warsaw, 8 April 2021

Dear Sirs,

We are pleased to hand over to you the Annual Report, which is unique for several reasons. The first reason is certainly its background, which is the pandemic reality that the world is still facing. The second reason - the reported year opened the fourth decade in our Group development. All of us have been shown by the pandemic vividly the key role played by the value of the corporate social responsibility (CSR) and sensitivity to the environment. We are proud that our approach combining business and social goals, has passed the pandemic test.

While closing tough 2020 year we, ERBUD Group, were even stronger. Although the construction sector was among the branches of economy relatively unaffected by COVID-19 pandemic, only some companies - including ERBUD Group - took advantage of its opportunities to the maximum.

Consequently, such a tough year, tragic at many levels, turned out to be one of the best in the 30-year history of the ERBUD Group. In the reported period our personnel took very intensive efforts that we appreciate very much. On the other hand, the reported year was a time of continued intense focus on our personnel safety. Our work and commitment enabled us to generate EBIT margin at the level of 3.31% at the year-end, with revenues in the range of PLN 2.2 billion, whereas the order portfolio worth PLN2.6 billion allows us to be optimistic about the current year 2021 and beyond. In 2020, already one out of every seventh Polish zloty of revenues will be generated by the dynamically growing renewable energy segment.

The year 2020 confirmed that our unique management model, combining systemic organizational solutions with high responsibility of each employee for project success is a great asset and offers us a competitive advantage. This, combined with personnel commitment, strong ties in individual teams and the responsible, supportive role of the management team, has enabled us to meet previously unknown challenges in a professional and responsible manner.

From the early days of the pandemic, we were looking for the best solutions and procedures to carry out projects in accordance with the ERBUD standard, i.e. on time, in a safe and innovative manner and with the top quality. In an extremely uncertain environment, the ERBUD brand was a guarantee of much needed stability, peace of mind and predictability.

"Safety Comes First" - this motto has been deeply embedded in our DNA since the onset of our operations. In a pandemic year, responsibility for the health and lives of others became significant in particular. Symbolically, it was in 2020 that we began our two-year presidency of the Construction Safety Alliance (PBB). We have always believed that only through joint efforts we can make real improvements in safety on construction sites. Therefore we put so much emphasis on the standardization of procedures, exchange of best practices and their popularization among investors and subcontractors.

As a result of the Alliance's activities we have led to an unprecedented decrease in the number of accidents on the Polish construction sites in the last decade. Previously we were among the EU outsiders, today Polish construction sites are among the safest in Europe.

Our priority in 2020 was to protect our personnel. The close working relationship between HR and business enabled us to respond quickly to evolving operational conditions and employee needs. As in the last 30 years, we felt we were all playing in the same team trying to score a goal - this time in a first title game. This symbiosis has allowed us to maintain staffing levels and continue to run most of our development activities.

Quite naturally we helped those who needed our support the most. We have equipped local health care facilities with the necessary equipment - ventilators and personal protective equipment (PPE). We are also committed to helping restaurateurs. We certainly remembered about charges of the ERBUD's "Common Challenges" Foundation named after Eryk Grzeszczak, and our personnel showed fantastic commitment and invention. This enabled us, despite no option to hold physical meetings, to support them in learning, becoming independent, and addressing dilemmas of life. Effective from 2022, we will be able to carry out charitable activities even on an larger scale, since the Foundation has gained the public benefit organization status and you can support it with 1% of your income tax. We would like to thank so much to all the Foundation friends for their open hearts.

The year 2020 reaffirmed our belief that in an unprecedentedly volatile environment, we can not only attain our business and social goals, but also proactively capitalize on opportunities and deals that come our way. We took a lot strategic decisions last year about our business development directions in the years to come.

We will focus even more on green energy and green construction activities, and we further diversify business segments and geographically. We are prepared to fight for the most complex projects, even in the hydro-technical segment with good prospects for the future We have identified niches that, like the fabrication of modular houses, we want to develop intensively and dominate the relevant market segment in the years to come. We want to be - both in Poland and abroad - the contractor of the first choice for innovative projects with high added value.

The implementation of our plans would not have been possible if not for the joint actions taken on a partnership basis with our stakeholders. It is with you in mind - because many of you are readers of this Report - that we have prepared this document. We believe that reading it will inspire you to reflect on how we can improve our joint efforts to achieve sustainable development in: the ERBUD Group, Poland and the European Union. Please share your thoughts with us.

With best wishes of good health,

Dariusz Grzeszczak

Agnieszka Głowacka

Jacek Leczkowski

Radosław Górski

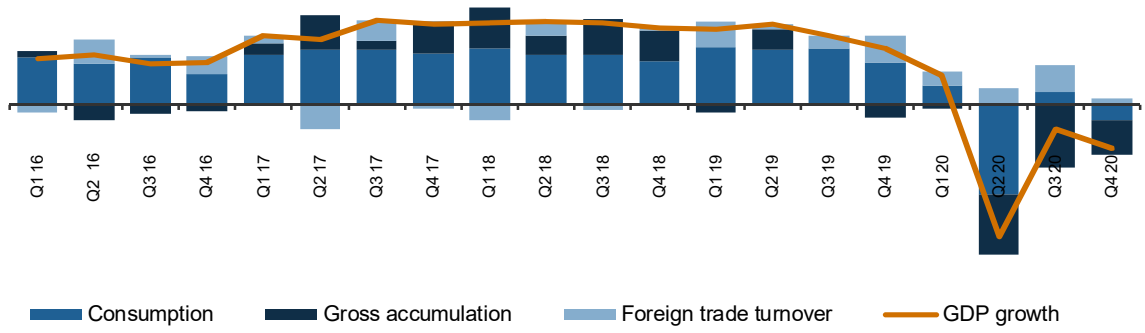
1. MACROECONOMIC ENVIRONMENT

1.1. Economic environment

1.1.1. Poland

The Central Statistical Office's preliminary estimates of Poland's GDP growth for the full year 2020 at the level of -2.8% showed that the recession in Poland was relatively shallow and that the slump in the second quarter was followed by a rapid adjustment of the economy to pandemic environment despite the restrictions still in place. The GDP decline was consequently much lower than expected on the onset of the first wave of COVID-19 pandemic, and its main drivers included putting on halt business capex and personal consumption - the result of high uncertainty about the future and administrative constraints on business operations. On the other hand, public investments carried out mainly through projects with EU funding and well-functioning exports supported by a higher Polish currency exchange rate were still in favour.

Polish GDP growth composition



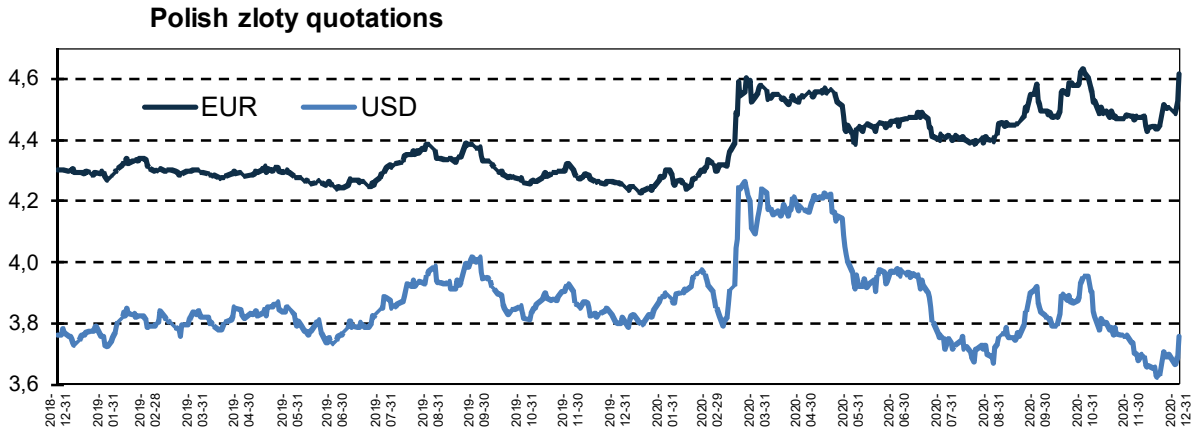
Source: Polish Central Statistical Office (GUS, Polish Statistics), Statistical Newsletter 12/2020, Preliminary GDP estimation in Q4 2020.

The COVID-19 pandemic caused strong depreciation of the Polish currency (PLN) against the Euro and the US dollar in mid-March 2020. The depreciation of the Polish currency (PLN) came partially to a halt at the end of May 2020, nevertheless, for the rest of the year the Polish currency's exchange rate against the Euro remained at much lower levels than in 2019. Against the US dollar, not so significant changes were recorded, mainly due to the depreciation of US dollar in international markets caused by the significant impact of the pandemic in the United States (especially in the labour market), the year of presidential elections and the still growing deficit of public finances in parallel to the lax monetary policy.

The central bank's measures involving intervention currency purchases (estimated by the experts to be worth several billion US dollars) had also a significant impact on the Polish currency exchange rate at the end of 2020. This activity, according to the central bank, was preventive in view of the appreciation of the Polish currency, in order to protect the competitive edge of the Polish exports and, consequently, prevent the exports growth coming to a halt.

Comparing the year-end of 2020 and 2019, the Polish currency depreciated against the Euro by 7% and strengthened against the US dollar by 1% while fluctuating widely throughout the year.

On the other hand, a new driver that may have an impact on the Polish currency exchange rate (or, to be more precise, its depreciation) in the nearest future is the contemplated conversion of Swiss Franc-denominated mortgages into Polish zlotys. At this point in time, it is hard to assess whether and to what extent the National Bank of Poland will be involved in this process, but the target foreign exchange risk of Poland will decline significantly.



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

Throughout 2020, the CPI growth rate recorded high levels: it exceeded even 4% in Q1, and hovered around 3% in the remaining part of the year. Eventually, the inflation rate slowed down slightly in December, reaching 2.4% y/y and returned to the NBP inflation target of 2.5%. In 2020 the average CPI growth was 3.4%, which was the highest level since 2012.

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. Meanwhile the transportation costs (lower fuel prices) as well as clothing and footwear prices declined.

According to the National Bank of Poland's Report of November 2020, the inflation rate would remain relatively high in the consecutive years, reaching 2.6% in 2021 and 2.7% in 2022. The NBP sees the main reasons for the continued high price growth rate in the future in the electricity price hikes, continued waste disposal price hikes and the introduction of the sugar levy effective from January 2021.

During 2020 the Monetary Policy Council cut the reference interest rate three times (on 17 March, 8 April and 28 May) starting from already historically low level of 1.5% and ending on 0.1%. The reason for interest rates' cuts was to mitigate the effects of the pandemic, counteract an economic slump as well as to support households and businesses. Interest rates are expected to stabilize at current levels in short-term.

1.1.2. European Union

According to preliminary estimates presented in the European Commission's February 2021 Economic Forecast, GDP in the European Union as a whole fell by 6.3% in 2020, whereas in the Eurozone it fell by 6.8%.

In the countries where the ERBUD Capital Group operates, the GDP growth in the entire 2020 (y/y) was as follows based on the same source:

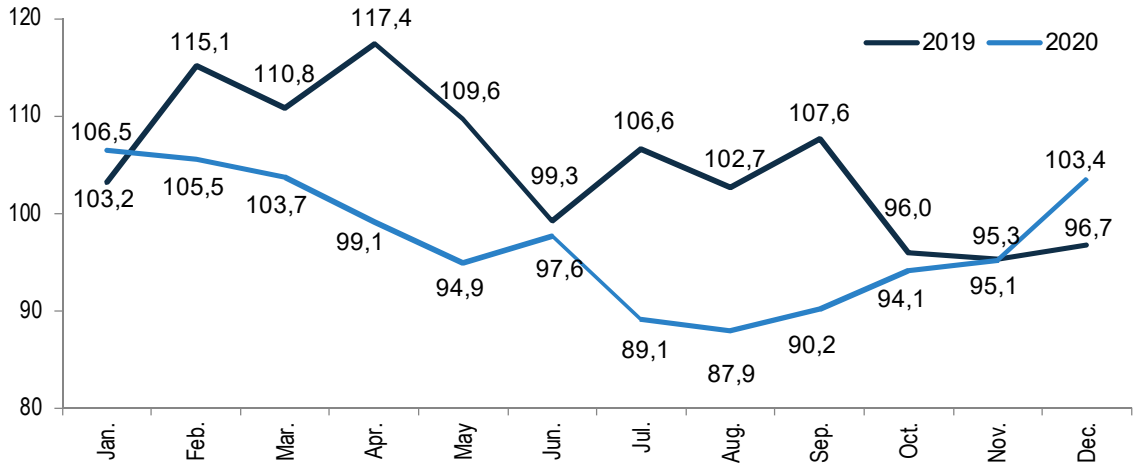
- Germany: -5.0%
- Belgium: -6.2%,
- France: -8.3%,

1.2. Condition of the construction sector in Poland

The construction sector entered the year 2020 with a slight improvement of production dynamics; nevertheless, the pandemic effect caused a deterioration in performance in virtually all subsequent months of 2020. Ultimately, December alone saw growth of 3.4%, but it should be remembered that these results are the aftermath of a poor performance in Q4 2019. For the year as a whole, production fell by 2.2%.

The best situation was recorded in the specialist construction work segment, where the average annual growth was at the level of 1.3%, whereas other segments recorded declines: the building construction segment contracted by 4.9% and civil engineering construction by 2.0%.

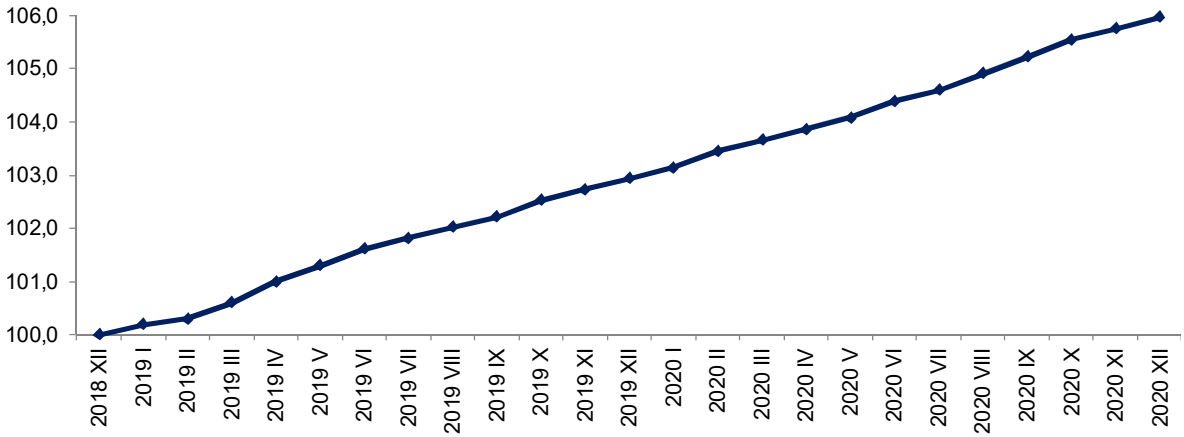
Growth rate of construction and erection output (y/y, in %)



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

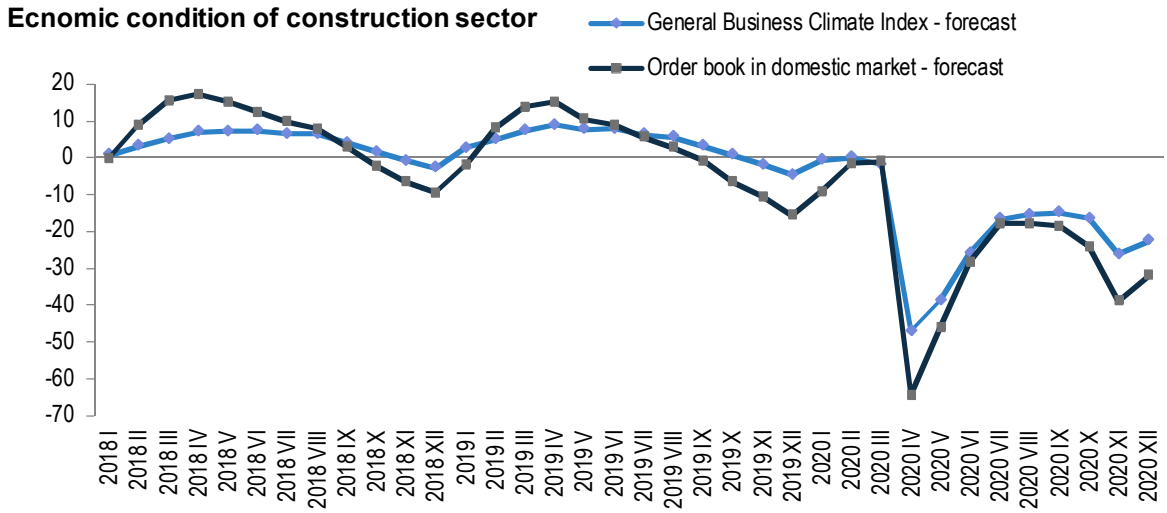
The slowdown of the construction sector output is not yet fully reflected in housing construction, mainly due to investment demand in the face of low interest rates and the still booming construction activities carried forward from previous years. In 2020 the developers completed a record high number of 143,800 housing units, up by 9.4% compared to the same period in the previous year, but the number of new building permits for developers is not growing so fast any longer and it reached 171,600 housing units, up by 2.5% compared to that in 2019.

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



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

Since mid-2017 the prices of construction and erection 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. Price hikes are still visible in the market, although the momentum has slightly declined. At present, the uncertainty about the future economic position and the higher operating costs under the new sanitary regime are having a major impact on the construction prices. Average construction and erection output prices in the entire 2020 were up by 2.6% compared to the same period in the previous year.



Source: Polish Central Statistical Office (GUS, Polish Statistics), The Statistical Newsletter No. 12/2020

The mood of the construction sector plunged in April 2020 to record low levels with the arrival of the COVID-19 pandemic, but since then the indicators have been slightly making up for the losses. It should be noted that despite high seasonality during the year (the peaks are 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 the number of orders, they are planning to downsize headcount levels but, at the same time, payment backlogs are against more and more important.

After three (3) quarters of 2020, the impact of the pandemic on the financial performance of building contractors is slowly becoming apparent. A year ago, approximately 87% of entities reported a net profit, whereas the same figure has now dropped to 78%. At the same time, the return on sales alone was 4.8%, similar to what we saw in 2019.

According to the Coface report, the number of insolvencies in the construction sector in 2020 was much higher than in the previous year - an increase by 12% (from 122 to 137), which, despite maintaining the overall profitability of companies, indicates a worsening sector position.

1.3. Regulatory changes

1.3.1. Regulations with a significant impact on the operations of building contractors

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 service providers). 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 pandemic, 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 until 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).

Since 4 September 2020, an amendment to the Act on Secondment of Employees Providing Services in the Territory of the European Union has been effective. The aim of this amendment is to address unfair practices and promote the principle that there should be equal pay for the same work at the same place, as well as to ensure fair pay conditions for seconded workers and a level playing field between companies seconding workers and local companies in the host country.

On 19 September 2020, an amendment to the Construction Law came into force, simplifying the investment process, introducing a catalogue of investments carried out on the basis of a permit, notification and without any formalities, facilitating the connection of new projects to the gas supply, electricity, heat supply, water supply and sewerage networks, limiting the time limit for declaring a construction permit invalid, clearly indicating who is and who is not a party to the investment process.

Effective from 1 January 2021, after a vacatio legis period longer than one year, the new Public Procurement Law and its implementing regulations came into force. The Act implemented, *inter alia*, the obligation to make advance and partial payments, simplified tendering procedures, reduced fee for a complaint against a National Appeal Chamber (NAC) ruling, and the obligation to incorporate into a construction or service contract, concluded for a period exceeding 12 months, a clause on the rules for making changes in the amount of remuneration due to the contractor in the event of a change in material prices or costs.

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

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 came 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.

From the beginning of 2021, an amendment to the Corporate Income Tax Act introducing an option to benefit from the so-called Estonian CIT is in force. The essence of Estonian CIT is the shift of the time of tax collection to the time of profit distribution by the company. The businessman will be able to choose whether he wants to take advantage of the new taxation system or whether he prefers to settle taxes under the old rules. Pursuant to the Act, a capital company whose shareholders are exclusively natural persons will be able to benefit from taxation under the new rules.

The Ministry of Finance (MoF) has postponed the so-called WHT refund procedure in withholding tax until 30 June 2021. The ministry additionally announced that it will also soon complete work on a comprehensive reform of the taxation of foreign settlements.

The Law of 27 November 2020 amending the Law on Goods and Services Tax and certain other laws introduced solutions to simplify the settlement of goods and services tax by taxpayers - the so-called Slim VAT package (Simple Local And Modern VAT). The changes will apply to corrective invoices, advance payments for exporters, and to the harmonisation of exchange rates for VAT and CIT purposes.

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

1.4.1. Economic growth rate

Due to the prolonged pandemic and its negative impact on the economy, the National Bank of Poland revised its GDP forecast for Poland downward in its latest projection in November 2020. According to the November forecast, GDP growth is expected to be just 3.1% in 2021, whereas in 2022 the economy is expected to grow already faster at 5.7%.

Growth is expected to be supported by a slow recovery in private consumption, which has recently slowed down due to rising concerns about unemployment and a change in consumer purchasing behaviour, as well as by exports, which, thanks to the high exchange rate of the Polish zloty, are performing well despite the crisis. In contrast, the private investment segment will look relatively weaker due to pandemic uncertainty.

The National Bank of Poland's forecasts are consistent with the estimates of other international organizations. According to a recent report by the European Commission, Poland's GDP will grow by 3.1% and 5.1% in 2021 and 2022 respectively, the International Monetary Fund (IMF) reports similar figures for the same years: 2.7% and 5.1% respectively.

1.4.2. European Union funds

The funds of the current EU perspective are already practically fully allocated, as evidenced by the Ministry of Development's report "Implementation status of the European Funds in Poland in 2014-2020" as of 31 January 2021. According to this statement, 84,711 contracts were signed, worth PLN 516.0 billion, with the EU contribution totalling PLN 313.9 billion.

In December 2020, the European Council adopted a regulation laying down the EU's multi-annual financial framework with the value exceeding €1 trillion in 2021-2027, which, when combined with the €750 billion in Reconstruction Fund to mitigate the economic impact of the pandemic, brings the total budget to an

unprecedented level of €1.8 trillion. 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

The construction business closed the year 2020 with a slight decline in output, and current forecasts for the coming year indicate a continuation of the slowdown in growth already visible in the previous years. This scenario is supported by declining private investment (except for the housing market), and a slowdown in local government investment is also expected due to the difficult budgetary position of local governments. It seems that the major growth drivers in the market will remain engineering construction (roads and railroads) due to the finalization of projects implemented with the EU funding support, as well as the hope for the launch of the new budget under the 2021-27 financial perspective.

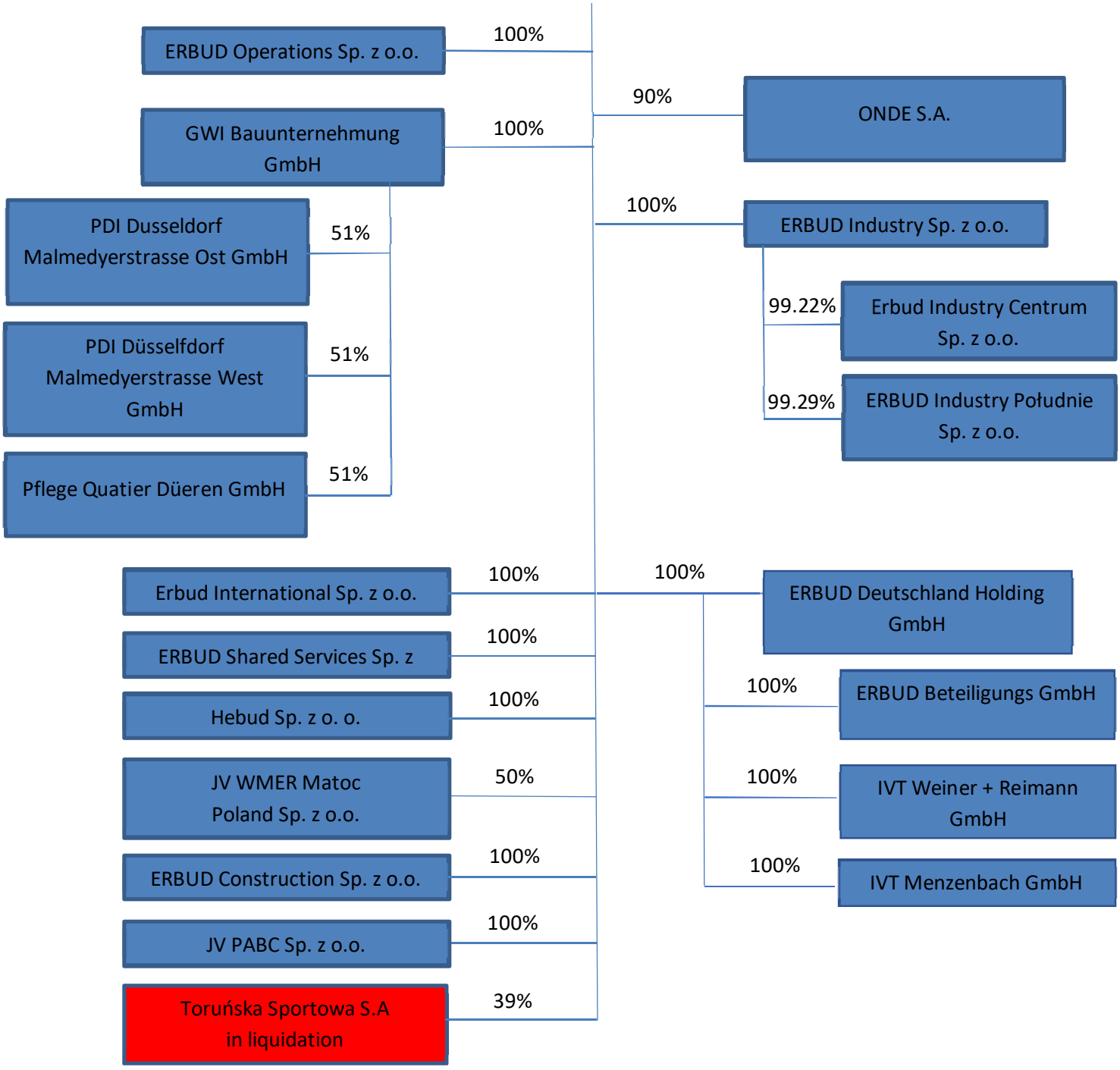
In addition, the Governmental Local Investment Fund with a budget of PLN 6 billion has also been launched. The funds are earmarked for municipalities, counties and cities for investment projects such as renovations of schools and kindergartens, water supply and sewage disposal systems, roads.

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

2. ERBUD GROUP ACTIVITIES IN 2020

2.1. Capital Group structure

As of 8 April 2021, i.e. the date of publication of the 2020 periodic report, the structure of ERBUD Capital Group was as follows:



Due to marginal significance, ERBUD Construction Sp. z o.o. and the associated entity Toruńska Sportowa S.A. in liquidation were excluded from the consolidated financial statements.

Changes that occurred in the ERBUD Group in 2020

- 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 of the 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.
- On 28 December 2020, the Extraordinary Shareholders' Meeting of the following companies: ERBUD Industry

Centrum sp. z o. o. and ERBUD Industry Pomorze sp. z o. o. was held to take a resolution on a merger of ERBUD INDUSTRY CENTRUM Sp. z o.o. with its registered office in Łódź, as the Acquiring Company, and ERBUD INDUSTRY POMORZE Sp. z o.o. with its registered office in Gdańsk by way of transfer of the assets of the Acquiree to the Acquiring Company in exchange for shares in the increased share capital of the Acquiring Company, issued to the shareholder of the Acquiree pursuant to Art. 492 §1, item 1 of the Code of Commercial Companies, on the conditions set out in the Merger Plan announced in the Monitor Sądowy i Gospodarczy *(Court and Commercial Gazette*) No. 201 (6091), pp. 17-19, item 54330, on 14 October 2020.

The Merger of the Companies was effected with an increase of the share capital of the Acquiring Company: ERBUD INDUSTRY CENTRUM Spółka z ograniczoną odpowiedzialnością (Ltd.) from PLN 1,165,142.00 to PLN 1,472,868, i.e. by PLN 307,726, through the issue of 613 new shares in the increased Company's share capital. Following the merger, ERBUD INDUSTRY CENTRUM Spółka z ograniczoną odpowiedzialnością currently holds 2934 shares, of which 2911 shares are held by ERBUD Industry Spółka z ograniczoną odpowiedzialnością (99.22%); the Acquiring Company's shareholders retain the current number of shares with a par value of PLN 502 per share (0.78%) in exchange for the transfer to the Acquiring Company of 800 shares in the Acquiree: ERBUD INDUSTRY POMORZE Spółka z ograniczoną odpowiedzialnością, with its registered office in Gdańsk, with a par value of PLN 500 per share and total par value of PLN 400,000, a shareholder in the Acquiree: ERBUD INDUSTRY POMORZE Spółka z ograniczoną odpowiedzialnością with its registered office in Gdańsk, i.e. ERBUD INDUSTRY Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, will receive 613 shares in the Acquiring Company, with a par value of PLN 502 per share and total par value of PLN 307,726.

Therefore, the share exchange ratio is 0.767 (seven hundred sixty-seven thousandths) shares in the Acquiree: ERBUD INDUSTRY POMORZE Spółka z ograniczoną odpowiedzialnością with its registered office in Gdańsk in exchange for 1 (one) share in the Acquiree.

On 11 March 2021 an application was filed with the National Court Register for registration of a new subsidiary company under the name of SPVDM Sp. z o.o. with its registered office in Ostaszewo, at the address Ostaszewo 57, 87-148 Łysomice. (SPVDM is a subsidiary in 100% controlled by ERBUD S.A.). The company was established to implement the Group's strategy for the fabrication of modular buildings. The Memorandum of the Company was drawn up on 5 March 2021. On 23 March 2021 the District Court in Toruń registered the Company under the name SPDVM Sp. z o.o. with its registered office in Ostaszewo, the Toruń Municipality. Reg. No. KRS 0000890465 The President of the Management Board of the Company is Mr Theodor Kaczmarczyk.

Except for the events mentioned above, there were no changes in the structure of the ERBUD Group in 2020 and until the date of publication of the report.

2.2. ERBUD S.A.

2.2.1. Scope of activities

ERBUD S.A. has been present in the market since 1990. It operates mainly in the segment of building construction and executes: industrial facilities, shopping malls, office buildings, housing facilities, hospitals, schools, hotels and cultural facilities. Since 2006 all projects have been executed on general contractor basis. Meanwhile in foreign countries, acting as a subcontractor, it performs complex engineering projects involving the construction of compressed gas tanks, tunnels, power plants.

The Company performs works mainly for large business entities and public administration. We have been cooperating with a number of them for many years now.

ERBUD S.A. is in the possession of six branches: in Kraków, Rzeszów, Warsaw, Wrocław, Toruń and Szczecin.

- On 7 December 2020, by virtue of a resolution of the Management Board and on 8 December 2020 by virtue of a resolution of the Supervisory Board, ERBUD S.A. established the Hydraulics Division in the organisational structure of ERBUD S.A. The newly established Branch launched its activities effective from 1 January 2021.

Therefore, as at the date of publication of the 2020 financial statements, ERBUD S.A. has seven branches.

At the end of December 2020 the total headcount at ERBUD S.A. was 735 people, including 550 in Poland. For comparison sake at the end of 2019 the relevant figures were as follows: 759 people, of which 575 in Poland.

ERBUD S.A. was subject to an external supervision audit carried out by the Quality Certification Centre to check the compliance with the standards effective at ERBUD S.A:

- ISO9001:2015, AQAP 2110:2016 – quality management,
- ISO14001:2015– environmental management,
- ISO 45001:2018 – OH&S management.

Each area driven by both normative and internal regulations has been thoroughly verified.

Once again, the auditors did not identify any areas for improvement, the more non-conformities, instead they highlighted 5 strengths resulting from the functioning of Integrated Management System (IMS) in the organization:

1. Building design planning including in particular: quality and design change planning and risk management.
2. Environmental management in the construction process.
3. Comprehensive OH&S activities.
4. Implementation of modern tools to ensure and maintain competence.
5. Measures taken to ensure personnel safety during a pandemic.

By virtue of a decision of the Management Board of ERBUD S.A., in 2020 changes were made in the organizational structure related to the Integrated Management System. Mr Tomasz Stryjewski took over the function of the Management Board's Representative for IMS, and the activities of the previous IMS Division were divided as follows:

1. Quality maintenance activities (standard: ISO 9001:2015, AQAP 2110:2016) were delegated to the Audit and Internal Control Department,
2. Environmental protection activities (standard: ISO 14001:2015) were delegated to the OH&S Division,
3. Mr Mariusz Moczydłowski (Director of the Legal Division) was appointed to the position of the Personal Data Protection Officer.

In 2020 ONDE S.A., formerly PBDI S.A., passed an external audit concerning supervision, carried out by the Quality Certification Center for compliance with ISO 14001:2015 (environmental management) and ISO 45001:2018 (OH&S management).

ERBUD INDUSTRY has successfully passed the 2020 audit concerning supervision at the accredited Management Systems Certification Body UDT-CERT for compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Another year in a row the Company achieved its main strategic goal in the field of occupational health and safety (OH&S) – 0 severe, fatal and collective accidents (including our subcontractors). All accidents recorded last year were light accidents. This is a result of the implementation for many years of consistent health and safety policy within the ERBUD Group, continuous unification of standards and procedures, and continuous improvement of collective security measures used on the construction sites. This is closely linked to the on-going development and increase of awareness of work execution supervision on our construction sites.

We are proud to have achieved this measure with such a large scale of operations within the Group.

The year 2020 also presented a challenge connected with pandemic. In the ERBUD Group, from the very beginning we have implemented procedures related to maintaining a sanitary regime and discipline at the workplace, which, with time, have been improved and supplemented with the method of dealing with persons showing symptoms and with proven positive results (this has also been appreciated by the CCJ Auditors). Quick identification, isolation of individuals from direct contacts, and shared responsibility of our employees meant that no downtime was recorded on any of our construction sites. This is extremely important under current market circumstances.

Also, an appropriate change in the organization of the work of internal auditors in the hybrid formula resulted in enhanced job security without compromising the quality of carried out audits.

ERBUD is an active Signatory **of the Construction Safety Alliance (Alliance)** that has been active since 2014.. It currently associates 13 leading building contractors in Poland. It is a platform for sharing knowledge, best practices and experiences in the area of OH&S. Thanks to its responsible approach to the OH&S issues, it also influences the awareness of subcontractors of other general contractors, investors and institutions that cooperate with us.

In January 2020, ERBUD accepted the challenge of a two-year Presidency of the Alliance. In recent weeks, the Alliance has changed its form of operation from a sort of gentlemen's club to an employers' union. The Alliance activities were formalized on 22 October after it was entered into the National Court Register. Thus, the Alliance already has a legal personality, we own the copyrights, and new opportunities to influence the market and develop various projects are opening up.

One of the main objectives of the current Alliance presidency is the "Prevention" programme, which deals with procedures related to working at heights and the vertical transport of materials. It will include extensive education not only of supervisors of construction sites and contractors, but of all workforce on the construction sites. To date, a working group made up of the occupational health and safety heads of member companies has already developed guidelines for collective safeguards. We are launching an information campaign and have set a 12-month deadline to implement it in all Alliance member companies. We have also launched an information campaign on safety rules for the vertical transport of materials.

In the days of pandemic we have taken joint initiatives, developed procedures, graphic materials, shared experiences and cooperated with institutions to ensure a coherent policy on safeguarding safety on the Polish construction sites. In 2020, the largest public general contractor, the General Directorate for National Roads and Motorways, joined the Alliance with the Partner status. Together, the working groups develop guidelines and regulations that are implemented in the terms of reference of the contracts. This applies to both construction and maintenance work. Thus, what we have been calling for years is taking place, namely health and safety rules are not only required for the execution of contracts, but they are also starting to determine the acquisition of contracts, which in effect must lead to increased safety in the construction market.

2.2.2. Market environment

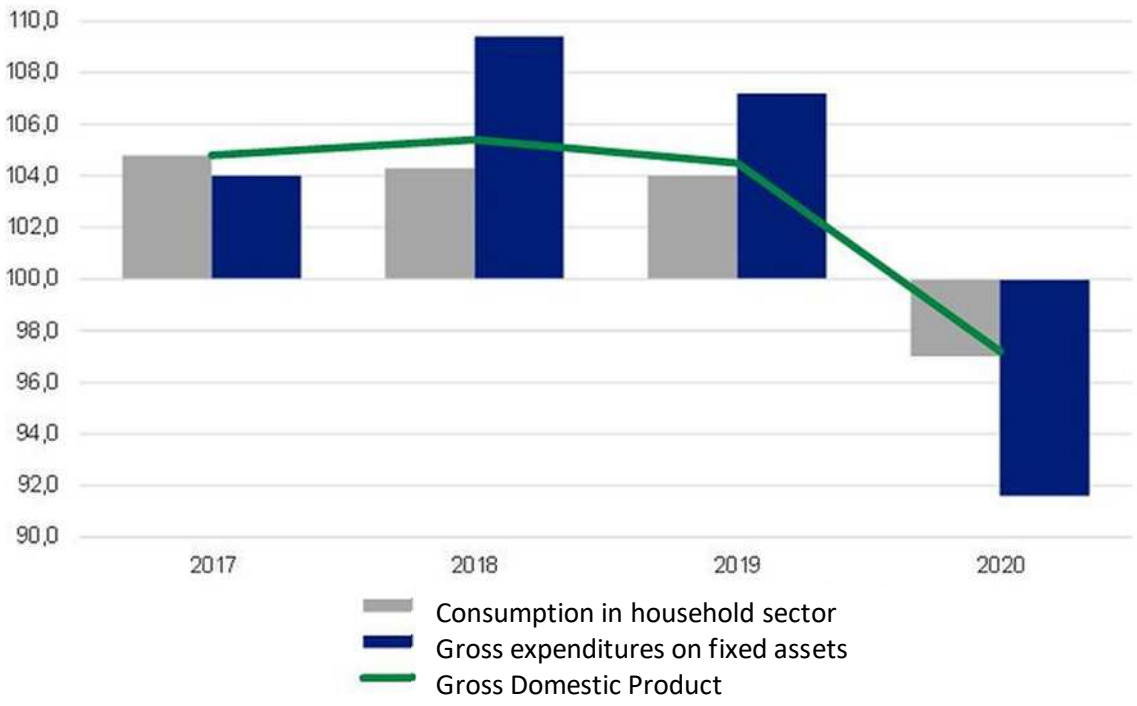
The year 2020 was marked by the COVID 19 pandemic, which caused an avalanche of various types of restrictions that the economy could not get past. At the end of January 2021 the Central Statistical Office (GUS) published the first estimates of Poland's GDP, according to which our economy shrank by 2.8% in 2020.

Many factors contribute to the GDP outcome. In its study, the Central Statistical Office (GUS) made preliminary calculations that showed the so-called gross value added in the national economy was negative - it was down by 2.9 per cent compared to 2019.

This indicator for manufacturing alone was down by 0.2 per cent compared to plus 4.3 per cent a year earlier. The Construction sector recorded negative result of 3.7 per cent (previously -4.1 per cent), and commerce was up by 4 per cent (previously up by 5.4 per cent).

Domestic demand was down by 3.7 per cent in real terms compared to 2019, when growth was recorded by 3.5 per cent. Meanwhile total consumption was down by 1.5 per cent in real terms. Capital expenditures on fixed assets, gross were down by 8.4 per cent. (in 2019 it was up by 7,2 per cent). The investment rate in the national economy was 17.1 per cent against 18.5 per cent in the previous year.

Fig. 1 Gross GDP in real terms
(the same period in the previous year = 100)



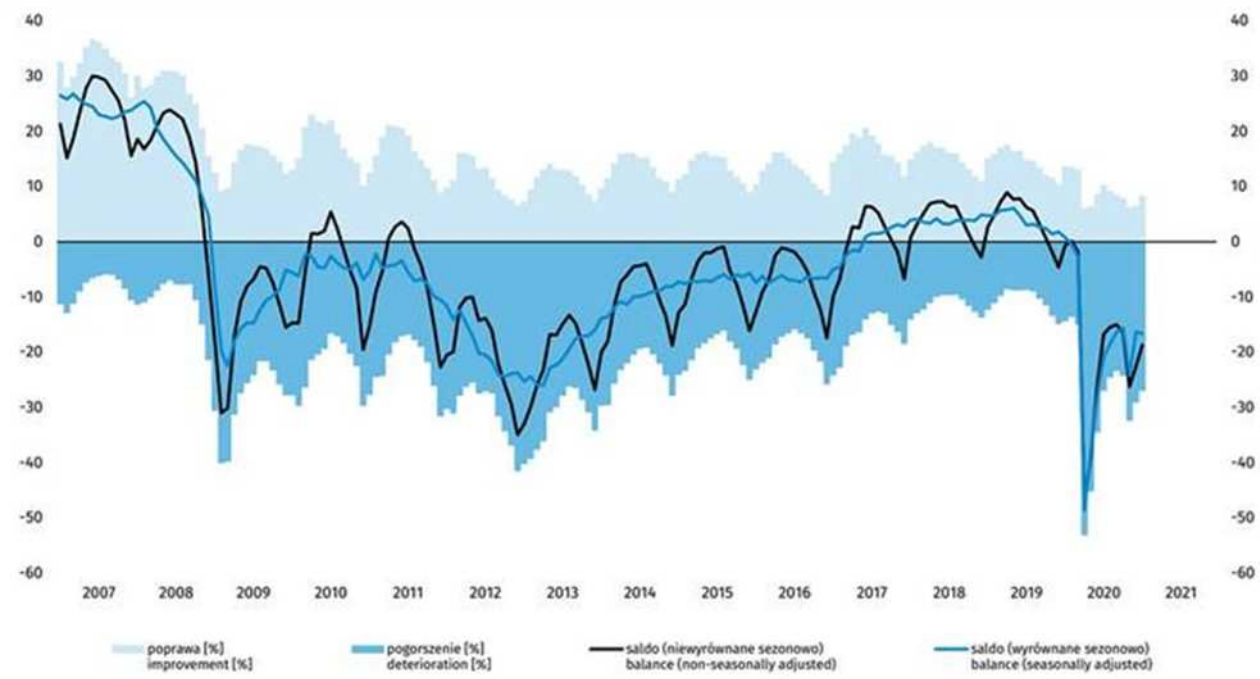
Source: Polish Central Statistical Office (GUS).

Construction activity in April 2020 fell to minus 47.1 (March was minus 1.9), obviously reflecting the threat of COVID-19 in the construction industry and concerns of building contractors. With the pandemic, however, we learned to function, coronavirus vaccination began in late December 2020, and there was nationwide (and even worldwide) hope for a return to so-called normalcy. December 2020 also brought the first breath of

optimism, since the Construction Business Indicator, instead of its usual year-end slide, climbed slightly to minus 22.6 from minus 26.2 in November. Is the optimism rise going to continue in 2021?

For the time being, in **January 2021** Business Climate Indicator calculated by the Polish Central Statistical Office (CSO) confirms this trend, since it was negative, at the level of **minus 18.7.** An economic upturn was signalled by 8.3% of businesses, while an economic downturn was signalled by 27.0%. A month ago it was 6.5% and 29.1% respectively (other companies claim that their situation remains unchanged), i.e. an increase in the number of optimists equalled the decrease in the number of pessimists.

By the way, let us add that according to the preliminary data of the Central Statistical Office, construction and erection output (at constant prices) realized by construction companies employing more than 9 people in December 2020 was higher by 7.7% compared to December 2019, while the value of works of renovation nature decreased by 3.1%. In November 2020 the construction and erection output was down by 4.9% compared to the same period in 2019, so December intensified the decline.



Source: Muratorplus.pl, Monika Czechowska 26 January 2021.

2.2.3. Contracts signed in 2020

Major contracts signed by ERBUD S.A. in 2020

Contract Date	Investor	Subject of the Agreement	Contract net value
30 Dec. 2020	The City of Puławy, ul. Lubelska 5, 24–100 Puławy	Redevelopment of the "Chemist's House" Puławy Community Centre, Phase 2 – the construction of Multimedia Library (Mediateca).	PLN 21.5 million
23 Dec. 2020	VANTAGE DEVELOPMENT S.A. with its registered office in Wrocław at Dąbrowskiego 44, 50-457 Wrocław	Phase 3 of the investment project titled The Popowice Harbour, in the part covering the construction of a multi-family residential building with commercial premises on the first floor and a two-storey underground car park facility, designated in the design documentation as "J" building, with internal and external technical infrastructure and land development and utilities, including landscape architecture and greenery, associated buildings, as well as a traffic system at the intersection of Białowieska and Popowicka streets in the City of Wrocław	PLN 73.4 million
18 Dec. 2020	ZAM - PROJEKT ECHO - 127 SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, SPÓŁKA KOMANDYTOWA with its registered office in Warsaw, at Al. Jana Pawła II, 22 00-133 Warszawa, a member of the ECHO Investment Group.	General construction of two residential buildings with a underground car park facility in Kraków, in Rydlówka Street	PLN 23.9 million
15 Dec. 2020	The Kraków Urban Municipality, Pl. Wszystkich Świętych 3-4 Kraków (31-004)	Design and execution of construction works involving the construction of an elementary school building at the Złocień Housing Estate in the City of Kraków (using the "Design & Build" system)	PLN 24.9 million
11 Dec. 2020	A power plant of RE Spółka z ograniczoną odpowiedzialnością with its registered office at: 25-323 Kielce, Al. Solidarności 36	Construction of an apartment building with underground car park facility called Fuzja 2 in the City of Łódz, at the intersection of Tymienieckiego/ Milionowa streets.	PLN 43.8 million
25 Nov. 2020	AQUANET S.A. ul. Dolna Wilda 126 61-492 Poznań	Modernization of electric and thermal power supply for the Water Treatment Plant at in Wiśniowa Street in Poznań (Subproject No. 6-05-08-015-1) along with compensatory plantings for the investment project No. "6-05-08-015-1 Poznań - power supply of the Wiśniowa Water Treatment Plant facilities	PLN 31.8 million
5 Nov. 2020	NP 20 spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, Al. Jerozolimskie 98	Construction of a multi-family building in Myśliwska Street in Kraków	PLN 28.2 million
8 Oct. 2020	NP23 Sp. z o.o. Sp. komandytowa, based in ul. Al. Jerozolimskie 98, 00-807 Warszawa	Construction of a multi-family building with service premises on the ground floor, underground car-park facility, necessary technical infrastructure and elements of land development in Jeleniogórska Street in the City of Poznań.	PLN 30.0 million

6 Oct. 2020	Michelin Polska S.A. ul. Leonharda 9, 10-454 Olsztyn	"Installation of a second gas-fired boiler in the existing gas-fired boiler house building (No. 58)" Subject matter of the Contract: A turnkey construction of a second natural gas-fired steam boiler with a capacity of 42MWt and a steam output of 55t/h, together with the reconstruction of the necessary infrastructure within the new boiler house located at the Michelin Polska S.A. plant in Olsztyn." Consortium comprising ERBUD Industry Sp. z o.o. ul. Wapienna 40, 87-100 Toruń (leader) and ERBUD S.A. ul. Klimczaka 1, 02-797 Warszawa	PLN 31.9 million
29 Sept. 2020	Investor "Europrojekt Gamma Saller Polbau Sp. z o. o. Sp.k., ul. Wyścigowa 56C, 53-012 Wrocław	The construction of a retail and service park, the Castorama DIY store along with the redevelopment of the external transport system in the locality of Lipnik in Stargardzka Street	PLN 47.4 million
15 Sept. 2020	MATEXI POLSKA Sp. z o.o. with its registered office at: Warsaw 00-867, Aleja Jana Pawła II	Construction of a multi-family apartment building with services and underground parking facility as well technical infrastructure, systems, necessary equipment	PLN 48.9 million
2 Sept. 2020.	Biznes Port spółka z o.o. with its registered office in the City of Wrocław, at ul. Dąbrowskiego 44,	The construction of an office and service building with an underground parking facility, as well as the land and utilities development, including finishing with the Fit-Out status.	PLN 70.7 million
29 Jul. 2020	"LOTNICZA AKADEMIA WOJSKOWA 08-521 Dęblin, ul. Dywizjonu 303 / 35	Construction of a multifunctional building including the obtaining of an occupancy permit"	PLN 49.6 million
30 Jun. 2020	BOUYGUES IMMOBILIER POLSKA Sp. z o.o. Al. Armii Ludowej 14, 00-638 Warszawa, Poland	The construction of the educational and cultural facility in ul. Grochowska 230 and 228 in the City of Warsaw	PLN 23.3 million
22 Jun. 2020	R4R RE Spółka z ograniczoną odpowiedzialnością, ul. Litewska 1, 00-581 Warszawa	Signing of Annex No. 1 for the amount of PLN 7.2 million - Finishing works inside commercial premises (apartments for rent) to the extent specified in contractual documentation 5. Contract execution site at: ul. Suwak 1	PLN 40.5 million
4 Jun. 2020.	Polenergia Farma Wiatrowa 3 Sp. z o. o. with its registered office in Warsaw at ul. Krucza 24/26	Construction works for the Dębsk Wind Farm consisting of 55 wind farms with a total maximum capacity of 121 MW. The project is carried out by the Consortium between ERBUD S.A. and its subsidiary ONDE S.A., formerly PBDI S.A. The value of works performed by the ERBUD S.A. will not exceed 45% of the value of contracts.	PLN 79.8 million
30 Apr. 2020	1. Wiatropol Ustka Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski; 2. Starke Wind Górzyca Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski; 3. Wiatropol Parnowo Sp. z o.o., ul. Kosynierów Gdyńskich 50 , 66-400 Gorzów Wielkopolski;	Construction works for the wind farms in Ustka, Górzyce, Parnowo. The project is carried out by the Consortium between ERBUD S.A. and its subsidiary ONDE S.A., former PBDI S.A. The value of works performed by the ERBUD S.A. will not exceed 30% of the value of contracts.	PLN 68.7 million

30 Mar. 2020	"COLIAN DEVELOPER Sp. z o.o. Sp. komandytowa, based in ul. Majkowska 32, 62-800 Kalisz"	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	PLN 37.2 million
17 Feb. 2020	BC Wrocław Sienkiewicza Sp. z o.o.	Renovation with redevelopment, extension and change of intended use of the post-industrial buildings of the former "Mammoth" bakery for the purposes of the multi-apartment residential building - a dormitory with services, necessary technical and road infrastructure, an underground car-park facility and land development.	PLN 167.7 M
17 Feb. 2020	BC WROCŁAW SIENKIEWICZA HOTEL Sp. z o.o.	The construction of a multi-apartment residential building - a hotel with the necessary technical and road infrastructure, underground car-park facility and land development	PLN 69.9 million
28 Jan. 2020	Vantage Development S.A., Port Popowice spółka z ograniczoną odpowiedzialnością sp. k.	Under the Contract, the Contractor was obliged to construct and commission a multi-family residential building with an underground parking lot ("G building") on the Port Popowice site, Phase 2, along with land development and buried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 157 housing units. Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed with works, which Employer may issue by 31 March 2020 at the latest. Under the Contract No. 2, the Issuer was obliged to construct and commission a multi-family residential building with an underground parking lot ("H building") on the Popowice Harbour site, Phase 2, along with land development and buried infrastructure, including landscape gardening and verdure, accompanying structures, as well as transport system with necessary roads related to the implementation of a non-road investment project by the Employer in Białowieska Street in the City of Wrocław. The building is planned to house 231 housing units. Completion of the entire works was scheduled within 72 weeks from the date of delivery of the Notice to Proceed With Works, which Employer may issue by 31 May 2020 at the latest.	PLN 104.0 million
22 Jan. 2020	YIT Development Sp. z o.o., ul. Twarda 18, 00-150 Warsaw	The Mehoffer House - multi-family apartment building with an underground car-park facility and services on the ground floor	PLN 37.9 million
7 Jan. 2020	The Medical University of Łódź Kościuszki 4, 90-419 Łódź	Construction of a new "Brain" laboratory and research building under "Design and Build" system. The contract is carried out in consortium with a consortium partner: BUDOMAL Przedsiębiorstwo Remontowo-Budowalne, Rafał Leśniak, *(BUDOMAL, Renovation & Construction Enterprise, Rafał Leśniak*) address: ul. B. Bartoka 24, Apt. U8, 92-547 Łódź. Consortium member's share 50%. ERBUD S.A. is the leader of the Consortium	PLN 40.6 million

2.2.4. Major executed projects

In 2020 the Company executed, *inter alia*, the following major investment projects:

- Commercial facilities: The MŁOCINY Shopping mall with commercial, service and entertainment functions in the City of Warsaw;
- Housing construction: Construction of a multi-family building with service premises on the ground floor, underground car-park facility, necessary technical infrastructure and elements of land development 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; Execution of residential complex at the intersection of Jaśminowa/Pory streets in Warsaw "Nowa Królikarnia Phase K10 LMNO buildings; Execution of residential complex at the intersection of Jaśminowa/Pory streets in Warsaw "Nowa Królikarnia Phase K10 TUW buildings; Comprehensive execution of multi-family building with underground car park facility and technical infrastructure "The Mehoffer House"; Comprehensive execution of residential building with underground car park facility and technical infrastructure "Grochowska 230"; comprehensive execution of residential building with underground car park facility and infrastructure "Żeromskiego 17"; Comprehensive execution of R4R Suwak building with garage and accompanying infrastructure; . Construction of a residential and commercial complex with underground car park facility "ŻERAŃ HARBOUR"; Construction of a residential-service-commercial complex with an underground car park facility "POZNAŃ TERMINAL" located in Poznań; Construction of a multi-family residential building with a service part at ul. Chmielewskiego 23 in the City of Szczecin - Phase 1; Construction of a complex of two multi-family residential buildings with service premises on the ground floor, with an underground car park facility and the necessary technical infrastructure at ul. Milczańska in the City of Poznań "SOLEIL DE MALTA"; Construction of one multi-storey residential building with an underground car park facility ("Subproject 1") and the construction of three multi-storey buildings with one underground car park facility ("Subproject 2") "NOVUM III Apartments"; Execution of all works necessary for the proper implementation of the project involving the construction on the site located in Poznan, at ul. Smoluchowskiego 3, a multi-family residential building with services and underground car-park facility in the City of Poznań; PROMENADA X residential building complex in the City of Wrocław; The Legnicka Catchment Basin III residential building complex at ul. Małopanewska in the City of Wroclaw (GHI building); Construction of a residential project "The POPOWICE HARBOUR" in Wroclaw; Construction of a "Gwiaździsta" residential building in the City of Wroclaw; Execution of the Phase 2 of the investment project called "The Popowice Harbour", in part covering the construction of a multi-family residential building with commercial premises on the first floor and an underground car park facility, marked in the design documentation as the "H" and "G" buildings
- Hotels: Renovation with redevelopment, extension and change of intended use of the post-industrial buildings of the former "Mamoth" bakery for the purposes of the multi-apartment residential building - a dormitory with services, necessary technical and road infrastructure, underground car-park facility and land development. „Base Camp Dormitory"; Execution of the Lake Hill II project using the GW system comprising: C and D hotel buildings including landscaping in Sosnówka; Expansion of the Solny Hotel, including landscaping and technical infrastructure; Construction of Holiday Inn Express hotel at Rzeszów-Jasionka Airport; Construction of a hotel and office building in the City of Łódź
- Public utility buildings: Construction of a Maritime Scientific Centre named after Jerzy Stelmach in the City of Szczecin, execution of construction and installation works, land development with accompanying technical infrastructure, delivery of equipment, execution of mechanical and technological start-up; execution of demolition works, construction works with installation works, land development and accompanying technical infrastructure, construction of swimming pool basins, delivery of equipment for "STARGARD Sports and Leisure Centre"; The Southern Hospital in Warsaw; "Reconstruction, superstructure and extension of the Podkarpacie Centre for Lung Diseases in Rzeszów"; Development of the design documentation for the building of the Clinical and Scientific Centre for Prevention and Treatment of Environmental, Civilization and Age-Related Diseases named after and Zbigniew Religa with an over-ground connector and a storage building for

flammable materials, connecting to the existing road system, designing a new transport system. Execution of a parking lot under a commissioned project. Execution of relocation of utilities under a commissioned project; Construction of the building of the Zbigniew Religa Clinical and Scientific Center for Prevention and Treatment of Environmental, Civilization and Olg-Age Diseases, together with an overground connector and a storage building for flammable materials, as well as landscaping; Construction of a new registered office of Cracow's Centre for Burns and Plastic Surgery(MCOP) and Modernisation of the Wards at L. Rydygier Specialist Hospital in the City of Kraków; Construction of a multi-function building in Berylowa Street in the City of Lublin, comprising: Kindergarten, local community centre, a primary school with a gym; Renovation of the Sports and Leisure Centre's sports hall with administrative and social facilities and extension of the indoor swimming pool as part of the project titled Revitalization of the modernized areas of the City of Tomaszów Lubelski; Construction of an office building with a service part Piotrkowska 155 in Łódź; Comprehensive execution of building A being a part of Center for Non-Invasive Medicine along with construction of a ground connector to the Invasive Medicine Center at the Medical University of Gdańsk; Construction of Cultural Heritage Research and Conservation Center at the Faculty of Fine Arts of Nicolaus Copernicus University in Toruń; Modernization and extension of swimming pool building at ul. 9/17 Bażyńskich Street in the City of Toruń including the development of the grounds surrounding the swimming pool for recreational purposes; Construction of the Foxtrot Dormitory in the City of Warsaw; City of Warsaw Białołęka Municipality - a construction of an elementary school; Construction of a commercial and service building with an underground car-park facility, above-ground parking spaces , walking and driving routes for TOYOTA KRAKÓW; Construction of a service and hotel building of collective residence with offices and an underground car-park facility in the City of Kraków.

ERBUD S.A. also provides construction services abroad, mainly in the Belgium and Holland markets. The Company operates abroad as a subcontractor, mainly for building shells. In 2020, the total value of these revenues from construction sites carried out abroad amounted to PLN 48,700 thousand, in 2019 the volume of foreign revenues amounted to PLN 30,975 thousand.

ERBUD S.A. projects in Belgium in 2020

Employer	Name of contract	Contract value in '000 EUR
Mourik nv	Antwerp, Refinery, industrial buildings	3.861
Van Roey	WZC Herne, housing units	812
Ergon	Prefabrication process,	172
Bam	Senzafine, Apartments	217
Interbuild	Blok of flats No. 17, a skyscraper	762
PAGIDAK BVBA	Residential buildings	521
THV Tweewaters	Leuven, housing units	890
ACH	Waarschoot, housing units	198
Van Roey	Erps Kwerps, housing units	239
GWI	Düsseldorf, Kö36, housing units + offices	444

2.2.5. 2021 Objectives

ERBUD S.A. plans to strengthen its position in the Polish building construction market. The Company intends to participate more actively in engineering projects related to the construction of industrial facilities. Additionally, the Company intends to establish a presence in the "hydro" construction segment. At the end of 2020 the Company had a domestic order book worth PLN 1,188 million, of which PLN 954 million was for 2021. For comparison sake, at the end of 2019, the portfolio in value terms totalled PLN 1 188 million. The order book in foreign countries was worth PLN 6.7 million at the end of 2020. The priority for the Company, as in 2020, will be to acquire contracts with a safe margin, to maintain business relations with existing customers and to acquire new customers in new segments, e.g. logistics centres.

On 19 February 2021 the Company announced its entry into a new business segment, the fabrication of modular buildings. Due to the huge demand for this type of construction in the Western Europe, ERBUD believes that its major markets will be there. Meanwhile modules will be prefabricated in Poland. For this purpose, the Company intends to spend on investment about PLN 80-100 million, (purchase and/or construction of a hall, purchase of a production line, employment and training of employees) In the German market, parallel sales channels will be created using the human resources of the subsidiary ERBUD S.A. – GWI GmbH.

In the business-related area, the Company's objective in the year 2021 is broadly understood safety. ERBUD S.A. pursues its mission of a safe partner by applying the highest standards of health and safety at work, maintaining partnership relations with all business partners and exercising care for the workforce

2.3. Erbud International Sp. z o.o.

2.3.1. Scope of activities

ERBUD International Sp. z o.o. has been operating in the marketplace since 2000. The company's registered office is in the City of Toruń. ERBUD Internetional Sp. z o.o. constructs, renovates, delivers maintenance and modernisation services for public utility buildings, residential buildings, industrial and power engineering facilities. It specializes in raw state works and in complex repair and modernisation services rendered for the industry and power sector.

In addition to domestic investments, the Company carries out projects abroad, mainly in Belgium. ERBUD International Sp. z o.o. has a branch in Düsseldorf, Germany.

The major strength of the Company in market struggle is its ability to construct large facilities, offering superior quality and timely delivery of services to the employers.

While executing contracts in the European Union countries, ERBUD International Sp. z o.o. takes advantage of the work of its own, specialized personnel. At the end of 2020 the total headcount at Erbud International Sp. z o.o. was 181 workers, of which 88 dealt with export markets, whereas 93 dealt with domestic market. At the end of 2019. The Company's headcount was 224 people, of which 106 were employed in Poland.

The decline in employment is mainly driven by difficulties in finding qualified personnel in the marketplace and the fact that ERBUD S.A. is taking over the execution of foreign contracts to a larger extent.

2.3.2. Statutory governing bodies

Since 1 January 2007 Bogdan Dürr has been in the position of the President of the Management Board of ERBUD International Sp. z o.o.

2.3.3. Market environment

In 2020 the construction sector in Belgium was significantly impacted by the Belgian authorities' decisions on measures to prevent the spread of the COVID-19 pandemic. At the turn of March the activities on the construction sites in Belgium were put on halt.

According to the National Bank of Belgium (NBB), the construction industry shrank by 2.6% y-o-y in Q1 2020 and is expected to decline further in Q2, reflecting the lockdowns implemented in March and April 2020.

Even before the COVID-19 outbreak, the construction industry in Belgium was forecast to grow by 3.1% in 2020. However, due to stringent measures taken by the government, it is now estimated that the construction industry would shrink by 4.5% in 2020.

Since May, the construction activities have been back to normal, but despite the continuation of projects, it is not possible to meet the planned revenues and margins.

Given the lower interest of qualified staff in working abroad, the Management Board of ERBUD International Sp. z o.o. does not see any option to boost sales. One way out of this situation is shifting of the company's business from subcontracting to general contracting.

Such expansion of our activity requires us to seek clients not among building contractors but among investors.

2.3.4. Projects executed in 2020

In 2020 ERBUD International Sp. z o.o. executed in Belgium projects with the total value of EUR 7 922 thous. including:

Employer	Name of contract	Contract value in '000 EUR
Groep VAN ROEY N.V.	Apartment building, Halle	20
Artem N.V.	Apartment building, Out-Turnhout	319
TM Zilverkwartier Berchem	Apartments, Berchem	806
S.M. GILLY 2024	Hospital, Charleroi	3,616
Baunv	Apartaments, Elzenhof	232
VH-ACH	Apartaments, Sint-Truiden	659

2.3.5. Opportunities and threats

The greatest threat to the Company at present is the unpredictable impact of Brexit on the countries in which ERBUD International operates. Certainly an issue is slowing down economy and scarce labour force. In these rather turbulent times, the strength of the organization is its excellent knowledge of the markets, having an established brand in these markets, trust of regular clients.

2.3.6. Strategic priorities

The strategic goal of ERBUD International is strengthening its position in the Belgian and Dutch markets as well as broader entry into the German market.

The Company intends to take advantage of the existing good economic performance in Belgium to invest in housing and public buildings (mainly hospitals and schools) by taking on projects including the supply of materials.

At the end of 2020 the Company's order book totalled PLN 29 million in value terms. At the end of 2019, the order book amounted to PLN 13.6 million.

2.4. GWI BAUUNTERNEHMUNG GmbH

2.4.1. Scope of activities

The ERBUD Group has been present on the German market since 1993. The Group operates on this market through GWI BAUUNTERNEHMUNG GmbH (GWI). This company, based in Düsseldorf, specialises in general construction.

At the end of December 2020 the headcount level at the GWI was 45 people.

2.4.2. Statutory governing bodies

From 1 January 2007 to 30 June 2020, Mr Axel Wahl served as Chairman of the Management Board of GWI Bauunternehmung GmbH.

On 1 July 2020 the General Meeting of Shareholders of GWI GmbH dismissed Mr Axel Wahl and appointed Mr Igor Pawłowski as a member of the Company's Management Board.

On 1 October 2020 the General Meeting of Shareholders of GWI GmbH appointed Mr Jürgen Kugelberg to the Company's Management Board, entrusting him with the function of - President of the Management Board, thus the Management Board of the company became a two-person body.

On 1 February 2021, Mr Theodor Kaczmarek was appointed to the Management Board of GWI GmbH by a resolution of the General Meeting of Shareholders, while Mr Igor Pawłowski resigned from his position on that day.

Accordingly, from 1 February 2021 to the date of this report, the Company's Management Board are:

- Jürgen Kugelberg - President of the Management Board
- Theodor Kaczmarczyk - President of the Management Board

2.4.3. Market environment

"We handled the challenges of the pandemic well. This happened due to the tremendous efforts of our companies and employees. While gross value added for the economy as a whole was down by 5.8 per cent in the first three quarters without adjusting for seasonal factors, the construction sector **was up 2.0 per cent in real terms."** Peter Hübner and Reinhard Quast, presidents of the Main Association of the German Construction Industry and the Central Association of the German Construction Industry, thus commented the 2020 hit by Covid-19 pandemic at the annual press conference of the two leading construction associations.

While overall employment fell 0.8 per cent from January to September compared to the same period last year, the construction sector posted a 1 per cent employment growth over the same period. In other words: just like in the previous years, the construction sector was also the driving force of the economy in 2020.

In their joint forecast, the leading construction sector trade unions assume that construction revenues in the general construction sector would go up by 3.0% this year in nominal terms. With an expected price hikes by 2.5%, this gives a small real increase of 0.5%. In 2021, the industry expects nominal in construction sector revenues in nominal terms, which would remain at 2020 levels. Taking prices into account, this gives a negative value of 2% in real terms.

The housing construction segment is likely to cope the best during the pandemic era and would generate revenues growth of 4% in nominal terms this year, and the revenues growth is likely to be only slightly lower and be at the level of 3% in the coming year. With a turnover of €52.6 billion, the housing construction will remain the key segment in construction sector in 2021.

"The pressure on housing markets in major cities has not declined. With the COVID-19 driving up work at home office, the possession of real property seems to be even more desirable. In addition, the main driving force of housing construction segment in recent years, namely the exceptionally low level of interest rates, will continue to persist. The investments in the housing construction segment are still attractive" - this is how

Peter Hübner, President of the Main Association of the German Construction Industry, explains the motivation of buyers in the housing construction segment.

In 2020 and 2021, construction for private investors will be most severely hit by the COVID-19. Here the key indicators speak for themselves. Ailing private building construction segment will cause private construction revenues to go up only by 1.0% in nominal terms in 2020 and to go down by 2.0% in the year to come. In 2021 the traded volume will hover around 48.7 billion euros. "Large branches of the manufacturing sector are expecting a decline in sales this year, which could be as high as 15%. Many branches of the service sector that rely on direct contact with the customers are even harder hit. Their ability and willingness to invest was seriously undermined, which is likely to become apparent primarily in the coming year," - said Reinhard Quast, the President of the Central German Construction Association. "Private engineering construction segment, which relies on investment activity from supply and disposal companies, as well as broadband network expansion and investment from Deutsche Bahn (German Railways), stabilizes private construction."

For revenues in public construction, the trade unions continue to expect strong nominal growth of 3.0% this year, but this will turn into a decline of 2.0% in 2021. The sector's turnover volume is estimated to reach €29.5 billion next year, with public building construction expected to recover from the crisis better than civil engineering. "We urge the public sector to keep its capital expenditures at least at the same level and invest more into infrastructural projects. Speaking from our own painful experience we fear that investments will be put to the test when it comes to post-pandemic austerity," declared Hübner.

The employment in the general construction segment rose on average by 10,000 up to 880,000 in 2020. Compared to the 2009 low, staffing capacity is up by a quarter. Also in 2021, the presidents of the two leading construction unions continue to expect employment growth by approx. 5,000 workers. In addition, the companies also provide training - 14,146 young people started training with construction companies this fall. "It is up by 3.4 per cent compared to the previous year, making it the highest number of trainees in more than 15 years. A total of 41,307 young people are now being trained towards the construction sector - also a new record since 2002," - explained Quast.

2.4.4. Contracts signed and underway in 2020.

2020 was a difficult year for the company. Changes at the highest levels of management made it a priority for the company to complete successfully the on-going contracts and the PQ Duerren development project. Signing of new contracts and building a portfolio lost its priority.

In 2020, the company signed just two contracts:

- Construction of the commercial building "Kö 36" in Düsseldorf - EUR 2 million;
- Construction of a multi-family building - EUR 2 million.

2.4.5. Opportunities and threats

Currently, the Company's biggest threat is personnel retention and attracting new workers. The Management Board has been running intensive HR activities related to the new personnel recruitment, which has already brought the first fruits. The development of a new business involving sales and erection of modular buildings creates great opportunities for the development of a new segment. The Management Board will take its best efforts to develop the business of both building construction and sales of modular buildings. The opportunity here is in the form of political priorities implemented through the promotion of a "green deal", subsidies for wood-based construction, and provisions in state budgets. The year 2021 will be used as time to get ready for the start of the modular construction business and a period for the development of building construction. The Management has perceived great opportunities created by the subsidies for the economy to recover from COVID 19 pandemic. .

2.4.6. Strategic priorities

The year 2020 saw enhanced consolidation activities. Open shell construction (including roof and facade) is the core competence of GWI Bauunternehmung GmbH. This business area has attached top priority. A new addition are renovation and redevelopment activities that will be carefully expanded in the years to come.

The experience gained jointly with APH Düren will continue to be used in the future, with a particular focus on project engagement.

Additionally, in connection with the decision to start a new business activity - fabrication and sale of modular facilities by the company, a sales network for the aforementioned facilities will be developed.

2.5. ONDE S.A. Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. (*Road Engineering Construction S.A.*)

2.5.1. Scope of activities

ONDE S.A. (hereinafter referred to as: ONDE) deals with the execution of the following works:

- construction and power engineering works during the erection of wind and photovoltaic farms,
- works related to the operation of wind and photovoltaic farms.
- connected with road construction,
- earthworks during the construction of shopping malls and other public utility buildings.

At the end of 2020, the Company's headcount was 390 workers, expressed as FTEs.

2.5.2. Statutory governing bodies

SUPERVISORY BOARD

From 31 May 2019 to 19 February 2021, the Supervisory Board operated with the following composition:

- Chairman - Jacek Leczkowski
- Deputy Chairman - Agnieszka Głowacka
- Secretary - Joanna Piersa

On 19 February 2021, Ms Joanna Piersa resigned from the Company's Supervisory Board. On the same day, the General Meeting of Shareholders appointed Mr Michał Otto, Mr Mirosław Godlewski, and Mr Jacek Socha to the positions of the Supervisory Board members, for a joint term of office effective from 31 May 2019. Thus, as of 19 February 2021, the Supervisory Board is composed of:

- Chairman - Jacek Leczkowski
- Deputy Chairman - Jacek Socha
- A Supervisory Board member - Agnieszka Głowacka
- A Supervisory Board member - Mirosław Godlewski
- A Supervisory Board member - Michał Otto

MANAGEMENT BOARD

In the period from 31 May 2019, the Company's Management Board shall serve an appointed 3-year joint term with the following composition:

- President of the Management Board - Paweł Średniawa
- Vice-President of the Management Board - Piotr Gutowski
- Vice-President of the Management Board - Marcin Szerszeń

2.5.3. Market environment

The problems resulting from the COVID-19 pandemic primarily affected construction companies operating in the building construction segment. In this segment, we have seen a reduction in the supply of construction services over the past year. The electric power and road construction sectors , where the Company primarily provides services, did not experience heavy pandemic-related restrictions. This was primarily due to the linear nature of the work being performed and the ability to limit face-to-face contact between workers performing their jobs without significantly compromising the jobs being performed. Of course, it was not

without difficulties caused, for instance, by the limitations connected with the sanitary regime of public administration bodies.

In 2020, the construction segment for the renewable energy sector was characterized by the execution of projects (both wind and photovoltaic), which became the beneficiaries of the auctions where contracts were still awarded in 2018 and 2019. In 2020, the Company took advantage of the prosperity in the market related to construction for renewable energy sources (RES) and carried out construction works primarily in the RES market (wind power and photovoltaics). The company is one of the leaders in renewable energy construction segment in Poland and takes measures to maintain this position.

A part of its revenues the Company generated by performing, *inter alia*, construction works in the road construction segment. The activity in this segment focuses on the markets of Kujawsko-Pomorskie and Zachodniopomorskie Provinces, where the Company's bitumen plants are located. In October 2018, the Company (in consortium with Mosty Łódź S.A.) signed the largest contract in its history for the design and construction of the S3 expressway Legnica (A4) - Lubawka road section, Subproject 4 from the Kamienna Góra Północ junction (with the junction inclusive) to the state border. The Company's share is 50% of the Subproject value. In September 2020 the Subproject, after the design phase, entered the implementation phase.

The Company entered the year 2021 with an order book worth more than PLN 1.077 million, of which over PLN 840 million is to be executed in 2021. For comparison sake - the year 2020 the Company started with an order book worth PLN 650 million. In addition, in the period from the onset of 2021, the Company has acquired further orders worth over PLN 156 million.

2.5.4. Contracts signed in 2020

Contracts signed between 1 January 2020 and the Report Date

(with a unit value exceeding PLN 15.000 thousand)

#	Investor	Contract Date	Subject Matter of the Contract	Net value ('000 PLN)
1.	ENERTRAG Aktiengesellschaft	27 Jan. 2020	construction works concerning a wind farm in the territory of the Zachodniopomorskie region (Western Pomerania);	75,000
2.	OX2 Construction AB	28 Jan. 2020	construction works concerning the Żary wind farm;	19,518
3.	Wiatropol Ustka sp. z o.o.	30 Apr. 2020	construction works concerning the Ustka wind farm;	26,971
4.	Starke Wind Górzyca Sp. z o.o.	30 Apr. 2020	construction works concerning the Górzyca wind farm;	26,832
5.	Nowa Energia 1 sp. z o.o.	4 Jun. 2020	Construction works concerning the Kozłowo wind farm	34,475
6.	Biały Bór Farma Wiatrowa sp. z o.o.(1)	4 Jun. 2020	execution of comprehensive construction works for the Biały Bór Wind Farm consisting of 42 wind farms with a total maximum capacity of 144.9 MW.	154,644
7.	Polenergia Farma Wiatrowa 3 sp. z o.o.(2)	4 Jun. 2020	execution of comprehensive construction works for the Dębsk Wind Farm consisting of 55 wind farms with a total maximum capacity of 121 MW.	79,824
8.	EWP European Wind Power Krasin sp. z o. o.	29 Jun. 2020	construction works concerning the Krasin wind farm	21,372
9.	Kowalewo Wind sp. z o.o.	29 Jun. 2020	construction works concerning the Piątkowo wind farm	20,058
10.	The Świdwiński County	2 Jul. 2020	Development of the county road No. 3340Z in Sławoborze	16,091
11.	ENERTRAG Aktiengesellschaft	14 Jul. 2020	construction works concerning a wind farm in the territory of the Zachodniopomorskie region (Western Pomerania);	31,900
12.	Quadran P1 sp. z o.o.	21 Jul. 2020	realization of investment project including delivery, installation, construction and commissioning of the Photovoltaic Power Plants;	15,980

13.	Sevivon sp. z o.o. [3]	4 Sept. 2020	construction works concerning the Kuślin wind farm	48,148
14.	Baltic Green I Sp. z o. o.[4]	10 Feb. 2020.	construction works concerning the Kąty wind farm	42,825
15.	The Kujawsko-Pomorskie Province	5 October 2020	design and road works using the "DESIGN AND BUILD" formula for the project titled: "Redevelopment of provincial road No. 270 at the Brześć Kujawski - Izbica Kujawska - Koło section from 0+000 km to 29+023 km - the Construction of the Lubraniec Town bypass;	38,983
16.	Laszki Wind sp. z o.o. [5]	9 Oct. 2020	Construction works concerning the Laszki wind farm;	45,683
17.	Quadran Wind Park 7 sp. z o.o.	9 Oct. 2020	construction works concerning the Rychwał wind farm;	
18.	Winfan sp. z o.o.	27 Oct. 2020	construction works concerning the Kołobrzeg wind farm;	31,455
19.	EW Dobrzyca Spółka sp. z o.o.	30 Oct. 2020	construction works concerning the Dobrzyca wind farm	43,790
20.	Enteal sp. z o.o.	2 Dec. 2020	construction works concerning the Sępopol wind farm;	41,000
21.	Fieldon Investment sp. z o. o. Banie 3 sp. k.	17 Dec. 2020	construction works concerning the Banie III wind farm;	67,000
22.	Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o.	29 Jan. 2021	construction works concerning the Kostomłoty wind farm	31,495
23	Spectris Energy sp. z o. o.	4 Feb. 2021	Contract for the constraction of Photovotalic Wind Farms.	24,890
24	Wind Field Wielkopolska sp. z o.o.	8 Feb. 2021	construction works concerning the Wielkopolska wind farm	39,648

[1] Project executed jointly by the Consortium with ERBUD S.A. with its registered office in Warsaw. The scope of works executed by ONDE S.A. is worth PLN 121,644 thousand.

[2] Project executed jointly by the Consortium with ERBUD S.A. with its registered office in Warsaw. The scope of works executed by ONDE S.A. is worth PLN 44,324 thousand.

[3] Project executed in consortium with P&Q Sp. z o.o. headquartered in Białystok. The scope of works executed by PBDI is worth PLN 38,148.38 thousand.

[4] Project executed in consortium with P&Q Sp. z o.o. headquartered in Białystok. The scope of works executed by PBDI is worth PLN 28,455.10 thousand.

[5] Project executed in consortium with Electrum sp. z o.o. headquartered in Białystok. The scope of works executed by PBDI is worth PLN 35,619.19 thousand.

2.5.5. Executed projects in 2020

The key projects implemented by ONDE in 2020 include, but are not limited to:

- the construction of the Potęgowo wind farm
- the construction of the Dębowa Łąka wind farm,
- the construction of the Białogard wind farm
- the construction of the Biały Bór wind farm,
- the construction of the Dębsk wind farm
- Construction of the Photovoltaic Farms commissioned by the rPower Group member companies,
- Construction of the Photovoltaic Farms commissioned by the Qair Group (formerly Quadran Group) member companies,
- Construction of a tram route along Kujawska Street at the section from the Kujawskie Roundabout to the Bernardyńskie Roundabout in the City of Bydgoszcz together with the extension of the road system,
- The construction of the S3 expressway, the Legnica (A4) – Lubawka section, Subproject IV.

2.5.6. Opportunities and threats

Good prospects for the segment of Renewable Energy Sources (RES). The year 2020 was marked by the implementation of projects which guaranteed their support in auctions in 2018 and 2019. The consecutive auctions for the sale of electricity from new RES installations carried out in Q4 2020 gave a positive outcome for subsequent projects. The stagnation on the wind construction market led to the situation where in recent years the process of developing new projects was not carried out, thus further projects may not be submitted for subsequent auctions.

The potential and needs of road construction market in Poland is enormous. In 2020, the National Road Construction Program (with an outlook to 2030) was launched. It assumes large expenditures on the construction of expressways, motorways, ring roads and maintenance of technical standards of the existing road network.

Burdens pressing local government budgets reduce the number of projects implemented by this investor category. The problem of financing infrastructure projects will grow after the end of the current EU financial perspective. One of the way outs of such a situation may be more frequent use of the public-private partnership formula as a way of financing investments.

Last year, was a tough year not only for the construction sector, but for the entire market exposed to the disruption caused by the COVID-19 pandemic. As a result of the pandemic, Poland, as well as other countries, has taken widely-sweeping measures to limit the spread of the virus. These measures were mitigated in mid-April and reinstated as of fall 2020 due to the so-called second wave of the pandemic. Despite such actions, the result of the COVID-19 pandemic is an economic collapse, on a scale not seen in many decades, in both domestic (including Poland) and international markets. The effect of the economic slump is that it is more difficult to do business in connection with, among other things, frequent changes in effective laws without an adequate period of vacatio legis, as well as, due to sanitary requirements, hampered work at the office, limited availability of hotels, or protracted public administration bodies.

2.5.7. Strategic priorities

PBDI S.A. is one of the construction leaders in the renewable energy sector in Poland. The Company takes steps to maintain its leading position in this construction segment. Both in the construction of wind farms and photovoltaic farms. At the same time, the Company remains active on its traditional road engineering market.

The Company is watching out for further growth opportunities, the realization of which depends on raising additional capital. The Company is considering raising the capital necessary to implement its growth plans by issuing additional shares and offering them through an initial public offering (IPO) of shares, or by attracting an investor through a private placement of shares.

We are confident that the objectives we have set ourselves for the coming years will be achieved, and the engine behind the Company's development is its team made up of young people with high technical competence, for whom construction is their passion.

The Company entered the year 2021 with an order book worth more than PLN 1.077 million, of which over PLN 840 million is to be executed in 2021. For comparison sake - the year 2020 the Company started with an order book worth PLN 650 million.

On 26 March 2020, the Company's Issuing Prospectus was filed with the PFSA. Among other things, the company's management intends to use this method to raise capital for further development of the company in the RES segment.

2.6. ERBUD Industry Sp. z o.o.

2.6.1. Scope of activities

ERBUD Industry Sp. z o.o. with its registered office in the City of Toruń was established in December 2000. It is the parent company for the ERBUD Industry Capital Group, which consists of the following companies:

- Erbud Industry Centrum Sp. z o.o.
- ERBUD Industry Pomorze Sp. z o.o., (on 4 January 2021 the District Court for Łódź-Śródmieście - 14th Commercial Division registered the merger between ERBUD Industry Centrum sp. z o. o. and ERBUD Industry Pomorze sp. z o. o.; the Acquiring Company is ERBUD Industry Centrum sp. z o. o.)
- ERBUD Industry Południe Sp. z o.o.

There are two operational divisions at ERBUD Industry Sp. z o.o.:

1. The Engineering Division, deals with the implementation of "turnkey" technological projects in the power industry and widely understood industry, including the execution of, inter alia:
- industrial facilities, process systems and manufacturing lines,
- industrial waste utilization and processing installations (waste; pre-RDF; RDF),
- environmental protection installations and auxiliary installations for power units (denitrification, desulphurization, dedusting, ash removal, carbonization, deslagging, etc.),
- energy facilities, the so-called Small Power Engineering facilities (cogeneration sources; water and steam boiler houses),
- installation for feeding secondary fuels to boilers (biomass, waste, RDF),
- specialized comprehensive construction works and selected process islands in the form of subcontracting of industrial installations, coal-fired power units and steam-gas power units,
- RES installations (photovoltaic built on ground infrastructure; biogas plants; geothermal energy).

2. Maintenance Division, focusing on the activities of subsidiaries, which offer services in the fields of: construction, repairs, modernization of industrial and power systems, diagnostics of industrial machinery and equipment, organizational and technical consulting and technical research.

In 2020 the Company led efforts to procure and execute engineering, construction and service projects for power, industrial and renewable energy (RES) projects in the areas of photovoltaic systems located on developed ground infrastructure; biogas plants and geothermal heat plants.

ERBUD Industry Sp. z o.o. applies integrated management system and has experience concerning comprehensive execution of industrial facilities, including indoor and outdoor infrastructure, design and execution of process lines, especially for power sector and industry, and comprehensive execution of engineering and technical facilities and holds the following certificates:

- PL-EN ISO 9001:2015,
- PN-EN 14001:2015,
- PN-ISO 45001:2018

At the end of 2020 the headcount level at the Company was 42 people.

2.6.2. Statutory governing bodies

In the period from 1 January to 31 December 2020 the Management Board of ERBUD Industry Sp. z o.o. consisted of:

- Mirosław Białogłowski - A Management Board member
- Marcin Nowicki A Management Board member

On 23 March 2021 the Extraordinary General Meeting of Shareholders of ERBUD Industry Sp. z o. o. appointed Zbigniew Gładys to the Management Board, effective from 1 April 2021.

From 1 April 2021 until the date of the report, the Management Board of ERBUD Industry Sp. z o. o. consisted of three Management Board Members:

- Mirosław Białogłowski A Management Board Member
- Marcin Nowicki A Management Board Member
- Zbigniew Gładys A Management Board member

2.6.3. Market environment

The advanced age of power and heat generation units in Poland and the recently announced decisions of the EU and the Polish government (PEP2040) to move towards climate neutrality by 2050, including a move away from coal as an energy fuel, significantly limit the investment market for projects involving the construction of environmental protection facilities for coal-fired units, and the company will be moving away from this business segment.

In connection with the gradual conversion from coal to gaseous fuel, waste and green energy, a huge investment market is opening up in the coming years, which will be part of the transformation of the Polish coal-fired power sector towards low- and zero-emission energy.

In view of the above, the company assumes that it has all the competencies and resources to play the role of a major general contractor in the ever changing energy market towards low- and zero-emission energy and will be active in the market segments listed below.

Segment No. 1 - turnkey projects related to the construction of small cogeneration units (cogeneration units, boiler houses, reserve and peak load boiler houses <10MWe fired with natural gas, waste including RDF and biomass; small waste incineration plants up to 50,000 tons/year using ORC technology or rotary kilns).

Segment No. 2 - turnkey projects related to the construction of biogas and bio methane generation plants, energy storage facilities (electricity and heat), geothermal heat plants, and photovoltaic systems installed on the roofs of various facilities, tanks, or infrastructure other than undeveloped and vacant land.

Segment No. 3 - subcontracting projects for construction of gas and steam power units, large incineration plants >100,000 thousand waste per year and petrochemical plants.

New Segment No. 4 - turnkey projects related to the construction of storage infrastructure for liquid fuels, i.e. oil and gas.

2.6.4. Projects executed in 2020

In 2020 key executed projects comprised:

- a construction on a turnkey basis 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.
- construction of a turnkey basis of a gas-fired boiler house based on a 42MWt boiler at the Michelin's Olsztyn tyre manufacturing plant for Michelin Polska S.A.,
- 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 the Puławy Nitrogen Fertilizers Plant for ZA Puławy S.A..
- construction on a turnkey basis of new peak load generating sources for PGE Energia Ciepła S.A. The Wybrzeże Branch of the Gdansk CHP Plant.

2.6.5. Major contracts signed in 2020

On 22 June 2020, the company entered into an agreement with Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (*Water Supply and Sewerage Enterprise*) in Konin for the construction of a photovoltaic farm on the site of the "Lewy Brzeg" Wastewater Treatment Plant.

On 6 October 2020, the company, acting jointly in consortium with ERBUD S.A., entered into an agreement with Michelin Polska S.A. for the turnkey construction of a second gas-fired steam boiler with a capacity of 42MWt and steam output of 55t/h, together with the reconstruction of the necessary infrastructure as part of the new boiler room located at the Michelin Polska S.A. plant in Olsztyn.

2.6.6. Opportunities and threats

The energy infrastructure in Poland requires a thorough modernization in terms of reducing CO2 emissions, faster development of Renewable Energy Sources (RES) and boosting reliability of energy supplies.

The Energy Regulatory Office estimated that the total capital expenditures on power sector construction activities scheduled in 2014-2028 totals PLN 97 billion. Poland has also taken up the challenge of achieving the greatest possible climate neutrality by 2050 as set by the European Union (EU).

At the same time, the launch of the cycle of necessary investment projects is delayed by the contracting authorities due to lack of financial resources, which results in very high price competition among contractors trying to win contracts.

2.6.7. Development directions

The main strategic objectives of ERBUD Industry Sp. z o.o. include:

- to build competence in the construction of biogas plants and liquid fuel storage infrastructure,
- to widen competence and maintain market position in the construction of gas- and waste-fired generation sources in power generation sector and industry,
- safe business development - a responsible partner. A sustainable growth of turnover, achievement of assumed targets, maintaining liquidity.

The aim of ERBUD Industry Sp. z o.o. is to increase the scale of its operations thanks to its ability to provide comprehensive services for investment projects in the field of design and construction, not only of facilities fulfilling the requirements of the energy, industry sector and RES, but also of systems meeting the most stringent technical and environmental standards.

2.7. ERBUD Industry Pomorze Sp. z o.o.

2.7.1. Scope of activities

The core business of ERBUD Industry Pomorze Sp. z o.o. with its registered office in Gdańsk are the maintenance services of power, electrical and industrial equipment, repairs and modernization of power and industrial facilities, construction of pipelines, electrical systems and prefabrication of steel structures.

The Company has two branches: in Gdańsk and Toruń. At the end of 2020 its headcount was 85 people (87 on average expressed in persons)

By virtue of Resolution 1/2020 of the Extraordinary General Meeting of Shareholders of ERBUD Industry Pomorze Sp. z o. o. of 28 December 2020, on 4 January 2021 the District Court for Łódź-Śródmieście - 14th Commercial Division registered merger of ERBUD Industry Centrum sp. z o. o. and ERBUD Industry Pomorze sp. z o. o., where the Acquiring Company was ERBUD Industry Centrum sp. z o. o.)

2.7.2. Statutory governing bodies

ERBUD Industry Pomorze Sp. z o. o. Supervisory Board – no Supervisory Board

From 1 January 2020 to 31 December 2020, the Company's Management Board was composed of:

- Paweł Zaorski - President of the Management Board
- Jarosław Główczyński - a Management Board Member

2.7.3. Executed projects in 2020

The Company's major projects focused on maintenance and repair works for the commercial and industrial power industry. The major projects included: Major overhaul of OP 230 Boiler No. 10 for PGE Energia Ciepła at Gdańsk Combined Heat and Power Plant, modernisation of selected equipment of OP230 and WP120 boilers also in the City of Gdańsk, modernisation of K4 Boiler in connection with the construction of turbine set G1 in the locality of Czarnków for Steico, prefabrication of sinter-cooling system's elements for the Dillingen Steelworks for Outotec in Germany - works carried out in the workshop in Toruń and prefabrication of cold air ducts for the OP140 Boiler No. 4 for Ciech Janikowo mandated by ERBUD Industry Centrum. The Company followed up, *inter alia*, the following projects: "Modernization of electrostatic precipitator No. 1 along with modernization of dust transport" for JSW KOKS S.A. coal mine, and assembly of structures for ERBUD Industry Sp. z o.o. under the projects "Rebuilding of the existing heat and power plant of Michelin Polska S.A. involving demolition of the technical building and installation of a new steam boiler fired with natural gas, together with reconstruction of the necessary infrastructure - with simultaneous reduction of the existing coal-fired fuel combustion sources", for Fortum Power and Heat OY in the scope of delivery and installation of SNCR system under the project titled "Modernization of flue gas cleaning system at Rejtana Heat Plant in the City of Częstochowa" and "extension of the existing SNCR system with a TwinNOx system at the Kraków Combined Heat and Power Plant". The company started work on the project titled "Construction of new peak load sources at PGE Energia Ciepła S.A." for ERBUD Industry sp. z o.o.

The company acquired new customers, including ZF Polpharma, ZRE Katowice and built a working relationship with LOTOS S.A. Group by winning contracts for 2020-2022

2.7.4. Development directions

The Company intends to widen the scope of its activities through:

- diversification of order acquisition sources and, within 5 years, leading to a share of approx. 50% (currently 85%) in the sales of services to the PGE market for the Gdańsk Branch
- recovery of temporarily lost maintenance contracts for electrical and mechanical works on PGE site
- restoring the market position in the segment of low and medium power rotating machines,
- activities aimed at extending the range of services on the site of LOTOS S.A. Group - currently, the company has signed 3 contracts for 2020-2022,
- restoring the leading position among contractors operating at PGE in the near future,
- collaboration with the member companies from ERBUD Industry Group
- acquisition of the customers located in the northern Poland: Elbląg CHP; Michelin Olsztyn; Engie Słupsk CHP; and Starogard CHP; Anwil S.A. Włocławek; IP Kwidzyn Paper Works and Mondi Świecie; Kronospan Szczecinek, GZNF Fosfory.

In December 2020, the Company's order book in value terms totalled PLN 25.9 million including PLN 14 million in the Group, compared to PLN 9.6 million a year earlier.

2.8. Erbud Industry Centrum Sp. z o.o.

2.8.1. Scope of activities

Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.) with its registered office in Łódź was established in 1994. It operates in the service sector and specializes in repairs of power, heating, electrical, I&C (Instrumentation and Control) as well as industrial and municipal systems.

At the end of 2020 the headcount level at the Company was 377 people.

2.8.2. Statutory governing bodies

MANAGEMENT BOARD

In the period from 1 January 2020 to 26 June 2020 the Management Board was represented by:

- Paweł Zaorski - President of the Management Board
- Michał Bursa - Vice President of the Management Board, until 26 June 2020 owing to the resignation from the position of Vice- President of the Management Board submitted on 8 June 2020
- Marcin Stasiak - Vice-President of the Management Board

Since 27 June 2020 the Company's Management Board has consisted of:

- Paweł Zaorski - President of the Management Board
- Marcin Stasiak - Vice-President of the Management Board

As a result of merger of ERBUD Industry Centrum sp. z o. o. and ERBUD Industry Pomorze sp. z o. o. on 4 January 2021, Mr Jarosław Główczyński was appointed to the Management Board of the Acquiring Company (ERBUD Industry Centrum sp. z o. o.) on 5 January 2021 by virtue of the Resolution No. 1/2021 of the Supervisory Board taken on 5 January 2021.

Given the above, as of the date of drawing up this report, the Company's Management Board consisted of:

- Paweł Zaorski - President of the Management Board
- Marcin Stasiak: - Vice-President of the Management Board
- Jarosław Główczyński: - Vice-President of the Management Board

SUPERVISORY BOARD

In the period from 1 January 2020 to 2 June 2020, the Company's Supervisory Board was composed of:

- Dariusz Grzeszczak - The Chairman of the Supervisory Board until 2 June 2020 owing to his resignation from the Supervisory Board position that he submitted to the company on 18 May 2020
- Mirosław Białogłowski - Deputy Chairman of the Supervisory Board
- Marcin Nowicki - a Supervisory Board member
- Joanna Piersa - Secretary of the Supervisory Board

On 3 June 2020, the Ordinary General Meeting of Shareholders, by virtue of its Resolution No. 15/2020, appointed Mr Radosław Górski to the position on the Supervisory Board, simultaneously appointing him to the position of the Supervisory Board Chairman.

In view of the above, from 3 June 2020 to this Report Date, the Company's Supervisory Board consisted of:

- Radosław Górski - The Chairman of the Supervisory Board
- Mirosław Białogłowski - Deputy Chairman of the Supervisory Board
- Marcin Nowicki - a Supervisory Board member
- Joanna Piersa - Secretary of the Supervisory Board

2.8.3. Executed projects in 2020

The company mainly executed repairs of basic equipment on sites of the Łódź combined heat and power plants, commissioned by Veolia Energia Łódź S.A. and on site of Karolin CHP Plant in Poznań commissioned by Veolia Energia Poznań S.A. During the summer shutdown of the plants, repairs were also carried out on the water supply and steam network fittings and auxiliary, electrical and control equipment. As part of its work in the district heating sector, the Company carried out repairs and modernization of district heating networks and built new district heating connections and modernized heat substations.

Apart from Łódź, the Company carried out significant repairs in the market of CIECH Janikowo and Inowrocław for a total amount of almost PLN 25 million, a one-year review and periodic overhaul after the second year of operation of the Municipal Waste Thermal Treatment Plant in Konin was carried out, works were continued on delivery of equipment maintenance services and technological infrastructure for the Pfleiderer Group plants in Wieruszów and Grajewo.

2.8.4. Expected Development

In 2020, the company took steps to expand its expertise in overhead crane repair and modernization. Expected revenues from this segment in 2021 account for more than 5% of total revenues. The company is considering acquisition opportunities for entities operating in the fields of electric energy and automation.

On 4 January 2021 ERBUD Industry Centrum took over another service company owned by the Capital Group, i.e. ERBUD Industry Pomorze. The enhanced capacity will allow us to undertake larger projects and generate superior economic performance.

At the end of December 2020, the Company's order book was worth more than PLN 56 million, of which PLN 35 million pertains to 2021.

2.9. ERBUD Industry Południe Sp. z o.o.

2.9.1. Scope of activities

ERBUD Industry Południe Sp. z o.o. based in Będzin is present in the market since July 1998. It provides repair and maintenance services for equipment installed at power plants, combined heat and power plants and industrial plants.

The Company's operational activity is currently carried out in the design system, including permanent maintenance tasks.

At the end of December 2020 the total headcount was 103 workers at ERBUD Industry Południe Sp. z o.o.

2.9.2. Statutory governing bodies

SUPERVISORY BOARD

From 1 January 2020 to 1 June 2020, the Supervisory Board of ERBUD Industry Południe was composed of 4 members, i.e.:

- Paweł Zaorski - The Chairman of the Supervisory Board
- Mirosław Białogłowski - Deputy Chairman of the Supervisory Board
- Marcin Nowicki - a Supervisory Board member
- Joanna Piersa - Secretary of the Supervisory Board

On 2 June 2020, by virtue of Resolution No. 12/2020, the Ordinary General Meeting of Shareholders of ERBUD Industry Południe Sp. z o.o. appointed the fifth member of the Supervisory Board, Mr Radosław Górski.

By virtue of Resolution of the Supervisory Board No. 16/2020 of 2 June 2020, Mr Radosław Górski was appointed to the position of Chairman of the Supervisory Board, and by virtue of Resolution of the Supervisory Board No. 17/2020 of 2 June 2020, Mr Paweł Zaorski was appointed to the position of Deputy Chairman of the Supervisory Board.

In view of the above, from 2 June 2020 to this Report Date, the Company's Supervisory Board consisted of:

- Radosław Górski - The Chairman of the Supervisory Board
- Paweł Zaorski - Vice-President of the Management Board
- Mirosław Białogłowski - a Supervisory Board member
- Marcin Nowicki - a Supervisory Board member
- Joanna Piersa - Secretary of the Supervisory Board

MANAGEMENT BOARD

In the period from 1 January 2020 to this Report Date the Management Board was represented by:

- Dariusz Badeja - the President of the Management Board
- Ewa Chachulska - a Management Board member

2.9.3. Executed projects in 2020

In 2020 ERBUD Industry Południe sp. z o.o. executed, inter alia, the following projects:

Systemic power engineering sector:

- Delivery and installation of water supply pipelines for new ECO I power units Nos. 1, 3 and 5 in Jaworzno Power Plant - Tauron Wytwarzanie.
- major overhaul of power units 11 & 12 at the Łaziska Power Plant - Tauron Wytwarzanie,
- replacement of panels of Boiler No. 3 at the Jaworzno Power Plant - Tauron Wytwarzanie,
- maintenance of the wet desulphurisation system for the PGE Rybnik power plant
- air pre-heater (LUVO) routine maintenance for the PGE Rybnik power plant
- routine maintenance of boilers Nos. 1-8 for the PGE Rybnik
- Modernisation of electrostatic precipitators in order to adjust dust emission to the requirements of BAT conclusions for PGE Rybnik power plant.

District heating system:

- maintenance of pressure systems and boiler equipment for PGNIG Termika EP
- maintenance of boiler equipment at District Heating Plant ZEC K-ce Dalkia
- maintenance of boiler equipment at District Heating Plant PEC Gliwice
- renovation of electrostatic precipitators at the Będzin,
- prefabrication of heat pipe pressure elements for Logstor.

Heat distribution networks for Tauron Ciepło:

- Leopold heat service connection at Katowice
- a connection to the Barbara facility in Katowice,
- a connection to the Dworska in Olkusz,
- a 3 Maja connection in the City of Sosnowiec.

Foreign projects:

- France - installation of a complete biomass-fired boiler in the locality of Annecy for Leroux & Lotz
- Sweden - renovation of boiler grate for the incinerator at Linkoping for Allsvets
- Norway - installation of pipelines for 3 boilers in Salten for Bertsch Energy,

2.9.4. Expected Development

ERBUD Industry Południe Sp. z o.o. intends to continue its operations on the existing market, while emphasizing the development of its competences, mainly in the pressure area, especially for the energy, district heating, chemical as well as pulp and paper industries. Taking advantage of the formal and legal environment, including anti-smog laws, the Company intends to continue to develop partnerships with technology suppliers and general contractors.

Moreover, due to its erection competence, the company is prepared to cooperate on foreign projects in Germany, France, Austria, Sweden and Norway.

The projects executed in the Western Europe as well as the observed market trend indicate a significant increase in the industry's interest in own investments in modern energy generation sources using biomass fuel and heat recovery systems from other technological processes. The company participates in the implementation of projects of this type on the European market and expects to develop this segment in Poland.

The market for repair and maintenance services is expected to be maintained, driven by the need to comply with environmental requirements, the implementation of PEP2040, as well as the commencement of modernization projects at generators and distributors of system heat.

The market for energy services is characterised by intense competition and high bargaining power of service buyers. In the Company's opinion, one of the effective methods to meet market requirements (without incurring high capex) is to develop a rational model of cooperation and strategic alliances. The focus should be on offering services of a complex nature in the organization's core competencies that provide profit and opportunity for further growth.

In December 2020, the value of Company's order book was PLN 19.5 million, compared to PLN 19.6 million a year earlier.

2.10. ERBUD Shared Services Sp. z o.o.

2.10.1. Scope of activities

In 2020 ERBUD Shared Services Sp. z o.o. acted as a back office service provider for the ERBUD GROUP (accounting, HR and payroll, fleet management, IT services). The Company's registered office is in Warsaw.

On 31 December 2020 the headcount level at the Company was 69 people.

There are two strategic boards in the Company: the Technical Board, to which services are currently provided by 5 people, and the Strategic Board, to which services are provided by 6 people. The company works on an outsourced basis with advisors.

2.10.2. Statutory governing bodies

In the period from 1 January 2020 until this Report Date, the Management Board of ERBUD Shared Services Sp. z o.o. was one person, represented by:

- Mariola Zielińska – the President of the Management Board

2.10.3. Plans for 2021 and beyond

- ERBUD Shared Services Sp. z o.o. on the basis of agreements concerning the provision of business consulting services and accounting, HR and payroll, administrative, IT and office space rental services provided in 2020 and will continue this activity in the following years.
- Within ERBUD Shared Services Sp. z o.o., the ERBUD Group will centralise and standardise maintenance processes. These measures are to contribute to the increase of operational efficiency and reduction of operating costs of individual companies of the Group.
- In 2020, the implementation of the integrated IT programme in the ERBUD Group was followed-up. ESS is the leader of the implementation process. The implementation completion is scheduled for October 2022. The objective of the Erbud Shared Services' Management Board is the timely completion of the implementation. The implementation of the new software will speed up reporting processes across the Group and contribute to the development of better quality management information.

2.11. ERBUD Operations Sp. z o.o.

2.11.1. Scope of activities

In 2020 Erbud Operations Sp. z o.o. provided construction services and in the following years the Company plans to run and develop its current construction activities in the following segments:

- execution of construction works under the general contracting system with the focus on health care facilities, public utility facilities and public space development projects,
- execution of construction works in specialized fields, including renovation of historical buildings, thermal modernization of frame buildings both in terms of facade works and installation works,
- participation in the implementation of larger projects through the creation of consortia, especially with ERBUD S.A., including projects under the "Build & Finance" system,
- implementation of projects under the "Design & Build" and "Design & Supervise" systems.
- preparation of investment areas along with services as a Project Management Company and Contract Engineer,
- finishing works: design & build projects in such segments as health care, education, offices
- professional advisory and engineering services concerning subject matter support in the field of:
    - coordination of activities related to the acquisition of personnel from outside Poland,
    - activating activities to acquire and maintain business contacts with businessmen from outside Poland,
    - support in promotion and fabrication activities of ERBUD Group and the foreign market.

The experience, knowledge and practice of highly qualified personnel allow to be optimistic about the development of this service segment. Contracts concluded to this extent are characterized by an option of covering the costs of execution of the subject matter of the contract based on the profit calculation. Given the above, further stable development of the Company operating within the ERBUD Group should be continued and developed.

2.11.2. Statutory governing bodies

In the period from 1 January 2020 to 23 July 2020, the Company's Management Board consisted of one person:

- Mirosław Młynarski President of the Management Board,

As a result of resignation on 8 July 2020 year by Mr Mirosław Młynarski from the position of President of the Board, effective as of 23 July 2020 year, on 23 July 2020 year, the Extraordinary General Meeting of Shareholders of ERBUD Operations sp. z o.o., by virtue of Resolution No. 1/2020 appointed Mr Krzysztof Gaweł to the Management Board, appointing him to the position of President of the Management Board.

Given the above, from 23 July 2020 to the Report Date, the Company's Management Board consisted of:

- Krzysztof Gaweł - President of the Management Board

2.11.3. Market environment

The construction market environment in 2020 was ambiguous and complicated in the entire global economy.

Despite the threats and risks brought by 2020 ERBUD Operations performed remarkably well

The Polish economy has already reached the climax of a short-term slump in economic activity. However, the same cannot be said about the construction sector, which can react to economic shocks with a delay. Therefore, the H1 2021 will be a challenging time for the Polish construction sector. The market has high hopes for the new pool of EU funds, but their noticeable impact on the investment volume will be visible in H2 2021 at the earliest.

According to the autumn edition of Spectis "Construction Market in Poland 2020-2027" report, thanks to the relatively good performance of the construction sector recorded in the first half of the year, forecasts for 2021 have been revised upwards. The real decline in market value is expected to reach 3% for the entire population and 5% for construction companies with employment above 9 employees, compared to declines of 5% and 6%, respectively, projected in the spring. Construction companies with high exposure to volume construction may find it very difficult to fill their order books for 2021-2022, especially in terms of orders from the local government sector.

Of all three construction segments, it is the non-housing sector that will be hardest hit by the pandemic outbreak. However, the pandemic only accelerated and deepened the declines already indicated by 2019 building permit data (down by 19%). In terms of new supply under implementation, most non-residential projects that are already under construction proceed without any major disruptions or delays. In the nearest quarters, however, investors are expected to put on hold some of the planned projects.

Thanks to the anti-crisis measures taken (financial shield and job protection, interest rate cuts, June opening of the economy), the impact of the pandemic outbreak on construction dynamics will be less severe.

For the local government sector, there is a significant risk of an investment slowdown. It is the local government sector that will be the weakest link in engineering investments in the years to come. However, the loss of local government investment in 2021 will be partly stemmed by the government's Local Government Investment Fund, whose budget for 2020-2021 was finally set at PLN 12 billion. In 2021-2023, public investment, financed through the EU's Recovery and Resilience Instrument for 2021-2023 (EUR 57 billion in grants and loans available to Poland) and the EU's 7-year budget for 2021-2027, under which Poland can count on EUR 67 billion in grants, will be an important growth driver. At the same time, investment project under the 2014-2020 budget will be executed until the end of 2023. The combination of several significant funding sources means that the engineering sector is expected to stabilize construction market dynamics in 2022-2023.

Paradoxically, one of the positive effects of the pandemic outbreak is a distinct reduction in the number of industrial injuries. This applies to the construction sector as well as other sectors of the economy. Certainly, many of the safety measures implemented in the past months will remain with us even after the pandemic.

Importantly enough, such a significant improvement in construction site safety was achieved while maintaining the value of completed construction works at the level prevailing in the previous year. It seems that the sanitary regime introduced on construction sites, e.g. limiting direct contact of workers to the minimum necessary, increases work efficiency and works very well.

The possibility of territorial diversification, including foreign operations, allows us to look with optimism at the challenges that have been outlined in the Company's strategic plans for the coming years of activity.

Given that in today's world only specialists in certain fields are able to compete effectively and efficiently, ERBUD Operations focuses on the construction industry in the area of aforementioned specialisation. Over the past years, the Company's reliable approach in providing and guaranteeing construction services, the trust earned from customers, and flexibility, have allowed it to better respond to changes in the market. Key issue in the times of crisis is to be proactive and farsighted.

2.11.4. Contracts signed in 2020

Employer	Subject Matter of the Contract	Net contract value	Execution period
Promenady Zita Sp. z o.o., with its registered office in Wrocław, at ul. Dąbrowskiego 44, 50-457 Wrocław.	Contract for construction works on the office premises with the total area of 306.5 m^2 in the Promenady Zita building in the City, signed on 29 January 2020.	521,867.42	29 Jan. 2020 - 3 Apr. 2020
Nałęczów Zdrój Sp. z o.o. with its registered office in Drzewce, 35, 24-150 Nałęczów	Construction works - Palace	4,423,000.00	10 Mar. 2020 - 31 Jan. 2021
Clinical Provincial Hospital No. 2 Institute of Saint Hedwig the Queen in the City of Rzeszów, at 301 Rzeszów	Building of superstructure, reconstruction and renovation of operating theatres and central sterilization room along with infrastructure and reconstruction of the power generator room in the Saint Hedwig the Queen Clinical Provincial Hospital No. 2 Hospital No. 2 in the City of Rzeszów.	5,281,855.19	29 May 2020 - 30 Jan. 2021
The Lublin University of Technology Address: ul. Nadbystrzycka 38D, 20-618 Lublin	Redevelopment of Dormitory No. 3 of the Lublin University of Technology as part of harmonisation with the amended fire safety regulations and raising living standards in the rooms.	12,760,514.92	16 Sept. 2020 - 20 May 2021
Independent Public Health Care Facility in Łuków, at ul. A. Rogalińskiego 3, 21-400 Łuków	Reconstruction and modernization of hospital rooms in order to adapt them to the needs of anaesthesiology and intensive care unit and a single ward operating theatre at the Independent Public Health Care Facility in Łuków	7,274,050.06	20 Oct. 2020 - 20 Oct. 2021
National Institute of Oncology Institute of Oncology, Institute. (hereinafter referred to as: NIO-PIB) ul. Roentgena 5, 02 – 781 Warsaw	Boosting of energy efficiency of the Maria Skłodowska-Curie National Research Institute in Warsaw POIŚ.01.03.01-00-0124/17 under Activity 1.3.1., Priority Axis I "Reduction of the emissions in the economy"	21,756,097.56	4 Nov. 2020 - 15 Dec. 2021

2.11.5. Implemented in 2020. (until Report Date).

Employer	Subject Matter of the Contract:	Net contract value:	Execution period
Independent Provincial Public named after John of God in Lublin with its registered office at: ul. Biernackiego 9, 20-089 Lublin	Construction works in Lublin, in Herberta Street (AOS, POZ, Rehabilitation), project titled "Enhancement of the operational efficiency of provincial health care facilities to satisfy health requirements of the population of the Lubelskie Province through renovation and construction works necessary from the perspective of health service delivery, including harmonisation of with the needs of the elderly and disabled, as well as provision of medical equipment".	5,741,438.98	24 Jun. 2019 - 30 Jun. 2020
Nałęczów Zdrój Sp. z o.o. with its registered office in Drzewce, 35, 24-150 Nałęczów	Construction works - Water bottling plant	3,531,188.88	5 Jul. 2019 - 8 May 2020
Promenady Zita Sp. z o.o., with its registered office in Wrocław, at ul. Dąbrowskiego 44, 50-457 Wrocław.	Contract for construction works on the office premises with the total area of 306.5 m^2 in the Promenady Zita building in the City, signed on 29 January 2020.	521,867.42	29 Jan. 2020 - 3 Apr. 2020
Bouygues Immobilier Polska Sp. z o.o.; al. Armii Ludowej 14; 00-638 Warszawa	Investor's replacement agreement "Construction of a multi-family residential building with services and parking spaces at the ground level, with underground car park facility and necessary technical infrastructure on plot number 8 and 9 A-M 12 from the Grunwaldzki Square, at Kręta Street in Wroclaw, the Downtown district under the trade name of the investment: "Depot".	699,900.00	25.04.2019-31.03.2021
Specialist Hospital named after Ludwik Rydygier in Kraków Sp. z o.o., address: os. Złotej Jesieni 1 31-826 Kraków	Execution of thermal efficiency improvements in the building of the Specjalistyczny Szpital im Ludwika Rydygiera w Krakowie Sp. z o.o. (The Ludwik Rydygier Specialist Hospital in Kraków Ltd.),	33,993,658.54	30.05.2019-30.11.2021
The Ciężkowice Municipality ul. Tysiąclecia 19 33-190 Ciężkowice	"Construction of a Health Resort Park in Rakutowa Street with site buried infrastructure"	17,391,042.79	18 Jul. 2019 - 31 Jan. 2021
Nałęczów Zdrój Sp. z o.o. with its registered office in Drzewce, 35, 24-150 Nałęczów	Construction works - Palace	4,423,000.00	10 Mar. 2020 - 31 Jan. 2021
Clinical Provincial Hospital No. 2 Institute of Saint Hedwig the Queen in the City of Rzeszów, at 301 Rzeszów	Building of superstructure, reconstruction and renovation of operating theatres and central sterilization room along with infrastructure and reconstruction of the power generator room in the Saint Hedwig the Queen Clinical Provincial Hospital No. 2 Hospital No. 2 in the City of Rzeszów.	5,281,855.19	29 May 2020 - 30 Jan. 2021
The Lublin University of Technology Address: ul. Nadbystrzycka 38D, 20-618 Lublin	Redevelopment of Dormitory No. 3 of the Lublin University of Technology as part of harmonisation with the amended fire safety regulations and raising living standards in the rooms.	12,760,514.92	16 Sept. 2020 - 20 May 2021
Independent Public Health Care Facility in Łuków, at ul. A. Rogalińskiego 3, 21-400 Łuków	Reconstruction and modernization of hospital rooms in order to adapt them to the needs of anaesthesiology and intensive care unit and a single ward operating theatre at the Independent Public Health Care Facility in Łuków	7,274,050.06	20 Oct. 2020 - 20 Oct. 2021
National Institute of Oncology Institute of Oncology, Institute (NIO-PIB) at ul. Roentgena 5, 02 – 781 Warsaw	Boosting of energy efficiency of the Maria Skłodowska-Curie National Research Maria Skłodowska-Curie - National Research Institute in Warsaw POIŚ.01.03.01-00-0124/17 under Activity 1.3.1., Priority Axis I Reduction of the emissions in the economy	21,756,097.56	4 Nov. 2020 - 15 Dec. 2021

2.12. HEBUD

2.12.1. Company Foundation

HEBUD Spółka z ograniczoną odpowiedzialnością (HEBUD) was established by virtue of Resolution of the ERBUD S.A. Management Board No. 24/2017 of 6 November 2017.

Full business name and abbreviation in Russian:

Общество с ограниченной ответственностью "ХЭБУД"

ООО "ХЭБУД"

Full business name and abbreviation in Belarusian:

Таварыства з абмежаванай адказнасцю "ХЭБУД"

ТАА "ХЭБУД"

By virtue of Resolution No. 1 dated 6 November 2017, ERBUD S.A. as the sole shareholder of HEBUD approved the Company's Articles of Association and appointed the Company's Director.

On 28 November 2017 HEBUD was registered by the Ministry of Justice of the Republic of Belarus and launched its activities.

Registered office of HEBUD Spółka z ograniczoną odpowiedzialnością (HEBUD): 230023 Grodno, ul. Budenogo 48, bl.A,p.40 The Republic of Byelorussia.

On 3 August 2020 the Management Board of ERBUD S.A. adopted Resolution No. 37/2020 on liquidation of the "HEBUD" limited liability company. The Resolution was published in the Official Gazette of Belarus on 20 August 2020. The company called „Business Evolution", with its registered office at ul. Gwintowta 44/67, Minsk, Byelorussia was appointed to the position of liquidator. The liquidation process is scheduled for completion in June 2021.

2.12.2. Scope of activities

HEBUD Sp. z o.o. delivers services, providing support to the ERBUD Group member companies, through:

- the performance of construction and erection works as part of our own resources in Poland,
- recruitment and employment of Belarusian workers working in Poland,
- cooperation with Belarusian companies in the field of subcontracting,
- strengthening of the implementation capacity of subcontracting companies,
- training of technical and line personnel in new technologies,
- Recruitment of personnel in specialist occupations (e.g. welders, insulation fitter),
- establishing business contacts in the field of export and import of goods and services within the ERBUD Group and beyond.

2.12.3. Company's executive body

By virtue of Resolution No. 7 dated 26 June 2019, Mr Sergei Geniush, son of Anatoli, a citizen of the Republic of Belarus, was appointed the Company's Director, effective from 1 July 2019.

He stopped to be the Director of the Company with effect from 30 June 2020.

From 3 August 2020, the duties of the executive body of the company in compliance with the decision to liquidate the company are performed by the company called "Business Evolution", represented by N.V.Pankov.

2.12.4. Market environment

The deficit in the labour market in Poland has been deepening for several years. Signals about the scarcity of labour force come from many industries, including the dynamically developing construction sector. As many analyses show, scarcity of labour force can be only to a small extent filled using labour force available in local labour market. Graduates of vocational schools with the required profiles will also be available only in the long run. Forecasts regarding the return of Poles working abroad are also not optimistic, therefore the only solution is to import workers from abroad, not only from the nearest - eastern countries, but also from other parts of the world.

2.12.5. Contracts signed and executed in 2020

In 2020 HEBUD did not sign any new orders for construction works. Work performance was limited only to the follow-up activities concerning the following orders :

- 3. Order **No. 3/H/2019** dated 27 August 2019 for the performance of the construction works on the site: **"Reconstruction, superstructure and extension of the building of the Subcarpathian Lung Disease Centre in the City of Rzeszów in Rycerska Street – Phase 1"**
- Order **No. 4/H/2019** dated 29 November 2019 for the performance of general construction works on the site: **"General renovation and redevelopment of Dormitory No. 2 in the City of Łódź at** ul. Mazowiecka 12/16, 92-215 Łódź ,
- Order **No. 1R/2020** of 27 May 2020 for consulting services concerning the "Recruitment of personnel and acquisition of engineering staff" for the implementation of construction works, concluded between ERBUD Operations Sp. z o.o and HEBUD Sp. z o.o.

The value of executed works and delivered services totalled: PLN 57,345.00

2.12.6. Activities in 2020

In 2020 the company practically discontinued its activities. It was mainly due to the following reasons:

- hardship in obtaining work permits for foreigners on the territory of the Republic of Poland for citizens of the Republic of Belarus, in relation to their status as workers of a Belarusian company,
- COVID-19 virus outbreak and the return of all Hebud workers to Belarus in March 2020.

Given the above mentioned circumstances and the lack of decisive progress in the implementation of the assumed company objectives, on 3 August 2020 the Management Board of ERBUD S.A., as the sole shareholder of HEBUD S.A., adopted a resolution on liquidation of the company and discontinuation of its activities within the current scope and form.

2.12.7. Opportunities

The Management Board of ERBUD S.A., while passing the resolution on HEBUD liquidation, did not make a final decision on its withdrawal from the Belarusian and other eastern markets. Currently, one of the main reasons, that by all means hinders operations in these markets is the current Covid-19 pandemic with associated impediments to both its further course and also, the procedures for people movement between the European Union and non-EU member countries. However, the on-going process of integration and globalization in the future will force joint economic activities, especially between countries sharing a common border.

2.12.8. Strategic priorities

Currently, the most important priority in activities related to HEBUD is to document all liabilities of the company along with the identification of creditors and the preparation of the balance sheet of the company's liquidation.

On this basis, it will be possible to make final decisions on the company future and possibly to define the scope of its activities along with key priorities.

2.13. IVT Weiner + Reimann GmbH

2.13.1. Scope of activities

IVT Weiner + Reimann GmbH with its registered office in Oberhausen operates in the German market, especially in the Ruhr Area. The company is a provider of comprehensive services for the industry. It specializes in engineering and maintenance of industrial facilities (pipelines, pumps, silos, cooling towers), installation, maintenance and repair of power, air conditioning, ventilation and sanitary networks.

The Company also comprises its subsidiary, IVT Menzenbach GmbH, which operates in the area of employee lease. IVT Weiner + Reimann GmbH holds 100% shareholding in IVT Menzenbach GmbH.

IVT is a professionally managed company with tradition more than 35 years long, with experienced and specialized personnel. The company's asset is its high renown and well-established business relationships in the local market.

2.13.2. Company governing bodies

In 2020 the Company's Management Board consisted of:

- Carsten Weiner - a Management Board member,
- Andreas Schmitz - a Management Board member.

2.13.3. Projects executed in 2020

The IVT's major business partners include, but are not limited to: ArcelorMittal Duisburg, ArcelorMittal Bremen, OGM Oberhausener Gebäudemanagement, RAG, Minegas, Mingas Power, Cargill Deutschland, Vivawest Wohnen, INEOS Solvents Germany, Benteler Steel/Tube.

In 2020 the Company completed, *inter alia*, the following projects:

- modernisation of the mine water treatment system at Kamp-Lintfort,
- sanitary and heating system in a nursing home in Oberhausen,
- Biefang - a day care centre expansion - plumbing and air conditioning systems,
- delivery and execution of valves at Bottrop.

In 2020, the Company had twelve certificates confirming compliance with standards in the field of, among others, district heating, gas and water, welding of steel structures, production of pressure equipment and pipelines, as well as occupational health and safety.

2.13.4. Expected Development

The year 2020 activities were overshadowed by the COVID-19 pandemic. In 2021. IVT will follow-up the actions taken in 2020 to minimize the risk of infection among workforce, including delivery of necessary Personal Protective Equipment (PPE) and setting up the smallest possible work teams. The Company will also focus on maintaining and further developing existing business relationships with customers, despite the pandemic.

The priority is also care for a friendly working atmosphere and engagement of personnel, who are the most valuable asset and represent the foundation of the Company's business model. In 2020. IVT opened a health care centre in Oberhasuen, housing a fitness room, relaxation area and ergotherapy.

Similarly to the previous years, it is IVT's priority to offer quality service to our customers. The company plans to expand its customer base and enter new business areas.

2.14. JV MATOC POLAND Sp. z o.o.

2.14.1. Scope of activities

JV WMER MATOC POLAND Sp. z o.o. with its seat in Warsaw has been operating since 2018. The company's shareholders in the proportions of 50% each are ERBUD S.A. and WOLFF & MÜLLER Government Services GmbH & Co. KG belonging to the WOLFF & MÜLLER Group

The company operates on the Polish market and specializes in comprehensive construction and engineering projects carried out directly for the United States military stationed in Poland under relevant international treaties. The agreements concluded are subject to U.S. law and are characterized by strict requirements in terms of both formal and legal regulations and the selection of project personnel.

JV WMER MATOC POLAND Sp. z o.o. is an entity based on experience in the implementation of projects for the U.S. military in Western Europe and has experienced and specialized staff.

2.14.2. Company governing bodies

From 1 January 2020 to 6 September 2020 the Company's Management Board consisted of:

- Jürgen Hagner - a Management Board member,
- Łukasz Świątkowski - a Management Board member,

Since 7 September 2020 the Management Board consisted of:

- Jürgen Hagner - a Management Board member,
- Łukasz Świątkowski - a Management Board member,
- Lukas Czapla - a Management Board member,

2.14.3. Projects executed in 2020

In 2020, the Company implemented, *inter alia*, the following projects (on the "Design and Build" basis):

- Construction of the operating building of the Air Squadron in the locality of Łask. The value of the works is EUR 2.3 million.
- Construction of the Air Squadron operating building in the locality of Powidz. The value of the works is EUR 2.3 million.
- Construction of maintenance infrastructure for military vehicles in the locality of Żagań. The value of the works is EUR 1.6 million.
- Construction of tank washing facilities in Swietoszów and Skwierzyna, as well as the control tower for Karliki training ground. The value of the works is EUR 2.9 million.
- Delivery of services to the NAVY military base in Redzikowo. Works performed in 2020 in value terms - 0.2 million euros.

2.14.4. Expected Development

The company JV WMER MATOC POLAND Sp. z o.o. plans to develop its business activity in a stable manner in connection with the planned further development of the US military presence in Poland.

The Company plans to acquire further orders, however, bearing in mind proper risk assessment in view of the characteristics of the projects being carried out.

An important element of the further development of the Company will be the further building of the personnel base taking into account the requirements set by the Employer.

2.15. Development directions of ERBUD Group activities

In short-term, the ERBUD Group will focus on:

- Being ranked in Top 5 companies in the building construction segment in Poland,
- Developing new business segments, in particular the segment related to "hydro" construction,
- Development of a new production segment related to the fabrication and sale of modular facilities,
- Maintaining financial ratios declared in contracts with financial institutions,
- Generation of satisfactory profitability ratios,
- Increasing the scale of operations in the building construction and maintenance segment in the stable Western European markets, such as German and Benelux markets

At the same time, the Group will continue to explore new expansion opportunities, both in geographical and industry-specific terms.

The achievement of the Group's objectives should be supported by the market situation, i.e:

- Standardisation of the cost position in the Polish and German construction markets,
- Good, profitable order book across the Group,
- Development of construction business in the Renewable Energy Sources (RES) area,
- Stable position and long track record in the German, Belgian and Dutch markets.

The ERBUD Group also intends to take an advantage of its strengths, such as:

- Strong ERBUD brand - during over 30 years of its presence in the market, ERBUD has gained the image of a company implementing construction projects with care for investors' satisfaction, in compliance with ethical principles and with respect for the natural environment. The Company also meets set deadlines and works within the adopted budgets. It is also renowned as a reliable payer.
- Diversified nature of the Company operations, both in business segment and geographical terms, which at least partly mitigates the adverse impact on the turmoil outcome in individual markets.
- Knowledge of foreign markets - almost from the start of its operation, the ERBUD Group has been operating in the German market, and uses the knowledge gained there to expand effectively in other Western European markets,
- Experienced, professional and committed staff. Constant care for the safety and professional development of our personnel has brought the Group competent, experienced and committed workforce. It is a stable personnel - many employees have been with ERBUD since the Company origins. Also foreign companies that are members of the Group have good local staff, including managers.
- Stable financial position - characterized primarily by effective cooperation with financial institutions,
- An experienced, committed team of senior and middle level personnel,
- Development activities and investment into the most committed personnel members - Talent Development Programme.

In 2020, the Group has focused on continuing operations during the pandemic period since the end of Q1. The H1 2020 was characterized by high uncertainty about the business directions. No one was thinking about new investments. The Q4 2020 brought piece of mind, since it was already known that the industries in which the ERBUD GROUP member companies generate their revenues were not in fact affected by the pandemic. Certainly higher costs were incurred in relation to the protection measures put in place to prevent the virus from spreading within the Group. All economic trends related to the changed situation were also followed closely. The Group entered 2021 with a very handsome order book and a very sound financial standing developed in 2020. The Group's diversification policy, which it is constantly striving to develop, is proving salutary. When one sector falters resources can be reallocated to another sector that is growing. Expanding into a new segment is the next step of the strategy. Additionally, the step that is in line with environment friendly trends that the Group's management is happy about.

As part of the strategy adopted, the following events took place below the balance sheet date:

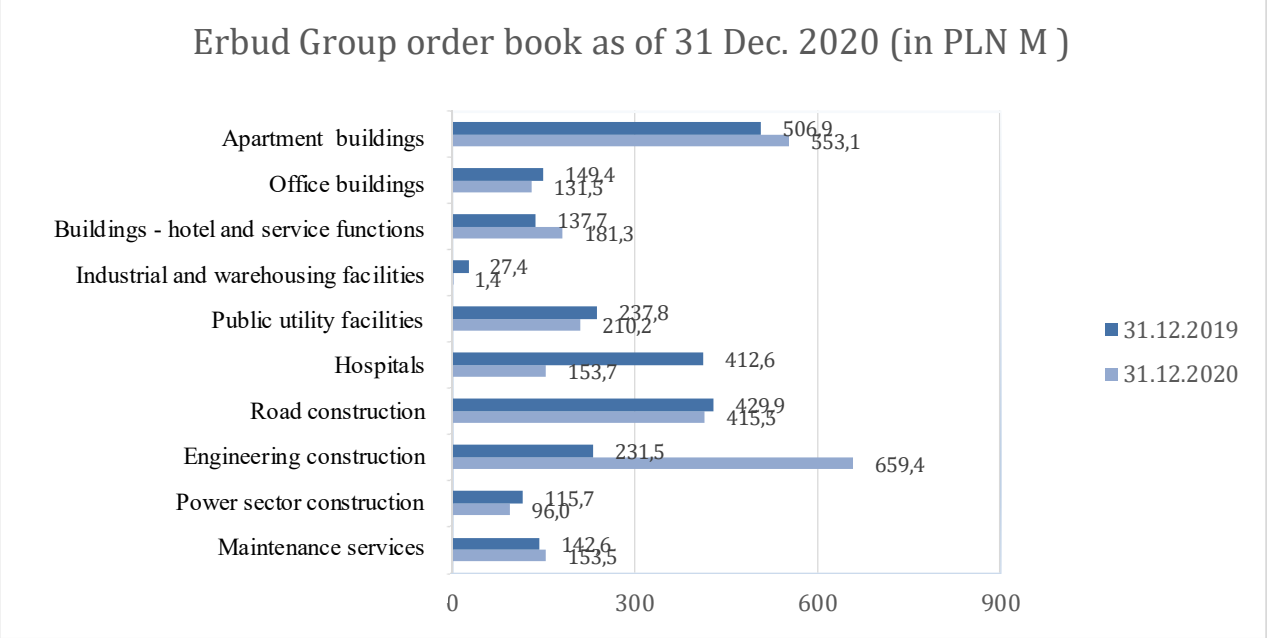
On 11 March 2021 an application was filed with the National Court Register for registration of a new subsidiary company under the name of SPVDM Sp. z o.o. with its registered office in Ostaszewo, at the address Ostaszewo 57, 87-148 Łysomice. (SPVDM is a subsidiary in 100% controlled by ERBUD S.A.). The company was established to implement the Group's strategy for the fabrication of modular buildings. The Memorandum of the Company was drawn up on 5 March 2021. On 23 March 2021 the District Court in Toruń registered the Company under the name SPDVM Sp. z o.o. with its registered office in Ostaszewo, the Toruń Municipality. Reg. No. KRS 0000890465 The President of the Management Board of the Company is Mr Theodor Kaczmarczyk.

On 31 March 2021 ERBUD S.A. concluded with GRAFITH-NIERUCHOMOŚCI sp. z o.o. ("Seller") a conditional property sales agreement (the "Agreement"). Conclusion of the Agreement is the next stage of implementing the strategy of developing a new business segment related to fabrication, sale and assembly of modular facilities.

The Company, as the buyer, undertook to enter into agreement on the sale of real estate located in Ostaszewo within the Pomeranian Special Economic Zone: (i) an industrial site with the total area of 5.2018 ha developed with a manufacturing and warehousing facility, and (ii) arable land with the total area 9.9643 ha (jointly referred to as the "Property"). The price for the Property amounts to PLN 39 million net (plus VAT).

The Parties set the deadline for handing over the Property until 31 May 2021. The Parties undertook to enter into a contract transferring the ownership title to the Property after the day when the condition is fulfilled, i.e. Pomorska Specjalna Strefa Ekonomiczna Sp. z o.o. (*The Pomeranian Special Economic Zone*) does not exercise its statutory pre-emptive right or makes a declaration that it will not exercise its statutory pre-emptive right to purchase the Real Property, however, not earlier than after filing a request for deletion of the joint contractual mortgage encumbering the Property and not later than on 30 April 2021.

On 31 March 2021, a subsidiary of ERBUD S.A. - Erbud Industry Centrum Sp. z o.o. acquired 100% of shares in Satchwell Sp. z o.o. with its registered office in Toruń. The value of share purchase transaction totalled PLN 4,950 thousand. The acquisition was aimed at extending the service competence by I&C systems for industry and power industry, extensive telemetry systems for district heating networks and other large-area systems, systems in smart and energy-neutral buildings



3. ERBUD GROUP FINANCIAL PERFORMANCE IN 2020

3.1. Key drivers of financial performance

In 2020, the ERBUD Capital Group ended up with a net profit on going concern operations equal to PLN 50,373 thousand as opposed to a profit of PLN 35,044 thousand in 2019.

In 2020 major drivers of the Group's financial performance in going concern activities included:

- Positive performance in the domestic building construction segment.
- Excellent performance in the road engineering segment (ONDE S.A., formerly PBDI S.A.) - execution of wind and photovoltaic farm projects.
- Maintaining high margins by IVT GmbH.

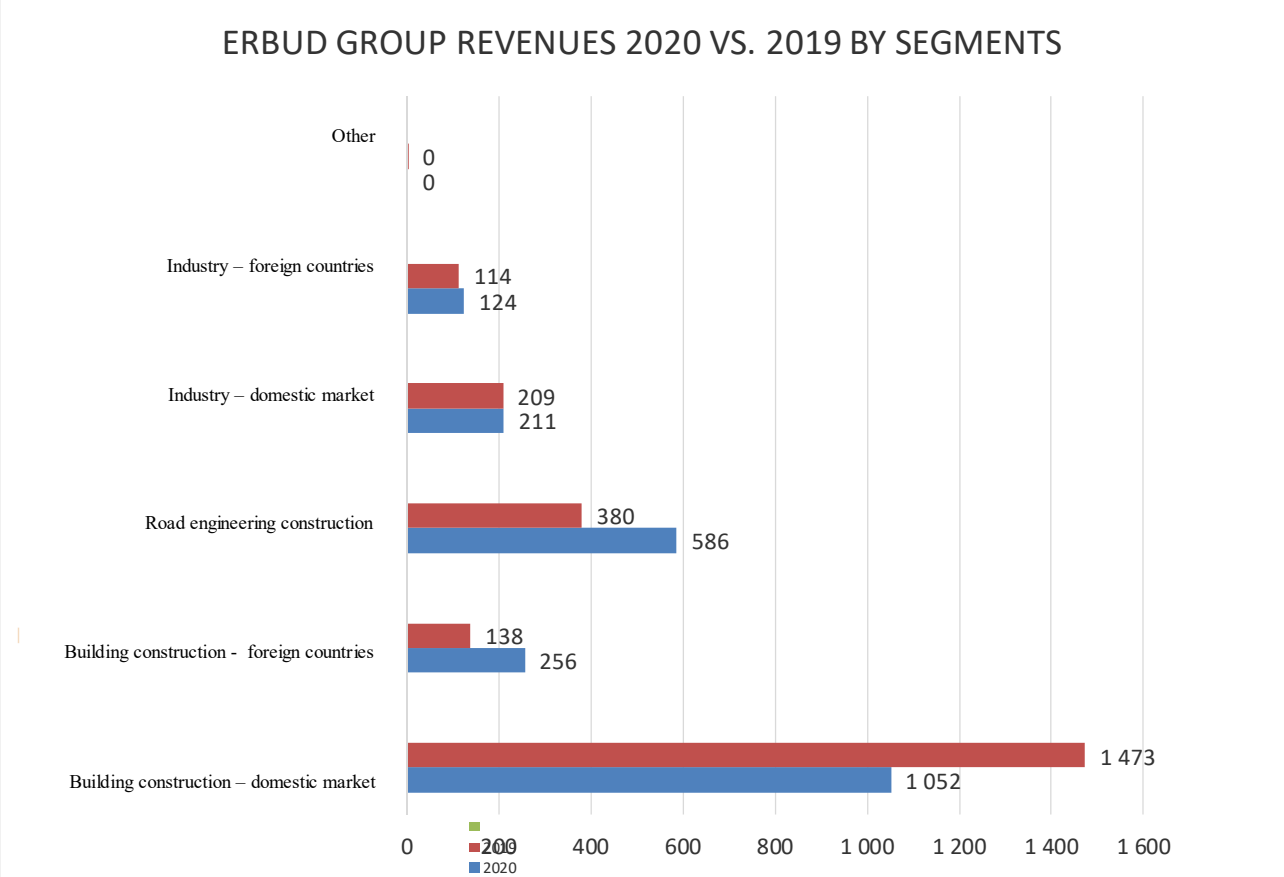
Profit and loss account of the ERBUD Group in analytical terms (in '000 PLN)

	2020	2019	%
Revenues from sales of products, goods and services from continuing operations	2,228,344	2,313,363	(3.68%)
Operating expenses*	2,162,393	2,264,902	(4.53%)
Other operating profit/loss	4,667	9,939	(53.04%)
Operating profit/loss	70,618	58,400	20.92%
Financial activity gains/losses	(6,365)	(9,514)	(33.10%)
Gross profit /(loss) from continuing operations	64,253	48,886	31.43%
Income tax	13,880	13,842	0.27%
Net profit /(loss) of the continued business	50,373	35,044	43.74%
Net profit /(loss) of the discontinuing business	0	0	
Net profit (loss) in accounting year, of which	50,373	35,044	43.74%
- appropriated to the shareholders of Parent Company	46,661	33,634	38.73%

**Cost of goods sold (COGS), cost of selling, general and administrative expense (SG&A)*

3.2. Sales revenues

In 2020, the Group generated sales revenues from continuing operations at the level of PLN 2,228,344 thousand, i.e. down by 3.68 % compared to the previous year (PLN 2,313,363 thousand). Revenues in road engineering construction (54.44%) and in foreign building construction activities (85.92%) were up - the effect of the sale of the development project titled "Retirement Home in Duerren" and in the segment: industry abroad (8.52%). Sales in the domestic building construction segment was down (-28.63%)



The Group carries out orders at home and abroad (mainly in Germany and Belgium). In 2020, foreign operations accounted for 17.04% of the Group's sales revenues (11.00% share in the previous year's revenues).

3.3. Costs

The main cost item of the ERBUD Group (62.06 % of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. This value was down compared to 2019, where the costs of third party services accounted for 68.84%. In 2020, they totalled PLN 1,262 million, i.e. down by 19.08% compared to the previous year.

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

- Expenditure on materials and energy - they totalled PLN 384 million (18.88% of the value of costs by type). These costs were down by 16.18% compared to 2019.
- Costs of employee benefits - they totalled PLN 334 million (up by 7.39% compared to the previous year).

Operating costs of ERBUD Group ('000 PLN)

	2020	2019	Change in %
Third party services	1,261,944.00	1,559,223.00	(19.08%)
Material and energy consumption	383,830.00	457,908.00	(16.18%)
Employee benefit expenses	333,718.00	310,745.00	7.42%
Amortization and depreciation	22,941.00	21,295.00	7.30%
Taxes and charges	8,683.00	9,636.00	(9.89%)
Other cost categories	20,433.00	23,006.00	(11.68%)
Value of materials sold	1,941.00	7,997.00	(75.72%)
Total costs by category	**2,033,490.00**	**2,389,810.00**	**(14.93%)**
Change in the balance of products, work in progress and accrued expenses under building contracts	128,903.00	(124,908.00)	(203.20%)
Cost of sales (negative value)	(9,009.00)	(6,003.00)	50.08%
General management and administration costs (negative value)	(118,556.00)	(92,235.00)	28.54%
Manufacturing costs of products sold	**2,034,828.00**	**2,166,664.00**	**(6.10%)**

3.4. Other operating and financial income and expenses

In 2020, the Group's other operating income was PLN 4 667 thousand, compared to PLN 9 939 thousand in the previous year.

The result on the Group's financial activities was negative and amounted to PLN (6 365) thousand compared to PLN (9 514) thousand in 2019. In 2020 the level of financial costs was PLN 13 446 thousand, of which the largest item was interest on credits and loans, lease, bonds and other - PLN 9 808 thousand. In 2019, financial expenses were down by 11.31% and totalled PLN 12,080 thousand. A significant difference occurred in financial income - PLN 7 081 thousand vs. PLN (2,566) thousand, up by 175.92%. It was mainly driven by the increase of FX gains.

3.5. Statement of Financial Position

On 31 December 2020, the total assets of the ERBUD Capital Group amounted to PLN 1,199,863 thousand compared to PLN 1,173,495 thousand at the end of 2019 (up by 2.25%). Fixed assets were up by 10.54% and reached PLN 209,723 thousand, whereas current assets were up by 0.65% and reached PLN 990,140 thousand.

Major items of the Group assets were as follows:

- Long- and short-term trade receivables and other receivables They totalled PLN 435,359 thousand, or they accounted for 36.28% of the total assets. Their value was down by 18.14% compared to the end of 2019 (PLN 531 866 thousand).

- Receivables from the measurement of building contracts in the amount of PLN 179,106 thousand (14.93% of the balance sheet total) against PLN 202,460 thousand (16.06% of the balance sheet total) in 2019.
- Cash and cash equivalents including cash ○ on VAT separated accounts and restricted cash totalled PLN 346 290 thousand. 28.86 % of the total assets vs. PLN 161,158 thousand, or 20.17% of total assets (down by 114.88% compared to the balance at the end of 2019).

As of 31 December 2020, equity totalled PLN 310,493 thousand (25.88% of total liabilities) compared to PLN 274,816 thousand at the end of 2019. The increase in equity was fuelled mainly by the earnings generated in 2020.

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

- Long- and short-term trade liabilities and other liabilities (including advances received and retained bid bonds) in the amount of PLN 474,474 thousand (39.54% of total liabilities). They were 5.45 % up compared to the previous year (PLN 449,941 thousand). For purposes of this description, bid bonds to long-term subcontractors are included in short-term trade payables.
- Liabilities related to the measurement of building contracts in the amount of PLN 234,463 thousand (19.54% of the balance sheet total) against PLN 169,775 thousand (14.47% of the balance sheet total) in 2019.

3.6. Cash flows

During 2020 the ERBUD Group recorded positive cash flows of PLN 144,387 thousand compared to the negative cash flows of PLN 58,407 thousand in the previous year. In particular they consisted of:

- Positive change in working capital equal to PLN 220 974 thousand;
- Positive gross profit of PLN 64,253 thousand;
- Amortisation and depreciation – PLN 22 941 thousand

As of 31 December 2020 the Group held cash and cash equivalents in the amount of PLN 346,290 thousand compared to PLN 161,158 thousand as of 31 December 2019.

3.7. Changes in equity

On 31 December 2020, the equity totalled PLN 310,493 thousand compared to PLN 274,816 thousand at the end of 2019. Changes in the equity in value terms were mainly driven by the generated net profit of PLN 50,796 thousand.

3.8. Financial ratios

In 2020, all profitability ratios at individual levels of sales profits were positive.

Key financial ratios of the ERBUD Group for continuing operations

	2020	2019
EBIT margin (in %)	3.17	2.52
EBITDA margin (in %)	4.20	3.44
Sales profitability (in %)	8.68	6.34
Gross profitability (in %)	2.88	2.11
Net profitability (in %)	2.26	1.51

EBIT margin - operating profit / sales revenue
EBITDA margin – EBITDA = Operating profit + Amortization / Sales net revenue
Sales profitability – Profit on sales / Sales revenue

Gross profitability – Earnings before tax/ Sales revenue
Net profitability – Net earnings /sales revenue

The level of liquidity ratios shows that at the end of 2020, the Group had no problems with timely payment of liabilities.

ERBUD Group's key liquidity and debt ratios

	2020	2019
Current ratio	130	1.30
Quick ratio	1.19	1.18
Debt ratio (in %)	74.12%	76.58%
Debt-to-equity ratio	2.86%	3.27%

Current ratio - current assets / current liabilities
Quick ratio - current assets - inventories / current liabilities
Debt ratio = Liabilities and provisions for liabilities / Total assets
Debt-to-Equity ratio = Liabilities and provisions for liabilities / Equity

3.9. Interest debt

As of the end of December 2020, the ERBUD Group's total debt under loans, borrowings, bonds and finance leases amounted to PLN 127,462 thousand, including PLN 91,589 thousand of short-term debt and PLN 16,950 thousand of interest-bearing debt due to changes in the rules set forth in the IFRS 16 standard. At the end of 2020, bond debt in the amount of PLN 52 million, maturing on 27 September 2021, was reclassified into short-term liabilities.

As the end of December 2019, the ERBUD Group's total debt related to loans, borrowings and bonds and financial leases totalled PLN 232,447 thousand, including PLN 131,661 thousand of short-term debt. 22 400 thousand of interest debt stems from changes in the rules related to IFRS 16.

ERBUD Group member companies have access to multi-purpose credit lines at several banks.

The following loan agreements were signed between the onset of 2020 and the date of this report:

- **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 drawing debt up to PLN 5 million; the sublimit for Erbud Industry Centrum Sp. z o.o. is PLN 10 million with an option of drawing debt up to PLN 4 million. The aforementioned banking product was made available until 31 January 2021. On 9 October 2020, by virtue of Annex No. 23, the amount of the multi-purpose credit line was increased by PLN 18 million, up to PLN 160 million, including the amount of debt up to PLN 59 million, of which ERBUD S.A. may use up to PLN 50 million; PBDI S.A. up to PLN 5 million; ERBUD Industry Centrum Sp. z o.o. up to PLN 4 million.
- **On 30 January 2020** Annex No. 18 was 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 15 million; the sublimit for PBDI S.A. is PLN 10 million with an option of incurring debt up to PLN 5 million. The aforementioned banking product was made available until 29

January 2021. On 16 July 2020, the Umbrella Multi-product Framework Agreement No. 38/035/20/Z/UX was signed, increasing the value of the aforementioned Umbrella Overdraft Facility Line up to the total amount of PLN 110 million.

- **On 10 March 2020** Annex No. 21 was signed by BGŻ BNP Paribas S.A. based in Warsaw to the Multi-Purpose Agreement of 7 July 2005. Under this Annex the Issuer jointly with its subsidiary PBDI S.A. may use the multi-purpose line up to a total of PLN 102 million, and they may incur debt under this line up to PLN 8 million. (ERBUD S.A. – PLN 3 million; PBDI S.A. – PLN 5 million)
- **On 26 June 2020** Annex No. 18 was signed with PKO BP S.A. to the Agreement in the form of Multi-Purpose Credit Limit of 30 June 2009. Under this Annex ERBUD S.A. can use overdraft facility up to PLN 20 million and up to the limit for products of guarantee nature. The line is made available up to 30 June 2021.
- **On 25 September 2020**. Annex No. 12 was signed by Alior Bank S.A. with its registered office in Warsaw 7 to the Loan Agreement No. U0002139462604 Debt limit of 27 September 2012. Under this Annex, ERBUD S.A. may use an overdraft facility of up to PLN 10 million and guarantee products of up to PLN 80 million. The above-mentioned banking product was made available until 30 September 2021.
- **On 14 October 2019**. Annex No. 10 was signed with Credit Agricole Bank Polska S.A. with its registered office in Warsaw to the Credit Line Agreement No. KKW/NS/15/2015 of 18 September 2015. Pursuant to this Annex, ERBUD S.A. and its subsidiaries (i.e. Erbud Industry Sp. z o.o.; Erbud Industry Centrum Sp. z o.o., Erbud Industry Pomorze Sp. z o.o.; Erbud Industry Południe Sp. z o.o.) may use a multi-purpose line (overdraft and guarantee line) for the total amount up to PLN 35 million. The sublimit for subsidiaries is respectively: . Erbud Industry Sp. z o.o – PLN 5 million.; Erbud Industry Centrum Sp. z o.o. – PLN 2 million, Erbud Industry Pomorze Sp. z o.o. – PLN 4.5 million; Erbud Industry Południe Sp. z o.o – PLN 6 million. The maximum total value of the loan may not exceed PLN 17.5 million. However, the maximum amount of the sub-limit for guarantee products may not exceed PLN 35 million. ERBUD S.A. may use up to the full limit amount, i.e. PLN 35 million. Whereas subsidiaries may place orders for guarantees up to the maximum amounts: Erbud Industry Sp. z o.o – PLN 10 million.; Erbud Industry Centrum Sp. z o.o. – PLN 10 million, Erbud Industry Pomorze Sp. z o.o. – PLN 2.5 million; Erbud Industry Południe Sp. z o.o – PLN 9 million. The above-mentioned banking product was made available until 30 September 2021.
- **On 19 October 2020** Annex No. 5 was signed with Santander Bank Polska S.A. to the Multi-purpose Line Agreement No. K01393/15 of 20 November 2015. Under this Annex, the Issuer and its subsidiary PBDI S.A. may utilize a multi-purpose line (overdraft and bank guarantee line) in the amount of PLN 90 million. In relation to the terms and conditions binding before signing the Annex No. 5, the sub-limit for the guarantee product has been increased from PLN 50 million to PLN 90 million under the line in connection with the accession of PBDI S.A. to Multiline.. The Issuer and its subsidiaries may use the lines within the sublimits specified for each and every entity: The limit for ERBUD S.A. is PLN 50 million, including an option of incurring debt financing up to the amount of PLN 5 million; - the sublimit for PBDI S.A. is PLN 40 million and is only intended for issuing bank guarantees (of which 20 million is intended for all guarantees under the multi-purpose line and the remaining 20 million is the limit for dedicated guarantees under the Energy Regulatory Office's auction - for the Beneficiary of the Energy Regulatory Office.
  The multi-purpose line matures on 31 October 2021 and the dedicated guarantee under the Energy Regulatory Office auction matures on 30 November 2020. Other terms and conditions do not deviate from market conditions.
- **On 4 November 2020**. Annex 8 signed with HSBC France (Joint Stock Company) Branch in Poland with its registered office in Warsaw 7 to the Guarantee Line Agreement No. 67/2014 of 29 December 2014. Under this Annex, ERBUD S.A. may use the guarantee line up to PLN 50 million. The above-mentioned banking product was made available until 30 September 2021.
- **On 10 March 2020** Annex No. 21 signed with BNP Paribas S.A.. 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 29 January 2021** Annex No. 2 was signed in the form of consolidated text of the Framework Agreement for Multi-Product Umbrella of 16 July 2020 and Annex No. 16 to the Framework Agreement of 2 February 2010 with mBank S.A. Pursuant to these Annexes, the Issuer and its subsidiary: PBDI S.A. may utilize a multi-purpose line (overdraft and bank guarantee line) in the amount of PLN 110 million.
  The Issuer and its subsidiary may use the lines within the sublimits specified for each and every entity: PLN 110 million including an option of incurring debt up to PLN 15 million; the sublimit for PBDI S.A. is PLN 10 million with an option of incurring debt up to PLN 5 million.
  The line's maturity date is 4 February 2022. Other conditions do not deviate from arm's length principle conditions.

Securities and collaterals for the repayment of the above-mentioned banking products are as follows:

- contractual and capped mortgages on the Group's assets,
- assignments of rights under building contracts,
- 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 declaration of submission oneself to enforcement pursuant to Article 777 § 1, subpar. 5 of the Code of Civil Procedure.

Loan Agreements signed by the ERBUD Group entities (as of the publication date of the Financial Statements)

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%	4/30/2021.	one-off	ERBUD S.A.; ONDE S.A. - 5,000
mBank S.A.	Overdraft facility	15,000	PLN	WIBOR 1M + 1.6%	2/4/2022.	one-off	ERBUD S.A.; ONDE S.A. – 5 000,
PKO Bank Polski S.A.	Overdraft facility	20,000	PLN	WIBOR 3M 2.28%	6/30/2021.	one-off	ERBUD S.A.
Alior Bank S.A. Group	Overdraft facility	10,000	PLN	WIBOR 3M+1.6%	9/30/2021.	one-off	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft facility	59,000	PLN	WIBOR 1M +1.65%	1/31/2021.	one-off	ERBUD S.A.; ONDE S.A – 5 000.; ERBUD Industry Centrum – 4 000
Santander Bank Polska S.A.	Overdraft facility	5,000	PLN	WIBOR 1M +2.0%	10/31/2021.	one-off	ERBUD S.A.

BNP Paribas Bank Polska S.A.	Overdraft facility	5,000	PLN	WIBOR 1M + 1.5%	4/30/2021.	one-off	ERBUD Industry Sp. z o.o.
BNP Paribas Bank Polska S.A.	project finance facility	15,000	PLN	WIBOR 1M + 1.5%	4/30/2021.	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	5,000	PLN	WIBOR O/N+1,30%	9/30/2021.	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	4,000	PLN	WIBOR O/N+1,30%	9/30/2021.	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	2,000	PLN	WIBOR O/N+1,30%	9/30/2021.	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	6,000	PLN	WIBOR O/N+1,30%	9/30/2021.	one-off	ERBUD Industry Południe Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	4,500	PLN	WIBOR O/N+1,3%	9/30/2021.	one-off	ERBUD Industry Pomorze Sp. z o.o.
BNP Paribas Bank Polska S.A.	Overdraft facility	2,000	PLN	WIBOR 1M + 1.7%	4/30/2021.	one-off	ERBUD Industry Pomorze Sp. z o.o.
mBank S.A.	Overdraft facility	3,000	PLN	WIBOR 1M + 1.45%	7/31/2021.	one-off	ERBUD Operations Sp. z o. o.
ING Bank Śląski S.A.	Investment loan	3,891	PLN	WIBOR 1M + 2.15%	11/30/2025.	On instalment basis	ONDE S.A.
CommerzBank AG	Overdraft facilities	2,000	EUR	EURIBOR 3M+ 0.25%	5/31/2021.	one-off	GWI GmbH
PKO BP S.A. German Branch	Overdraft facilities	1,325	EUR	EURIBOR 1M + 2.1%	6/30/2021.	one-off	GWI GmbH
Dutche Bank AG	Overdraft facilities	1,000	EUR	2.25%	6/30/2021.	one-off	GWI GmbH
HSBC France (Joint Stock Company) Branch in Poland	Non-revolving loan	1,925	EUR	EURIBOR 3M+ 2.2%	2/24/2023.	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
National Bank AG	Investment loan	280	EUR	1.50%	5/31/2027.	instalments	IVT Weiner + Reimann GmbH
National Bank AG	Investment loan	59	EUR	EURIBOR + 1.25%	4/30/2022.	instalments	IVT Weiner + Reimann GmbH
Ford Bank AG	Car loan	82	EUR	0.00%-3.92%	7/31/2022.	instalments	IVT Weiner + Reimann GmbH
Santander Bank AG	Car loan	579	EUR	0.00%-3.92%	7/31/2022.	instalments	IVT Weiner + Reimann GmbH
	Total:	167,391	PLN				
	Total:	10,750	EUR				

Bank guarantee limits made available to the Group - as of 30 September 2020 and as of Report Date.

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.; ONDE S.A. (18,000)
mBank S.A.	Bid bonds, performance bond, retention bond	90,000	PLN	ERBUD S.A. (ONDE S.A. – 10.000)
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	30,000	PLN	ERBUD S.A.
Santander Bank Polska S.A.	Bid bonds, performance bond, retention bond	45,000	PLN	ERBUD S.A.
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bond	50,000	PLN	ERBUD S.A.
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	35,000	PLN	ERBUD S.A. (30 000), ERBUD Industry Centrum Sp. z o.o. (10 000), ERBUD Industry Sp. z o.o. (10 000), ERBUD Industry Południe (9 000) and ERBUD Industry Pomorze Sp. z o.o (2 500)
ING Bank Śląski S.A.	Bid bonds, performance bond, retention bond	110,000	PLN	ERBUD S.A. (110,000). ONDE S.A. (30 000) and ERBUD Industry Centrum Sp. z o.o. (6,000)
Santander Bank Polska S.A.	Bid bonds, performance bond, retention bond	20,000	PLN	ONDE S.A.
mBank S.A.	Bid bonds, performance bond, retention bond	3,000	PLN	ERBUD Operations Sp. z o.o.
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	1,650	EUR	GWI GmbH
Total:		**572,000**	**PLN**	
Total:		**3,650**	**EUR**	

Bank guarantee limits made available to the Group - as of 31 December 2020 and as of the date of Report publication.

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 ONDE S.A. 15 000; including Erbud Industry Sp. z o.o. – 20.000,
PZU S.A.	Bid bonds, performance bond, retention bond, advance payment	24,392	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	2,999	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	952	EUR	GWI GmbH, ERBUD S.A. and ERBUD International Sp. z o.o
ZURICH	Bid bonds, performance bond, retention bond	486	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	12,500	PLN	ONDE S.A.
AXA	Bid bonds, performance bond, retention bond	41,000	PLN	ONDE S.A.
InterRisk	Bid bonds, performance bond, retention bond	7,000	PLN	ONDE S.A.

KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	5,000	EUR	ONDE S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	10,000	PLN	ONDE S.A.
Wiener DU S.A. VIG	Bid bonds, performance bond, retention bond, advance payment	3,000	PLN	ONDE 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.
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	6,000	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:		414,262	PLN	
Total:		23,302	EUR	

Loans extended in the Issuer Group (as of Report Date)

Lender	Borrower	Loan date	Value in '000 PLN	Value in '000 EUR	Maturity date	Interest rate
ERBUD S.A.	ERBUD Holding Deutschland GmbH	5/15/2018.	92	20	12/31/2021.	EURIBOR 3M+2.2%
ERBUD Beteiligungs GmbH	ERBUD Holding Deutschland GmbH	5/27/2020.	87	20	1/31/2021.	EURIBOR 3M+2.2%
ERBUD Beteiligungs GmbH	ERBUD S.A.	8/13/2018.	4,476	970	12/31/2021.	EURIBOR 3M+2.2%
IVT Weiner + Reimann GmbH	ERBUD Beteiligungs GmbH	25 Sept. 2020	875	200	6/30/2021.	EURIBOR 3M+0.5%
IVT Weiner + Reimann GmbH	ERBUD Beteiligungs GmbH	10/29/2020.	1,312	300	6/30/2021.	EURIBOR 3M+0.5%
IVT Weiner + Reimann GmbH	ERBUD Beteiligungs GmbH	11/27/2020.	1,312	300	6/30/2021.	EURIBOR 3M+0.5%
IVT Weiner + Reimann GmbH	ERBUD Beteiligungs GmbH	12/12/2020.	875	200	6/30/2021.	EURIBOR 3M+0.5%
ONDE S.A., formerly PBDI S.A.	ERBUD S.A.	2/18/2020.	15,000		12/31/2021.	WIBOR 6M+3.5%
ERBUD Shared Services Sp. z o.o.	ERBUD S.A.	1/30/2019.	3,500		12/31/2021.	WIBOR 3M+2.2%
ERBUD S.A.	Erbud International Sp. z o.o.	7/29/2016.	800		12/31/2021.	EURIBOR1M+1.5%
ERBUD S.A.	Erbud International Sp. z o.o.	5/7/2017.	1,000		12/31/2021.	EURIBOR1M+1.5%
ERBUD S.A.	Erbud International Sp. z o.o.	9/14/2017.	850		12/31/2021.	EURIBOR1M+1.5%
			40,271	**3,446**		

3.10. Contingent receivables and liabilities

Contingent liabilities on account of guarantees and sureties granted are both sureties issued by companies of the ERBUD Group and by banks to contractors of the ERBUD Group to secure their claims against the Group under building contracts. The banks are entitled to claim reimbursement from the ERBUD Group.

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)	9,230	Overdraft facility	Commerz-Bank	5/31/2021.	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)	7,338	overdraft facility – EUR 1 590	PKO BP S.A.	12/31/2024.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety per year
ERBUD S.A.	GWI GmbH (subsidiary)	9,137	Line for financial guarantees in the amount of EUR 1 980	PKO BP S.A. (German Branch)	12/31/2031.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,615	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherung sverband, R+V ; Swiss RE	12/31/2020.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,615	Overdraft facility of EUR 1 million	Deutche Bank AG	5/30/2021.	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.	2/24/2033.	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	16,507	Non-renewable loan for the acquisition of shares in IVT Weiner+Reimann GmbH (EUR 3,577 thousand)	HSBC	3/24/2023.	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	6,720	Investment loan	ING Bank Śląski S.A.	11/30/2028.	Civil surety, the Guarantor charges a surety fee of 1% of the value
Total:		**78,161**				

Sureties granted by the ERBUD GROUP - as of 31 Dec. 2019

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ERBUD S.A.	GWI GmbH (subsidiary)	8,517	Overdraft facility	Commerz-Bank	5/31/2020.	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)	6,771	overdraft facility – EUR 1 590	PKO BP S.A.	12/31/2023.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety per year
ERBUD S.A.	GWI GmbH (subsidiary)	5,877	Line for financial guarantees of EUR 1 380	PKO BP S.A. (German Branch)	12/31/2030.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,259	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherung sverband, R+V ; Swiss RE	12/31/2020.	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	GWI GmbH (subsidiary)	4,259	Overdraft facility of EUR 1 million	Deutche Bank AG	30 Apr. 2020	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)	22,000	multi-purpose credit line	BNP Paribas Bank Polska S.A.	9/17/2027.	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ERBUD Industry Centrum Sp. z o.o. (subsidiary of ERBUD Industry Sp. z o.o.)	2,815	investment loan (PLN 6,200,000 - refinancing of the loan taken out for the acquisition of shares in Engorem Sp. z o.o.; PLN 2,952,000 - purchase of branches from PxM and PLN 848,000 for capital injection into these branches)	Credit Agricole	8/28/2023.	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	15,233	Non-renewable loan for the acquisition of shares in IVT Weiner+Reimann GmbH (EUR 3,577 thousand)	HSBC	3/24/2023.	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.	11/30/2028.	Civil surety, the Guarantor charges a surety fee of 1% of the value
Total:		**76,449**				

Surety extended to ERBUD S.A. – as of 31 Dec. 2020 and as of Report Date

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (subsidiary of ERBUD S.A.)	ERBUD S.A.	50,000	multi-purpose credit–guarantee line (LKW)	PKO BP S.A.	30 Jun. 2020	Civil surety, the Guarantor charges a surety fee of 1% of the value
Erbud International Sp. z o.o. (subsidiary of ERBUD S.A.)	ERBUD S.A.	50,000	multi-purpose credit–guarantee line (LKW)	PKO BP S.A.	30 Jun. 2020	Civil surety, the Guarantor charges a surety fee of 1% of the value

Liabilities under guarantees granted to third parties ('000 PLN) as of 31 December 2020

Company		Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
ERBUD S.A.					
12/31/2020.		71,900	203,869	266734	542,503
12/31/2019.		39,079	225,341	173,705	438,125
ONDE S.A.					
12/31/2020.		5,848	107,820	24,994	138,662
12/31/2019.		5,648	53,911	18,964	78,523
GWI GmbH					
12/31/2020.		7,588	15,813	45,930	69,331
12/31/2019.		10,797	13,038	44,243	68,788
Erbud International Sp. z o.o.					
12/31/2020.		0	0	0	0
12/31/2019.		0	213	0	213
ERBUD Industry Sp. z o.o.					
12/31/2020.		15,485	8,590	5,491	29,566
12/31/2019.		1,800	6,639	4,302	12,741
Erbud Industry Centrum Sp. z o.o.					
12/31/2020.		850	8,032	855	9,737
12/31/2019.		600	4,301	1,280	6,181
ERBUD Industry Południe Sp. z o.o.					
12/31/2020.		274	3,377	1,831	5,482
12/31/2019.		347	1,089	1,643	3,079
ERBUD Industry Pomorze Sp. z o.o.					
12/31/2020.		0	1,182	778	2,060
12/31/2019.		50	1,133	1,852	3,035

ERBUD Operations Sp. z o.o.				
12/31/2020.	2,518	11,126	3,863	17,507
12/31/2019.	270	8,317	3,951	12,538
IVT Weiner & Reimann GmbH				
12/31/2020.	2,614	69	0	2,683
12/31/2019.	2,078	64	0	2,142
IVT Menzenbach GmbH				
12/31/2020.	725	0	0	725
12/31/2019.	686	0	0	686
Total contingent liabilities as of 30 Dec. 2020	**Total**			**818,256**
12/31/2019.	**Total**			**623,992**

Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	31 Dec. 2020 (value in PLN M)	31 Dec. 2019 (value in PLN M)
Contingent liabilities under lawsuits brought against ERBUD S.A.	46.68	46.68

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. Among contingent liabilities, the highest amount concerns the dispute with MPL Modlin Sp. z o.o. – PLN 34.4 million.

As of 31 December 2020, the Group had the following contingent receivables under guarantees where the ERBUD Group companies are beneficiaries.

Contingent receivables under guarantees held

Item	As of 31 Dec. 2020	As of 31 Dec. 2019	Company
Performance bond, retention bond, payment guarantees	86,477	72,878	ERBUD S.A.
Performance bond, retention bond	29,978	10,494	ONDE S.A.
Performance bond, retention bond	0	0	Erbud International Sp. z o.o.
Performance bond, retention bond	23,741	20,825	GWI GmbH
Performance bond, retention bond	16,387	14,549	ERBUD Industry Sp. z o.o.
Performance bond, retention bond	0	0	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond	38	138	ERBUD Industry Pomorze Sp. z o.o.
Performance bond, retention bond	820	535	ERBUD Industry Południe Sp. z o. o.
Performance bond, retention bond	2,396	1,089	ERBUD Operations Sp. z o.o.
Performance bond, retention bond	46	43	IVT Weiner + Reimann GmbH
Performance bond, retention bond	0	0	IVT Menzenbach GmbH
Total:	**159,883**	**120,551**	

3.11. The Management Board's position on the 2020 performance forecasts

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

3.12. The Management Board's recommendation concerning the distribution of 2020 profit

In view of the situation concerning the COVID 19 pandemic, as of the Financial Statement Date, the Management Board recommends that the profit generated be retained and transferred in full to the reserve capital.

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4. FINANCIAL PERFORMANCE OF ERBUD S.A.

4.1. Drivers of financial performance in 2020

In 2020 ERBUD S.A. generated a net profit of PLN 27,308 thousand compared to a net loss of PLN 18,690 thousand in 2019 (up by 46.11%)

In 2020 major drivers of the Group's financial performance included:

- Positive results in the domestic and foreign building construction segment.
- Stabilisation of costs of materials and subcontracting services.
- Dividends paid by subsidiaries including in particular ONDE S.A., formerly PBDI S.A.,
- Good weather conditions enabling work throughout the year.
- Strong commitment of top and mid-level management.

In the following years, the Management Board of ERBUD S.A. estimates that the Company's financial situation will be affected primarily by:

- Economic environment in Poland and Europe
- Investment demand,
- Pandemic development and its impact on the economy,
- Monetary policy
- New approach to the distribution of fixed costs in the ERBUD Group,
- Development of a new production segment in the ERBUD Group related to the fabrication and sale of modular facilities.

Profit and loss account of the ERBUD Group in analytical terms (in '000 PLN)

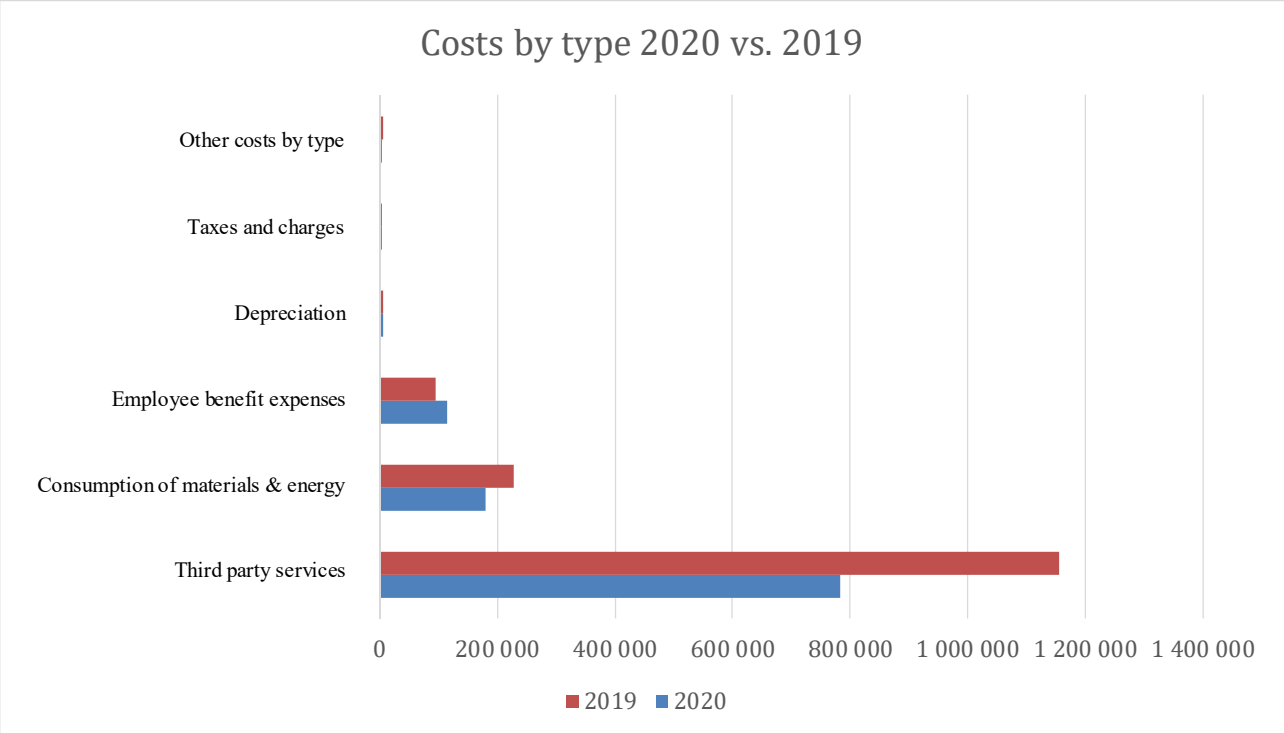
	2020	2019	Change in %
Revenues from sales of products, goods and services from continuing operations	1,131,739	1,463,696	-22.68%
Operating expenses*	1,121,701	1,449,976	-22.64%
Other operating income including reversal of impairment of financial assets and assets from valuation of contracts with customers	2,290	6,034	62.05%
Operating profit/loss	12,328	19,744	37.56%
Financial activity gains/losses	15,846	3,240	389.07%
Gross profit /(loss) from continuing operations	28,174	22,984	-22.58%
Income tax	866	4,294	79.83%
Net profit /(loss) of the continued business	27,308	18,690	-46.11%
Net profit /(loss) of the discontinuing business	0	0	
Net profit (loss) in accounting year, of which	27,308	18,690	-46.11%

In 2020, the decrease in the Company's revenues resulted in a 37.56% decrease in EBIT margin. This fact made the Company's Management Board carry out an in-depth analysis of the management costs in the entire Group and the way they are distributed to individual subsidiaries. This analysis has shown that many costs associated with central functions such as marketing, soft HR, strategy department are borne by ERBUD S.A. After many consultations with managers and tax advisors, a system for distribution of management costs currently borne by ERBUD S.A. was developed.

Main cost item of ERBUD S.A. (71.75% of total costs by type) were the costs of third party services, mainly the costs of work commissioned to subcontractors. In 2020, they totalled PLN 783 411 thousand in value terms, i.e. they were down by 32.22% compared to the previous year.

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

- Expenses on materials and energy - it was at the level of PLN 179 166 thousand vs. PLN 229 129 thousand in 2019. They accounted for 16.41% of total costs in 2020 and for 20.99% in 2018 respectively. Down by 21.81% compared to 2019.
- Employee benefits in the amount of PLN 114 493 thousand accounted for 10.49% of total costs. In 2019, this relationship was as follows: PLN 94,504 thousand - 8.66% of total costs by type. In 2020, the costs of employee benefits were up by 21.15% compared to the previous year. The increase in employee benefit expenses was primarily driven by bonuses paid for 2019. Management and 'back office' employees did not receive a bonus in 2019 due to the loss in 2018.



Operating costs of ERBUD S.A. ('000 PLN)

Cost	2020	2019	% change
Third party services	783,411	1,155,748	-32.22%
Material and energy consumption	179,166	229,129	-21.81%
Employee benefit expenses	114,493	94,504	21.15%
Amortization and depreciation	6,311	6,135	2.87%
Taxes and charges	4,204	4,140	1.55%
Other cost categories	4,269	5,238	-18.50%
TOTAL	**1,091,854**	**1,494,894**	**-26.96%**

4.2. Statement of Financial Position

On 31 December 2020, the total assets of ERBUD S.A. amounted to PLN 670,951 thousand and were down by 5.83% compared to the 2019 year-end (PLN 712,507 thousand). The assets decline was driven by a fall in trade receivables (18.12%), contract valuation receivables 30.61%).

Major items of the Group assets were as follows:

- Short- and long-term trade receivables from other entities and related parties, including bid bonds, amounted to PLN 284,119 thousand, or 42.35% of total assets. Their value was down by 19.11% compared to the end of 2019.
- Cash or cash equivalents, including funds accumulated on a separate VAT account in the amount of PLN 114,052 thousand (down by 174.88% compared to the balance at the end of 2019).
- Fixed assets measured at PLN 158,178 thousand, i.e. 23.58% of assets, down by 5.58% in relation to 2019.
- Current assets measured at PLN 512,773 thousand, i.e. 76.42% of assets, down by 5.91% in relation to 2019.

As of 31 December 2020, the Company's equity totalled PLN 221,887 thousand compared to PLN 211,054 thousand at the end of 2019 (up by 5.13%). The increase in equity is primarily due to the net profit generated in 2020.

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

- Long-term and short-term trade liabilities, including bid bonds of PLN 253,828 thousand (37.40% of liabilities). They were 13.26% down compared to the previous year.
- Long-term and short-term interest liabilities, including those resulting from the issue of bonds with a value of PLN 52 000 thousand, accounted for 13.04% of the balance sheet total and were up by 15.42% compared to the end of 2019.
- Liabilities related to the pricing of building contracts - PLN 86,359 thousand accounted for 12.87% of the liabilities in value terms and they were up by 1.23% compared to 2019.

4.3. Cash Flow Statement

During 2020 ERBUD S.A. recorded positive cash flows of PLN 67,174 thousand (against PLN (90 422) thousand in the previous year). They consisted of:

- Positive operational cash flows in the amount of PLN 91 998 thousand, which was influenced by the in plus change in working capital of PLN 65 678 thousand.
- Positive cash flows from investment activities in the amount of PLN 11 837 thousand
- Negative cash flows from financial activities in the amount of PLN 36 661 thousand.

As of 31 December 2020 the Company held cash and cash equivalents including on a separate VAT account totalling PLN 114 052 thousand compared to PLN 41 491 thousand as of 31 December 2019.

4.4. Statement of Changes in Equity

On 31 December 2020, equity amounted to PLN 221,887 thousand (up by 5.13% compared to the end of 2019).

4.5. Basic financial ratios of ERBUD S.A.

Item	2020	2019
Return of Equity (ROE) (in %)	12.31%	8.86%
Return on Assets (ROA) (in %)	4.11%	2.62%
EBIT margin (in %)	1.09%	1.35%
EBITDA margin (in %)	1.65%	1.77%
Sales profitability (in %)	6.20%	4.19%
Gross profitability (in %)	2.49%	1.57%
Net profitability (in %)	2.41%	1.28%

Rate of return on equity - net profit / equity balance
Rate of return on assets - net profit / assets balance
EBIT margin - operating profit / sales revenue
EBITDA margin – EBITDA = Operating profit + Amortization / Sales net revenue
Sales profitability – Profit on sales / Sales revenue
Gross profitability – Earnings before tax/ Sales revenue
Net profitability – Net earnings /sales revenue

Basic liquidity and debt ratios for ERBUD S.A.

Item	2020	2019
Current ratio	1.16	1.27
Quick ratio	1.16	1.27
Debt ratio (in %)	67%	70%
Debt-to-equity ratio	199%	238%

Current ratio - current assets / current liabilities
Quick ratio - current assets - inventories / current liabilities
Debt ratio = Liabilities and provisions for liabilities / Total assets
Debt-to-Equity ratio = Liabilities and provisions for liabilities / Equity

Debt ratios significantly improved compared to 2019. Liquidity ratios deteriorated despite significantly higher cash due to the reclassification of bond obligations from long-term to short-term. The maturity date of the bonded debt is 27 September 2021. The ratios achieved are satisfactory however Management will strive to improve the debt ratios.

5. 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** • **erroneous strategy tying up resources** **Organization** • **poor communication between operational units** • **misappropriations** • **breaches of guidelines and internal procedures**	Economics • fluctuation of raw material prices • currency and interest rate fluctuations • inflation rate growth • payroll cost growth • recession 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

5.1. Financial Risk

While running its operations, the ERBUD Group is exposed to the following types of financial risk: currency risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and establishes the management principles for each of the risk categories listed below.

5.1.1. Currency risk

As part of their core business, the Group member companies enter into construction contracts, which are denominated in foreign currencies (primarily in Euros). 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. An important element of this policy is the strife for safe hedging of potential currency exposures that will not expose companies to losses in the event of turbulence in the foreign exchange market.

For contracts denominated in Euro or in other currencies for which it is not possible to adjust suitably the currency of expenditures, the Company hedges the material currency risk resulting from highly probable transactions threatened with changes in cash flows that may affect the financial result of the entity. Hedging is performed by means of forward currency contracts with key parameters as close as possible to those of the hedged item (transfer date, value)

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

5.1.1.1. Hedging of construction contracts denominated in foreign currencies - hedge accounting

- Type of hedged risk: cash flow risk related to highly probable future cash flows in foreign currencies under the building contracts. This risk is related to the strengthening of the Polish zloty - the expected cash flows from the contract in the currency will be lower in PLN.
- Type of hedging instrument: currency forward contracts for the sale of foreign currency in quantities and at dates corresponding to expected flows from the building contract. For the purpose of testing the effectiveness of the hedge, the interest rate (swap points) and spot exchange rate (*spot rate*) components are not separated, but the fair value changes of the entire *forward* transactions are analysed.
- Prospective hedge effectiveness testing: tests are performed at inception of the hedging instrument and at every balance sheet date. A hedging relationship is regarded to be effective, if the expected changes in the fair value or cash flows of the hedged item will be offset by changes in the fair value or cash flows of the hedging instrument.

As only hedging instruments with matching key parameters (the same currencies, amounts and dates of expected flows) are used to hedge the risk related to construction contracts denominated in foreign currencies, the Management Board considers that such a hedge will be effective. Nevertheless, to better justify the application of hedge accounting, the Group additionally examines prospectively the effectiveness using a quantitative method with the following parameters:

- Type of effectiveness testing method: by comparing the cumulative change in the fair value of the hedging instrument with the cumulative change in the fair value of the hedged item (the so called dollar offset method) using the so called hypothetical derivative.
- Hypothetical derivative: for the purpose of testing the effectiveness of a financial instrument, a hypothetical derivative was separated from the construction contract as a *forward* contract for the purchase of specific amounts of foreign currencies at specific dates, corresponding to the amounts and dates under the building contract. Thus separated hypothetical derivative is subject to the same risks as the construction contract - i.e. its value decreases with the appreciation of the Polish currency (the expected cash flows under the contract in the currency will have lower value in the Polish zlotys).
- The fair value of a hedging instrument and a hypothetical derivative at a certain measurement date is understood as the sum of discounted net cash flows to be received/payable at future dates agreed

upon in the term sheet of the instrument. Net cash flows for a given future date are calculated as the difference between the amount in PLN under the forward contract and the amount in a foreign currency under the forward contract multiplied by the forward exchange forward and the amount in a foreign currency resulting from the forward contract multiplied by the forward price valid at the measurement date in the future. Discounting of the net cash flows received in this manner is carried out by means of zero-coupon rates implied by the interest swap curve in PLN, valid as of the measurement date.

- For the purpose of the prospective test, historical market exchange rates and interest rates at 12 monthly dates prior to the planned transaction date or, in the case of a test carried out during the course of a transaction, at 12 monthly dates prior to the balance sheet date shall be used.
- For each of the 12 historical dates described above, the cumulative change in the fair value of the hypothetical derivative is calculated and compared with the cumulative change in the fair value of the hedging instrument. The relationship of the changes calculated in this manner at each date should be between 80-125%.

Retrospective hedging effectiveness test: the effectiveness test shall be carried out at each balance sheet date during the term of the hedging. A hedging relationship is regarded to be effective, if in a certain period actual changes in the fair value or cash flows of the hedged item will be offset by changes in the fair value or cash flows of the hedging instrument. As in the case of prospective tests, the dollar offset method is applied using a hypothetical derivative, with the relationship between cumulative changes in the fair value of the hedging instrument and cumulative changes in the hypothetical derivative being measured. For the purpose of the efficiency tests, thus calculated ratio must be in the range of 80-125% for each accounting period.

As at the balance sheet date, there is one derivative transaction posted in the ERBUD Group. ERBUD Industry Sp. z o.o. hedged, using the forward contract, EUR buy transaction to execute its order. The hedged amount totals EUR 1.9 million.

Assessment of the parent company's Management Board of the impact of the risk on the Group's financial performance: Low

5.1.2. Interest rate risk

The interest rate risk occurs mainly in connection with the utilization of debt financing i.e. bank credits and loans, issued bonds and 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. At the current level of interest rates this risk is partially offset by the Group's idle cash deposits invested on the basis of a variable interest rate.

Most of the debt financing exposures are short-term, which flattens the risk associated with rising interest rates.

In the territory of Germany the Group member companies also uses instruments with fixed interest rates, where market interest rate fluctuations have no impact on interest expenses incurred or interest income generated. Trade receivables and payables and other receivables and payables are non-interest-bearing and have a maturity of up to one year.

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 Company applies hedging accounting principles.

Assessment of the parent company's Management Board of the impact of the risk on the Group's financial performance: Medium

5.1.3. Credit risk

The Group's financial assets, which are exposed to credit risk, are mainly trade receivables and construction performance bonds. The ERBUD 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 ability 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.

Assessment of the parent company's Management Board of the impact of the risk on the Group's financial performance: Medium

5.1.4. Liquidity risk

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. To finance investment purchases, the Group uses its own funds to the extent necessary, required for its own contribution and long-term finance lease agreements, ensuring that the financing structure for this type of assets is sufficiently sustainable, long-term loans.

The Group companies cooperate both in cash and equity transactions 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 31 December 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.

Assessment of the parent company's Management Board of the impact of the risk on the Group's financial performance: Medium

5.1.5. 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 as well as subcontracting service prices. 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.

Additionally, the Group member companies use bids from subcontractors and suppliers to calculate the price of their offers. However, these are not binding offers.

Assessment of the parent company's Management Board of the impact of the risk on the Group's financial performance: High

5.2. 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.

In order to minimize operational risks, the Group has an internal audit unit that monitors continuously projects and reports to the Management Board on the audit findings.

Due to the customer risk, the Customer Assessment Committee was also established. The Committee's task is to carry out the Customer's scoring before submitting a bid.

Assessment of the parent company's Management Board of the impact of the group of operational risks on the Group's financial performance: High

5.3. Macroeconomic Risk

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish economy and the construction industry. After a very tough 2018, in 2019 sector rebounded slightly, while 2020 brought unexpected changes that crippled the global economy - a pandemic caused by the COVID-19 virus.

The Management Board of the ERBUD Group, along with its leading managers, made every effort to ensure that the Group's operations are continued. Thanks to the implementation of the sanitary regime, continuous monitoring of developments, it was possible to run business in the environment that was regular as much as possible. The construction, road engineering, and maintenance services for the industry were not closed by the sanitary decisions as was the case with the tourism sector. However, this example showed how the macroeconomic environment affects the operations of individual companies. The Management Board of the ERBUD Group carefully follows all macroeconomic forecasts, including in particular those referring to the size of recession in individual countries, inflation rates, investment performance indicators and information about EU funds' distribution. Though the Management Board is aware that despite the fact in the pandemic times the Company manages to make it through the crisis unscathed, the effects of global economy freezing may be felt later. A policy of segment- and geographic-based diversification is an antidote to the pandemic to a certain extent. This allows us to generate revenues and profits in the areas that are currently not hit by the economic downturn and are growing faster than others, such as RES-related construction vs. utility building construction. Therefore, the Group decided to develop a new segment of its business - fabrication and sale of modular buildings.

Most analysts predict that 2021 will be favourable for the construction industry and very favourable for RES-related construction. However, good development prospects for these industries may at the same time contribute to enhanced competition originating from both Polish and foreign companies, which will translate into margin squeeze.

Assessment of the parent company's Management Board of the impact of the macroeconomic risk on the Group's financial performance: High

5.4. 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.
- Risks related to the rigour of the Group whose parent company is an entity listed on the Warsaw Stock Exchange (WSE).

In order to minimise these risks, the Group is supported by specialised law firms. There is a legal department in the Group which, *inter alia*, coordinates cooperation with third party law firms.

This is particularly important currently, where legislative changes are being made in every field.

Assessment of the parent company's Management Board of the impact of the legal risk on the Group's financial performance: Low

5.5. 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.

Assessment of the parent company's Management Board of the impact of the tax risk on the Group's financial performance: Medium

5.6. Environmental Risk

Environmental risk management at ERBUD GROUP 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.

Assessment of the parent company's Management Board of the impact of the environmental risk on the Group's financial performance: Low

5.7. Climate Risk

Based on the guidance provided in the Climate Information Reporting Supplement (2020/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.

Assessment of the parent company's Management Board of the impact of the climate risk on the Group's financial performance: Low

5.8. 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 cyberattacks. All the Group member companies pursue a uniform IT policy.

Assessment of the parent company's Management Board of the impact of the cyberattack risk on the Group's financial performance: Low

5.9. 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 date of publication of the financial statements, 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 companies from the ERBUD Group - ERBUD International Sp. z o.o.; ERBUD Industry Południe Sp. z o.o. and ERBUD Operations Sp. z o.o. benefited from public aid on the basis of Article 15 zzb of the Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them.

Assessment of the parent company's Management Board of the impact of the pandemic risk on the Group's financial performance: Medium risk. Management assesses this risk as medium due to the lack of disruptions in construction and order execution, the current order book and the liquidity situation.

5.10. Insurance

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

5.10.1. Insurance contracts

As of the 2020 financial statement date, all insurance contracts were extended.

Given the above the most important contracts are as follows:

Insurer	Valid from	Valid to	Subject of insurance	Value of insurance
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2020.	1/31/2021.	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 February 2021	1/31/2022.	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2020.	1/31/2021.	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2021.	1/31/2022.	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2020.	1/31/2021.	Construction and erection all risks insurance	Open
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2021.	1/31/2022.	Construction and erection all risks insurance	Open
Chubb European Group Limited Sp. z o.o. Polish Branch	6/1/2018.	5/31/2020.	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	6/1/2020.	5/31/2021.	D&O Insurance	PLN 40 million
Chubb European Group SE, European company, Polish Branch	2/23/2020.	2/22/2021.	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million
Chubb European Group SE, European company, Polish Branch	2/23/2021.	2/21/2022.	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million

6. Litigations

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 S.A. 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)

6.1. Material proceedings to which the Issuer is the plaintiff

6.1.1.

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.

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 2020 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 claimant's market position;
- what function they performed, and in particular whether they performed a function securing the claimant's interests;
- whether the type of the switch (bilateral or unilateral) was important for the performance of the function securing the claimant'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 claimant 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 claimant 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.

Until the date of publication of the financial statements, the status of the case has not changed.

6.1.2.

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

Date of filing a lawsuit: 14 February 2013

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.

6.1.3.

Defendant: Platinum Resort Sp. z o.o.

Date of filing a lawsuit: 3 December 2018

Value of the dispute: PLN 16.301.236,97

Counterclaim

Defendant: ERBUD S.A.

Value of the dispute: 13.516.629,86

Date of filing a lawsuit: 27 April 2019

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. The Issuer's attorneys replied to the complaint. 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 27 April 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.

Witnesses are being heard. The next hearing has been set for 15 February 2021.

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 29,170,265.74.

6.2. Material proceedings to which the Issuer is the defendant

6.2.1.

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 claimant 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 Aiport'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 claimant, 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 witnesses hearing was completed. An expert was appointed. He is currently drafting his opinion.

The case has a complicated factual state of affairs and extensive evidence has been submitted during the proceedings. It will be necessary take several pieces of evidence 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 11,448,346.58

7. ERBUD S.A. IN CAPITAL MARKET

In 2020, the share price of ERBUD S.A. was rising steadily. On 2 January 2020 the share price was PLN 19.2 and on 30 December 2020 - PLN 27.6.

Erbud S.A. share prices from Business Insider web portal.



7.1. Listing of ERBUD S.A. shares on WSE

The year 2020 was closed with WIG index down by 1.40% change in value terms. The WIG20 index was weaker against this background, since it was down 7.73% on a y/y basis, whereas mWIG40 index lost 1.75% over the year. Small businesses fuelled sWIG80 index growth by 33.64%.

For the vast majority of 2020, investors could not count on the chance to participate in IPOs. The previous year once again after 2017 will be remembered in history as the year where more companies left the Warsaw trading floor than debuted on it - last year only 7 companies debuted on the main floor and 23 entities left the stock exchange.

The year 2020 in stock markets was marked by a coronavirus pandemic and a lot of emotions. They made the value of traded volume on the WSE's main stock market in 2020 reach PLN 289 billion - up by 52% compared to 2019. At first, the emotions turned into panic. However, as soon as there were signs of a rebound combined with the hope of inventing a vaccine against COVID-19, the share price skyrocketed. The euphoria prevailing among investors eventually allowed the WIG index to return to its early 2020 levels. A year-on-year increase in trading on the main market by more than half, the return of individual investors and the biggest IPO in the history of the Warsaw Stock Exchange (Allegro) allowed many investors to close 2020 with profits.

Against this background, the construction sector companies listed on the WSE can be considered a fairly attractive form of capital investment - the WIG-construction index rose by almost 60% in 2020. The spring wave of the pandemic brought the stock down 20%, but it began to recover in April when it became clear that the virus had not disrupted construction sites. Although the pandemic reduced the activity of some investors, listed companies filled their portfolios. Therefore, in November 2020, with the second wave of sickness, the

increase in the value of the index only accelerated and at the end of the year reached the level of the peak of the last bull market in March 2017.

The share price of ERBUD S.A. rose by more than 40% during this period. The spring adjustment resulted in a decline of more than 30% - deeper than for the WIG-construction index. In the following months, the losses were recovered and the share price remained at the level of the beginning of the year until November 2020. The last month of 2020 saw an increase of share price exceeding 40%.

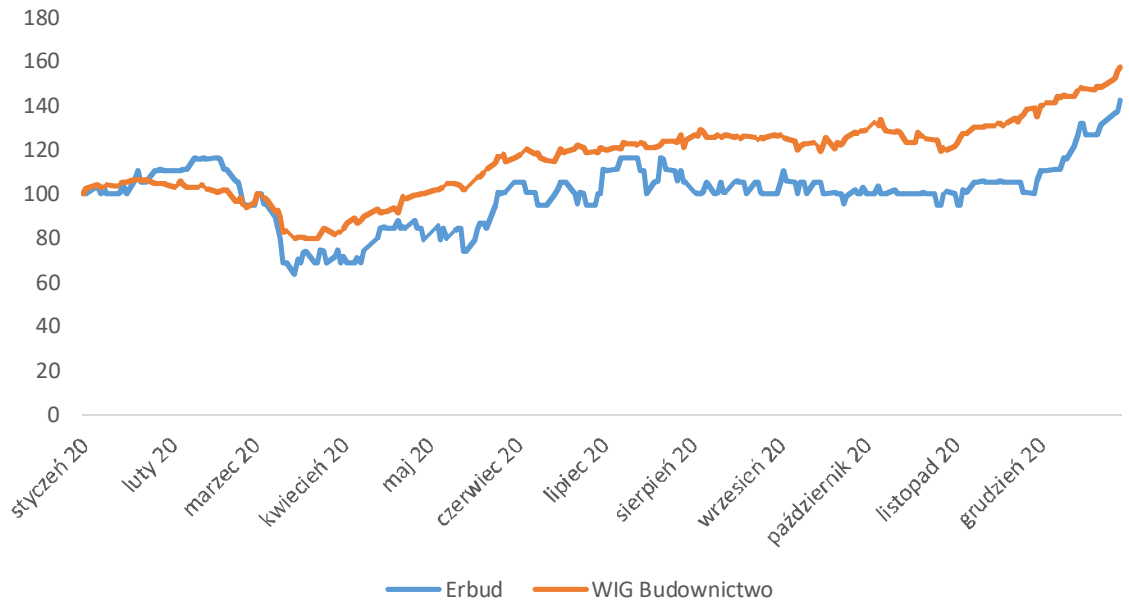


Figure: chart above shows behaviour of ERBUD S.A. share price and WIG-Construction index (value as of 1 Jan. 2020 = 100)

7.2. Dividend

In order to provide shareholders with the opportunity to carry out a long-term investment program based on clear and stable criteria for the distribution of earnings generated, on 26 January 2016, the Management Board passed a resolution on the adoption of the ERBUD S.A dividend policy. Pursuant to the adopted resolution, the Management Board will recommend to the General Meeting of Shareholders, after the evaluation of the motion by the Supervisory Board, concerning dividend payment accounting from 30 to 50 per cent of net consolidated financial income generated in the previous financial year, taking into account the current and future financial standing of the company and the Capital Group. In the recommendation, the Management Board shall, in particular, take into account investment needs arising from the implementation of the ERBUD Group's strategy, the Company's liquidity needs, current and deferred liabilities. In case the above factors have been exceptionally well rated and the Supervisory Board has given a positive opinion, the Management Board may recommend the distribution of a higher dividend.

On 11 March 2019, the Management Board adopted a new ERBUD S.A. dividend policy, repealing the dividend policy of 26 January 2016.

Pursuant to the adopted resolution, the Management Board will recommend to the General Meeting of Shareholders, after the evaluation of the motion by the Supervisory Board, concerning dividend payment accounting from 30 to 70 per cent of net consolidated financial income generated in the previous financial year, taking into account the current and future financial standing of the company and the Capital Group. In its recommendation on dividend payment, the Management Board will, in particular, take into account investment projects required by the execution of the Erbud Capital Group's strategy.

In its recommendation for the General Meeting of Shareholders, the Management Board will each time take into account the following key factors:

- the acquisition policy pursued by the Company and available financing in relation to that policy,
- liquidity needs of the ERBUD Capital Group depending on current and expected market and regulatory environment,
- the amount of liabilities due to current operations and debt servicing,
- liabilities under concluded agreements on financing the operations of the Company and the ERBUD Capital Group, including in particular loan agreements,
- proceeds from dividends received by the Company from its subsidiaries,
- optimization of the financing structure of the ERBUD Capital Group's operations.

If the above factors have been assessed exceptionally and the Management Board's proposal regarding profit distribution has been viewed positively by the Supervisory Board, the Management Board may recommend a higher dividend payment, exceeding 70% of the consolidated net financial income.

The Management Board may pay shareholders an advance on the expected dividend at the end of the accounting year, if the Company has sufficient funds to pay out and this option is provided for in the Articles of Association. The ERBUD S.A.'s Management Board is authorized, pursuant to § 18, par. 4 of the of the Company's Articles of Association and subject to Supervisory Board's consent, to pay a dividend advance. The company may pay an advance if its approved financial statements for the previous accounting year show profit. The advance may account maximum for half of the profit generated since the end of the previous accounting year, shown in the financial statements, audited by the statutory auditor, increased by reserve funds established out of profit, which the Management Board may use to pay advances, less uncovered losses and own shares.

On 16 April 2020, the Company's Management Board decided to suspend the dividend policy due to the COVID-19 pandemic.

In 2020 the Company did not pay dividend. Table below presents dividend payments in previous years.

	2013	2014	2015	2016	2017
Net profit of ERBUD S.A. ('000 PLN)	8,416	12,245	11,397	11,103	12,539
Dividend paid from profit generated in a given year ('000 PLN)	8,900	6,381	15,374	14,980+	14,093+
Dividend per share in PLN	0.70	0.50	1.20	1.17	1.12
Record date	7/21/2014.	7/15/2015.	5/17/2016.	1/9/2017.	6/5/2018.
Dividend rate* (in %)	2.8	1.5	4.2	3.9	6.5

** Dividend rate calculated as the quotient of dividend per share and share price two days prior to the record date.*
*** Extraordinary dividend from supplementary capital created from retained earnings*

7.3. Investor relations

ERBUD S.A strives at providing the highest standards of communication with capital market players. The particular importance is attached to the fairness of information, transparency and to equal treatment of all stakeholders and complies with all legislation on disclosure duties applicable to the companies whose securities are listed on a regulated market.

The Company attaches great importance to the quality of communication with stakeholders via its website: www.erbud.pl/relacje_inwestorskie. It contains up-to-date information concerning, *inter alia*, the quotations of the ERBUD shares on the Warsaw Stock Exchange, General Meetings of Shareholders and Corporate Governance.

Corporate website contains also the publications of current, periodic and annual reports, quarterly and annual financial highlights (including XLS sheets) and teleconference records, during which the Management Board presents quarterly results. It is also a rule that once a quarter, on the day of publication of the quarterly report, teleconferences are organised.

In addition, the media are provided with significant information about operating and corporate activities on an on-going basis.

7.4. Recommendations

In 2020 ERBUD S.A. did not receive any recommendations (sell side).

8. CORPORATE GOVERNANCE

8.1. Rules and Scope of Corporate Governance

The Issuer applies the rules of corporate governance provided in the "Best Practice of WSE Listed Companies 2016", which were adopted by virtue of the Resolution of the Supervisory Board of the Warsaw Stock Exchange S.A. on 13 October 2015.

The content of the "Best Practice of WSE Listed Companies 2016", as well as the content of the Best Practice of ERBUD S.A. can be found on the Company's website at the following address: http://www.erbud.pl/dobre_praktyki.php.

In 2020 the Company did not apply the following rules provided in the Best Practice of WSE Listed Companies 2016:

Principle	ERBUD S.A. comment
I. Information policy and communication with investors	
I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:	
I.Z.1.8. selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data.	Data is available in other formats.
I.Z.1.16. information on the planned broadcast of the general meeting of shareholders - not later than 7 days before the date of the general meeting of shareholders.	The company does not plan to broadcast the general meeting
I.Z.1.20. audio or video recordings of the proceedings of the General Meeting of Shareholders.	The Company does not record the general meeting in audio or video company.
IV. General meeting and shareholders' relations	
IV.R.2. If it is justified due to the shareholding structure or the expectations of shareholders proposed to the company, as long as the company is able to provide the technical infrastructure necessary for the smooth conduct of the General Meeting of Shareholders by means of electronic communication, it should enable shareholders to attend the General Meeting of Shareholders using such means of communication in particular through: 1) real-life broadcast of the General Meeting of Shareholders; 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the General Meeting of Shareholders; 3) exercise of the right to vote during a general meeting either in person or through a proxy.	Owing to the shareholding structure and the lack of such expectations on the part of the shareholders the Company does not plan to broadcast the proceedings of the General Meeting of Shareholders.

IV.Z.3. Presence of representatives of the media should be allowed at General Meetings.	There is not such demand.
VI. Wages and salaries	
VI.Z.4. The Company in its activity report presents an account of the remuneration policy, containing at least: 1) general information on the remuneration system adopted in the company, 2) information about terms and amount of remuneration of each management board, member, broken down into fixed and variable components of remuneration, indicating the key parameters for determining variables, remuneration components and payment rules for severance pay and other payments for terminating a relationship, work, mandate or other legal relationship with similar nature - separately for the company and each entity that is a member of the Capital Group, 3) information about non-financial components of remuneration due to individual members of the management board and key managers, 4) indication of material changes that have occurred in the remuneration policy during the last accounting year, or information about their absence, 5) operational assessment of the remuneration policy from the perspective of achieving its objectives, in particular long-term growth of shareholders' value and stability of the company's operation.	The Company reports the remuneration of the Management and the Supervisory Board members in the Operations Report. Some of the aforementioned elements are part of the remuneration report created pursuant to the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies dated 29 July 2005.

8.2. Control and risk management systems in the process of preparing financial statements

Separate financial statements are prepared by qualified finance and accounting departments of companies forming ERBUD Group and are audited by independent authorised auditors with participation of ERBUD Shared Services Sp. z o.o. personnel, that provides book keeping services to all ERBUD Group member companies, except for GWI GmbH Group. Financial statements are audited by independent authorised auditors.

Consolidated financial statements of the ERBUD Group are prepared by trained and experienced staff of ERBUD S.A.. Both separate and consolidated statements are subject to internal control carried out by the Company's Management Board, Audit and Internal Control Department (prior to and during audit), Audit Committee of the Supervisory Board (during the audit) and by statutory auditors appointed by the Supervisory Board.

The risk management with regard to valuation of assets and liabilities, including the valuation of projects in progress, and with respect to the provisions set up, is based on on-going monitoring of their value and adjustments in the interim and annual financial statements according to changes in the fair value of these assets.

The state of completion of projects is determined on the basis of the system “Evaluation of the effectiveness of projects performed as General Contractor” which is implemented directly on each project (construction site) and verified by the management of Branch Offices, Internal Audit and the Controlling Office personnel.

8.3. Shares and shareholders of ERBUD S.A.

As of 31 December 2020 and as of the date of publication of the Financial Statements, the registered share capital amounted to PLN 1,239,935.90 and was divided into 12 399 359 shares with a par value of PLN 0.10 per share.

During 2020, the Company's share capital changed from PLN 1,281,185.90 to PLN 1,239,935.90.

As of the date of publication of the financial statement, i.e. 8 April 2021, the changes described below took place compared to the date of publication of the financial statement for Q3 2020 - 6 November 2020:

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 will be acquired: PLN 40.00 (in words: forty Polish 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, mBank S.A. Brokerage House 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.

On 1 December 2020, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered amendments to the Company's Articles of Association, including a

reduction in the share capital adopted by virtue of Resolution No. 6/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on amendments to the Company's Articles of Association in conjunction with Resolutions Nos.: (i) Resolution No. 3/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on redemption of own shares acquired by the Company, (ii) Resolution No. 4/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on change of designation of the series of Company's shares, (iii) Resolution No. 5/2020 of the Company's Extraordinary General Meeting of Shareholders, dated 4 September 2020 on reduction of share capital.

Given the above, on 1 December 2020, a reduction in share capital of the Company by PLN 41,250 (forty-one thousand two hundred fifty zlotys) was registered, i.e. the capital was reduced from the level of PLN 1,281,185.90 (one million two hundred eighty-one thousand one hundred eighty-five zlotys and 90/100), to the level of PLN 1.239,935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five zlotys and 90/100), by way of redemption of 412,500 (four hundred and twelve thousand five hundred) own shares of the Company entitling to 412,500 (four hundred and twelve thousand five hundred) votes at the General Meeting of Shareholders. The redemption of own shares was performed by virtue of Resolution No. 3/2020 of the Extraordinary General Meeting of Shareholders of 4 September 2020 the Company acquired its own shares as part of its own share buy-back for redemption.

Thus the current share capital amounts to PLN 1,239,935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five Polish zlotys 90/100) and the share capital structure of the Company is as follows:

- 12,399,359 (twelve million, three hundred and ninety-nine thousand, three hundred and fifty-nine) ordinary series A bearer shares, with a par value of PLN 0.10 (ten groszys) per share, ISIN code PLERBUD00012.

The total number of votes attached to all outstanding shares of the Company is 12,399,359 (to each share one vote is attached), while the par value per Company share remains unchanged and amounts to PLN 0.10.

Series	Number	Price in nominal terms (in PLN)	Value (in PLN)
A	12,399,359	0.10	1,239 935.90
Total:	**12,399,359**	**0.10**	**1,239 936.90**

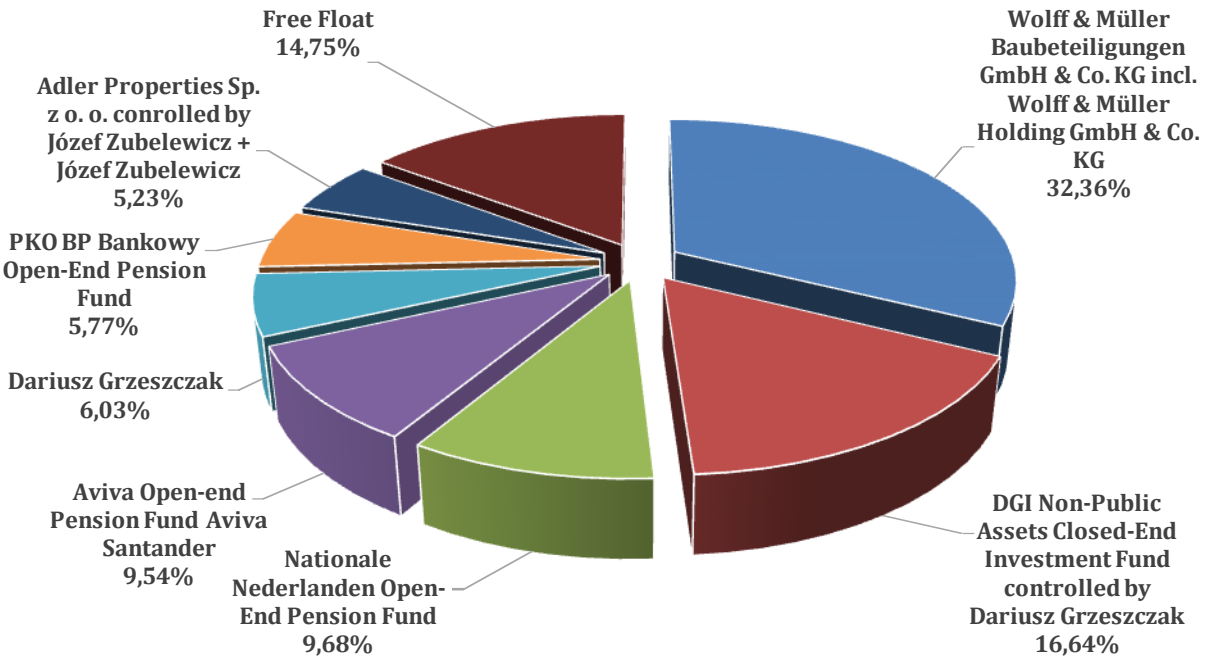
ERBUD S.A. shares are ordinary bearer shares and are not preference shares. There are no special control rights attached to the Company's shares. The Articles of Association of ERBUD S.A. also does not impose any restrictions on the transfer of ownership of shares issued by the Company, on exercising voting rights, and does not include provisions under which the equity rights attached to securities are separated from the owning of securities. The Company is not aware of any restrictions on the exercise of voting rights by holders of a specified proportion or number of votes, or any time limitations on the exercise of voting rights.

As of 31 December 2020, the list of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of ERBUD S.A. was as follows:

Name of shareholder	As of 8 Apr. 2021		As of 31 Dec. 2020		As of 6 Nov. 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	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	32.36%	4,012,025	32.36%	4,012,025	31.31%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	2,063,812	16.64%	2,063,812	16.64%	2,063,812	16.11%
ING OFE	1,200,000	9.68%	1,200 000	9.68%	1,200 000	9.37%
Aviva OFE Aviva BZ WBK	1,183,146	9.54%	1,183,146	9.54%	1,183,146	9.23%
Dariusz Grzeszczak	747,654	6.03%	747,654	6.03%	747,654	5.84%
PKO BP Bankowy OFE	715,279	5.77%	715,279	5.77%	715,279	5.58%
Adler Properties Sp. z o. o. controlled by Józef Adam Zubelewicz	398,111	3.21%	398,111	3.21%	398,111	3.11%
Józef Adam Zubelewicz	250,699	2.02%	250,699	2.02%	250,699	1.96%
ERBUD S.A. - own shares without voting rights at General Meeting of Shareholders	0	0%[x]	0	0%[x]	412,500	3.22%[x]
Other shareholders	1,828,633	14.75%	1,828,633	14.75%	1,828,633	14.27%
Total:	**12,399,359**	**100.00%**	**12,399,359**	**100.00%**	**12,811,859**	**100.00%**

x The share capital reduction was registered on 1 December 2020.

ERBUD S.A. shareholding structure as of 31 December 2020



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.

Share of managing and supervising persons in the Issuer's share capital	Affiliation since 1 Jan. 2020	As of 8 Apr. 2021		As of 31 Dec. 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	President of the Management Board / Dariusz Grzeszczak	2,063 812	16.64%	2,063 812	16.64%
Dariusz Grzeszczak	President of the Management Board	747,654	6.03%	747,654	6.04%
Albert Dürr	A Supervisory Board member	27,508	0.22%	27,508	0.22%
Agnieszka Głowacka	Vice-President of the Management Board	3,938	0.03%	3,938	0.03%
Jacek Leczkowski	*Vice-President of the Management Board from 2 Jan. 2020	5,174	0.04%	5,174	0.04%

** Mr Albert Dürr holds 85% shareholding in Wolff & Müller Holding GmbH & Co. KG, which holds 100% of the shares of Wolff & Müller Baubeteiligungen GmbH & Co. KG.*

Mr Jacek Leczkowski holds 10% shareholding in ONDE S.A. (a former PBDI S.A.). (the Issuer's subsidiary).

8.4. Articles of Association and General Meeting of Shareholders

8.4.1. Amending the Articles of Shareholders

In 2020 the content of the Company's Articles of Association was amended. On 30 June 2020 the Ordinary General Meeting of Shareholders of ERBUD S.A. by virtue of Resolution No. 16/2020 changed the wording of §11, section 3, item 2, 3 and 14 of the Company's Articles of Association, the registration of changes in the National Court Register took place on 21 August 2020, i.e:

previous wording of § 11, par. 3, subparas 2, 3 and 14 of the Company's Articles of Association:

"2) to approve annual schedules of works and expenditures,
3) to approve the investment plans of the Company",
"14) to give consent to submit proposals and to enter into civil works contracts with the net value exceeding the equivalent of the amount of EUR 15.000.000,00 (in words: fifteen million), in case of joint proposals, the reliable is the net sum of the proposal rather than Company share in the proposal,

is replaced with new wording:

"2) to approve annual schedules of works and expenditures of the Company and its Capital Group,
3) to approve the investment plans of the Company and its Capital Group,
14) to give consent to submit proposals and to enter into civil works contracts with the net value exceeding the equivalent of the amount of EUR 30.000.000,00 (in words: thirty million), in case of joint proposals, the reliable is the net sum of the proposal rather than Company share in the proposal",

Moreover on 4 September 2020 the Extraordinary General Meeting of Shareholders of ERBUD S.A. by virtue of its Resolution No. 6/2019 changed the wording of §5, para 1, and repealed §5, para 5 of the Company's Articles of Association, the changes of wording were registered in the National Court Register on 1 December 2020, i.e:

the wording of §5, para 1 of the Company's Articles of Association until 1 December 2020:

…1. The share capital of the Company amounts to PLN 1,281,185.90 (say: one million two hundred eighty one thousand one hundred eighty five 90/100 zlotys) and is divided into:
a) 2,000,000 A series ordinary bearer shares,
b) 8,000,000 A series ordinary bearer shares,
b) 71,025 C series ordinary bearer shares,
b) 2.500.000 D series ordinary bearer shares,
b) 31.686 E series ordinary bearer shares,
b) 41.458 F series ordinary bearer shares,
b) 33,787 G series ordinary bearer shares,
b) 36,590 H series ordinary bearer shares,
b) 47,379 I series ordinary bearer shares,
b) 49,934 J series ordinary bearer shares,
with a par value of PLN 0,10 (ten groszys) per share.",

is replaced with new wording:

…1. The Company's share capital amounts to PLN 1,239,935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five zlotys 90/100) and is divided into 12,399,359 (twelve million three hundred and ninety-nine thousand three hundred and fifty-nine) A series ordinary bearer shares with a par value of PLN 0.10 (ten groszys) each, coded ISIN PLERBUD00012".

and

2. The Company's Articles of Association were amended so as to repeal § 5 para 5 of the Articles of Association with the following wording:

…5. The Company's Management Board may, with the Supervisory Board's consent, exclude or limit the pre-emptive right to subscribe for the Company's shares by existing shareholders (subscription right) in respect of any share capital increase effected within the scope of the authorisation granted to the Management Board in the Company's Articles of Association to increase the Company's share capital within

the limits of authorised capital. The consent of the Supervisory Board should be expressed in the form of a resolution adopted by a majority of 3/4 of votes of the Supervisory Board members present at the meeting, in the presence of at least half the number of the Supervisory Board members."

To all amendments to the Company's Articles of Association the legal provisions shall apply including in particular the provisions of the Commercial Companies' Code.

8.4.2. General Meeting of Shareholders

The General Meeting is acting under the Company's Articles of Association, the Organisational By-Laws of the General Meeting of Shareholders and the Commercial Companies' Code.

General Meetings may be convened as ordinary (annual) or extraordinary ones. Ordinary General Meetings are convened by the Company's Management Board not later than 6 months after the end of each financial year. An Ordinary General Meeting is convened by the Management Board. The Supervisory Board may convene an Ordinary General Meeting if the Company's Management Board fails to convene it within the specified timeframe. An Extraordinary General Meeting is convened by the Management Board on its own initiative or upon a written request of the Supervisory Board or at the request of a shareholder or shareholders representing at least one twentieth of the share capital.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (Record Date) are entitled to participate in the General Meeting. Shareholders may participate in the General Meeting and exercise their voting rights in person or by proxies. The power of attorney should be made in writing or in electronic form. Granting a power of attorney in electronic form does not require a secure electronic signature.

The General Meeting is convened by an announcement published on the Company's website and in a manner specified for the providing of current information in accordance with the Regulations on public offering and conditions governing the introduction of financial instruments to organized trading and on public companies.

The above mentioned announcement is made at least 26 days before the date of the General Meeting. Current Operational By-Laws of the General Meeting of Shareholders of ERBUD S.A. are posted on the Company's website www.erbud.pl. In addition, the Company's website contains information on the dividend policy and shareholding structure, as well as the archive of the general meetings of shareholders.

The Company draws up a list of persons entitled to participate in the General Meeting on the basis of information prepared and made available to the Company by the entity keeping the securities deposit (KDPW S.A.). The aforementioned list is based on certificates confirming the right to participate in the General Meeting issued by the operator keeping the securities account.

The Rules of the General Meeting regulates the course of the session, the election of the Chairman and the Returning Committee, the participation in the General Meeting of members of the Management Board and the Supervisory Board of the Company and the process of adopting resolutions.

Each shareholder is entitled to propose amendments and supplements to the draft resolutions included in the Agenda of the Meeting. Voting is done by means of a computerized system of casting and counting votes ensuring that number of votes cast corresponds to the number of shares held. A resolution on refraining from considering a matter placed on the agenda may only be taken if there are substantiated motives. Adopting such a resolution requires 75% of the votes of the General Meeting.

Minutes in the form of a notarial deed, are prepared from the course of the General Meeting, and then published on the Company's website.

According to the Articles of Association of the Company, the powers of the General Meeting include:

- reviewing and approving the Management Board's Report on the Company Operations and the financial statements for the previous financial year,
- the adoption of a resolution on profit distribution or loss coverage,
- passing a resolution on profit distribution or loss coverage,
- adoption of the Supervisory Board Rules and stipulation of principles of remuneration of the Supervisory Board members,
- an increase or decrease of the Company's share capital
- amendment to the Company's Articles of Association,
- the Company's merger with another commercial company,
- dissolution and liquidation of the Company,
- issuance of convertible bonds, bonds with pre-emptive right or subscription warrants,
- the disposal or lease of the enterprise, or of an organized part thereof, and the establishment of a limited property rights.
- considering the issues raised by the Supervisory Board, the Management Board or by shareholders of the Company,
- deciding on any other business that in accordance with provisions of the Commercial Companies' Code or the wording of the Articles of Association fall into the competence of the General Meeting.

Matters raised by the Management Board to the General Meeting are submitted to the Supervisory Board for an opinion. Resolutions of the General Meeting are adopted by a simple majority of votes unless the provisions of the Commercial Companies Code or the Articles of Association provide otherwise.

In 2020, there was one (1) Annual General Meeting of Shareholders of ERBUD S.A. (held on 30 June 2020) and one (1) In 2020, Extraordinary General Meeting of Shareholders of ERBUD S.A. 9/4/2020.

8.5. Activities of the Supervisory Board

8.5.1. Composition

In the period from 1 January 2020 to 31 December 2020 the Supervisory Board of ERBUD S.A. consisted of:

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

Two committees report to the Supervisory Board of ERBUD S.A.:

1. Audit Committee, which between 1 January 2020 to 31 December 2020 operated with the following composition:

- Michał Otto - Chairman (an independent Audit Committee member, has been sitting on Audit Committee since 28 April 2016)
- Gabriel Główka - an Audit Committee member (dependent Audit Committee member, has been sitting on the Audit Committee since 15 November 2006)
- Janusz Reiter - Audit Committee member (independent Audit Committee member, sitting on the Audit Committee since 18 May 2018)
- Piotr Kaczmarek - an Audit Committee member (an independent Audit Committee member, has been sitting on the Audit Committee since 3 December 2018)

In the Company's Audit Committee reporting to the Supervisory Board of ERBUD S.A. Messrs. Michał Otto, Janusz Reiter, Piotr Kaczmarek fulfil the independence criterion in the understanding of Art. 129, par. 3 of the Act on Statutory Auditors.

In addition, Mr Gabriel Główka fulfils the requirements of the Act on Statutory Auditors concerning knowledge and skills in the field of accounting or auditing of financial statements. Gabriel Główka graduated from the Warsaw School of Economics, the Faculty of Production Economics, where he majored at the Construction and Investment Economics. His knowledge in this area is further evidenced by his postdoctoral degree in economics, in the field of finance.

This is the highest degree awarded in the field of economic sciences. The granting of the degree of doctor habilitatus in the field of finance confirms his knowledge in a wide area of finance, including the field of financial revision of enterprises and assessment of their financial condition, etc. Gabriel Główka's acquired competencies are testified by his experience gained, *inter alia*, at:

(i) the Loan Department, ING Bank Śląski, (ii) ING Bank Śląski, where he was the chairman of the Loan Committee of the Warsaw Region of ING Bank Śląski. The most important objective of the Loan Committee was to assess and verify the financial standing of enterprises to incur loan liabilities and make decisions on granting them revolving and investment loans, (iii) while serving as the President of the Management Board of Śląski Bank Hipoteczny - later ING Bank Hipoteczny (ING Mortgage Bank), where he managed the finances of this business entity - in the position of Chief Financial Officer (CFO), (iv) while in office in the National Qualification Commission for the Property Appraisal he acquired knowledge and skills regarding the valuation of business assets.

The conditions of the Act on Statutory Auditors concerning the knowledge and skills in the industry, in which the Issuer operates, are fulfilled by Mr Gabriel Główka, who graduated from the Warsaw School of Economics, Production Economics Faculty, majored at construction and investment economics. He has been a research worker and lecturer at the Warsaw School of Economics for over 30 years - currently he is the Director of the Institute of Corporate and Investment Financing and dean of the College of Business Administration. In the 2002-2004 period and again from 2009 he has been a member of the National Qualification Committee - Sub-Committee for Property Appraisal.

Consequently the Issuer meets the requirements set forth in Art. 129, paragraphs 1, 3 and 5 of the Act on Statutory Auditors.

In 2020, the Audit Committee held 5 meetings convened by the Chairman of the Audit Committee, (held at: 27 March 2020, 16 June 2020, 31 August 2020, 23 November 2020 and 14 December 2020), that could be attended by remaining Supervisory Board members as well as heads of: Legal Division as well as Audit and Internal Control Department of ERBUD S.A..

The meetings were held in accordance with the 2020 Audit Committee's Work Plan, which defined the date of the meetings and the major items on the agenda, including meetings with the auditor.

The Committee's responsibilities were also performed through submission recommendations, conclusions, opinions and reports to the Supervisory Board, as well as on-going exchange of opinions. If necessary, the Audit Committee updated the agenda with Any Other Business (AOB).

On December 14, 2020, by Resolution No. 14/2020, the Audit Committee of ERBUD S.A. issued a recommendation to the Supervisory Board on the appointment of an auditor (PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k) with the aim to review the interim financial statements and to audit the annual financial statements of the Company and the Company's Capital Group in 2021-2023 period.

By virtue of Resolution No. 2/2021 of 07/01/2021, the Supervisory Board of ERBUD S.A. agreed to extend the agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. on the review of interim financial statements and the audit of annual financial statements of the Company and the Company's Capital Group for the 2021-2023 period, as recommended by the Audit Committee of ERBUD S.A.

2. The Remuneration Committee between 1 January 2020 and 31 December 2020 operated with the following composition:

- Udo Berner - Chairman (dependent Supervisory Board member, has been sitting on the Remuneration Committee since 8 December 2009)
- Michał Otto - a Committee Member (an independent Supervisory Board member, has been sitting on Remuneration Committee since 28 April 2016)
- Janusz Reiter - a Committee Member (an independent Supervisory Board member, has been sitting on the Remuneration Committee since 18 May 2018)

8.5.2. Competencies

The powers of the Supervisory Board include:

- to approve the strategic long-term plans of the Company,
- to approve annual schedules of works and expenditures of the Company and its Capital Group,
- to approve the investment plans of the Company and its Capital Group,
- to give consent to: acquisition, disposal and encumbering of real estate, perpetual usufruct, or share in real estate or perpetual usufruct,
- to give to consent to setting up and dissolution of manufacturing plants and branch offices.
- to give consent to the Company to extend guarantees, sureties and issuance of bills of exchange, acceptance of sureties, opening of a letter of credit each time when the value exceeds the equivalent of EUR 2,000,000.00 (in words: two million), except for: guarantees issued at the Company's request by financial institutions related to the regular course of business.
- to give consent to equity investments exceeding the equivalent of EUR 100.000,00 (in words: one hundred thousand) except for capital investments, Treasury bills and Treasury bonds issued in Poland or in the countries where the Company runs its business activities,
- to approve the acquisition, disposal, encumber shares or interest in other entities,
- to determine the voting procedure for the Company representatives sitting on the bodies of subsidiaries and affiliated entities with reference to the following matters: appointment and dismissal of the members of the bodies of subsidiaries and affiliated entities, dissolution or liquidation of such subsidiaries and entities, changes of the company profile, split or merger of subsidiaries or affiliated entities,
- to grant consent to take all measures not related to the Company profile and extraordinary measures with the value exceeding the equivalent of EUR 100,000.00 (in words: one hundred thousand),
- to give consent to enter into agreements with the shareholders holding at least 5% of the total number of votes at the Company's General Meeting and with the related entities in the understanding of International Accounting Standards pursuant to the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards; The above obligation does not cover typical transactions and concluded following arm's length principle during operations run by the Company with the member companies belonging to the company capital group,
- to grant consent to the investments exceeding the equivalent of the value of EUR 100,000.00 (in words: one hundred thousand), unless such investments are included in the investment plan, approved by the Supervisory Board,
- to give consent to enter into hire, rent and licensing agreements with the effective term exceeding 48 months concluded outside regular course of business and not foreseen in the budget,
- to give consent to submit proposals and to enter into civil works contracts with the net value exceeding the equivalent of the amount of EUR 30.000.000,00 (in words: thirty million Euros), in case of joint proposals, the reliable measure is the net sum of the proposal rather than Company share in the proposal,

- to give consent to dispose of the right or to take an obligation by the Company, within a single or higher number of legal transactions with the same entity, with the value exceeding the equivalent of EUR 5,000,000.00 (in words: five million Euros) during the financial year.
- to grant permission to employ an employee with an annual remuneration exceeding the equivalent of 150,000.00 (in words: one hundred fifty thousand) Euro,
- to grant consent to the appointment of the members of Company's Management Board to the management or supervisory boards of non-member companies from of the Company's capital group and in cases specified in Art. 380 § 1 of the Commercial Companies' Code,
- other matters reserved for the powers of the Supervisory Board by law, provisions of these Articles of Association, forwarded upon the request of the Management Board or delegated by virtue of a resolution of the General Meeting.

The Audit Committee powers include:

- to monitor the financial reporting process.
- to monitor the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting.
- to monitor the performance of auditing activities including in particular the conduct of an audit by the audit firm.
- to control and monitor the independence of the statutory auditor and the audit firm, in particular when other auditing services are provided to the Company by the auditor;
- to inform the Company's Supervisory Board about audit findings and to explain how the audit contributed to the reliability of financial reporting at the Company, and what was the role of the Audit Committee in the audit process;
- to assess the independence of the auditor and to give consent to the provision of permitted non-audit services to the Company;
- to develop a policy of audit firm appointment to carry out the audit of Financial Statement;
- to develop a policy by the audit firm to carry out the audit, by entities related to this audit firm and by a member of the auditing company's network of permitted non-audit services;
- To determine the procedure for the audit firm appointment by the Company.
- to make recommendations to the Supervisory Board regarding the appointment of statutory auditors or audit firms in adherence to the policies developed by the Audit Committee;
- to make recommendations aimed at securing the reliability of the financial reporting process at the Company.

On 30 March 2020, the Supervisory Board submitted a statement on the appointment and operation of the Audit Committee of ERBUD S.A., declaring that the legislation concerning the appointment, composition and operation of the Audit Committee, are complied with, including the fulfilment by its members of the independence criteria and requirements regarding having adequate knowledge and skills in the industry in which the Company operates and in the field of accounting or auditing of financial statements,. The Supervisory Board also declares that the Audit Committee of ERBUD S.A. performed its responsibilities provided for in the applicable regulations.

The responsibilities of the Remuneration Committee include:

- to plan remuneration policy for the Management Board members,
- to adjust the remuneration of Management Board members to long-term interests of the Company.

8.6. Entity authorized to audit the financial statements

The Company has a procedure in place for the appointment of the audit firm, a policy for the appointment of the audit firm to carry out the audit and a policy for delivery by the audit firm carrying out the audit, by entities related to the audit firm and by a member of the audit firm's network of permitted non-audit services. The main principles of the policy developed for the appointment of an audit firm to carry out statutory audit and the policy for the delivery of non-audit services by the audit firm carrying out the audit are in compliance with the rules related to: (i) maintaining the statutory auditor's independence, (ii) avoiding conflicts of interest, (iii) proper preparation of the documentation in the bidding process, (iv) a non-discriminatory audit firm appointment process during the bidding process, (v) a fair assessment of the experience of the audit firm and the audit team and the key statutory auditor, (vi) determining the appropriate remuneration of the audit firm for the services provided, (vii) ensuring appropriate rotation of audit firms. In 2020, ERBUD S.A. appointed an audit firm to carry out the audit on the basis of the adopted procedures related thereto. The appointment of the audit firm for the statutory audit for the accounting year 2020, which related to the renewal of the contract, was based on a resolution passed by the Audit Committee on 5 March 2019, which made a recommendation to the Supervisory Board regarding the appointment of the audit firm.

Remuneration of the entity authorised to audit financial statements (in '000 PLN)	2020	2019	2018
Audit of annual financial statements and consolidated financial statements	259	259	300
Review of the interim financial statements/consolidated financial statements	200	200	170
Other services (annual audit of financial statements of subsidiaries)	426	226	226
Other services (market analysis of the industrial services sector in Germany)	0	0	EUR 325
Other services (research of foreign markets in terms of future acquisitions, due diligence of selected entities and advice on transactions)	EUR 0	EUR 0	EUR 27
Other services - attestation service concerning the report on remuneration for the members of the Management and Supervisory Boards	25	0	0
TOTAL PLN	PLN 910	**PLN 685**	**PLN 696**
TOTAL EUR	**EUR 0**	**EUR 0**	**EUR 352**

The Audit Committee's Recommendation fulfilled the effective requirements i.e.: (i) indicated the audit firm that was a candidate for the appointment to act as auditor performing statutory audit, (ii) included a statement that the recommendation is free from third-party influence, and (iii) stated that ERBUD S.A. did not conclude agreements containing clauses referred to in Article 66.5a of the Accounting Act of 29 September 1994 (Journal of Laws of 2021, item 217). Subsequently on 22 March 2019, the Supervisory Board adopted a resolution on the renewal of the agreement with the audit firm Pricewaterhousecoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k. for statutory audit services for the 2019 - 2020 period, i.e. for auditing the annual separate financial statements of ERBUD S.A. and the annual consolidated financial statements of the ERBUD Group, as well as reviewing the interim separate financial statements of ERBUD S.A. and the interim consolidated financial statements of the ERBUD Group.

Pricewaterhousecoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k. has been entered in the register of audit firms, kept by the Polish Agency for Audit Supervision under registration number 144.

In addition, the Audit Committee, acting pursuant to Article 130, para 1, subpara 4) of the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2020, item 1415) adopted a resolution on the

assessment of the auditor's independence and consent to the provision by the auditor of permitted non-audit services, i.e. services of review of the financial statements of ERBUD S.A. for H1 2020 and the consolidated financial statements of the ERBUD Group for H1 2020.

The remuneration paid in 2020 concerned services delivered under the 2019 Agreement.

On 29 March 2021, the Supervisory Board of ERBUD S.A. submitted a statement on the appointment of an audit firm to audit the annual financial statements in compliance with the regulations, including the selection and procedure for the appointment of the audit firm, along with an indication that:

- a) the audit firm and the members of the audit team have fulfilled the conditions to prepare an unbiased and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and rules of professional ethics,
- the applicable rules relating to the rotation of the audit firm and of the key statutory auditor and the mandatory grace periods are complied with,
- (c) the issuer has a policy in place on the appointment of an audit firm and a policy on the delivery of additional non-audit services to the issuer by the audit firm, an entity affiliated to the audit firm or a member of its network, including services conditionally exempted from the prohibition on the audit firm providing;

On 6 April 2021 , the Supervisory Board assessed the compliance of the report on the activities of ERBUD S.A. and the annual financial statement with the books, documents and the actual state of affairs.

In addition, Pricewaterhousecoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k. provided audit services on historical financial information for the purposes of the ONDE S.A. Prospectus (compensation – PLN 350 thous.) and other services relating to work on the Prospectus (compensation - PLN 250 thousand).

The assessment of the Supervisory Board along with its rationale is a separate part of the Financial Statements

ERBUD S.A. keeps its trading books dutifully and economic events are correctly reflected in the accounting records. The Operations Report and the financial statements prepared on their basis properly reflect the formal and factual status of ERBUD S.A.

8.7. Management Board Activities

8.7.1. Composition

The Management Board Members are appointed and dismissed by the Company's Supervisory Board. The Management Board Members have not been granted special rights, in particular the right to decide on the issue or redemption of shares.

In the period from 1 January to 2 January 2020 the Management Board of ERBUD S.A. was represented by:

- Dariusz Grzeszczak - the President of the Management Board
- Agnieszka Głowacka – Vice-President of the Management Board

In the period from 2 January to 30 September 2020 the Management Board of ERBUD S.A. was represented by:

- Dariusz Grzeszczak - the President of the Management Board
- Agnieszka Głowacka – Vice-President of the Management Board

- Jacek Leczkowski - Vice-President of the Management Board appointed to the Company's Management Board by virtue of the Resolution No. 50/2019 of the Supervisory Board of ERBUD S.A., dated 2 December 2019.

In the period from 1 October 2020 to this Annual Report Date the Management Board of ERBUD S.A. was represented by:

- Dariusz Grzeszczak - the President of the Management Board
- Agnieszka Głowacka – Vice-President of the Management Board
- Jacek Leczkowski - Vice-President of the Management Board
- Radosław Górski - a Management Board member appointed to the Company's Management Board by virtue of the Resolution No. 57/2020 of the Supervisory Board of ERBUD S.A., dated 4 September 2020.

8.7.2. Powers as of 8 April 2021

A Management Board member	Responsibility
Dariusz Grzeszczak – President of the Management Board	**With regard to ERBUD Group** a) Development of ERBUD Group strategy. b) Development and supervision over the activities of HR Department. c) Supervision over the activities of the Marketing Department. d) Oversight over the operations of the Communication and PR Department e) Supervision over the activities of the Division of Advisors to the Management Board on Strategy and Development. f) Supervision over the activities of the Management Board Office g) Supervision over the activities of the Corporate Governance Office. h) Supervision over foreign activities (GWI Bauunternehmung GmbH, ERBUD International sp. z o. o., , ERBUD S.A.).
Agnieszka Głowacka – Vice-President of the Management Board	**With regard to ERBUD S.A.:** a) Receiving of anonymous reports on the infringements of the law, procedures and ethical standards at ERBUD S.A. **With regard to ERBUD Group** a) Supervision over the activities of the Finance Division. b) Supervision over the activities of the Audit and Internal Control. c) Cooperation with financial institutions, banks, insurance companies, brokers. d) Coordination of information policy on the MAR MAD Directive. e) Supervision over financial and non-financial reporting. f) Acquisition of financing sources. g) Supervision over the implementation of the financial policy of the ERBUD Group. h) Supervision over the activities of ERBUD Shared Services Sp. z o. o.
Jacek Leczkowski – Vice-President of the Management Board	**With regard to ERBUD S.A.:** a) Supervision over the operations of the Production Division in Poland - building construction (relations with industry investors, support in the acquisition of building contracts). b) Supervision over the operations of the Representative for the Integrated Management Systems c) Supervision over the operations of the Legal Division.

	d) Supervision over the Purchasing and Central Procurement Division e) Supervision over the activities of Building Information Modelling (BIM) Department **With regard to ERBUD Group** a) Supervision over the operations of the OH&S Division. b) Supervision over ONDE S.A., formerly PBDI S.A. c) Supervision over ERBUD Operations Sp. z o.o. d) Supervision over JV WMER Matoc Sp. z o. o. e) Supervision over JV PABC Sp. z o. o.
Radosław Górski – a Management Board member	**With regard to ERBUD S.A.:** a) Supervision over hydrotechnical operations With regard to ERBUD Group a) Supervision over the operations of Industry Group in Poland, including the following companies: ERBUD Industry Sp. z o. o. ERBUD Industry Centrum sp. z o. o. ERBUD Industry Poludnie Sp. z o. o. b) Supervision over the operations of the foreign maintenance business i.e.: IVT Weiner + Reimann GmbH

8.7.3. Management Board

Total amount of remuneration paid by ERBUD S.A. and its subsidiaries to the Management Board Members of ERBUD S.A. .

Name and surname	Remuneration paid by the Issuer in 2020	Remuneration paid by the Issuer's subsidiaries in 2020	Total
Dariusz Grzeszczak	3,518.00	217.00	3,735.00
Agnieszka Głowacka	1,102.00	162.00	1,264.00
Jacek Leczkowski	3,337.00	210.00	3,547.00
Radosław Górski	231.00	0.00	231.00
TOTAL	**8,188.00**	**589.00**	**8,777.00**

Name and surname	Remuneration paid by the Issuer in 2019	Remuneration paid by the Issuer's subsidiaries in 2019	Total
Dariusz Grzeszczak	2,793.00	361.00	3,154.00
Józef Zubelewicz	1,418.00	1,911.00	3,329.00
Agnieszka Głowacka	562.00	162.00	724.00
TOTAL	**4,773.00**	**2,434.00**	**7,207.00**

With reference to Mr Dariusz Grzeszczak, a Management Board member

*** In the event the Company terminates the Contract in compliance with a notice period, where the reason justifying termination of the Contract is dismissal of the Member from the Company's Management Board and such termination occurs before the expiry of the Management Board's term of office, the Company shall pay the Member of the Management Board a compensation in the amount equal to the product of the equivalent of EUR 15,000 gross (in words: fifteen thousand euro and 00/100) and the number of months remaining until expiry of the term of office.

During the effective term of this Contract as well as within one year after its termination, the Member of the Management Board shall be subject to a competition ban clause. The Company undertakes to pay to the Management Board member each month after his Contract termination, for the period corresponding to the duration of the Competition Ban Period, the amount of compensation equal to the equivalent of EUR 15 000.00.

In the event that a Management Board member violates his obligation to refrain from competitive business activities during the effective term of the Competition Ban Clause or to keep the Company's secrets confidential, then such Management Board member shall pay the Company a contractual penalty in the amount of EUR 30,000.00

With reference to Mr Jacek Leczkowski, a Management Board member

Each Party may terminate this Contract subject to giving a 12-month notice, with the effect at the end of calendar month. A Management Board member shall not be entitled to additional compensation in connection with his or her removal from the position of the Management Board member before the end of the term of office.

The obligation to refrain from competitive activities shall remain in effect for 12 months from the Contract termination date. During the period when the Management Board member refrains from competitive activity after termination of the Agreement, the Company undertakes to pay to the Member of the Management Board, each month after termination of the Contract, for the period corresponding to the effective term of competition ban- the amount of monthly compensation being the equivalent of PLN 35,000.00.

In the event that a Management Board member has violated his obligation to refrain from competitive activities during the effective term of the Competition Ban Clause or to keep the Company's secrets confidential, then such Management Board member shall pay the Company a contractual penalty in the amount of PLN 210.000,00

With reference to Ms Agnieszka Głowacka, a Management Board member

Each Party may terminate this Contract subject to giving a 12-month notice, with the effect at the end of calendar month. A Management Board member shall not be entitled to additional compensation in connection with his or her removal from the position of the Management Board member before the end of the term of office.

The obligation to refrain from competitive activities shall remain in effect for 6 months from the Contract termination date. During the period when the Management Board member refrains from competitive activity after termination of the Agreement, the Company undertakes to pay to the Member of the Management Board, each month after termination of the Contract, for the period corresponding to the effective term of competition ban- the amount of monthly compensation being the equivalent of PLN 22.500,00.

In the event that a Management Board member has violated his obligation to refrain from competitive activities during the effective term of the Competition Ban Clause or to keep the Company's secrets confidential, then such Management Board member shall pay the Company a contractual penalty in the amount of PLN 60.000,00

With reference to Mr Radosław Górski, a Management Board member

Each Party may terminate this Contract subject to giving a 12-month notice, with the effect at the end of calendar month. A Management Board member shall not be entitled to additional compensation in connection with his or her removal from the position of the Management Board member before the end of the term of office.

The obligation to refrain from competitive activities shall remain in effect for 12 months from the Contract termination date. During the period when the Management Board member refrains from competitive activity after termination of the Agreement, the Company undertakes to pay to the Member of the Management Board, each month after termination of the Contract, for the period corresponding to the effective term of competition ban- the amount of monthly compensation being the equivalent of PLN 35,000.00.

In the event that a Management Board member has violated his obligation to refrain from competitive activities during the effective term of the Competition Ban Clause or to keep the Company's secrets confidential, then such Management Board member shall pay the Company a contractual penalty in the amount of PLN 105.000,00

8.7.4. Supervisory Board

In 2020, the remuneration of the Supervisory Board paid by the Issuer was as follows:

Remuneration of the Supervisory Board members ('000 PLN)	2020	2019
Udo Berner	37.5	90
Albert Dürr	61	60
Gabriel Główka	72	72
Michal Otto	60	60
Janusz Reiter	60	60
Piotr Kaczmarek	61	60
Total	**351.5**	**402**

The members of the Supervisory Board of the Issuer do not receive remuneration from the Issuer's subsidiaries.

8.8. Diversity Policy

The Company appreciates and respects diversity at the workplace based on age, gender, education, work experience, disability, health status, race, nationality, ethnicity, religion, creed, irreligion, political beliefs, union membership, psychosexual orientation, gender identity, family status, lifestyle and any other characteristic.

Diversity is considered to be an important aspect of personal capital management in the Company, providing opportunities for development based on various criteria and competencies and fostering the creation of a working environment in which each employee can fully exploit their potential, which translates into the success of the entire organisation.

In accordance with the principles of equal treatment and non-discrimination, the Company wishes to create a work environment where every employee feels respected, valued and fairly evaluated. The Company believes that diversity at the workplace is an added value, a company's potential and that when properly used, it will contribute to the development of its personal capital and the achievement of its business objectives. The Company has a diversity policy in place to promote and protect this aspect of personal capital management.

It is important to develop and improve the model of the diversity policy with regard to the Company's governing bodies, and in particular its executives. Although the Company has no direct influence on the choice of its office holders, its policy is conducive to building the widest possible pool of talents representing versatile and diverse qualities. In the Company's opinion, its governing bodies include people representing a rich and wide range of competences and qualifications, bringing together various attitudes and points of view. At this point in time, the Company has not achieved a gender balance in the composition of the organs, however, the composition of the organs is varied in terms of the other features mentioned above, i.e. educational background, age and professional experience.

The Company pursues a diversity policy, mainly through the ERBUD Group's absolute prohibition of unequal treatment in the workplace due to, among other things, gender, age, disability, scope and basis of employment and any other characteristics that may give rise to discriminatory behaviour. The Company has procedures in place to combat discriminatory behaviour, which ensure that those working for the ERBUD Group are treated equally as regards the establishment and termination of employment, conditions of employment, promotion and access to training to improve professional qualifications.

9. MANAGEMENT BOARD STATEMENTS

True and fair view of the report

According to the best knowledge of the Management Board of ERBUD S.A., the financial figures for 2020 and the comparable reporting period included in the Management Board's Report on the activities of the ERBUD S.A. Capital Group, including the Report on the Activities of ERBUD S.A., have been prepared in line with the applicable accounting principles and give a true, fair and clear view of the assets and the financial position of ERBUD S.A. and ERBUD Capital Group.

Report on non-financial information called "Integrated Report" represents a separate part of the Annual Report.

Impartiality and independence of the entity authorized to audit financial statements

The Management Board of the Parent Company ERBUD S.A., based on the statement of the Supervisory Board of ERBUD S.A. of 29 March 2021, hereby declares that:

the appointment of the audit firm to carry out the audit of the annual financial statements has been made in accordance with the applicable rules, including those concerning the appointment and procedure for the audit firm appointment:

- the audit firm and the members of the audit team have fulfilled the conditions to prepare an unbiased and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and rules of professional ethics,
- the applicable rules relating to the rotation of the audit firm and of the key statutory auditor and the mandatory grace periods are complied with,
- ERBUD S.A. has a policy in place on the appointment of an audit firm and a policy on the delivery of additional non-audit services to ERBUD S.A. by the audit firm, an entity affiliated to the audit firm or a member of its network, including services conditionally exempted from the delivery ban by the audit firm.

Signatures of all Management Board members:

Dariusz Grzeszczak

President of the Management Board

Agnieszka Głowacka

Vice-President of the Management Board

Jacek Leczkowski

Vice-President of the Management Board

Radosław Górski

A Management Board member

Warsaw, 8 April 2021