2022 Operations Report of ERBUD Capital Group

Contains ERBUD S.A. Operations Report

28 March 2023



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A LETTER OF THE MANAGEMENT BOARD MEMBERS

Dear Sirs,

The summing up of last year has clearly shown us high level of our dependence on the international developments, that business cycles are a natural phenomenon in the economy, and that responding to the market situation requires not so much intuition as an in-depth analysis, drawing conclusions and agile decision-making, and, first and foremost, a well-thought-out strategy that involves multi-faceted approach to task execution.

The construction sector entered 2022 at full speed, in good spirits, looking forward to more contracts. Russia's attack on Ukraine changed almost everything overnight, redefined priorities, redirected attention to helping our workers and family members of workers in the war-torn country. We rose to the challenge by setting up major aid projects. The ensuing unprecedented price hikes of construction materials following the refugee crisis has forced contract renegotiation, which has been the major challenge faced by the sector this year.

ERBUD has passed the test successfully, maintaining the profitability of its building construction contracts. At the same time, the tough market environment has strengthened our conviction that the path taken years ago to diversify the business and convert from a building construction monolith contractor into a multi-area service provider and maintenance Group, stably standing on four strong business legs, was the right one. We have looked out for market trends, we monitor European agenda, we try not to cast spells on the reality by understanding the direction in which the world is evolving.

Ten years ago we made a strategic decision to enter a new business area, and today we are witnessing the outcome. Last year, we recorded excellent performance in the business segment involving maintenance services to the industry, which resists crises, sensitive contract calculations or material prices, because we offer primarily the unique expertise of our workforce. The number of new customers exceeded 300 in the maintenance service business segment, thanks not only to the successful acquisition of the IKR company from the German Bilfinger Group in 2021, but also thanks to its successful integration with our structures.

The RES business area, which has long been our speciality, has met its set objectives despite the uncertainty associated with the liberalisation of the 10H Act. We signed contracts worth PLN 2.8 billion, including some outside Poland, starting with the first construction contracts for the wind farms in Lithuania. Responding quickly to the market environment, we converted our business from the perspective of energy generation by executing the first projects for our own use. In the autumn, our first photovoltaic farm launched electricity generation activities, which was a milestone in the development of ONDE, our subsidiary in the City of Toruń.

In November, we commissioned the MOD21 manufacturing facility - our latest start-up, tailored perfectly to the needs of Western Europe. The manufacturing facility with more than 21,000 square meters of floor area will be used to fabricate modular timber buildings, primarily targeted at the German market. We are delighted that, despite numerous difficulties and turbulence in global markets, we were able not only to complete the construction of the manufacturing facility and to install state-of-the-art manufacturing line on time, but also to host almost 1,000 people from Poland and Germany at the opening ceremony and to sign the first contract before Christmas.

Entering the modular construction segment is a part of broader strategy aimed at transformation towards green construction activities. The proof of our green aspirations is the prestigious EMAS certification that we were granted once again, as well as setting up of a special unit responsible for ESG reporting and for business conversion in compliance with the characteristics promoted by the European Union. As a Group, we have

announced our ambitious plans related to this, including but not limited to the achievement of climate neutrality in indirect emissions by 2030, and a 20 per cent share of renewable energy sources in the energy mix by 2025.

In the reported period our personnel worked very hard that we appreciate very much. We are pleased to be amongst the world's best employers according to the Statista Institute, compiled on the grounds of the surveys carried out with 150,000 employees from 57 countries, published by the US "Forbes" bi-weekly. We hope that employees also appreciated our intensive efforts taken to take care for their safety, which is the foundation of our business. Our safety standards have been confirmed, *inter alia*, by the series of "Build Safely" awards, won by the construction sites from almost all our branches and by companies in Poland. We are pleased to report that 2022 was another year when not a single fatal accident occurred on our construction sites.

Despite hardship and challenges we had to face this year, we managed to generate an operating margin of PLN 20,858 thousand on revenue of PLN 3,855,649 thousand. The order book of PLN 2.5 billion is a satisfactory result, especially considering the lack of funds under the National Recovery Plan for Poland and the difficult mortgage market, which has caused a slowdown in the residential housing segment.

Invariably, we carry out projects to ERBUD's standard - on time, safely, innovatively and with the highest quality. The realisation of our plans would not have been possible if it were not for the joint action taken in partnership with our stakeholders. It is with you in mind - our investors, business partners, employers and personnel - that we present this document summarising what has been a busy year in 2022.

With best wishes of good health,

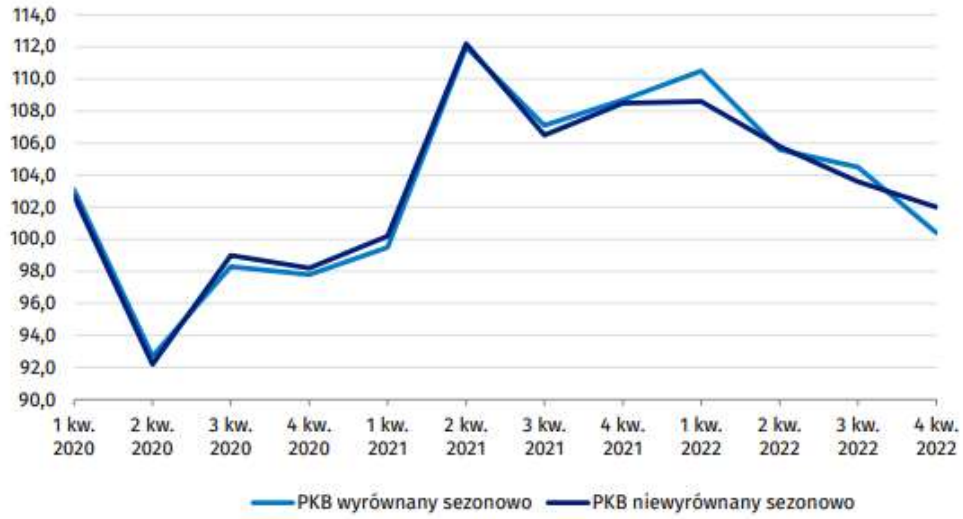
Dariusz Grzeszczak Agnieszka Głowacka Jacek Leczkowski

1. MACROECONOMIC ENVIRONMENT

1.1. Economic situation

1.1.1. Poland

According to a preliminary estimate by the Poland Statistics (former Central Statistical Office (CSO)), Gross Domestic Product (GDP)) grew by 2.0% year-on-year in real terms in Q4 2022, as opposed to the growth of 8.5% in the corresponding quarter of 2021. The data points to a deceleration of the Polish economy, with activity also slowing down in Poland amid weakening global growth. For comparison sake, real GDP growth in the first three quarters of 2022 was 8.6%, 5.8% and 3.6% respectively. The reduction in consumer demand (down by 1.5% against Q4 of the previous year) is having a downward impact on economic growth. At the same time, investment rate continues to grow (by 4.9% ear-on-year). Economic performance was still boosted by the accumulation of inventory by the companies. The economists point out that the industrial sector is doing relatively well. On the other hand, the construction sector is slowing down and commerce is facing stagnation. Preliminary data published by the Statistics Poland show a deceleration of the economy after a period of 'post-pandemic' growth. Despite the economic slowdown, the good labour market situation, including low unemployment, persists. At the same time, the size of workforce remains high, although there is a noticeable decline in the private sector.



Key:

PKB wyrównany sezonowo = Seasonally adjusted GDP

PKB niewyrównany sezonowo = Seasonally unadjusted GDP

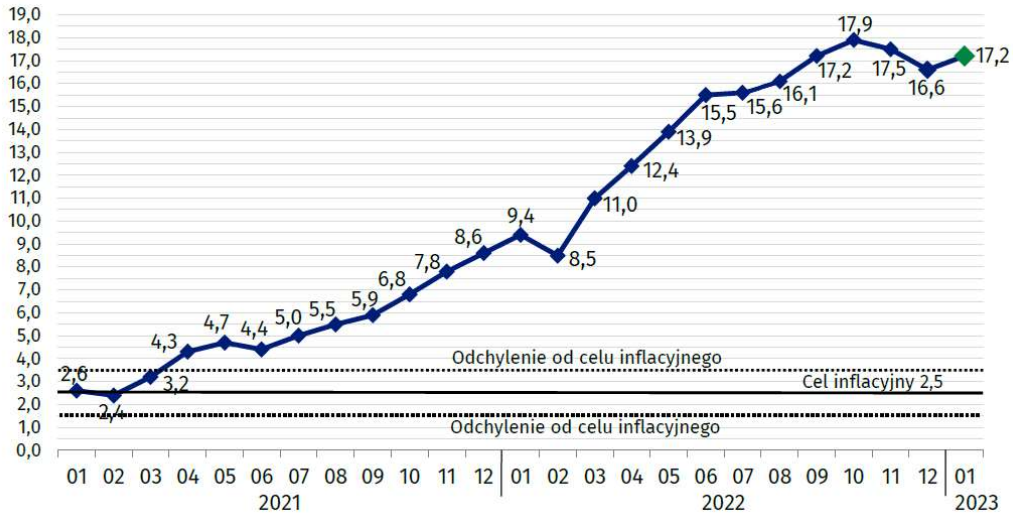
Source: Statistics Poland (former Central Statistical Office), quarterly national accounts, real GDP dynamics (corresponding period of the previous year = 100)

At the beginning of February, the European Commission revised its GDP forecast for Poland, lowering the projected growth of Polish GDP in 2023 from 0.7% to 0.4% compared to the autumn projection. The EC report indicates that GDP growth will rebounce to 2.5 per cent in 2024, as inflation eases and global growth accelerates. With reference to inflation rate, estimates are 11.7% in 2023 and 4.4% in 2024.

The public finance sector deficit in the first three quarters of 2022 accounted for 0.9% of GDP, against 0.3% of GDP in the same period of 2021. According to the Ministry of Finance's preliminary estimates, the debt of the finance sector to this extent could be below 50% of GDP at the end of 2022 (against 53.8% at the end of 2021). The labour market performance remains good, as evidenced in particular by the still low unemployment rate and the continued growth in employment and average wages in nominal terms. At the same time, the slowing down of economic activity is gradually translating into a reduction in wage growth rate and, as a result, wages are declining in real terms.

On 8 March 2023, the National Bank of Poland published a press release with the first details of the March GDP and inflation projections for Poland. According to the central projection path, GDP will grow in real terms by 0.9% in 2023, 2.1% in 2024 and 3.2% in 2025. According to the latest estimate, the rate of price growth in 2023 will be 11.9%, and in the following two years, mid-year CPI inflation rate is expected to be 5.7% and 3.5% respectively. The NBP forecast is prepared under the assumption of unchanged interest rates over the projected period, so according to the Central Bank's estimates, a return of inflation to the area of the NBP's inflation target (1.5%-3.5%) will only occur in approximately two years.

According to the Statistics Poland, the average annual total consumer price index in 2022 compared to 2021 was 114.4 (a price hike by 14.4%, while the average annual inflation in 2021 was 5.1%). The largest increases of around 20% were recorded in the baskets housing/home use and energy and transport, which is linked to the fuel price hikes.



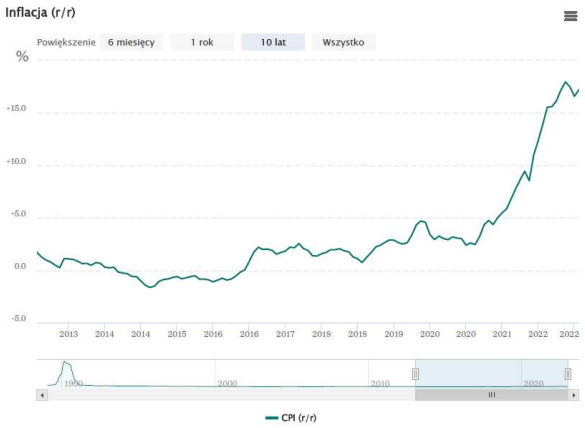
Key:
Odchylenie od celu inflacyjnego = Deviation from inflationary target
Cel inflacyjny = Inflationary target

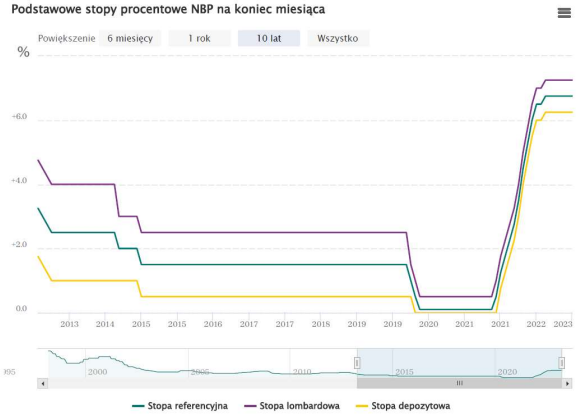
Source: Statistics Poland, changes in prices of consumer goods and services compared to the same period of the previous year (%)

Preliminary data from the Statistics Poland shows that inflation at the end of January 2023 was hovering around 17,2% on a year-on-year basis. The inflation rise driver vis-à-vis December (16.6%) was the increase in VAT rates on energy products. At the same time, the level of inflation - despite declining demand growth rate - continued to be influenced by the transfer onto consumer goods prices of significant cost increases associated with the earlier strong rise in global commodity prices and disruptions in global supply chains. However, commodity prices and PPI inflation have been declining for several months, signalling a gradual weakening of external supply shocks. According to NBP analysts, this, together with the weakening of economic activity, will have an impact on the decline of domestic consumer price growth rate in consecutive quarters.

In March 2023, the Central Bank's reference rate, as decided by the Monetary Policy Council (MPC), remained at 6.75%, with the last change occurring in September 2022 (up from 6.5%). According to a press release from the National Bank of Poland (NBP) following the Monetary Policy Council's (MPC) meeting held on 7-8 March 2023, the Council is of the opinion that the weakening of the economic environment surrounding the Polish economy, together with the fall in commodity prices, will continue to have a dampening effect on global inflation, which will also influence lower price growth rates in Poland. A weakening of GDP growth, including consumption, occurring against a backdrop of a significant reduction in lending dynamics, will contribute to the decline in domestic inflation. As a result, the Council assesses that the previously strong tightening of the

NBP's monetary policy (increasing from 0.1% in September 2021, to 1.75% at the end of 2021 and then gradually to 6.75 in September 2022) will lead to a decline in inflation in Poland towards the inflation target.



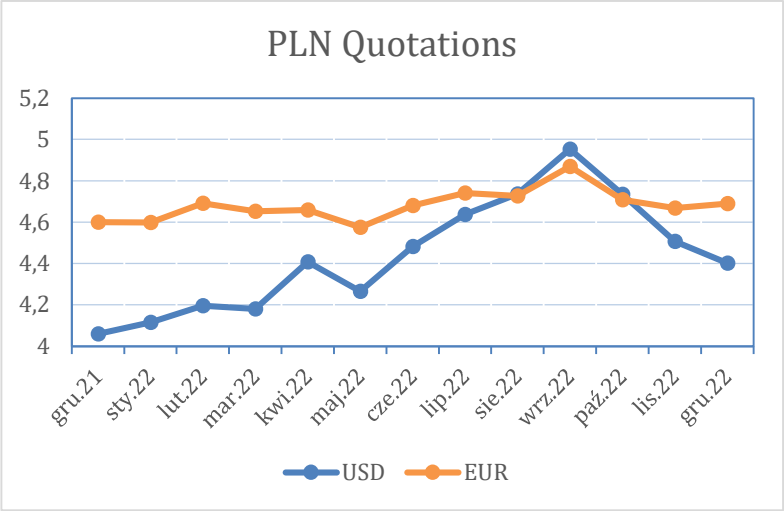


Key:	
Inflacja (r/r) = Inflation (y/y) *Powiększenie = Increment* *6 miesięcy = 6 months* *1 rok = 1 year* *10 lat = 10 years* *Wszystko = All* *CPI (r/r) = CPI (y/y)*	*Podstawowe stopy procentowe NBP na koniec miesiąca = Basic interest rates of the Central Bank (NBP) at the month-end* *Powiększenie = Increment* *6 miesięcy = 6 months* *1 rok = 1 year* *10 lat = 10 years* *Wszystko = All* *Stopa referencyjna = Reference rate* *Stopa lombardowa = Lombard rate* *Stopa depozytowa = Deposit rate*

Source: NBP, CPI inflation and the level of NBP rates

At the same time, the Monetary Policy Council (MPC) believes that due to the magnitude and persistence of the impact of past shocks, which are beyond the influence of domestic monetary policy, the return of inflation to the inflation target will be gradual. This assessment is in line with the inflation and GDP projections prepared by the Central Bank. A faster reduction in inflation would be supported by a strengthening of the zloty, which the MPC believes would be consistent with the fundamentals of the Polish economy.

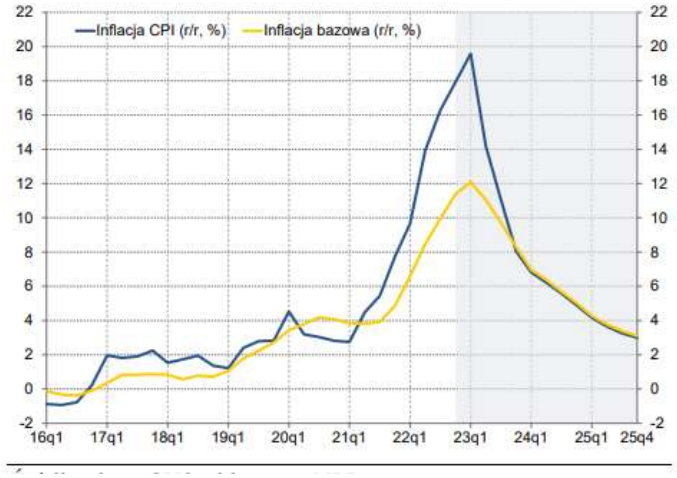
At the end of December 2022 compared to the end of 2021, the Polish złoty had weakened against the euro by 2% and against the US dollar by 8.4%. Russia's attack on Ukraine and the on-going war across the eastern border is raising uncertainty on the part of investors. It is also important to bear in mind rate rises in the USA or the euro zone generating demand for the US dollar and the European currency. The exchange rate of the Polish currency is negatively affected by internal factors such as the government's expansionary fiscal policy and high inflation rate.



Key: Horizontal time axis: quotations from Dec. 21 to Dec. 22

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

According to the November 2022 NBP Inflation Report, price-forming processes are still under the influence of a strong negative supply shock reinforced by the effects of Russia's military aggression against Ukraine. It is expressed through high energy and agricultural commodity prices on global markets, raised CO_2 allowance prices and prolonged tensions in global supply networks. Demand-side factors are also contributing to the current high level of inflation. The NBP points out that the strong increase in the price of energy commodities in the global markets, as a result of the war in Ukraine, has translated and continues to translate into both domestic fuel prices for private transport and higher gas and electricity bills.

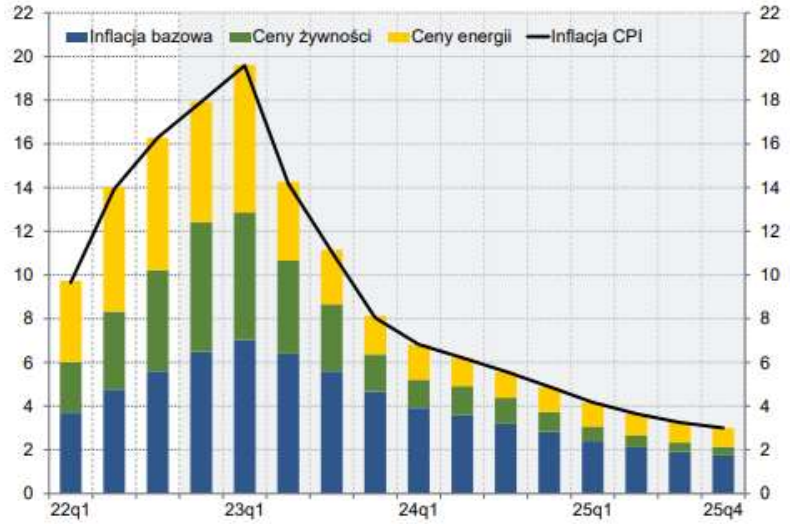


Key:
Inflacja CPI (r/r, %) = CPI inflation (y/y, %)
Inflacja bazowa (r/r, %) = Base inflation (y/y, %)

Source: National Bank of Poland (NBP), Inflation Report, Core and CPI inflation together with forecasts

According to the NBP projection of November 2022, starting from Q2 2023 CPI inflation rate will decline and at the end of the projection horizon it will return to the bracket of deviations from the Central Bank's inflation target (H2 2025). The path of inflation over the projection horizon will be influenced by the expiry of the inflation drivers in 2022, i.e. slowing growth in domestic demand, subsiding tensions in supply networks, slowing

inflation abroad, lower energy and agricultural commodity prices on global markets and declining labour cost dynamics. On the other hand, an increase in inflation expectations translating into stronger wage pressure, increased acceptance of price increases, the expiry of the Anti-Inflation Shield or the assumption of unfreezing of electricity prices in 2024 will all be price growth drivers in the economy.



Key:
Inflacja bazowa = Base inflation
Ceny żywności = Food prices
Ceny energii = Energy prices
Inflacja CPI = CPI inflation

Source: National Bank of Poland (NBP), Inflation Report, CPI Inflation - Decomposition

The uncertainty areas that will affect the price growth rate in the economy remain, according to the Central Bank, the continuation of Russia's military aggression against Ukraine, the future shape of the anti-inflationary policies of central banks and governments in the largest global economies, the anti-inflationary measures of the Polish government, EU transfers and the continuation of the COVID-19 pandemic worldwide.

1.1.2. European Union

According to Eurostat's preliminary estimates, for the overall 2022, the euro zone's GDP was up by 3.5 per cent on an annualised basis and the European Union's GDP by 3.6 per cent. Eurostat also reported that the Eurozone economy growth rate was 1.9 per cent in the last quarter of 2022 on a year-on-year basis. That's down compared to same period in 2021. At that time, the GDP growth rate was 2.3 per cent on an annualized basis. By contrast, on a quarterly basis, between Q3 and Q4, Eurozone GDP grew by 0.1 per cent. That's also a drop from the previous quarter, when quarter-on-quarter GDP growth was 0.3 per cent.

In the countries where the ERBUD Capital Group operates, the GDP growth rate in Q2 2022 (y/y) was as follows:

- Germany 1.8%
- Belgium 3.1%,
- France 2.6%,

According to the European Commission's latest publication, the GDP growth forecasts for the whole of 2023 and 2024 are as follows: European Union recorded 0.8% and 1.6% respectively (Eurozone 0.9% and 1.5%), with Germany up by 0.2% and 1.3% respectively, Belgium 0.8% and 1.6% and France 0.6% and 1.4%. According to preliminary data, inflation in the European Union in 2022 was 9.2% (slightly less in the Eurozone at 8.4%), while estimates for the next two years put price growth at 6.4% (5.6% in the Eurozone) in 2023 and 2.8% (2.5% in the Eurozone with the European currency) in 2024.

1.2. Condition of the construction sector in Poland

According to the Statistics Poland, in December 2022, negative assessments of the economy persisted in most of the presented areas. The general business climate index is below the long-term average in all areas. Most of the areas surveyed signalled no change or deterioration in the "forecast" components. Business units in the financial and insurance activities (plus 9.9) and information and communication (plus 8.0) sectors were the only ones to assess the economic situation favourably. The most pessimistic assessments were made by entities in the construction sector (minus 23.9), manufacturing sector (minus 19.5) and accommodation and catering (minus 19.5) sectors.

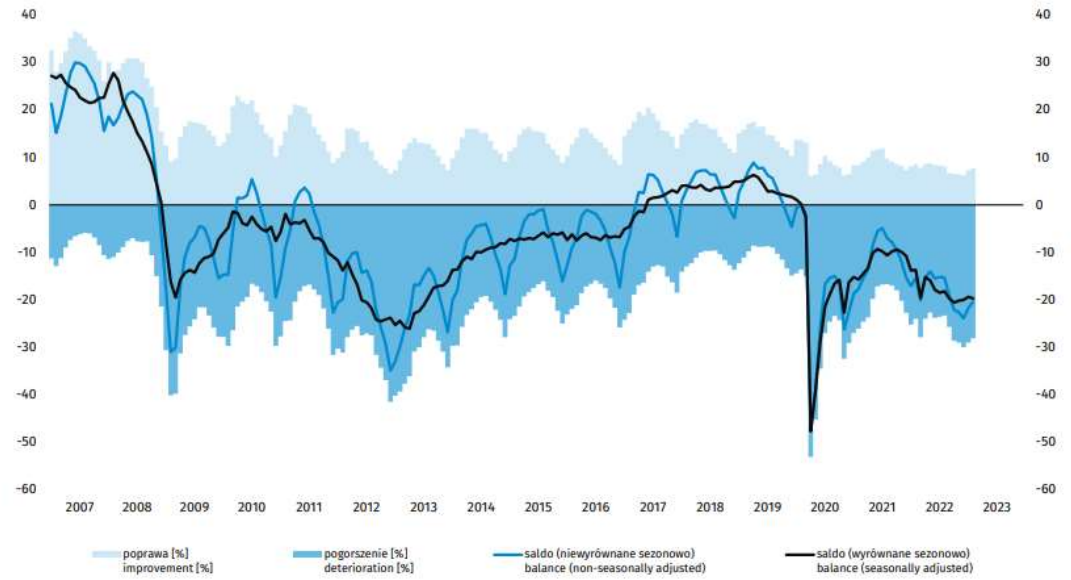


Key:
Wskaźnik ogólnego klimatu koniunktury w przetwórstwie przemysłowym = General business climate indicator in industrial processing sector
Wyrównany sezonowo = Sesonally adjusted
Niewyrównany sezonowo = Sesonally unadjusted

Source: Statistics Poland, Economic Situation in the Industrial Processing, December 2022.

Statistics Poland data from early 2023 continue to indicate negative sentiment in the construction sector. The general business climate index for the construction sector is negative at the level of 20.4 (minus 21.7 in January). An economic upturn was signalled by 7.7% of businesses, while an economic downturn was signalled by 28.1% of businesses. Other companies consider their situation unchanged. Unfavourable assessments of the current order book and construction and assembly production in the domestic market persist, and diagnoses of the financial position are slightly more negative than in January. The outlook to this extent is less pessimistic than a month ago. An increase in payment delays for completed construction and assembly works is reported, similarly to January. According to the Statistics Poland, construction company executives anticipate a reduction in employment, although less significant than that forecast in the previous month. Construction and assembly activity prices are expected to rise, but more slowly than in January.

Wykres 5. Wskaźnik ogólnego klimatu koniunktury w sekcji budownictwo
Chart 5. General business climate indicator in construction section

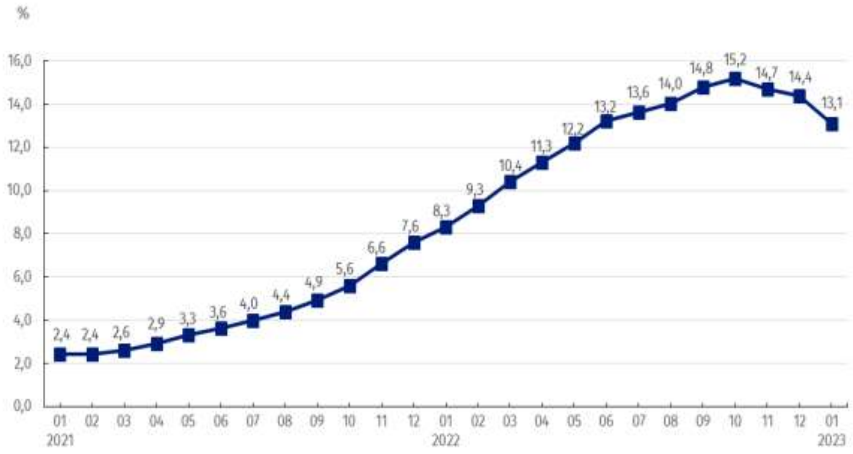


Source: Statistics Poland, Economic Situation in the Construction Sector, February 2023.

Companies reporting roadblocks most often cite difficulties related to employment costs (69.1% in February this year), uncertainty about the general economic situation (66.9%) and material costs (65.4%). On an annual basis, the importance of difficulties resulting from insufficient demand increased the most (from 17.9% to 26.6%), while the importance of barriers related to unclear, inconsistent and unstable legislation (from 56.3% to 44.6%) and shortages of skilled workers (from 41.1% to 33.1%) declined.

The housing boom came to an end with the series of interest rate rises initiated by the Monetary Policy Council in Q4 2021, which translated into a collapse of the housing lending market and falling demand for housing. In this situation, developers have put some investment project on halt.

According to preliminary data from the Statistics Poland, in January 2023, the prices of construction and assembly output were down by 13.1% compared to the same month of the previous year. Compared to January 2022, the prices of building construction were increased by 14.2%, civil engineering construction by 13.2%, as well as specialised construction works by 11.5%. Data for recent months shows that prices have started to stabilize little by little. According to a Statistics Poland press release, the prices of construction and assembly production in Q4 2022 compared to Q3 2022 have already increased by only 3.2%.

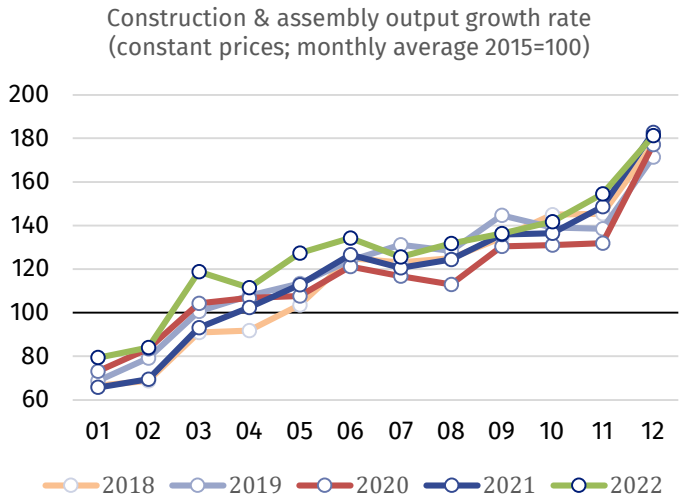


Source: Statistics Poland, Construction and assembly output price indices - changes in construction and assembly output prices in 2021-2023 compared to the same period in the previous year

The uncertainty driven by the geopolitical situation in Europe and the difficulty in predicting the future is currently a very strong factor influencing the construction boom and investment opportunities. In addition to price hikes, companies are wrestling with delays in the supply of some construction materials and raw materials. The construction sector standing in 2022 was heavily influenced by a skyrocketing price hikes for construction materials and energy. In addition, the prices of all construction production factors - labour rates for cost estimates, prices of construction materials and prices for rental and labour of construction equipment - have risen steadily over the past few years.

According to preliminary data from the Poland Statistics (former Central Statistical Office), construction and assembly output (at constant prices) carried out by construction companies in the country in December 2022 was 0.8% lower than in the same period last year (up by 3.1% a year ago) and up by 17.3% compared to November 2022.

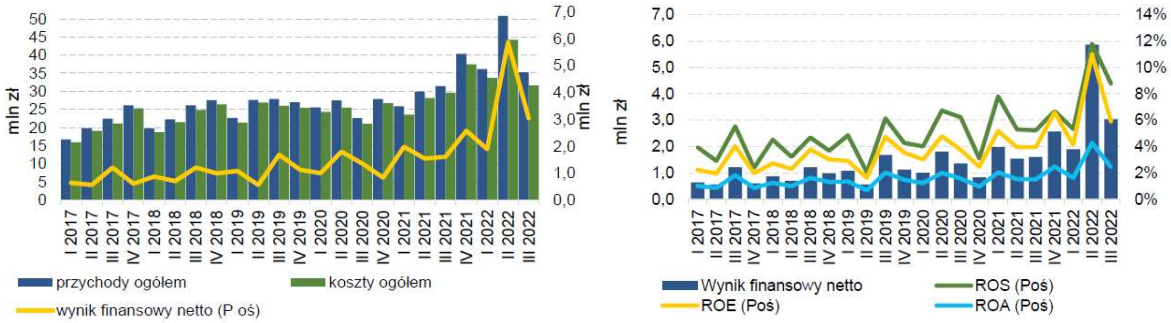
In December 2022, there was an annual increase in the value of construction and assembly output for companies whose core activity was the construction of civil engineering structures, up by 1.4%. The decrease in the value of work occurred among units carrying out specialised construction work, down by 1.7%, and those involved in the erection of buildings, down by 3.7%.



Source: Statistics Poland, monthly information on growth rates of construction and assembly output

The growth rate of construction and assembly output in December this year (in constant prices), compared to the average monthly value of 2015, was 181.2. Taking off the impact of seasonal factors, the construction and assembly output was up by 6.1 compared to the corresponding month of 2021 and down by 3.7% compared to November 2022.

According to the NBP analysis No. ... real estate market developments in Poland in Q3 2022, the number of sold developer contracts for the construction of housing units in the largest primary markets in Q3 2022 fell drastically and totalled approximately to 6,600. It was down by approximately 55% on a year-to-year basis. The collapse in housing sales in both the secondary and primary markets in 2022 spilled over into developers' decisions to cut supply, which was reflected in the decline in the housing production rate. In 2022, weakening sentiment among construction firms is evident in successive declines in the Statistics Poland's measures of construction prosperity. The past performance of the construction companies analysed was mainly and negatively affected by the continued dynamic increase in the business operating costs. The decline in housing production and building contractors' capacity to 82% was accompanied by major building construction companies (with headcount above 49 people) earning 31% less revenue in Q3 2022 compared to Q2 2022. In contrast, the positive year-on-year revenue growth rate (by 12%) was maintained. According to the Central Bank's report, the sales margin was down to 8.8% in Q3 2022, compared to 11.8% in the previous quarter and 5.2% in Q3 2021. The Central Bank analysts add that the decline in the building construction output is deepening and generating disadvantageous changes in the assets. For one year now, one of the highest shares of receivables in the asset structure has been recorded (36% on average), and the receivables collection period has extended to 99 days. Meanwhile the liquidity ratios remain at relatively high, favourable levels.



Key:	
Przychody ogółem = Total revenues	*Wynik finansowy netto = Net financial income*
Koszty ogółem = Total costs	*ROE = ROE*
Wynik finansowy netto = Net financial income	*ROS = ROS*
Mln zł = PLN M	*ROA = ROA*

Source: National Bank of Poland (NBP), economic indicators of building contractors with headcount exceeding 49 people.

According to a National Bank of Poland report, in the major office real estate markets in Q3 2022, vacancy rates have not changed significantly, and the supply of space under construction remains high. The market for modern warehousing space in Poland remained in the dynamic growth phase, with demand and supply also remaining high. The market segment for modern warehouse space continues to benefit from the further e-commerce growth. The warehousing business segment located in urban areas, including fairly close locations, continues to grow in order to reduce the delivery time of products to the customer. At the end of Q3 2022, according to data from the National Bank of Poland, the total stock of the warehouse space market had increased to 27.1 million sq. m. 23 and more than 4.0 million sq. m of modern warehouse space was under construction.

1.3. Regulatory changes

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

I. Polish Deal

Since January 2022, the so-called Polish Deal legislative pact has been in force in Poland. In the part concerning the construction sector, it provides an option of building houses up to 70 m2 without building permits, introduction of housing subsidies, reform of spatial planning and labour market institutions. The Polish Deal legislative pact also provides for the digitalization of the construction process and, as part of Poland's New Industrial Policy, the infrastructure projects are supposed to be the driving force of the construction sector, as well as investments into wind and photovoltaic power plants. The government plans to continue major investment projects in the energy, road and rail construction and hydro-engineering sectors. They assume the expansion of agglomeration railroads, the construction and upgrading of district heating plants, the implementation of major water supply and sewerage projects in the regions and the erection of prefabricated public buildings.

II. Changes in public procurement law

Contractor's salary indexation and other changes

On 10 November 2022, new regulations came into force under the Act of 7 October 2022 amending certain acts to simplify administrative procedures for citizens and businessmen (Journal of Laws, No. 2022, item 2185). The Act has introduced an additional basis for amending the public procurement contract in connection with a significant change in the costs of the contract execution by, among others: increasing the remuneration above the indexation rate specified in the contract or making changes to the indexation rules specified in the contract. The Act extends the obligation to use the indexation clauses in relation to the obligations under the Public Procurement Law. The Act also introduced the possibility of making other amendments to the public procurement contract, including changes to the deadline, temporary suspension of the contract, limitation of the scope of the contract. The Act also grants additional protection to subcontractors.

Taking off contractual penalties charged in connection with the performance of public contracts is again possible

On 24 August 2022, a protection period of more than two years for contractors implementing public contracts came to an end. The legislature repealed the provision of Article 15r(1) of the so-called COVID Act, which excluded the deductibility of contractual penalties accrued in connection with the performance of public contracts during the period of either an epidemic emergency or a COVID-19 epidemic state and for 90 days after their revocation.

Exclusion of Russian Contractors from participation in public contracts

On 9 April 2022, European Union Council Regulation (EU) 2022/576 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's destabilising actions in Ukraine entered into force. In addition to establishing an EU-wide ban on Russian economic operators from participating in public contracts and concessions awarded in EU Member States that involve contracts that are subject to EU directives and therefore equal to or exceed EU thresholds, the regulation also prohibits the award or performance of public contracts to, inter alia: natural or legal persons or other bodies acting on behalf of the Russian Federation or under the direction of a subordinate entity of the Russian Federation.

Amendments to the construction contracts

On 21 September 2022, the Ordinance on Technical and Construction Regulations for Public Roads (Journal of Laws 2022, item 1578) entered into force. The provisions of the Ordinance shall apply to the design, construction, reconstruction or use of public roads and the design, construction or reconstruction of third-party facilities located in the road lanes of such roads. The new regulations are in the nature of general functional-technical requirements and do not include technological and material details, as was the case previously. The ordinance refers in many cases to the principles of technical knowledge and therefore to the benchmarks and standards recommended by the Minister of Infrastructure under the Public Roads Act. From January 2022, the amended provisions of the ordinance (Journal of Laws 2021, item 2454) covering changes in the scope and form of the design documentation, technical specifications for the execution and acceptance of construction works and the functional-utility programme, changes in the determination of methods and bases for the preparation of the investor's cost estimate, calculation of the planned costs of design works and the planned costs of construction works specified in the functional-utility programme.

III. Employment of foreigners

On 29 January 2022, changes to the regulations on the employment of foreigners came into force. The amendments were intended to make the procedures for employing foreigners easier and more efficient.

IV. Liberalisation of the 10H Act

In 2022, legislative efforts were underway in the Lower Chamber of the Polish Parliament (Seym) on a parliamentary act to amend the Wind Power Investment Act. One of the main changes under way would be to make the so-called 10H rule more flexible. The current Wind Power Investment Act of 20 May 2016 introduced one of the most restrictive distance rules in Europe - the 10H rule, i.e. ten times the height of the wind power plant as the minimum distance of a new development from existing residential buildings and forms of nature conservation. The effect of the rule has been to restrict the siting of new wind farms and the initiation of new wind farm projects, and to block residential development in the vicinity of existing wind farms.

On 8 February 2023 the Seym adopted an amendment to the Act on Amending the Act on Investment in Wind Power Plants. The amendment amends the above 10H rule to introduce a minimum distance of 700m from residential or mixed-use developments. The amended Act also provides for revised requirements for a local development plan locating wind turbines. The location of a wind turbine shall only take place on the basis of the local zoning plan. In addition, the amendment to the Act imposes new consultation requirements, compared to the spatial planning law, on local plans locating wind turbines. The consultation also takes into account the interests of residents of a nearby municipality whose land may be affected by a wind turbine being built in a neighbouring municipality. The amendment also stipulates that an investor in the construction of a wind power plant dedicates at least 10% of the installed capacity of the plant, which is the subject of the investment, to be taken up by the residents of the municipality for a further 15 years from the date on which electricity is first generated at the wind power plant and fed into the electricity distribution grid, in order for these residents to become virtual prosumers of renewable energy. As of the beginning of March, the Act had been referred to the President of Poland for signing.

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

In mid-November 2021, the President of the Republic of Poland signed the Act of 29 October 2021 amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts. Thus, by the same token effective from the onset of January 2022, the so-called Polish Deal legislative pact came into force. It contains a number of significant modifications in the Polish tax system. The modifications are concerned with a lot of issues, both the settlement principles applicable to remuneration and health insurance contributions, taxation of businessmen, investment tax breaks and incentives, as well as withholding tax or transfer pricing.

Some of the most significant changes under the Polish Deal legislative pact include:

- no option to deduct the health contribution from the personal income tax, which will directly affect the net wages of those hired,

- the new tax scale and the tax-free amount,

- tax relief for the so-called middle class,

- introduction of new solutions such as "minimum tax", "hidden dividend", "tax on transfer pricing" or "Polish holding companies",

- deductibility of debt financing costs, changes to withholding tax (WHT), and regulations on costs related to the acquisition of intangible services,

- simplification of the so-called "Estonian CIT" system

- changes in the Tax Capital Group or introduction of the possibility to establish VAT Groups.

On 15 June 2022, the Act amending the Personal Income Tax Act and certain other acts, the so-called 'Polish Deal 2.0', was published. The vast majority of amendments came into force on 1 July 2022.

Major amendments according to the Act:

- reduction of the PIT rate in the first tax bracket (i.e. up to PLN 120 000) from 17% to 12% for taxpayers taxed in accordance with the general rules (tax scale), i.e. those employed under an employment contract, contract of mandate and businessmen settling their accounts in this manner,

- the abolition of middle class tax relief,

- changes in the calculation of the health insurance contribution,

- an option of switching from tax scale taxation during the year into the categories of those who have opted for a flat rate or a flat tax,

- standardization of the deadline for PIT settlements,

- a tax relief for single parents.

Pursuant to the Act of 1 December 2022 amending the Labour Code Act and certain other acts, promulgated in the Journal of Laws on 6 February 2023, telecommuting will be introduced into the Labour Code as a permanent form of work provision, while the existing regulation on telecommuting will be repealed. The amendments will take effect in April 2023. It should be added that the new provisions will also apply to employment relationships established on the grounds other than an employment contract.

Other significant amendments to labour law in 2023:

- an increase of business travel allowances,

- change in the "mileage allowance" limit - regarding the reimbursement of the costs of using a private car for business purposes,

- a provision authorising the employer to carry out a sobriety check on the employee,

- additional leave (an option to extend parental leave by an additional two months, additional 5 days of unpaid care leave, additional days of leave in case of force majeure or in urgent family matters).

The minimum wage will be changed in 2023, the change will be made twice in the current year. For employment contract workers, the minimum wage has been set at PLN 3,490 from 1 January 2023 and it is subject to increase up to PLN 3,600 from 1 July. The minimum hourly rate provided for persons employed under a contract of mandate and other contracts to which the provisions on mandate apply on a mutatis mutandis basis will be also changed twice. From 1 January 2023, it is PLN 22.80 and will be raised up to PLN 23.50, effective from 1 July 2023. This will result in a doubling of employee benefits, the amount of which is determined by taking into account the minimum wage, i.e., inter alia, demurrage and night work allowance.

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

1.4.1. Economic growth rate

The future economic situation and the level of inflation in Poland depend to the largest extent on the scale of disturbances in the global economy operation caused by the Russia's military aggression against Ukraine and on the COVID-19 pandemic. Uncertainty about the impact of the Covid-19 pandemic on global economic activity is estimated to have declined, although it still has to be considered.

Geopolitical risk, on the other hand, has increased significantly. As a direct result of the Russian aggression against Ukraine, the price quotations for energy and some agricultural commodities in the global markets were significantly higher, as their prices had already been increasing at a dynamic rate.

The National Bank of Poland expects GDP growth to slow down after a strong rebounce of the economy in 2021. In the coming quarters, domestic economic activity will continue to be influenced by a negative supply shock, which at the same time contributes to a marked increase in prices. The domestic economic activities will be adversely affected more and more by the expected GDP growth slowdown in major developed economies. A negative growth risk this year will be the impact of monetary austerity measures taken by Poland's major trading partners.

The Monetary Policy Council (MPC) has put on halt the rate hike series and a change in approach would require a more fundamental deterioration in the inflation outlook than that shown by the March 2023 inflation projection. Given a choice between increasing rates or keeping them at the current level in the long term, the market expects that the Monetary Policy Council will choose the second option. Given the high level of inflation, including core inflation, the space for interest rate cuts in the domestic market will be minimal in the quarters to come and may not appear until the last months of 2023.

Forecasts drawn up by the National Bank of Poland and by the European Commission show that the Polish economy will avoid recession, and they point to a scenario of a so-called soft landing of the Polish economy with a slight growth of approximately 1% in 2023. The MPC's policy of returning to the inflation target over the longer term without further monetary austerity measures supports the prospect of maintaining positive GDP growth rate.

1.4.2. European Union funds

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.

As of the end of February 2023, Poland's National Recovery Plan (NRP), amounting to €24 billion in subsidies and EUR 12 billion in low-cost loans, is still blocked by the European Commission, which requires Poland to comply with the Court of Justice of the European Union (CJEU) rulings.

1.4.3. Construction sector growth prospects

One of the major challenges the construction industry will have to face in 2023 will be filling its order book up to the brim and the noticeable weakening of demand for construction services. This may affect the price struggle to obtain new contracts especially by smaller players in order to stay in the market and thus reduce the profitability of contracts for the industry as a whole. The number of orders is also negatively affected by the situation in the single-family construction market. The skyrocketing prices of construction materials in 2022 and hard-to-access credits and loans have effectively discouraged individual investors from pursuing construction projects. Small companies with non-diversified order portfolios that operate in the residential sector in particular will have problems filling their order portfolios.

The scale of the revival in the construction sector may depend to a large extent on the smooth implementation of the investment package co-financed by new EU funds (this includes both the new EU financial perspective for 2021-2027 and the Recovery Fund, which is experiencing delays). If funds under both facilities are used effectively, the construction market in Poland should go back to an upward trend in 2024. The National Recovery Plan (NRP) totals 35.363 billion euros, which is more than 166 billion Polish zlotys. The NRP calls for increasing the use of alternative energy sources, thermal modernization of buildings, and construction of wind farms in the Baltic Sea.

In the next two to three years, public investment is expected to be an key driver in stabilizing the economy in the engineering industry. Meanwhile, the local government sector is at risk of an investment slowdown in the infrastructure area.

In December 2022, the Council of Ministers adopted the Government's National Road Construction Programme until 2030 (with an outlook until 2033). The Programme calls for the completion of all currently planned expressways and connecting all Polish regions and provincial cities with a network of safe and comfortable roads. An amount of approximately PLN 295 billion will be allocated to the implementation of the investments covered by the new programme. The financial limit includes new tasks worth approximately PLN 187 billion, follow-up tasks worth PLN 104.5 billion and a reserve of PLN 3 billion. This is the largest ever road programme in Poland and extremely important and represents an opportunity from the road construction companies perspective. Significant investment in the modernization, revitalization and construction of rail infrastructure is also planned for 2023. Linear and so-called multi-location projects are to be implemented under this programme.

Key short-term challenges for the construction sector include the level and fluctuation of material and labour prices and the availability of construction workers, as well as the level of fuel and energy prices. A general increase of prices in the economy exerts pressure on actual margins, forcing an attempt to pass costs on to customers, which is particularly difficult in the case of public contracts for which the indexation mechanism is limited and inadequate to current inflation rates. The aforementioned factors will significantly affect running of construction activities in the months to come.

According to a NBP's communiqué of July 2022, a factor holding back construction projects are soaring costs, which hamper estimating project viability and reduce the profitability of these projects for both contractors and investors. Some contractors are withdrawing from contracts, and investors are abandoning investments that exceed budgets or limiting their scale to essential investments.

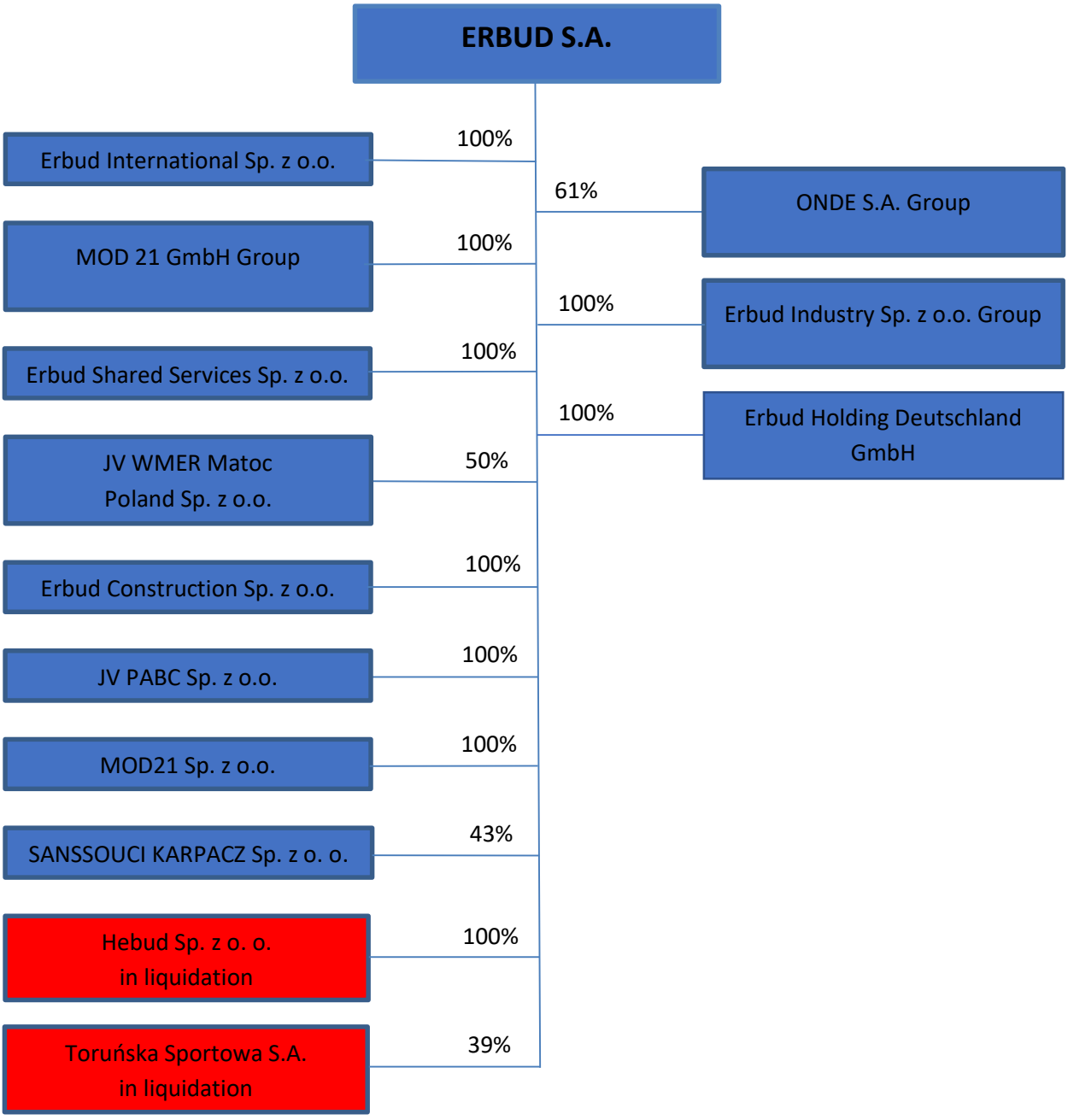
For construction business players, it seems to be pivotal to draw up accurate cost estimates and upkeep partnerships with investors, especially in the environment of swelling prices causing margin squeeze. High execution costs and high interest rates have made many investors revise their investment plans. It can be assumed that large public investment projects in energy or transport infrastructure will be less affected by

this factor. In the major construction segments, the most favourable outlook in 2023 seems to be for non-residential construction, mainly industrial and warehousing facilities, which is due in part to the development of the e-commerce market after the Covid-19 pandemic.

2. ERBUD GROUP ACTIVITIES IN 2022

2.1. Capital Group Structure

As of 28 March 2023, i.e., the date of the Management Board's approval of this Report, the ERBUD Group organisational structure 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 2022 and prior to the date of publication of the 2022 financial statements:

On 23 January 2023, a plan of merger between ERBUD S.A. and Erbud Industry Sp. z o.o. (a 100% subsidiary of ERBUD S.A.) was agreed and signed.

In accordance with the provisions of the Merger Plan, the merger shall be carried out by way of merger by acquisition,, pursuant to Article 492 § 1(1) of the Code of Commercial Companies, by transferring all the assets of the Acquiree to the Acquirer by universal succession, without share capital increase of the Acquirer.

As a result of the registration of the Merger by the Registry Court in the Register of Entrepreneurs of the National Court Register (hereinafter: "Merger Date"), the Acquiree will be deleted from the Register of Entrepreneurs, kept by the National Court Register, and dissolved without liquidation proceedings, pursuant to Article 493 § 1 of the Code of Commercial Companies.

Since the Acquirer is the sole shareholder of the Acquiree, the merger of the Companies will be carried out under a simplified procedure, pursuant to Articles 516 § 5 and 6 of the Code of Commercial Companies, in compliance with the restrictions prescribed for public companies.

Accordingly, the Merger Plan will not be audited by an auditor appointed by the Registry Court, and no reports will be prepared by the Management Board of the merging companies.

The Acquirer is entitled to 100% of the shares in the share capital of the Acquiree and, pursuant to Article 515 § 1 of the Code of Commercial Companies, the merger of the companies will take place without share capital increase of the Acquirer.

The Acquirer will operate under the name: ERBUD SPÓŁKA AKCYJNA with its registered office in Warsaw, at Franciszka Klimczaka 1, 02-797 Warsaw.

The merger will take place without share swapping between ERBUD INDUSTRY Sp. z o.o. and ERBUD S.A., therefore, the information referred to in Article 499 § 1 item 2-4 of the Code of Commercial Companies has been deleted from the Merger Plan due to its irrelevance.

Owing to the fact that the Acquirer is the sole shareholder of the Acquiree, the merger of the companies is carried out without share capital increase of the Acquirer and without amending its Articles of Association.

On 24 February 2023, an Extraordinary General Meeting of Shareholders of ERBUD S.A. was held, which passed a resolution on the merger of Erbud Industry Sp. z o.o.

The purpose of the merger of ERBUD S.A., with its registered office in Warsaw, and ERBUD INDUSTRY Sp. z o.o., with its registered office in Warsaw, is to boost the efficiency of the merged companies, and to generate financial and economic effects of direct and indirect synergies, including:

- superior utilisation of the assets of the merged companies,
- reduction of operating costs,
- superior allocation of cash assets,
- the arrangement of assets within the Erbud Group.

No special benefits are expected to be granted to the members of the merging companies' bodies or to other persons participating in the merger, as referred to in Article 499 § 1, item 6 of the Code of Commercial Companies.

2.2. ERBUD S.A.

2.2.1. Scope of activities

ERBUD S.A. is a company with a 33-year history operating as a general contractor. ERBUD S.A. carries out projects primarily in the building construction segment, mainly residential buildings, offices, hotels, shopping malls, hospitals, schools or cultural facilities. Thanks to its extensive credentials, ERBUD offers almost all types of construction services for the public and private investor, including the most complex and specialised ones, such as facilities for power sector, chemical industry or waste treatment and management. It has been listed on the WSE since 2007. By the end of 2022, ERBUD S.A. had seven branches: in Kraków, Rzeszów, Warsaw, Wrocław, Toruń, Szczecin, and a hydrotechnical branch in Gdańsk.

Following the analysis of various structures prevailing in the market, analysis of the organizational culture, as well as the need to make the current organization more flexible, the Management Board of ERBUD S.A. has decided to change the Company organizational structure. Seven branches were replaced by three branches with technical offices:

- the Warsaw Branch with technical offices in Szczecin and Rzeszów;
- the Toruń Branch with a technical office in Gdańsk;
- the Wrocław Branch with a technical office in Kraków.

Organisational structure simplification aims at speed up decision-making process, accumulation of best practices, and more efficient utilisation of resources.

Additionally the Management Board of ERBUD S.A. has established a new unit to standardize processes in the ERBUD Group and digitize them.

ERBUD S.A. was subject to an external 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.

and to check the compliance with Regulation (EC) No. 1221/2009 of the European Parliament and of the Council, as amended - EMAS

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

Once again, auditors found no inconsistencies. An area for improvement has been identified - "Benchmark for more important environmental aspects (e.g., energy consumption, material consumption) to which actual results for construction sites are compared - HYDRA system."

The Audit Report highlights 6 strengths driven by the operation of the Integrated Management System (IMS) in the organization:

1. Awareness of managers and workers in the area of ensuring occupational safety on construction sites.
2. The process of estimating hazards at workplaces
3. The process of planning, executing and documenting internal audits by the Audit and Internal Control Department.
4. The process of identifying and analysing risks and opportunities in various project execution phases (preliminary, calculation, preparation and implementation) with a special focus on the role of the Audit and Internal Control Department.

5. Planning and supervision of activities in the areas of quality, health, safety and environment (in particular, analysis of risks and opportunities) on the construction sites: Nova Lacina in Poznań and Wroclaw Breweries in Wrocław
6. Instructional video on how to secure construction sites in terms of environmental protection (environmental guide for construction managers - responsibilities under the EMS).

ERBUD SA's subsidiaries have also implemented Integrated Management Systems (IMS), which are maintained and subject to external audits on annual basis, run by accredited certification bodies:

- ONDE SA is audited for compliance with ISO 14001:2015, ISO 45001:2018 and Regulation (EC) No. 1221/2009 of the European Parliament and of the Council, as amended - EMAS
- ERBUD Industry Sp. z o.o. is audited for compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018
- ERBUD Industry Centrum Sp. z o.o. is audited for compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards.
- ERBUD INDUSTRY Południe audited for compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards.

In 2022, we again successfully underwent verification of the EMAS eco-management and audit system at two of our companies, namely ERBUD S.A. and ONDE S.A. As a result of these audits, we published the second edition of environmental declarations available on the website of individual companies, but also published on the website of the General Directorate of Environmental Protection: https://www.gov.pl/web/gdos/rejestr-emas and on the European Commission website https://webgate.ec.europa.eu/emas2/public/registration/list.

The year 2022 is also a period of further improvement on construction sites in the implementation of the "collective security guidelines" and "vertical transportation rules" - regulations adopted as part of the Construction Safety Alliance.

The ERBUD Group, as every year, as an overriding objective in the field of health and safety has set 0 severe, fatal accidents. In 2022, this goal was achieved in 100%.

Standardizing and overseeing processes and how data is collected is one of the major challenges in the Construction Group. For this purpose, in 2022 we implemented a web application to specifically systematize data on the on-going H&S and Axis monitoring processes, the effectiveness of the implementation of the resulting activities, the acquisition of trend data on H&S and Axis irregularity areas, the recording of the number of employees on construction sites (including subcontractors), the recording of all incidents on construction sites, the management of wear and tear and the supervision of its implementation. This is related to the acquisition of the right data to identify targets for the years to come, but also to systematize and to streamline reporting processes at a Group level. In addition, as of this year, in a dedicated module, we collect the necessary data (including data from our suppliers) to disclose Scope 3 greenhouse gas emissions (carbon footprint) in compliance with the obligation to report non-financial information.

In addition to the typical implementation activities, monitoring processes, we place a very high value on building awareness and culture among employees in the field of Environment, Health and Safety (EHS). On an on-going basis, we carry out a lot of training in relation to our legal obligations, but also dedicated under the specific scopes of work carried out on individual construction sites. Once again, like every year within the framework of Construction Safety Alliance, the entire ERBUD Group actively participated in the Safety Week from 23 to 29 May 2022. A total of 2,884 employees (own human resources and subcontractors) took part in 227 activities on our construction sites. We also undertook environmental initiatives, such as publishing an internal environmental guide in 2022, a video addressing the issue of good environmental practices during projects carried out in the ERBUD Group, and standardizing environmental labelling in the ERBUD Group.

In 2022, we held a climate workshop with an external expert, where we reviewed climate risks and, after reassessment, indicated their relevance in the short, medium and long-term time perspectives. This activity helped update ERBUD Group's existing Climate Policy and provided the genesis for the development of a taxonomy questionnaire for evaluating construction sites in meeting the climate change adaptation goal.

Despite the top-down easing of restrictions, at ERBUD we continued to monitor the pandemic environment. We maintained a sanitary regime at the workplace and monitored the incidence rate on an on-going basis in order to respond quickly, if necessary and isolate those who were sick or who showed symptoms after contact with confirmed positive test results.

2.2.2. Contracts signed in 2022

Major contracts signed by ERBUD S.A. in 2022

Contract Date	Investor	Subject Matter of the Contract	Contract net value
23 Dec. 2022	Siemens Energy Sp. z. o.o, with registered office in Warsaw	Construction of new gas cogeneration unit in SCGT configuration in Poznań - – Construction works	PLN 48.7 million
22 Dec. 2021	Provincial Clinical Hospital No.1 named after Fryderic Chopin in Rzeszów	Execution of construction and installation works for the execution of the 2nd and 3rd Project Phase titled: Reconstruction, superstructure and extension of the Subcarpathian Centre for Lung Diseases (Hospital) building in Rzeszów along with internal installations: water and sewage, central heating, gas, mechanical ventilation and air conditioning, cooling installation, electrical, telecommunication, medical gases; demolition of part of the Hospital building - segment B; extension , reconstruction of the medical gases building along with internal installations: electrical, telecommunication, medical gases, central heating, mechanical ventilation; construction of transformer station and generator set; construction equipment: parking spaces, roads, pedestrian accesses, retaining wall, oxygen tank, air intake; external above-ground installations: water supply, central heating, central hot water, process heat, gas, sanitary sewer, medical gases, rainwater drainage system, LV electrical system, reconstruction of electrical installations, external lighting of the area and cable ducting; connections and networks: reconstruction of sanitary sewer network, MV power connection, reconstruction of telecommunication networks" on plots No. 69/19, 69/17, 69/14, 69/20, 69/21, section 207 in Rzeszów in Rycerska Street" on the basis of a building permit.	PLN 32.1 million
12 Oct. 2022	KT-Kinetics Technology S.p.A. ul. Vialle Castello della Magliana 27, 00140 Rome	HBO Project of Lotos Group – Construction works	PLN 108.8 million
26 Aug. 2022	CARPINO Sp. z o.o. z with registered office in Warsaw, currently called IIP WARSAW SOUTH SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Construction of a logistics centre called Nadarzyn Maximus in in the locality of Nadarzyn	EUR 40.2 million
19 Aug. 2022	District Inspectorate of Prison Service in Rzeszów	Construction of a penitentiary complex in Chmielów - Part I	PLN 66.8 million

28 Apr. 2022	State Treasury - Ministry of Defence - District Infrastructure Management in Zielona Góra	Construction works related to the construction of places for stationing troops in the town of Trzebień- Project No. 25021	PLN 32.9 million
21 April 2022	State Treasury - Ministry of Defence - District Infrastructure Management in Wrocław	Construction of an Intermediate Staging Base (ISB) 'Troop Staging Site' at military complexes 8676 and 8706, the Town of Świętoszów - Project No. 22017	PLN 37.2 million
24 Feb. 2022	Robert Bosch Sp. z o.o. with its registered office in Warsaw	Expansion of the production facility of the Robert Bosch Company Branch in Mirków to include warehousing and logistics facility Ww101c with a high-bay warehousing facility Ww103, along with technical and road infrastructure, truck parking lot and gatehouse - building Ww127,	PLN 41.5 million
11 Feb. 2022	Port Popowice Limited Liability Company, Limited Partnership with its registered Office in Wrocław.	Implementation of the Phase 4 of the investment called Popowice Harbour, including the construction of a multi-family apartment building with built-in services and a two-storey underground garage, designated in the design documentation as building "F", with internal and external technical infrastructure and land development including landscape gardening and greenery, accompanying buildings, as well as the traffic system, in Białowieska Street in Wrocław.	PLN 57.5 million
19 Jan. 2022	VANTAGE DEVELOPMENT S.A. with registered office in Wrocław.	General Contractor with the role to design and build a multi-family apartment building with underground garage and Infrastructure including technical infrastructure, installations, necessary technical equipment, land development and utilities and landscape gardening and greenery.	PLN 27.8 million
19 Jan. 2022	VANTAGE DEVELOPMENT S.A. with its registered office in Wrocław.	It acts as a General Contractor using the "Design and Build" formula, 2 multi-family apartment buildings with underground garage and Infrastructure including technical infrastructure, installations, necessary technical equipment, land development and utilities as well as landscape gardening and greenery.	PLN 59.5 million

2.2.3. Major executed projects

In 2022 the Company executed, *inter alia*, the following major investment projects:

- Retail facilities and distribution centres: Construction of Lidl Oleśnica Distribution Centre; Construction of Lidl Błonie Distribution Centre; Construction of Panattoni Danish Distribution Centre Lodz; Nadarzyn MAXIMUS halls; Construction of a commercial and service facility (HU Castorama retail park) in Lipnik;
- Housing construction: Construction of multi-family buildings in Bydgoszcz for Budlex Naruszewicza Sp. z o.o; Construction of a multi-family building with services at the ground floor level and an underground car-park facility, located on the site with own ownership title in the City of Bydgoszcz, at ul. Grabary 5; Construction of a multi-family apartment building in Gdańsk for Pilotów 21 Sp. z o.o. 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 Poznań - "Bliski Marcelin"; Comprehensive construction of an apartment building with underground garage and infrastructure "Żeromskiego 17"; Comprehensive construction of three residential buildings (B1, B2, B7) and an office building BB. for AMW Towarzystwo Budownictwa Społecznego KWATERA Sp. z o.o.; Construction of the "Wilanowska" apartment building for R4R WaVE 3 Sp. z o.o.; Construction of three residential buildings with a common underground garage, along with the necessary technical infrastructure. For OL2 Sp. z o.o. "PANORAMA II"; Comprehensive Construction of a Complex of 3 multi-family apartment buildings with an underground garage and the necessary infrastructure. Along with the construction of a section of a public road for Polish Export Trade & Investment Sp. z o.o.; General Contractor of Phase 1 of the above-mentioned Investment Project, including the construction of 4 four-storey buildings with mezzanines, boiler rooms and 2 underground parking lots, along with land development: roads, sidewalks, parking spaces, fencing.

For Marina Dąbki Sp. z o.o. ; Residential buildings "Nova Lacina" and residential building "Anny Jantar "in Poznań for Vantage Development construction of one multi-storey residential building with underground garage under it ("Task 1") and construction of three multi-storey buildings with one underground garage under them ("Task 2") "APARTAMENTY NOVUM III"; Construction of a multi-family building for VD "Sienkiewicza" in Wrocław; Construction of multi-family residential buildings with underground, above-ground garage, with necessary technical infrastructure and land development - buildings BA2 – Coffee Roasting Plant and BA3 – Malt House, and shell of buildings BP5-6 for Archicom Sp. z o.o.; Execution of multi-family building at Piątkowska Street in Wrocław for VD; Execution of the POPOWICE HARBOUR residential buildings - building D and E; Execution of the collective apartment building for R4R "Jaworska"; Execution of the residential project POPOWICE HARBOUR - building F Residential complex Fuzja II in Łódź in the general contracting system for Elektrownia RE Spółka z ograniczoną odpowiedzialnością (RE Power Plant Ltd.), 25-323 Kielce, al. Solidarności 36 Multi-family apartment buildings A and B with accompanying infrastructure "Myśliwska" for NP 20 Sp. z o.o S.K.; General construction of two residential buildings with a underground car park facility in Kraków, in Rydlówka Street for ZAM - PROJEKT ECHO - 127 Sp. z o.o. Sp.K., at Al. Jana Pawła II 22, 00-133 Warsaw; construction of a complex of multi-family residential buildings, with services , together with technical and communication infrastructure, underground garages and land development titled. "FREDRY - PHASE 3" and "FREDRY - PHASE IV" at ul. Aleksandra Fredry 6 in Cracow for Spravia Sp. z o.o.

- Hotels:"; CONSTRUCTION AND EXTENSION OF SERVICE AND RESIDENTIAL BUILDING OF "SANSSOUCI"HOTEL RESORT VITAL & SPA ; General construction of a service and hotel building for Student Depot Krakow Ltd. 00-581 Warszawa, ul. Litewska 1.
- Public facilities: Construction of the Marine Science Centre named after Prof. Jerzy Stelmach in Szczecin, execution of construction, installation works, land development with accompanying technical infrastructure, delivery of equipment, execution of mechanical and technological start-up; Construction of the "Mercedes" car showroom in Będzieszyn; Construction of the Senior Citizen's House in Gdańsk for OPERA Polska Sp. z o.o. ; Construction, expansion and reconstruction of the SOFRA medical-hotel service building - completion of the shell of SFORA; Construction of construction, installation, land development with accompanying technical infrastructure, delivery of equipment, performance of mechanical and technological start-up for the Independent Public Clinical Hospital No. 2 PUM in Szczecin; Construction of an elementary school in the housing estate of the Złocień housing estate in Kraków, Poland on the "Design and Build" basis for the Urban Municipality of Kraków, Kraków (31-004), Pl. Wszystkich Świętych 3-4, Construction of a training and administrative building called "Centre for Innovative Space" of the Warsaw School of Economics Thermal Efficiency Improvement of the Main Hospital Building and the Polyclinic Building in order to improve energy efficiency of the SPSK No. 4 in Lublin; Development of design documentation for the building of the Clinical-Scientific Centre for Prevention and Treatment of Environmental, Civilization and Old Age Diseases named after Prof. 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 Centre for Prevention and Treatment of Environmental, Civilization and Prof. Construction of a multi-purpose building in Dęblin for the Air Force Military Academy; "Reconstruction of POK "Chemist's House" stage II - construction of a Mediatheque"; Realization of the Research, Implementation and Teaching Centre of Innovative Technologies for the University of Life Sciences in Lublin; Realization of the building of the District Court and the District Public Prosecutor's Office in Opole Lubelskie; Addition of a pavilion to the hospital building at the Independent Public Health Care Centre in Kraśnik to improve the availability and quality of services provided, secure services in the gynaecological, obstetrics and neonatology wards, and rearrange the functioning of the hospital, as well as the preceding design work; Reconstruction, renovation and change of use of the building at ul. Stefana Czarnieckiego 3 in Kraków - Institute of National Remembrance in Kraków; Penitentiary Complex in Chmielów - part I; Construction of a sports and entertainment arena in Dęblin.

- Military facilities: construction of the Intermediate Staging Base (ISB) "Troop Staging Site" in the military complexes 8676 and 8706, Swietoszów – Project No. 22017; construction works related to the construction of troop staging sites in Trzebień – Project No. 25021;
- Manufacturing facilities; industry: Construction of a production building with a warehouse part with social and office facilities, with external installations: water, gas, sanitary sewage system, rainwater drainage system with a retention tank, fire water tank, electricity, cable line for site lighting, with site development equipment. Fire, electricity, cable line for site lighting, with landscaping equipment, gatehouse building, parking lot with internal communication system, pumping station building and fire water tank, three flagpoles, bicycle shed with smoking area, trash and pallet storage shed, foundations for nitrogen tank and generator, chemical substance storage for DGS Diagnostics Sp. z o.o.; Modernization of power supply to the "Aquanet" water treatment plant in Poznań; Reconstruction of the chocolate products plant in Tuchola (Store No. 2) - "Pomorskie Pralinki"; Construction of a storage hall for Sprick Rowery Sp. z o.o in Świebodzin; Expansion of the production hall for MOD 21 Sp. z o.o. in Ostaszewo near Toruń. Comprehensive execution of construction, installation works, along with accompanying technical infrastructure for MOD21 GmbH (TZMO); Expansion of the Bosch factory

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 2022, the total value of such revenues from foreign construction projects totalled PLN 34,418 thousand. In 2022, the volume of foreign revenue amounted to PLN 50,835 thousand.

ERBUD S.A. projects in Belgium in 2022

Employer	Name of contract	Contract value in '000 EUR
Mourik nv IBS ERGON	Antwerp, Refinery, industrial buildings	3,073
THV Jan de Nul & Interbuild	Apartment Bldgs. Nos. 22 and 25, residential buildings	6,158
GWI	Monheimer Rathaus Shopping Mall	135
Mourik nv	ELIA Aalst - High voltage station	399

2.2.4. 2023 Objectives

2022 was a very difficult period for the building construction segment, which is ERBUD S.A.'s core business. Once the pandemic was over, the war in Ukraine broke out as early as in the first quarter of the year, severely destabilizing the global economy. Poland felt this especially because, as a so-called "war neighbouring country," it became unattractive for investments. Skyrocketing prices of construction materials, energy, and rising interest rates caused construction projects performed in 2022 and calculated in 2021 or earlier to start making losses. Since the onset of March 2022, managers in charge of building construction at ERBUD S.A. have rushed to employers and contracting authorities and requested them for payment of surcharges that would offset rising costs. Some negotiations are underway until present day. Under most of the private contracts ERBUD managed to obtain surcharges that covered potential losses. What has paid off here is long cooperation with most of the employers and good relations. The situation is different in public projects where negotiations continue endlessly. With a high level of uncertainty and a distinct reduction in new construction, especially in housing construction, ERBUD S.A.'s management is taking a cautious approach to 2023. We are still facing all destabilizing factors, compounded by the lack of a new EU financial perspective and the lack of funds from the National Recovery Plan. All these factors, inter alia, have become drivers of changes in the organizational structure and the planned merger between ERBUD S.A. and Erbud Industry Sp. z .o.o. The creation of an agile organization with greater, expanded competencies is expected to make ERBUD S.A. more resilient to falling number of orders in the housing and public utility construction sector. Quoting SPECTIS experts, the industrial and warehouse construction will grow at the highest rate in 2023, with its share of non-residential construction output expected to reach 45%. ERBUD S.A., as in the previous years, focuses primarily on margins rather than sales volume. Already today we must have at the back of our minds today another quantum leap in material prices in the event of the Ukraine reconstruction and the EU funding release. Therefore, we are very cautious about new tenders. Currently, we are interested in short-term investments, not exceeding 18 months. The current reduction in sales in volume construction will be partially offset by the production and sale of modular timber buildings. The start-up, which ERBUD S.A. started to develop in 2021, already has accepted its first orders and will start manufacturing activities in March 2023. The sale of 30,000 square metersof modules is scheduled for 2023. The renewable energy market also looks very promising, although it too has been victimized by the war turmoil. However, the events we are currently witnessing have also meant that no one is wondering any more about if non-fossil energy sources are required or not. The consistent implementation of the strategy adopted two years ago is bringing tangible benefits today.

2023 will also undoubtedly be another year of ESG. ERBUD Group's priority is to be at the forefront of ESG leadership. Numerous initiatives are being undertaken to support ESG. The individuals appointed to serve these purposes excelled during a period of enhanced assistance to people in refugee crisis when war broke out in Ukraine. Together with the Eryk Grzeszczak's Foundation "ERBUD - The Common Challenge", ERBUD Group personnel supported people seeking refuge in our country as part of their voluntary work. The Group along with the Foundation has committed PLN 1.5 million for this cause.

The year 2023 is another year of ERBUD S.A.'s participation in the Construction Safety Alliance. Although the crisis situation is forcing cost-cutting, ERBUD S.A.'s management emphasizes that by no means safety on construction sites can be traded-off. Human life and health are the most treasured values.

At the end of 2021, the Company, as far as the domestic order portfolio is concerned, was worth PLN 3,666 million , of which PLN 2,818 million for 2022. For comparison sake, at the end of 2021 - it was worth PLN 3,666 million. The priority for the Company, as in previous years, will be to win contracts with secure margins, to work with existing customers and to attract new customers in new business segments related to industry, defence, renewable energy.

2.3. Erbud International Sp. z o.o.

2.3.1. Scope of activities

Erbud International operates in Poland as a General Contractor for investments in the field of building construction, specializing in projects for health care facilities in the design-build and fit-out systems and thermal efficiency improvement facilities. In addition, the company operates in the field of renovation projects, particularly rooms with high technological complexity, e.g. operating theatres, as well as improvement of thermal efficiency. The company uses innovative structural and material solutions that make it possible not only to achieve the thermal insulation parameters set out in the energy audit, but to improve them significantly, resulting in further improvements in energy and environmental efficiency. At the end of the day the Company generates additional tangible financial benefits for the Investor and a reduction in environmental impact by minimising the consumption of natural resources through reasonable electricity and heat management. Importantly enough, investment projects are often executed on active sites. To carry out these tasks, it has numerous partners and a database of permanent, proven subcontractors. The Company is well acquainted with the specifics of public tenders in terms of formal and legal issues, which enables the correct submission of an offer and realization of investment using rights of Contractor that are given by Polish Public Procurement Law. The company operates in Poland as a General Contractor in tenders associated with the development of public spaces, such as revitalization and construction of spa parks, fountains, town squares, etc. It implements objects under the supervision of the Conservator of Historical Monuments, gaining valuable experience, which is used during projects concerning larger facilities. The Company has a domestic technical office in Wroclaw, which executes contracts as a Contract Engineer / Substitute Contractor for Private Investors (including but not limited to apartment buildings). The technical office provides technical support on on-going contracts performed in the capacity of the general contractor. The geographical scope of activities focuses on parts of southern and central Poland. The company plans to enter Western European markets with similar activities, in particular refurbishment and thermo-modernisation of facilities.

In addition to domestic investments, the Company carries out projects abroad, mainly in Belgium, but also in Germany and in the Netherlands. ERBUD International Sp. z o.o. has a branch office in Düsseldorf, Germany. In June 2022, ERBUD International completed the design work carried out on Potsdamer Platz - one of the largest and busiest squares in central Berlin. As part of an agreement with Planet Leisure Berlin GmbH and iP2Development B.V., the company has prepared a project for the development of Europe's first entertainment centre "Mission: Play!"™ by Mattel. ERBUD International provided pre-construction services concerning the preparation of the investment for implementation, supporting the investor during this process by providing comprehensive advice on the concept development, construction and detailed design, as well as verification of the adopted design assumptions, comparing them with legal requirements, acquired experience and engineering practice. Moreover, thanks to its professional and experienced engineering staff with the highest qualifications and authorisations in the construction sector, as well as its specialised workforce, the Company was entrusted with the execution of the shell works of the Block 22 and 25 apartment building in Antwerp (Belgium). A video directly showing the construction site is available at the link provided below: https://www.youtube.com/watch?v=EfZZi8YOO5o&t=5s .

The company mainly relies on its own resources when executing contracts in the European Union countries. At the end of December 2022 the total headcount at Erbud International Sp. z o.o. was 169 workers.

The company also takes an active part in initiatives of the National Labour Inspectorate, promoting prevention programmes in which it receives, among other things, awards for the best organisational and technical solutions in the field of occupational safety, as well as the promotion of knowledge, culture and occupational health and the protection of employee rights.

The company also received the prestigious first degree award in December 2022 in the category "Facilities from outside the Subcarpathian Region executed by companies based in the Subcarpathian Region" for the construction of the Spa Park in Rakutowa Street along with the development of the area realised in the territory of the Ciężkowice Municipality, the First Degree Award for energy efficiency improvement in the main building of Ludwik Rydygier Specialist Hospital in Kraków and First Place with the Diamond Award in the category of "Healthcare Facility" was awarded to the Subcarpathian Centre for Lung Diseases in Rzeszów, whose ERBUD International was the contractor for the reinforced concrete structure works and ERBUD S.A. with its registered office in Warsaw at ul. Klimczaka 1, 02-797 Warsaw, the Rzeszów Branch. The competition was organised by the Subcarpathian Regional Chamber of Civil Engineers and institutions associating engineers and technicians from the Subcarpathian Province.

2.3.2. Statutory governing bodies

Until 14 March 2022, the Company's Management Board consisted of:

- Krzysztof Gaweł – a Management Board member
- Bogdan Dürr – a Management Board member

On 15 March 2022, by virtue of Resolution No. 3, the Extraordinary Meeting of Shareholders of ERBUD International sp. z o. o. appointed Mr Mirosław Młynarski to the Management Board, entrusting him with the function of President of the Management Board, by virtue of Resolution No. 5, the Extraordinary Meeting of Shareholders of ERBUD International Sp. z o.o. appointed Mr Bogdan Dürr to the Management Board, appointing him to the position of Vice-President of the Management Board, and by virtue of Resolution No. 4 of the Extraordinary Meeting of Shareholders of ERBUD International Sp. z o. o. appointed Mr Krzysztof Gaweł to the Management Board, also appointing him to the position of Vice-President of the Management Board.

Given the above, in the period from 15 March 2022 to the Report Date, the Company's Management Board consisted of:

- Mirosław Młynarski – President of the Management Board
- Bogdan Dürr – Vice-President of the Management Board
- Krzysztof Gaweł – Vice-President of the Management Board

2.3.3. Market environment

Since H2 2021, construction companies have been struggling with high contract delivery costs due to unprecedented increases in material and fuel prices, double-digit wage growth and rising loan and lease servicing expenses as a result of the Monetary Policy Council's (MPC's0 rapid pace of interest rate increases. The construction sector is beginning to feel the negative consequences of the investment downturn in the Polish economy, which will translate into a gradual shrinking of revenues for construction companies after 2023, with the threat of an exodus of workers from the construction sector and thus a reduction in production capacity. Market symptoms indicate that the slowdown in new investment area has already been going on for several months and may be long-lasting. The profitability of building contractors from the SME segment is likely to deteriorate due to this reason. Larger companies have their order portfolios full and they record good performance. In 2023 the company has a backlog of orders worth almost PLN 70 million. In the long term, much will depend on stable sources of funding for public investment and factors outside the construction segment - investors' access to the funds from the National Recovery Plan, the situation with supply chains or surges in demand and supply for selected construction materials in global markets. Energy and fuel prices are also key to the construction sector and the economy as a whole. The response to the challenge of rising energy and building material prices is the reduction of energy consumption in the construction sector. The company contributes effectively to such activities by implementing, on behalf of investors, mainly thermal efficiency improvement projects, both in terms of the construction of the façade and the modernisation of installation

systems. Due to high inflation and its long-term impact, it is necessary to revise the indexation limits. The current limits are no longer sufficient for long-term contracts, so the Company is negotiating with Investors and working on order indexation mechanisms. The company is attaching high hopes to the public procurement market, especially in healthcare, industrial investments, environmental segments. That is why it is so important to mobilise funds from the National Recovery Plan and to quickly launch projects under the new EU financial perspective. Without funds from the National Recovery Plan, tenders will not take off from the ground and the Company will not be able to utilize fully its capacity. The Management Board believes that the main issue in 2023 will be whether there will be funds for investment. Because if it does, the construction sector will cope brilliantly, avoiding collapse and bankruptcy.

2.3.4. Projects executed in 2022

In 2022, ERBUD International Sp. z o.o. carried out projects in Belgium, Germany, the Netherlands and Poland. In 2022, in Poland the Company concluded 12 contracts for a total of PLN 41,284 thousand net (including PLN 6,723 thousand in the form of an appendix to on-going contracts), while abroad the Company entered into 10 contracts worth PLN 19,549 thousand for the completion of shells of apartment buildings, offices, hospitals, as well as infrastructural facilities such as high-voltage stations.

On 10 August 2022, the Company submitted a declaration of withdrawal from the contract with Siechnicka Inwestycyjna Spółka Komunalna Sp. z o.o. municipal company. By virtue of a letter dated 21 June 2022, the Company requested that the Investor establish a guarantee for payment for the construction works under Article 6491 and the Civil Code. On 3 August 2022 the Investor delivered to the Company a guarantee dated 1 August 2022, issued by PKO BP S.A.. According to the Company's opinion, the provided bank guarantee did not correspond neither to the content of the Contract, nor to the mandatory provisions. Consequently the Company in its letter of 10 August 2022, after the ineffective expiry of the deadline for receiving the correct guarantee, the Company submitted a declaration of withdrawal from the Contract pursuant to Article 6494 § 1 of the Civil Code. The Company is currently drawing up a claim for damages due to the broken contract due to the Investor's fault.

2.4. MOD 21 Sp. z o.o.

2.4.1. Scope of activities

MOD21 Sp. z o.o., with its registered office in Ostaszewo, was established on 23 March 2021 under the ERBUD Group's strategy. The Company's scope of activities is the fabrication of modular timber buildings.

There are five (5) divisions at MOD21 Sp. z o.o.:

1. The Production Division, is responsible for the fabrication of modular facilities at the MOD21 manufacturing plant in Ostaszewo.
2. Technical Division.
3. Support Divisions:
    - Financial Division
    - Health, Safety and Environment (HSE) Division
    - Operations Division (Support Services)

In 2022, the Company completed the redevelopment and extension of the Manufacturing Facility with the adjacent social and office building. On 10 June 2022, it obtained an occupancy permit for the rebuilt facilities.

The plant is divided into two areas:

The so-called 'Existing' Shop, where two state-of-the-art Weinmann manufacturing lines have been installed, divided according to the manufacturing process into:

- Wall fabrication line
- Floor and ceiling fabrication line

and each line is equipped with:

- Carpenter's centre
- Frame joining station
- Multi-function bridges
- Rotating davits

New manufacturing facility, designed for assembling, finishing modules for the finished project and preparation for dispatch, equipped with 5 overhead travelling cranes with lifting capacity from 3.2 to 16 tonnes

The entire manufacturing facility occupies almost 22,000 m^2 floor area, where production always takes place under the same stable conditions. For external transport, storage and loading, the factory has a 'self-propelled port crane', the so-called Combilift.

At the end of the year, the manufacturing lines were tested and accepted. The personnel is undergoing training how to operate the line.

MOD21 is getting ready for an audit and the implementation of an integrated quality management system in 2023:

- PN-EN ISO 9001
- PN-EN ISO 14001
- PN-ISO 45001

At the end of 2022 the headcount level at the Company was 53 people.

2.4.2. Statutory governing bodies

In the period from 1 January 2022 to the date of publication of the Management Report of MOD21 Ltd. the Management Board of MOD21 Sp. z o.o. consisted of:

- Theodor Kaczmarczyk - President of the Management Board

2.4.3. Projects executed in 2022

In 2022, the company was still in the process of building its manufacturing back-up facilities and, as a result, did not process any orders.

2.4.4. Major contracts signed in 2022

In 2022, the company did not sign any commercial contract.

2.4.5. Opportunities and Threats

Wood is a natural raw material that has been used for thousands of years. It is easy to work with and is reusable. These characteristics make it a reliable building material, enabling us to create the best solutions for future generations.

This involves the establishment of certified forest plantations as the sole source of raw material used in the fabrication of our modules. We are actively involved in the renaturation process, through reforestation. All this is to ensure that our activities do not have a negative environmental impact.

We fabricate 375 m^2 of modules per day in our state-of-the-art 21,000 m^2 manufacturing facility. Each module is 100% customised to the client's requirements.

With almost fully automated production, we guarantee not only the top level of design compliance, but above all the precision and repeatability of each module.

Whether the project involves the construction of a new building or an extension to an existing building, the module is prefabricated 90% of the time, always on time, regardless of the weather, and then transported to its destination. On the construction site, all that remains to be done is to put the modules together, fit out the interiors, finish the façade, lifts and staircases and install the connections.

Thanks to perfectly orchestrated processes combined with the advantages of modular timber construction, the project is executed 70% faster than conventional construction. An example of this is a 3,000 m^2 building, which is commissioned after only 5 months.

MOD21 searches for business opportunities primarily in its involvement in the green transformation process in the construction sector. The Modular timber construction has many competitive advantages which include:

Time.

The modules that leave our state-of-the-art production facility are 90 per cent complete. In turn, the prefabrication itself takes place in parallel to the construction of the on-site foundations. Thanks to the processes run in parallel, the lead time is significantly reduced.

Quality.

The almost fully automated production makes it possible to meet exacting standards, for example with regard to the dimensional accuracy of the modules. We use raw materials that comply with the top quality standards.

Production.

Fabrication of the timber modules takes place regardless of the weather, in a lean production system in which every manufacturing phase is optimised as much as possible. Such organisation ensures that deadlines are met.

Cost safety.

Our refined, integrated planning processes combined with standardised procedures in production allow precise calculations. As a result, you always build with us at a fixed and guaranteed price.

Recycling or continued use.

After the first period of use, the entire building can be repurposed, recycled or relocated. Ecology and resource conservation are top priorities in our operations

Renewable raw materials.

Certified timber as a building material and reforestation. Thus we use resources in a responsible and economic manner and we think about the future already today.

Innovative solutions

In Poland, 9 square metres of housing unit is assigned to a statistical citizen.

Meanwhile the average European already has 40 sq.m., and in Denmark even 60 sq.m. We are ranked penultimate in Europe. It is estimated that there is currently a shortage of up to one million new housing units in the housing market. This is a major town planning challenge. Thanks to the opportunities offered by modular timber construction in the context of batch production, we are able to build quickly high-quality, affordable living space. To ensure efficient and cost-effective processes, we offer comprehensive solutions from planning to turnkey building handover.

The MOD21 manufacturing plant is one of the most modern in the sector and has been designed with low energy consumption in mind. We use the electricity from solar energy for manufacturing purposes and at electric vehicle charging stations.

Sustainable future.

We aim at model environmental, social responsibility and corporate governance performance, which translates into high ESG indicators.

2.5. MOD 21 GmbH (GWI BAUUNTERNEHMUNG GmbH)

2.5.1. Scope of activities

MOD21 GmbH, with its registered office in Düsseldorf, has been a proven expert in the construction sector for many years. It completes projects starting with earthwork and special foundation work to shell building construction, weather-proof coating and turnkey building. As a general contractor, it has been active in the German market since 1993. The most important element of MOD21's philosophy is a noticeable proximity to the client, representing his or her interests at all stages of a construction project.

MOD21 employs experts with years of industry knowledge and practical experience, as well as young, dynamic employees who bring fresh perspectives and suggestions for improving organization and execution. The company also stands out for its valuable know-how mix.

As an experienced construction partner, MOD21 offers:

- Preliminary analysis of construction cycle
- Expert opinion already in the planning phase
- Budgeting, cost safety
- Cost-benefit analysis
- Taking into consideration operating costs
- Timely and professional project implementation
- Flexibility in case of changes during the construction phase
- Partnership and transparent settlements
- Warranty management

In 2022, the company launched the process of transforming itself from a service provider in traditional building construction segment to the producer offering modern modular timber buildings.

2.5.2. Statutory governing bodies

In the period from 1 February 2021 to 31 December 2022 the Management Board was represented by:

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

On 31 December 2022 Jürgen Kugelberg filed his resignation due to reaching retirement age. Accordingly, as of 1 January 2023, the Management Board of MOD 21 GmbH consists of a single member. Mr Theodor Kaczmarczyk is the only member of the Management Board in his capacity as President of the Management Board.

2.5.3. Market environment

In 2022 MOD 21 GmbH was transformed from a building construction company to a business entity dealing with to modular timber construction. Furthermore the year 2022 was dedicated to developing competences in this area, participating in the first trade fairs, building sales and project teams. The company still had projects underway in the conventional construction sector, such as:

- New administration building for TZMO Deutschland GmbH in Biesenthal
- Building shell work in Monheim am Rhein
- Redevelopment of the Schadowplatz 18 Shopping Mall in Düsseldorf
- Renovation work at the Mährfeldschule school in Gelsenkirchen
- Renovation work at the Grundschule Bell school in Mönchengladbach
- Renovation work at the Astrid-Lindgren-Schule in Duisburg
- Renovation work at the swimming pool in Düsseldof
- New residential and commercial building Himmelgeisterstraße in Düsseldorf.

Unfortunately, the construction market in Germany is also struggling after the war outbreak in Ukraine. The company has discontinued its offerings in building construction segment due to encountered hardship and the prospect of developing sales of modular timber buildings. These two factors: the discontinuation of bidding and signing new contracts and the building of new competences led to the situation where the company closed 2022 with a loss .

2.5.4. Expected Development

In H2 2022, the installation of all ordered machinery and equipment was completed, and the opening of the Ostaszewo plant took place in November 2022. Towards the end of the year, staff training was launched on the KVH timber wall, ceiling and floor manufacturing lines. In December 2022, the first order was secured for the construction of a kindergarten in Eisingen, Germany, worth approximately €1 million. The total headcount of the two companies was 125 workers at the end of 2022.

We expect the company to benefit from the huge interest in modular timber construction in Europe, and especially in Germany, as well as the huge demand for housing in Germany. The Studie für Modulbau forecasts an average annual market growth of 8.1 per cent for modular timber construction through to 2025. According to the Federal Ministry of Food and Agriculture, the trend towards an increasing share of timber in the construction sector will continue by 2030, with its share of new housing construction (according to building permits with timber as the dominant building material) reaching 30 per cent (Bundesministerium für Ernährung und Landwirtschaft, Waldstrategie 2050. Nachhaltige Waldbewirtschaftung – Herausforderungen und Chancen für Mensch, Natur und Klima, Bonn 2021), aż do 50% w roku 2050 (Deutscher Holzwirtschaftsrat, Positionspapier für Konjunktur und Klimaschutz: 50% Holzbau bis 2050, Berlin 2020). On the other hand, the Federal Minister of Construction, Klara Geywitz, has set a target for the German construction sector to deliver min. 400,000 housing units per year (Spiegel, 21 January 2023). This can only be achieved through modular construction. This opens up huge sales opportunities for our companies.

In Poland, the largest competitors are as follows:

- Ecologiq (Ekoinbud Sp. z o.o. Group)
- Modul System S.A.
- DMDmodular Sp. z o.o.
- Qmodular Trade Sp. z o.o.
- POLSKIE DOMY MODUŁOWE SP. Z O. O. CAPITAL GROUP (Andrewex Group)
- Polcom Modular Sp. z o.o.
- Climatic Sp. z o.o. Sp. k.
- Homes Factory Poland Sp. z o.o.
- Multi-trade enterprise Trak-Bud based in Siemyśl
- HEBAN Home Sp. z o.o.

In Germany, key competitors include:

- Weimer Haus GmbH
- BAUMANN CONTAINER RAUMSYSTEME
- Heinkel Modulbau GmbH
- LiWooD Management AG
- Cadolto Modulbau GmbH
- RMB Modularna gradnja d.o.o. (Slovenian company also active in the German (DE) market)
- SH Holz & Modulbau GmbH
- ALHO Systembau GmbH
- Kaufmann Bausysteme GmbH
- NOKERA AG.

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2.6. ONDE S.A.

2.6.1. Scope of activities

The ONDE Group operates following a diversified business model, the core of which is the RES construction segment, complemented by the RES design segment and the road and engineering construction business.

ONDE has an established position on the wind farm construction and photovoltaic market and is positioned as the largest contractor of investments in renewable energy sources in terms of the total volume of completed wind projects on the Polish market.

The Group operates through the following business segments:

- The "Renewable Energy Sources" segment, which is divided into three areas:
  - execution of contracts for the wind farm sector,
  - execution of contracts for the photovoltaic farm sector,
  - service and maintenance of photovoltaic farms (O&M),
- "Construction in RES segment - Foreign markets" business segment, which was spinned off in Q3 2022 due to the generation of the first revenues from RES construction outside Poland and the prospect of generating revenues in foreign markets in future periods,
- "Road and Engineering Construction" segment,
- "Other" segment (sales of aggregates, construction materials and auxiliary manufacturing).

In addition, the ONDE Group develops RES projects on its own account. However, as it does not generate revenue from this activity as of the Report Date, this segment has not been spinned off as an operating segment and is not separately presented in the financial statements of the ONDE Group and ONDE S.A.

The ONDE Group is looking for opportunities to diversify the business and increase revenues in new markets. In September 2022 ONDE set up a Special Purpose Vehicle (SPV), ONDE Beteiligungs GmbH, in Germany, with the main objective to carry out acquisitions of companies operating in the RES segment in the local market. The overseas expansion will be supported by international experience of some members of the ONDE team, as well as of the ERBUD Group, which has been active in the German market, inter alia, for many years.

Foreign markets are an important growth direction for the ONDE. September 2022 saw the start of a new chapter in the Company's history, the first construction project outside Poland. This was a €3.3 million contract for the erection of foundations for turbines on the construction site of a wind farm in Lithuania. On 15 February 2023 ONDE signed another two contracts with a total net value of approximately €26 million for works on a wind farm located in Lithuania, with a total connecting capacity of 80 MW. The company is steadily gaining experience and references in the Lithuanian market. Given the geopolitical environment, the very good wind conditions and the favourable legislative environment in the Lithuanian market, the ONDE Company believes that in the Lithuanian market there is attractive business potential.

In addition, the Group continued to develop RES projects executed on its own account in 2022. The adopted strategy of ONDE Group provides for acquisition and development of photovoltaic and wind farm projects for resale (i.e. under the Develop, Build and Sell model) or to leave some of the on-going RES projects in the Group and sell the energy generated by them - which can provide the company with recurring revenues. In 2022, the Onde Group expanded its operations in the RES segment with the addition of three more Special Purpose Vehicles (SPVs) (Neo Solar Kazimierz Biskupi Sp. z o.o., PV Kadłubia 2 Sp. z o.o., PV Szczepanów Sp. z o.o.). Moreover, the ONDE Group also executed the promised contract to acquire the remaining 50% stake in the DEPVPL 22 Sp. z o.o. Power Plant Special Purpose Vehicle, which is the owner of the 40 MW "Rejowiec" photovoltaic power plant project, located in the Lublin province.

In 2022, ONDE completed the construction of 20 wind farm projects and 26 solar farm projects, with a total generation capacity of almost 1 GW. In 2022, the Company started the development of 11 wind farms with a total capacity of approximately 449 MW and a total contract value of more than PLN 502 million and started the development of 29 photovoltaic farms with a total capacity of approximately 80 MW and a total contract value of more than PLN 127.5 million.

In relation to the rapid development of its business, the ONDE Group's headcount was 629 workers at the end of December 2022, up by 35 compared to the end of 2021.

2.6.2. Statutory governing bodies

Supervisory Board

In the period from 1 January 2022 to 31 May 2022 the Supervisory Board of ONDE SA consisted of:

- Jacek Leczkowski - The Chairman of the Supervisory Board
- Jacek Socha - Deputy Chairman of the Supervisory Board
- Agnieszka Głowacka - a Supervisory Board Member
- Michał Otto - a Supervisory Board Member
- Mirosław Godlewski - a Supervisory Board Member

On 9 May 2022 the General Meeting of Shareholders of ONDE S.A. appointed the Supervisory Board of ONDE S.A. for a further joint three-year term of office effective from 1 June 2022.

By the same token, from 1 June 2022 to 31 December 2022 the Supervisory Board of the ONDE S.A. operated with the following composition:

- Jacek Leczkowski - The Chairman of the Supervisory Board
- Jacek Socha - Deputy Chairman of the Supervisory Board
- Agnieszka Głowacka - a Supervisory Board Member
- Michał Otto - a Supervisory Board Member
- Mirosław Godlewski - a Supervisory Board Member
- Michał Hulbój - a Supervisory Board Member

The current term of office of the Supervisory Board expires on 31 May 2025.

Management Board

On 1 June 2022 the Supervisory Board of ONDE S.A. appointed the members of the Management Board for a further joint three-year term of office effective from 1 June 2022 with the same composition as in the previous term of office.

This implies that the Management Board of ONDE S.A. in 2022 was composed of:

from 1 January 2022 to 31 May 2022:

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

from 1 June 2022 to 31 December 2022:

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

The current term of office of the Management Board expires on 31 May 2025.

Audit Committee

On 1 June 2022 the Supervisory Board of ONDE S.A. appointed the members of the Audit Committee for a further joint three-year term of office, with the same composition as in the previous term of office.

This implies that the Audit Committee of ONDE S.A. in 2022 was composed of:

from 1 January 2022 to 31 May 2022:

- The Chairman of the Audit Committee - Michał Otto
- An Audit Committee Member - Jacek Socha
- An Audit Committee Member - Agnieszka Głowacka

from 1 June 2022 to 31 December 2022:

- The Chairman of the Audit Committee - Michał Otto
- An Audit Committee Member - Jacek Socha
- An Audit Committee Member - Agnieszka Głowacka

Remuneration Committee

On 1 June 2022 the Supervisory Board of ONDE S.A. appointed the members of the Remuneration Committee for a further joint three-year term of office, with the same composition as in the previous term of office.

This implies that the Remuneration Committee of ONDE S.A. in 2022 was composed of:

from 1 January 2022 to 31 May 2022:

- The Chairman of Remuneration Committee - Jacek Leczkowski
- A Remuneration Committee Member - Agnieszka Głowacka
- A Remuneration Committee Member - Mirosław Godlewski

from 1 June 2022 to 31 December 2022:

- The Chairman of Remuneration Committee - Jacek Leczkowski
- A Remuneration Committee Member - Agnieszka Głowacka
- A Remuneration Committee Member - Mirosław Godlewski

2.6.3. Market environment

A pivotal role for the current and future activities of the ONDE Group is played by the shape of legal regulations effective in Poland, mainly in the construction and energy sectors. Current regulations and those in the pipeline affect, *inter alia*, the project implementation methodology, the ability to acquire new assignments and contracts, as well as constraints and opportunities for renewable energy development. For this reason, the ONDE Group monitors on-going legislative changes, assesses their possible implications for its operations, and seeks to minimize the likelihood of occurrence of identified threats and take advantage of opportunities arising from them.

The major regulations most relevant to the ONDE Group and the sector include:

- Energy Law and Energy Policy of Poland until 2040.

  The Act called Energy Law (hereinafter referred to as the "EL") and its implementing regulations define the principles for the development of the state's energy policy, the terms and conditions for the supply and use of fuels and energy (including heat), as well as the activities of energy enterprises, and indicate the authorities competent for fuel and energy management. The Energy Law also defines the principles for the development of the state's energy policy, and the binding document in this regard is the Energy Policy of Poland until 2040 (hereinafter referred to as (EPP2040). The key elements of the Energy Policy of Poland until 2040 for the Group include targets for increasing the share of RES in all sectors and technologies, including an increase in the share of RES in gross final energy consumption to at least 23%

and not less than 32% in the power sector (mainly through wind and photovoltaic energy) and an increase in installed photovoltaic capacity to approximately 5-7 GW in 2030 and approximately 10-16 GW in 2040.

In 2022, the Act of 29 September 2022 amending the Energy Law and the Renewable Energy Sources Act entered into force, inter alia, abolishing the obligation to sell generated electricity at a commodity exchange (the so-called exchange obligation).

- Act on Renewable Energy Sources

The Renewable Energy Sources Act (hereinafter referred to as The RES Act) sets out the terms and conditions for the production of electricity from RES, agricultural biogas in RES plants, and production of bioliquids. The RES Act also defines, among other things, mechanisms and instruments to support the production of electricity from RES, agricultural biogas and heat in RES installations, as well as rules of international cooperation regarding RES and joint investment projects.

The RES Act regulates, *inter alia*, the operation of the auction system - a support mechanism for generators of electricity from RES plants. During auctioning process, a generator bids to sell electricity from a plant at the price for which it undertakes to sell its declared volume of energy in subsequent years. The generator winning the auction thanks to the lowest price obtains guaranteed support in the period from the first delivery to the grid of electricity generated at his plant for a period of maximum 15 consecutive years.

In 2022 and the initial months of 2023, the draft act to amend the RES Act was still under legislative procedure. It is intended to transplant a number of provisions from the EU Renewable Energy Directive (RED II) into the Polish law - including those related to guarantees of origin, administrative procedures, the use of RES in district heating and cooling sectors. The new draft is expected, inter alia, to include a change in the way photovoltaic power is determined, as well as new provisions in the area of energy storage.

The amendment is also expected to include new regulations for energy clusters and hybrid RES systems, as well as provisions providing for additional support for systems whose 15-year support period is about to expire (to cover the reasonable operating costs of such systems).

- The Distance Act

The Distance Act specifies, *inter alia*, conditions and procedures of location and construction of wind power plants in the vicinity of existing or planned residential development. In practice, it restricts wind turbines to be located not less than ten times their height from residential buildings or protected nature areas. As of 2021, three draft amendments to the Distance Act were followed the legislative procedure.

The amendment currently under legislative procedure in the Polish parliament provides that new wind turbines can only be located on the grounds of a Local Zoning Plan ('LZP'). The basis for determining the minimum distance - between 10 times the maximum height of the turbine (10H rule) and 700 m for residential buildings - will be, among other things, the results of the strategic environmental impact assessment ("SEIA") carried out as part of the Local Zoning Plan. The SEIA will analyse, inter alia, the impact of noise emissions on the surrounding area and the health of local population. The municipal authorities will not be able to waive the execution of an SEIA for a draft Local Zoning Plan that takes a wind power plant into consideration.

The Draft Act in question also introduces minimum distances of wind turbines from power transmission lines and maintains the 10H rule for the national parks and the 500m limit for nature reserves. It maintains the ban on the construction of turbines in the national parks, nature reserves, landscape parks and Natura 2000 sites. In addition, the project stipulates that the developer will offer at least 10 per cent of the wind power plant's installed capacity to the municipality population, who would use the electricity acting in the capacity of a virtual prosumer. Each resident of this municipality will be able to take a share of no more than 2 kW and off-take electric energy at a price based on a maximum construction cost calculation.

Amending the Distance Law is one of the 37 milestones Poland is expected to meet in order to comply with the requirements under the Recovery and Resilience Facility (RRF) and receive funds from the National Recovery Plan (NRP).

- Environmental Law

Environmental Law regulations apply to the existing facilities as well as to the investment and construction process itself. These regulations also assume that the operation of installations that cause, *inter alia*, noise emissions and the generation of electromagnetic fields, should not cause surpassing of the environmental quality standards outside the area to which the operator holds legal title. The Environmental Law provides for civil, criminal and administrative liability for breaching its provisions or permits issued thereunder. It also defines circumstances where the use of a plant may be suspended (including when the plant is used without the required integrated permit).

- The EIA Act

  The act on providing access to information about the environment and its protection, participation of the public in the environment protection and assessment of the environmental impact (hereinafter referred to as the EIA Act) obtaining a decision on environmental conditions is required in the case of implementation of planned projects, which may always have significant environmental impact, or projects which may potentially have significant environmental impact. Most investments in electricity generation from RES (especially onshore wind farm projects) are considered as such. The provisions of the act influence the progress of investment execution, because only after obtaining the decision on environmental constraints (specifying the environmental requirements for the project), the investor may apply for the building design permit.

2.6.4. Market prospects

The ONDE Group entered the year 2023 with an order book worth more than PLN 900 million, of which over PLN 800 million is to be executed in 2023. For comparison sake - the year 2022 the Group started with an order book worth PLN 925 million.

According to a report titled "Energy Transformation in Poland. Edition 2022" prepared by the Energy Forum, energy generated by the RES in 2021 was at a record high level of 30 TWh. Another year contributed to setting another record as since RES energy output rose by almost 9 TWH. In 2022, Polish photovoltaic power plants doubled their output, supplying almost 5 TWh more than the year before. Wind power plants also supplied more energy by one-fourth (4 TWh).

At the end of 2022, the installed capacity in RES reached almost 22.7 GW, an increase of 6 GW (+36% y/y) The photovoltaic generation capacity accounted for 54% of all renewables, while wind farms accounted for 36.4% of RES output.

Wind power engineering

The ONDE Group operates in the dynamically developing market of renewable energy sources, which is a key element of the energy transformation of Poland and Europe. According to Wind Europe's report, "Wind energy in Europe: 2021 statistics and forecasts for 2022-2026," the investment projects in the wind energy sector will see 105 GW of new wind capacity installed between 2021 and 2025.

The National Energy and Climate Action Plan provides for an increase in the capacity of RES plants in Poland up to 24 GW in 2030 and 37 GW in 2040, and increase the share of electricity generation from RES to 32% and 40% (by 2030 and 2040).

At the end of 2022, the installed capacity of wind farms was 8.3 GW. Compared to the last year, it was up by 16%. Throughout 2022, 80 new plants of almost 1 GW were constructed, of which the ONDE Group completed 25 wind farms.

Solar Energy

Solar energy (hereinafter referred to as: PV) develops the fastest of all RES sectors in Poland. According to the Institute of Renewable Energy, thanks to the installation of 4.5 GW of new photovoltaic capacity, Poland should rank third in Europe in terms of incremental capacity, following Germany (7 GW) and Spain (5.2 GW). In the year 2022 for the first time large PV farms ruled in the market, and their number started to grow dynamically and in 2023 their number will be even higher, taking into consideration RES auctions, commercial projects and granted conditions of grid connection.

The structure of RES installed capacity is dominated by solar energy. In 2022, the installed capacity was up by 4.5 GW, exceeding 12 GW of total installed capacity. It is up by a total of 58.7% y/y. The Prosumer PV systems had a total capacity of 8.8 GW.

Development

The business of building our own Renewable Energy Sources is based on the develop, build and sell model. By the end of 2022, projects with a total capacity of about 787.6 MW had been purchased.

The 18 MW project started start-up electric energy generation, the 80 MW project won the auction.

Another 129 MW - of which 69 MW are Wind Farm projects, are investments with building design and building design permits granted. About 205 MW are projects with connection conditions and about 355 MW with an application to obtain them.

In November 2021, the Company launched the construction of its first in-house 18 MW photovoltaic project "Cyranka" near Giżycko, which was commissioned and started to generate electric energy in late 2022. Being the owner of such a project, the Company counts on development margins associated with potential sales or on the enjoyment of the benefits of electric energy commercialization.

ONDE is also developing a PV segment for industry. The potential of this market is enormous. Electric energy prices are rising, followed by a growing awareness and the need to switch to green energy. As a matter of act there is no industry today that would not be interested in its own photovoltaic plant. Additionally, the Company provides operation & maintenance services, through which it provides the investor with full support over the project, which is a great value for the customer.

Road engineering

The shape of government infrastructure programmes, such as the National Road Construction Program until 2030 (with an outlook until 2033) with a budget of approximately PLN 292 billion, is key to the Group's operations in the road and civil engineering construction projects implemented by the Company.

Development of activities in foreign markets

In view of the sluggish legislative work on amending the Distance Law, the ONDE Group has taken steps to diversify the markets in which it operates.

In August 2022, ONDE acquired an order for its first overseas project: building the foundations for the construction of a 60.5-MW farm located in Lithuania for a Danish investor called European Energy, with which the Company has been doing business in Poland for many years. In February 2023, ONDE secured further contracts in Lithuania - for work on the construction of an 80 MW wind farm for the Enefit Green Group company for EUR 25.7 million.

Plans

The current situation faced by businessmen in Poland makes planning difficult. Poland's energy sector is currently undergoing strong turbulence, involving risks on the one hand, but enormous opportunities on the other. The ONDE Group is not scared of challenges and knows how to be flexible. Bearing this in mind, it will certainly continue to strengthen its position in the RES contracting segment in Poland, as well as safely implement plans to expand into the European markets, where regulatory framework allows for stable development and project implementation.

ONDE is busy working on the development of its own farms and in short-term wants to launch more PV projects with a total capacity of 35 MW. This business segment has a very good prospects in the long term, which makes the Company focus heavily on it.

In addition, the ONDE Group participates in research and development initiatives in the area of energy storage and specialized maintenance or management services for generating assets. To this extent, a grant program has been launched under the ONDE FLOW project to find and support young scientists. In the first edition, eight students and doctoral students who are working on innovative solutions in the field of energy were awarded. In addition to research on self-balancing grids or the effectiveness of bifacial modules, for instance, studies are also carried out on the use of bioluminescent fungi for road lighting.

2.6.5. Contracts signed

Contracts signed and contracts that became effective between 1 January 2021 and the Report Date (of unit value exceeding PLN 15,000 thousand):

#	Investor	Contract date (date of contract signing)	Subject Matter of Contract	Net value (attributable to ONDE) in '000 PLN.
Contracts signed from 1 January 2022 to the Financial Statement Date :				
1	Baltic Sea Polska II	12 Jan. 2022	Construction of the Potęgowo Wind Farm	19,070
2	Windpower Ujście	17 Jan. 2022.	Construction of the Ujście Wind Farm	42,280
3	Polenergia, Piekło Wind Farm/ Polenergia Wind Farm 16	4 Feb. 2022	Construction of Piekło Wind Farm	23,490
4	E-SUN PV1 Sp. z.o o , E-SUN PV2 Sp. z.o o, PV ŻAGANIEC Sp. z.o o	25 Apr. 2022.	Supply, installation and commissioning of a photovoltaic system including 19 photovoltaic projects	45 252 [1]
5	The Muncipality of the City of Toruń	9 May 2022	Development of the Philadelphia Boulevard in Toruń	37,989
6	ENERTRAG SE	8 June 2022	Construction of the Wierzchomino Wind Farm	24,000

[1] The value of the contract as of the Report Date (vs. the net value of PLN 49.95 million indicated in the contract). This is evident both from the appendices signed to the contract and from the information provided to the Company by the investor regarding the suspension of two of the contracted PV projects, due to the impossibility of completing their construction within the previously assumed timeframe, due to the lack of connection conditions.

7	Romgos Gazdowscy Sp. z o.o.	9 June 2022.	Construction of Kokawa Wind Farm	23,550
8	PV Energia 4 Sp. z o.o.	9 Aug. 2022	Contraction of Sędziszów Wind Farm	15,000
9	The Zachodniopomorskie Province (Western Pomerania)	5 Sept. 2022	Redevelopment of the Provincial Road No. 152 at the Świdwin - Połczyn Zdrój section - Phase 1	56,466
10	UAB VEVP	19 Sept. 2022	Construction of foundations for wind turbines	EUR 3,282
11	FEN Sp. z o.o.	20 Oct. 2022	Construction of the Racibórz Wind Farm	34,914
12	Altiplano S.A.	21 Nov. 2022	Construction of Bąków 2 Wind Farm	132,637
13	Łada Wind Farm Sp. z o.o.	7 Dec. 2022	Construction of Dzwola Wind Farm	44,300
14	Member companies from Qair Group	7 Dec. 2022 (effective from 27 Jan. 2023)	Construction of the Golczewo, Pakość, Rokietnica Photovoltaic Farms	PLN 128,611 EUR 4,638
15	TOLV SP Z O.O.	13 Dec. 2022	Construction of Basket MV1 (PAD-RES) Photovoltaic Farm	PLN 60,199 EUR 4,030
16	UAB “Energijos žara”	15 Feb. 2023	Kelme I (EGR) Wind Farm	EUR 25,764
Contracts signed in 2020 that came into force in 2022:				
17	GREAT WIND sp. z o.o.	20 Nov. 2020 (effective from 1 July 2022)	Construction "Człuchów" Wind Farm	127,500

2.6.6. Projects executed in 2022

The key projects implemented by ONDE in 2022 include, but are not limited to:

- The construction of the S3 expressway, the Legnica (A4) – Lubawka section, Subproject IV.
- The construction of Photovoltaic Farms commissioned by the members companies from rPower Batch IV Group,
- Construction of Photovoltaic Farms commissioned by Grand Solar 2 Sp. z o.o.
- Construction of "Pożarowo" Photovoltaic Farms for the following companies PV POŻAROWO 1 Sp. z o.o., PV POŻAROWO 2 Sp. z o.o., PV POŻAROWO 3 Sp. z o.o.,
- Construction of "Cyranka" Photovoltaic Farm
- Construction of Lords Photovoltaic Farms for companies owned by E-SUN PV1 Sp. z o.o., E-SUN PV2 Sp. z o.o., PV ŻAGANIEC Sp. z o.o.
- Construction of "Człuchów" Wind Farm,
- Construction of "Juniewicze" Wind Farm,
- Construction of "Kępno" Wind Farm,

- Construction of the Ujście Wind Farm
- Construction of Wólka Dobryńska Wind Farm.

2.6.7. Opportunities and Threats

More and more countries are choosing to reorient their energy policies toward renewable energy. This has to do both with the geopolitical situation and the need for energy security, as well as with policies to contain climate change. As a result, wind, water and solar energy has become a viable alternative to traditional sources derived from burning fossil fuels. These changes also have to do with rapid technological progress: for instance, from the BSF cells available on the Polish market with an efficiency of about 18% in 2012 to the current PERC cells with an efficiency of 24%.

An opportunity for the Company is to start working with investors in the Lithuanian RES market. Lithuania's intention is to enhance energy security by further diversifying its supply sources and increasing the role of domestic capacity in the power generation structure. At the same time, the Lithuanian government is keen to reduce electricity prices and cut imports by half by 2030 and completely by 2050.

Growth prospects are also evident in the German market, where ONDE Beteiligungs GmbH (a member of the ONDE Group) will be pursuing acquisitions of contractors operating in the RES segment. Germany aims to roughly double its onshore wind power capacity up to 115 GW by 2030 (160 GW 2040), which means annual capacity additions will have to reach 10 GW from 2025.

Therefore, there are still good prospects for the RES construction segment, although in the ONDE Group's key Polish market they currently vary depending on the source from which the energy is to be generated.

The stagnation in the wind construction market, caused by the prolonged amendment process of the 10H Act, 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. According to the government's original estimates published in mid-2022 in connection with its work on amending the Distance Law, it will be possible to build onshore windmills of between 6 GW (conservative scenario) and 10 GW (development scenario) by 2033. However, these scenarios need to be verified based on the final shape of the aforementioned law.

Meanwhile, in terms of construction related to the generation of energy from the sun, they are very good, including in terms of covering own energy requirements by the companies (so-called business prosumers). According to a report by the Institute of Renewable Energy, Photovoltaic Market in Poland 2022, Poland will reach 20 GW in 2025 and will exceed 28 GW in 2030.

Also, the potential and needs of the road construction market in Poland are huge. In 2020, the National Road Construction Programme (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. The Company's strategic objective is to bid with an assumed satisfactory margin. A threat to long-term contracts is the 5 per cent cap on indexation. A positive development in the road construction segment is the raising of the indexation threshold to 10% in February 2022 for contracts executed for the General Directorate for National Roads and Motorways, allowing greater scope for changes in contracts due to an extraordinary change in circumstances (through, inter alia, the "introduction of a indexation special law"), and increasing the favourable treatment of contract indexation by the public administration (through, inter alia, the issuance of recommendations by the General Prosecutor's Office of the Republic of Poland and the Public Procurement Office on the permissibility of changes to concluded contracts).

Growing 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.

In addition, the Ministry of Development and Technology ("MoD") is working on a draft law amending the Act on Spatial Planning and Development and certain other laws. On 7 February 2023, another version of the draft of this act was published, and at present there is no way to tell what its final shape will be. However, the company points out that the Ministry of Regional Development has made changes to the previously prepared assumptions for the amendment of the legislation, and among the proposed changes, inter alia, the earlier provisions were reinstated, which may result in a restriction on the location of PV installations with a capacity of more than 150 kW on Class IV land on the basis of a zoning decision (earlier versions of the Draft allowed such an option for plants with a capacity of max. 1 MW). Since Class IV land accounts for 40% of arable land in Poland, it cannot be ruled out that the adoption of the current proposed provisions will significantly reduce the availability of land for the construction of PV farms.

2.6.8. Strategic priorities

Mission Statement
Providing the highest quality construction services and developing activities in the market of construction for RES in order to support the Polish energy transition and, consequently, to participate in the implementation of the vision of a climate-neutral economy, respecting the principles of sustainable development.
Strategic goal
Building of shareholders' value by ensuring further growth of the Group, strengthening its position as a leader in environmentally friendly and modern construction solutions for the renewable energy and road sectors in Poland, as well as further expansion of its business activities to include the purchase and construction of photovoltaic systems and subsequent sale under the develop, build and sell model or own account operation under this model.

Strategy pillars		
1 leading position in the wind farm construction and a leading position in the dynamically growing segment of photovoltaic farm construction in Poland	2 the expected growth of the green energy generation sector, in particular the generation of wind and photovoltaic energy in Poland in the period until 2040, in connection with the implementation of the European Green Deal policy and the Energy Policy of Poland until 2040, which provide for growth and support for the development of wind and photovoltaic farms in Poland	3 maintenance and further use of own resources and cooperation with the ERBUD Group.

The ONDE Group's strategy is based on the expected further development of the market for construction of renewable energy sources, particularly photovoltaic farms and onshore wind farms, which will allow to take advantage of the existing experience and leading market position in Poland in the implementation of projects for the construction of such plants. In addition, selective participation of the ONDE in the implementation of projects in the road infrastructure sector in Poland as a general contractor under the National Road Construction Programme and road projects financed by local government funds is envisaged.

The strategic goals are divided into two time horizons:

- short-term objectives (12-24 months), and
- long-term goals (more than 24 months).

The constituents included in each time horizon are not presented in chronological order.

Short-term strategy

The ONDE Group's short-term strategy is to take advantage of the expected rapid investment growth in connection with the implementation of the energy and climate policy in Poland by continuing to acquire and develop photovoltaic farm projects for further resale, or to leave some of the developed projects in the book and sell energy, which may provide recurring revenues to the company, and to approach sales more opportunistically.

The development strategy for the short-term horizon includes:

- continuation of the adopted business model based on providing construction services in the RES segment in the area of photovoltaic and wind energy as the core, prospectively developing activity, as well as continuation of the activity in the road and engineering construction segment through selective selection and implementation of projects. At the end of 2022. The Group is executing contracts for the construction of wind farms with a capacity of 733 MW and contracts for the construction of photovoltaic farms with a capacity of 452 MW. The strategy assumes an option of increasing the share of the photovoltaic construction segment in the portfolio after 2022 due to an increase in the number of projects and their capacity and the expected reduction in the construction of new onshore wind projects, which depends on potential regulatory changes, including, in particular, amendments to the Renewable Energy Sources Act and liberalization of the Distance Act.
- further business expansion in the RES segment to include the development of RES projects under the "Develop, Build and Sell" model, by purchasing and investing in further RES projects at various phases of their preparation. The Group plans further acquisitions of projects falling into two categories, i.e. the first type of projects which at the time of acquisition are at a very early stage of preparation (greenfield), i.e. the land lease agreement has been signed, but decisions concerning conditions for connection to the distribution network or construction permits have not been issued, projects that did not win an auction organized by the Energy Regulatory Office (ERO) or do not have a signed or guaranteed Power Purchase Agreement (PPA), or the second type of projects that are at a further stage of development, i.e. those that have a construction permit, that won a RES auction organized by the ERO or have a signed or guaranteed PPA. As of 31 December 2022, projects totalling approximately 788 MW have been purchased, of which approximately 70 MW are wind projects. Projects with a capacity of 80 MW have either won the auction or acquired an investor interested in its commercialization under the Power Purchase Agreement (PPA) model. Another 129MW are developments with design and building design permits. About 205 MW are projects with connection conditions and about 355 MW with an application to obtain them.
- development of operations in the segment of construction of RES by O&M services for photovoltaic and wind power installations. As part of this activity, the ONDE, based on its experience in the construction of wind and photovoltaic farms and its potential, human and engineering resources, provides operation and maintenance services for the farms it has built and sold, as well as other wind and photovoltaic farms already operational.

In addition, the short-term strategy for developing O&M services assumes the implementation of:

- permanent remote supervision of farm operations by distributors,
- regular overhauls and maintenance by qualified technicians, and
- maintenance team, responsible for the maintenance of green areas, cleanliness of photovoltaic modules, as well as monitoring the condition of roads and squares at the farms.

Long-term Strategy

The strategy of the ONDE Group in the long-term horizon includes continuation of activities in the areas defined in the short-term strategy and potential further expansion of activities in the field of construction and operation of photovoltaic farms and undertaking work in other segments of construction related to the production of green energy including:

- to engage in the business of generating and selling electricity from photovoltaic plants built by the Group. This will depend on the possibility of contracting and conditions for the sale of electricity from photovoltaic farms in Poland, as well as labour costs and the cost of purchasing photovoltaic system components, which depends on technological progress in this area. The ONDE Group also intends to use the support elements available in the implementation of the European Green Deal policy and the Energy Policy of Poland until 2040;
- undertaking activities in the field of construction of electricity storage facilities and their operation based on experience and design-engineering competence of the ONDE Group gained while implementing other projects in the power sector infrastructure in Poland. The launch of this business is predicated on the development of modern energy storage technologies and their availability and universality;
- applying for contracts for implementation of wind power and photovoltaic installations on foreign markets, in particular in countries belonging to the European Union, which implement the policy of the European Green Deal. The Group may compete for contracts outside Poland on the basis of its own experience and competence and using the support and competence in foreign markets of the ERBUD Group.

2.7. ERBUD Industry Sp. z o.o.

2.7.1. Scope of activities

ERBUD Industry Sp. z o.o. with its registered office in the City of Warsaw 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., with its subsidiary Satchwell Polska Sp. z o.o.
- ERBUD Industry Południe Sp. z o.o.

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

1. ERBUD Industry Sp. z o.o. Division focuses on the construction of new and upgrading the existing energy sources, actively responding to the current needs of the district heating industry, commercial power sector and industrial plants in Poland. The Engineering Division's offerings include comprehensive engineering services on a "Design & Build" basis including the construction of:
    - energy sources in the form of water and steam boiler plants equipped with gas, oil and electric boilers,
    - cogeneration energy and heat sources,
    - WtE thermal conversion facilities for municipal, industrial and hazardous waste
    - industrial facilities, process systems and manufacturing lines,
    - environmental protection installations and auxiliary installations for power units (denitrification, desulphurization, dedusting, ash removal),
2. The Maintenance Division, focuses on servicing power generation facilities and industrial plants. Performs repairs, assemblies, upgrades and diagnostics of machinery and equipment. Specializes in the assembly of steel structures for boilers and pipelines and the assembly of equipment for process junctions, pipelines, pumps and fittings.

In 2022 the Company carried out intensive operational activities to acquire and execute construction and installation contracts and maintenance services for the power and chemical sectors.

ERBUD Industry uses an integrated management system and holds the following certificates:

- PN-EN ISO 9001
- PN-EN ISO 14001
- PN-ISO 45001

At the end of 2022 the headcount level at the Company was 44 people..

2.7.2. Statutory governing bodies

In the period from 1 January 2022 to the date of publication of the Management Board Report of Erbud Industry Sp. z o.o. The Management Board of Erbud Industry Sp. z o.o. consisted of:

- Zbigniew Gładys - a Management Board Member

2.7.3. Market environment

Russia's invasion of Ukraine, which has taken the form of full-scale hostilities carried out without interruption since 24 February 2022 in the Ukrainian territory, has made both public and private sector procurement market investors in Poland to put on halt their decision-making processes and publication of Requests for Proposals (RFPs). Immediately after the war outbreak, the primary necessity of the Polish reality became the protection and repair of previously disrupted supply chains and the possibility of restarting the stalled contracts in key sectors of the economy, including the power sector. The repercussions of the war in Ukraine have been surprisingly significant and unusually strong for both the Polish and global economies. The network of global connections and dependencies has been laid painfully bare by breaking off of one of the links i.e. the Ukrainian economy. The discontinuation of supplies from Ukraine such as raw materials, services and finished goods has literally put on halt a significant number of on-going investments in Poland. An aftermath of this state of affairs was the scarcity of commodities and an immediate price hikes in all areas of market activity. The contracts that had been concluded before the war outbreak became unprofitable and posed a risk for the Contractors of suffering losses. Such a state of affairs, translated into relations with the Contracting Authorities and Employers and forced the initiation of processes of indexation of remuneration for contracts underway.

In 2022, ERBUD Industry Sp. z o.o., like other market players was forced to focus primarily on the continuation of its projects and had to launch urgently its remuneration indexation process. Some of the indexation processes were completed still in 2022 and some will be completed in 2023 and will be finalized with the relevant annexes to the contracts.

2.7.4. Projects executed in 2022

In 2022 key executed projects comprised:

- Construction on a turnkey basis of flue gas cleaning system using catalytic denitrification (SCR) process and modernisation of flue gas dedusting process along with the upgrading of boiler OP-215 No. 2 at the Puławy Nitrogen Fertilizers Plant for Puławy S.A. Works.
- construction on a turnkey basis of the second gas boiler system in the existing gas boiler house in Olsztyn for Michelin Polska SA,
- construction on a "turnkey" basis of a peak load/reserve boiler house for Tauron Ciepło Sp. z o.o. Generating Plant of Bielsko-Biała CHP Station, Bielsko-Północ EC-2,
- Construction on a turnkey basis of a peak load/reserve water boiler house equipped with two boilers of the capacity of 20MWt each and one boiler of the capacity of approx. 10 MWt together with the necessary building and process infrastructure for ENERGA Kogeneracja Sp. z o.o. in the City of Kalisz.
- manufacture and supply of two gas-fired boilers for Pfeifer & Langen Polska SA's Miejska Górka Sugar Refinery.

2.7.5. Major contracts signed in 2021

On 30 August 2022, the Company entered into a contract with Pfeifer & Langen Polska SA for the manufacture and supply of two gas-fired boilers to the "Miejska Górka" Sugar Refinery.

2.7.6. Opportunities and Threats

The current infrastructure of energy and heat sources in Poland in the area of commercial, municipal and industrial power and industrial energy still requires thorough modernization in order to reduce CO_2 emissions and enable faster development of RES as well as enhance reliability of energy and heat supply.

The Energy Regulatory Office estimated that the total capital expenditures on power sector construction activities scheduled in 2014-2028 total almost PLN 100 billion. Poland has taken up the EU challenge of becoming climate-neutral by 2050, which primarily means building new energy and heat sources to replace the antiquated and worn-out units.

Paradoxically enough, the threat related to the outbreak of war in Ukraine in 2023 should speed up the decision-making process of building new and modernizing old power generation units. Today, the necessity of Poland's absolute self-sufficiency in energy supply for an increasingly energy-intensive economy comes to the foreground. This spells a very broad investment outlook for Poland and thus a development opportunity for the ERBUD Industry Sp. z o.o. Implementation Team, which will remember 2023 as the year of incorporation into ERBUD SA structures. The organizational merger of ERBUD Industry Sp. z o.o. and the Warsaw Branch of ERBUD SA, planned for 1 April 2023, is expected to lead to the establishment of an entity capable of implementing projects for industry with an annual volume exceeding PLN 500 million.

The green energy evolution that was initiated by the EU before the outbreak of war in Ukraine is irreversible. It is impossible to withdraw from it. It has only lost its momentum. Modernization of Polish power industry involving the conversion from coal fuel to zero-emission fuels with the use of transformational fuel such as gas, opens up a huge investment market for ERBUD Industry, touching both the area of power generation facilities and heat. This is the area of commercial and municipal energy, but also the area of industrial plants.

2.7.7. Development directions

The merger of ERBUD Industry Sp. z o.o. and ERBUD SA by way of merger by acquisition, with ERBUD SA as the Acquirer, is planned for 1 April 2023.

The objective of the Companies' merger is to boost the efficiency of the merged companies and to achieve financial and economic effects of direct and indirect synergies, including:

- superior utilisation of the assets of the merged companies,
- reduction of operating costs,
- superior allocation of cash assets,
- the arrangement of assets within the ERBUD Group.

The Engineering Division within ERBUD SA will continue to strive to increase its market share in the industrial service segment based on the engineering competencies gained and developed to date in the following segments:

1. Segment 1 - construction of new energy and heat sources based on gas-oil fired boilers, electrode boilers,
2. Segment 2 - construction of municipal, industrial and hazardous waste treatment facilities.
3. Segment 3 – construction of industrial facilities, process plants and manufacturing lines,
4. Segment 4 - construction of cogeneration energy and heat sources,

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 specialises in repairs of power, heating, electrical, control and measurement equipment (Control and Measurement Instruments and Automation) and industrial and municipal systems.

At the end of 2022 the headcount level at the Company was 425 people..

2.8.2. Statutory governing bodies

MANAGEMENT BOARD

In the period from 1 January 2022 to 31 December 2022 the Management Board was represented by:

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

SUPERVISORY BOARD

In the period from 1 January 2022 to 27 June 2022, the Company's Supervisory Board consisted of:

- Joanna Piersa - Supervisory Board Secretary
- Radosław Górski - (Supervisory Board Chairman until 27 June 2022 – resignation effective from 27 June 2022).
- Zbigniew Gładys - a Supervisory Board Member

In the period from 28 June 2022 to 1 Dec. 2022, the Company's Supervisory Board consisted of:

- Joanna Piersa - Supervisory Board Secretary
- Zbigniew Gładys - (a Supervisory Board Member until 1 Dec. 2022 – resignation effective from 28 Nov. 2022.

On 2 December 2022, the Extraordinary General Meeting of Shareholders appointed Ms. Dagmara Sobolewska to the Supervisory Board by virtue of Resolution No. 3/2022 and Mr. Andrzej Lukasik by virtue of Resolution No. 4/2022.

Given the above, from 2 December 2022 to 31 December 2022 and until the date of publication of the 2022 Report , the Company's Supervisory Board consisted of:

- Joanna Piersa - Supervisory Board Secretary
- Dagmara Sobolewska - Deputy Chairman of the Supervisory Board
- Andrzej Łukasik - Chairman of the Supervisory Board

2.8.3. Projects executed in 2022

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 district heating assignments, the Company carried out repairs and modernization of district heating networks throughout Poland. The major assignment was the redevelopment of the existing network in the area of Opolska and Popielskiego Streets in Wrocław of a 2xDN1000 ducted district heating network to a 2xDN800 pre-insulated district heating network for Fortum Network. The second largest task in this sector was the redevelopment of the district heating network in Łódź to reduce CO2 emissions and improve energy efficiency in Julianowska Street.

Apart from Łódź, the Company carried out significant repairs in the market of CIECH Janikowo and Inowrocław for a total amount of almost PLN 30 million, an annual review and periodic overhaul after the second year of operation of the Municipal Waste Thermal Treatment Plant in Konin were carried out, works were continued upon delivery of equipment maintenance services and technological infrastructure for the Pfleiderer Group plants in Wieruszów and Grajewo.

2.8.4. Expected Development

Some acquisitions were planned for 2022, aiming to broaden the scope of operations, both in terms of competences and geographically, but due to the uncertain macroeconomic environment and a significant increase in financing costs, they were put on halt. In 2023 the company will pursue its suspended acquisition plans in anticipation of improvement of business environment in the domestic and global economies.

At the end of December 2022, the Company's order book amounted to over PLN 43 million.

2.9. Satchwell Polska Toruń Sp. z o.o.

2.9.1. Scope of activities

Satchwell Polska Toruń Sp. z o.o. with its registered office in Toruń was established in 1991. Since then it has operated in the maintenance service sector and has specialised in electrical, C&I (Control and Measurement Instruments and Automation).

At the end of 2021 the headcount level at the Company was 26 people..

2.9.2. Statutory governing bodies

MANAGEMENT BOARD

In the period from 1 January 2022 to 31 December 2022 the Management Board consisted of:

- Piotr Szołonik – President of the Management Board
- Marcin Stasiak – Vice-President of the Management Board

2.9.3. Projects executed in 2022

The most important tasks performed by the Company include the assembly and maintenance of the heat substation systems for PGE in Toruń, the Company completed works within the Capital Group, for the total amount of almost PLN 2 million including but not limited in building of a newly-built factory of modular houses in the locality of Ostaszewo.

2.9.4. Expected Development

In connection with joining the Erbud S.A. Capital Group, the increased potential will allow to undertake larger tasks with better economic result.

The Company's management will look for small entities in a similar industry that can be purchased and integrated into the Company's structures.

At the end of December 2022, the Company's order book was worth more than PLN 5 million

2.10. ERBUD Industry Południe Sp. z o.o.

2.10.1. Scope of activities

ERBUD Industry Południe Sp. z o.o. based in Rybnik 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 2022 the total headcount was 131 workers at ERBUD Industry Południe Sp. z o.o.

2.10.2. Statutory governing bodies

SUPERVISORY BOARD

From 1 January 2022 to 27 June 2022, the Supervisory Board of ERBUD Industry Południe was composed of 4 members, i.e.:

- Radosław Górski
- Paweł Zaorski
- Zbigniew Gładys
- Joanna Piersa

On 27 June 2022, Mr Radosław Górski resigned from his position on the Supervisory Board of ERBUD Industry Południe sp. z o.o. with immediate effect from 27 June 2022.

In the period from 28 June 2022 to 2 December 2022 the Supervisory Board of ERBUD Industry Południe consisted of:

- Paweł Zaorski
- Zbigniew Gładys
- Joanna Piersa

On 28 November 2022, Mr Zbigniew Gładys resigned from his position on the Supervisory Board of ERBUD Industry Południe sp. z o.o. effective from 2 December 2022.

On 2 December 2022, the Extraordinary Meeting of Shareholders of ERBUD Industry Południe sp. z o.o. appointed Ms Dagmara Sobolewska to the Supervisory Board, effective as of 2 December 2022.

In the period from 2 December 2022 to 29 December 2022 the composition of the Supervisory Board of ERBUD Industry Południe sp. z o.o. was as follows:

- Paweł Zaorski
- Dagmara Sobolewska
- Joanna Piersa

On 30 December 2022, the Extraordinary Meeting of Shareholders of ERBUD Industry Południe sp. z o.o. appointed Ms Dagmara Sobolewska to the Supervisory Board, effective as of *** 2 December 2022.

On 14 December 2022, Mr Paweł Zaorski resigned from his position on the Supervisory Board of ERBUD Industry Południe sp. z o.o. with effect from 31 December 2022.

In the period from 30 to 31 December 2022, the Supervisory Board of ERBUD Industry Sp. z o.o. consisted of the following members:

- Paweł Zaorski
- Dagmara Sobolewska

- Andrzej Łukasik
- Joanna Piersa

In the period from accounting period 2022 to Report Date, the Supervisory Board of ERBUD Industry Południe sp. z o.o. consisted of :

- Andrzej Łukasik
- Dagmara Sobolewska
- Joanna Piersa

MANAGEMENT BOARD

In the period from 1 January 2022 to 22 June 2022 the Supervisory Board of ERBUD Industry Południe Sp. z o.o. consisted of:

- Dariusz Badeja – President of the Management Board
- Ewa Chachulska – a Management Board Member

On 9 May 2022, Ms Ewa Chachulska resigned from her position of a Member of the Management Board of ERBUD Industry Południe sp. z o. o by virtue of termination her employment.

Ms Ewa Chachulska held her position until 22 June 2022, i.e. until the date of the Annual General Meeting of Shareholders of ERBUD Industry Południe Sp. z o.o., which dismissed Ms Ewa Chachulska from her position of a Management Board member in the 2021 accounting year.

On 23 June 2022, the EIS Supervisory Board appointed the Management Board for a further term of office. Since that date, the Management Board of ERBUD Industry Południe Sp. z o.o. consisted of a single person. The position of President of the Management Board was held by Mr Dariusz Badeja.

On 1 January 2023, the Supervisory Board of ERBUD Industry Południe sp. z o. o. appointed two more members of the Company, so that from 1 January 2023 to the Report Date, the Management Board of ERBUD Industry Południe Sp. z o. o. consisted of :

- Paweł Zaorski - President of the Management Board
- Dariusz Badeja – Vice-President of the Management Board
- Marcin Stasiak - Vice-President of the Management Board

2.10.3. Projects executed in 2022

In 2022 ERBUD Industry Południe sp. z o.o. executed, inter alia, the following projects:

Systemic power engineering sector:

- PGE - repairs of pressure parts of OP650 K3-8 boilers in Rybnik
- CEZ Chorzow for SFW - replacement of ECO coils of CFB boiler
- Tauron Wytwarzanie - major overhaul of OP650 K11 and K12 boilers

Petrochemistry and Chemistry:

- Lotos Group - execution of pipeline welded connections during the Spring 2022 Repair Shutdown
- Police Chemical Plant - overhaul and replacement of OP 230 boiler screens
- Syntos Oświęcim for ZRE – pipeline assembly

Metallurgy:

- JSW coke plant for Eko-Energia - installation of a dust removal system for a modernized coke battery

Foreign projects:

- Austria - Sappi Gratkorn for SFW - coal to biomass boiler conversion,
- France - Gonfreville BioSynErgy for LTT - installation of grate boiler with auxiliary equipment, pipelines and accessories
- France - Laveyron SAICA for BERTSCH Energy - installation of a fluidized bed boiler with auxiliary equipment, pipelines and accessories

District heating system:

- PEC Gliwice District Heating Company - overhaul of pressure part of WP-70 boiler No. 2
- EC Będzin CHP Plant- overhaul of the pressure part of OP140 and WP70 boilers together with EF
- Dalkia - maintenance services applied to fundamental pieces of power equipment in 2022
- PGNiG Termika - delivery of emergency services in 2022
- PGNiG Termika - Delivery of maintenance services to Polish Oil & Gas Company (PGNiG) in 2022 - 2023

The district heating networks for Tauron Ciepło:

- a connection to the Barbara facility in Katowice,
- Gwiezdna connection, Sosnowiec

2.10.4. 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 the Green Deal, to promote the development of sources powered by renewable energy. The Company intends to continue to develop partnerships with technology providers and general contractors.

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 fierce 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.

The Company intends to strengthen its cooperation ties with other entities in the Erbud Capital Group.

In December 2022, the value of Company's order book was PLN 19.9 million, compared to PLN 31.1 million a year earlier.

2.11. ERBUD Shared Services Sp. z o.o.

2.11.1. Scope of activities

In 2022 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 2022 the headcount level at the Company was 84 people.

There are two strategic boards in the Company: The Technical Board, to which services are currently provided by 7 people, and the Strategic Board, to which services are provided by 6 people. The company works on an outsourced basis with advisors.

2.11.2. Statutory governing bodies

In the period from 1 January 2022 until 31 December 2022, the Management Board of ERBUD Shared Services Sp. z o.o. consisted of two persons, represented by:

- Tomasz Stryjewski - President of the Management Board
- Małgorzata Polińska - Vice-President of the Management Board

2.11.3. Plans for 2023 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 2022 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 view of the on-going digitization of the company and its impact on other entities in the Group, ERBUD Shared Services Ltd. plans to work closely with Erbud S.A.'s Management Board Representative for Process Management and Digitalization to accelerate changes.

In 2023, ERBUD Shared Services Sp. z o.o. plans to prepare its functioning procedures for certification to the PN-EN ISO 9001 standard.

2.12. IVT Weiner + Reimann GmbH

2.12.1. 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 that will celebrate its 40th anniversary in 2022. The company's advantage is its high renown and well-established business relations in the local market, achieved thanks to the high competence of its experienced and specialized personnel.

2.12.2. Company governing bodies

In 2022 the Company's Management Board consisted of:

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

2.12.3. Projects executed in 2022

The IVT's major business partners include, but are not limited to: ArcelorMittal Duisburg, ArcelorMittal Bremen, Axel Springer - Printing House, Beteler Steel / Tube - Pipe manufacturing, Cargill - Food industry, SBO (Oberhausen service company previous OGM), RAG, Minegas, Mingas Power, STEAG - Energy supplier, Rondo Food - Pet food, Vivawest Wohnen, INEOS Solvents Germany.

IVT operates in the following business areas: Steel and pipeline structures

- Industrial and plant construction
- Facility management
- Technical Building Management
- Downtime management
- Industrial curing
- Employee leases (Menzenbach)

2.12.4. Expected Development

Looking at 2022, it can be said that the business situation is stable, and the set goals were achieved and some exceeded despite the war in Ukraine and the associated price hikes in all areas, but especially in the energy sector. Despite an disadvantageous macroeconomic environment, the company generated the best performance in its forty-two-year history.

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

2.13. IKR GmbH

2.13.1. Scope of activities

KR GmbH, based in Bitterfeld (Saxony-Anhalt), has a 30-year history. It joined the ERBUD Group in 2021. It carries out ordered projects in the field of pipeline construction and connections for the chemical and petrochemical industries, power generation and metallurgy. Repair and maintenance services as well as maintenance-related projects are provided for the above-mentioned industries on the grounds of framework agreements.

In the organisational structure of the ERBUD Group, IKR is assigned to the Erbud Deutschland Holding GmbH. This group currently consists of two subsidiaries, IKR GmbH in Bitterfeld-Wolfen and IVT Weiner + Reimann GmbH successively with its subsidiaries, IVT Menzenbach GmbH and IVT Beteiligungs GmbH.

2.13.2. Company governing bodies

In 2022 the Company's Management Board consisted of:

- Bernd König – a Management Board Member
- Andreas Schmitz – a Management Board Member,

2.13.3. Projects executed in 2022

In addition to the German market, IKR also handles project orders in the neighbouring European countries. The company's headcount is approximately 280 workers at four own branches in Germany. Its major customers include Wacker Chemie, Lyondell Basell, Nynas, BASF, Solvay, SKW Piesteritz, Linde Gas, Siemens, Thyssen Krupp, BP, Pfeifer&Langen, Kali&Salz, Salzgitter AG and EEW.

IKR specializes in the following business areas:

- Petrochemical sector:
  - IKR implements new construction, expansion and reconstruction of refinery plants, gas and hydrogen plants and so-called air separators
- Chemistry:
  - We assist our customers on key issues such as sustainability, energy conservation and enhanced environmental awareness.
- Industry /Energy
  - IKR plans and builds process engineering systems in the areas of power plants, food processing industry and wastewater treatment plants.
  - Another goal is to build test facilities for both industry and universities.

In 2022 the Company completed, *inter alia*, the following projects:

- The New Catalyst HOSTALEN (Catalyst Plant) / LyondellBasell Frankfurt M project has been completed in accordance with all set objectives.
- BP Lingen → Maintenance and repair work at BP refinery.
- TAR project→ TAR stands for major revision. 24-meter long poles will be replaced.
- Waschwasser project.→ This is a project under which wastewater is cleaned and treated. Ultimately, IKR handles the piping for the system provided by the customer.
- Cooling water treatment project at Clariant
- Pilotreaktor Project.→ New manufacturing processes have been tested and developed. IKR made the piping.
- Stuttgart University→ Completion of works concerning boilers and pipelines.

2.13.4. Expected Development

In 2022 the war in Ukraine also affected the company's economic position. Unfortunately, IKR did not achieve its goals fully. The customers from the design segment have postponed implementation until 2023. IKR could not meet fully its sales target. Thanks to intensive discussions with suppliers as well as customers, it was possible to reduce additional costs to an acceptable degree. In the years to come, IKR will continue its current activities.

Both IVT and IKR can only develop their potential through the acquisition of similar, complementary entities. Organic growth is basically impossible due to problems with workforce recruitment. In 2022 and 2023, due to the macroeconomic and political developments, the acquisition plans were frozen. The Group's management, together with the management boards of both companies, will monitor the situation and evaluate potential opportunities on an on-going basis. The main determinant in the past year and in 2023 was cash conservation. High interest rates have inhibited the Group's propensity to borrow. The need to meet financial covenants was also not insignificant.

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 in 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

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 2022

In 2022, the Company implemented, *inter alia*, the following projects (on the "Design and Build" basis):

1. 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.
2. Delivery of services to the NAVY military base in Redzikowo. Works performed in 2021 in value terms totalled 0.5 million euros.
3. Construction of combat vehicle parks in Drawsko Pomorskie. The value of the works is EUR 6.7 million.

2.14.4. Expected Development

The JV WMER MATOC POLAND Sp. z o.o. plans to steadily develop its business within its current scope. In connection with the further planned 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.

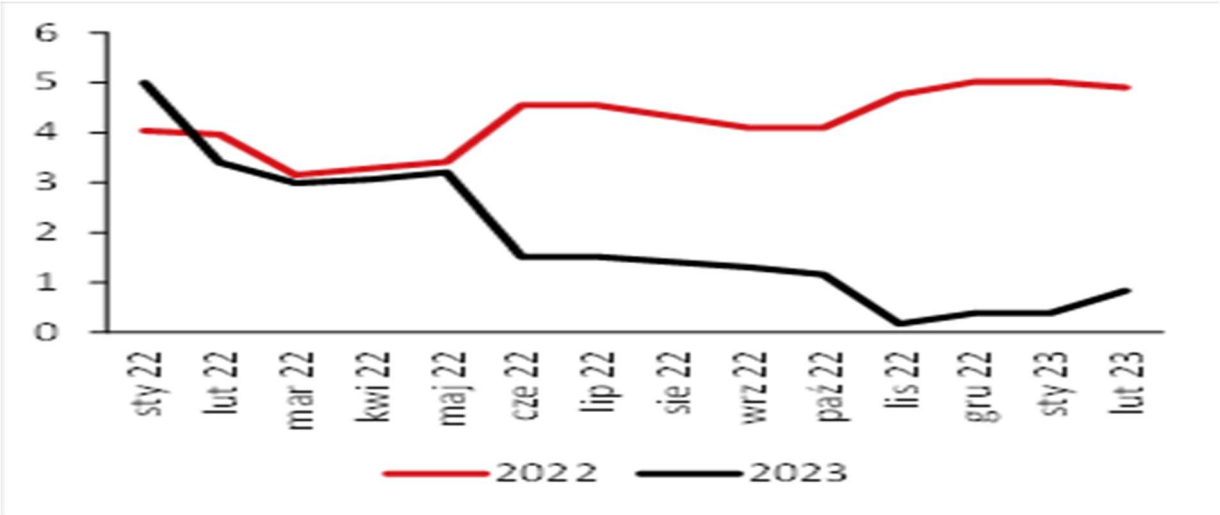
2.15. Development directions of ERBUD Group activities

Every company must have its own strategy. Today we know how important it is for this strategy to assume various options, for its core to be risk diversification. What happens when one segment underperforms, where we can make up, how to quickly regroup resources that are represent a burden. We know that the current world is constantly changing and the effects of these changes can be more or less anticipated. The problem arises when changes occur rapidly. Today the "black swans" are "black peregrine falcons". Looking retrospectively after one year, we can see that the most prominent economists have evolved strongly in their forecasts of the macro situation. Quoting the study "Pekao bank analysis" only in terms of GDP - predictions and what happened:

„GDP forecasts followed bumpy roads. In the end, the Polish economy grew by 4.9% in 2022, even better than the assumptions made before 24 February. After initial cuts, GDP forecasts for 2022 were basically only revised upward thanks to, inter alia, a higher point of departure and greater resilience of economies to war and energy shocks. Changes in 2023 forecasts, as you can see, mirrored changes in 2022 forecasts, but in the end we were increasingly pessimistic about the entire 2022-2023 period, which was also reinforced by the tightening of monetary policy in domestic and foreign markets. According to assumptions from the onset of 2022, Polish GDP was expected to grow by a total of 9.2% in this biennium. We currently assume that it will grow by 5.8%.

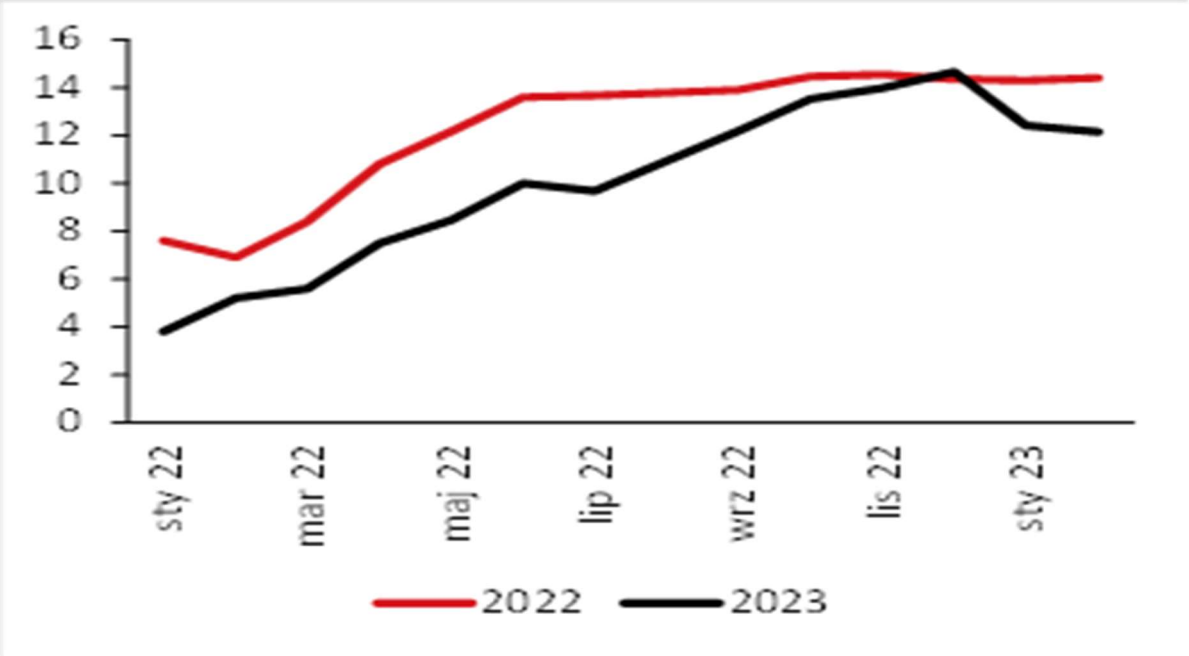
A full-scale Russian-Ukrainian war was expected to reinforce inflationary trends already in place, and this has indeed happened. We closed 2022 with twice as high inflation as it seemed at the time of its outbreak and throughout the first half of the year we intensively revised forecasts upward in response to price hikes for virtually everything. It was only in recent months inflation forecasts started to be revised, but it was too late for them to help 2022 outcome. „

Evolution of our average annual GDP growth forecasts for 2022 and 2023 (%)



Source: Pekao Analyses

Evolution of our average annual inflation rate for 2022 and 2023 (%)



Source: Pekao Analyses

In the face of such intense volatility, it is difficult to develop a waterproof strategy, and as a result, ERBUD Group management will continue to pursue a strategy focused on diversification, ESG, innovation and safety.

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

- Being a leader of sustainable development (ESG)
- Developing new profitable business segments, in particular the segment related to the production and sale of modular timber buildings and construction related to Renewable Energy Sources (RES).
- 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 attainment of the Group's objectives should be supported by the situation on the domestic and western European markets, in particular:

- Capex growth in relation to climate protection and climate adverse change mitigation,
- Good, profitable order book across the Group,
- Development of construction business in the Renewable Energy Sources (RES) area,
- Dynamic development of the market related to timber construction in Germany
- 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.

The Group entered 2022 with a very handsome order book and a very sound financial standing developed in 2021. The Group's diversification policy, which the Group is constantly striving to develop, is proving salutary. When one sector falters resources can be reallocated to another sector that is growing. Segments such as industrial services in Poland and abroad have not been as badly affected by the war as, for instance, building construction.

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. In Q1 2023, MOD 21 GmbH signed its first contracts for modular timber technology projects.

Group Management is getting ready for challenging two years - 2023 and 2024. Therefore, its short-term strategy it focuses on very tight liquidity management and the accumulation of financial surpluses. The predicted forthcoming difficult years are confirmed by the economists. On February 16, 2023, the EBRD lowered its economic growth forecast for Poland from 1.5% to 1.0%. EBRD forecasts that economic growth should reach 4% in 2024.

In the fourth quarter, Poland's GDP was 2 per cent higher in real terms (that is, net of the impact of inflation) than a year earlier, the Poland Statistics estimates. The actual figure was lower than the 2.2 per cent expected by the analysts.

Last year the annual growth rate slowed down from 8.6 per cent in Q1 to 5.8 per cent in Q2 and 3.6 per cent in Q3. In 2022, the economic growth in Poland was up by 4.9 per cent in real terms, and nominal Gross Domestic Product exceeded PLN 3 trillion for the first time.

3. ERBUD GROUP FINANCIAL PERFORMANCE IN 2022

3.1. Key drivers of financial performance

The ERBUD Group ended 2022 with a net profit from continuing operations of PLN 10,994 thousand, compared to a profit of PLN 21,338 thousand (standardized net profit of PLN 83,113 thousand) in 2021.

The standardisation of net profit for 2021 consists of the addition to profit of net costs related to the issue of D-series shares by ONDE S.A. and costs related to the acquisition of IKR and the addition of income tax paid by ERBUD S.A. on the sale of shares held in ONDE S.A., and that income tax reduced consolidated net profit.

In 2022, net income is not standardized for non-recurring events despite the fact that the modular building manufacturing segment has not yet generated results due to a lack of sales. However, a favourable income tax settlement due primarily to the fact that the production of modular facilities is located in the Special Economic Zone, the segment recorded a positive net profit despite the lack of sales revenue. The tax shield totalled PLN 20,282 thousand.

In 2022 major drivers of the Group's financial performance in going concern activities included:

- A sharp increase in the prices of building materials and raw materials in Poland and Germany
- Increases in energy and fuel prices;
- increase in costs at MOD 21 GmbH as a result of the preparation of this company for the sale of wooden modular buildings (construction of the sales department, marketing, advertising costs)
- tax paid on the purchase of ONDE shares;
- development of a development division at ONDE S.A.

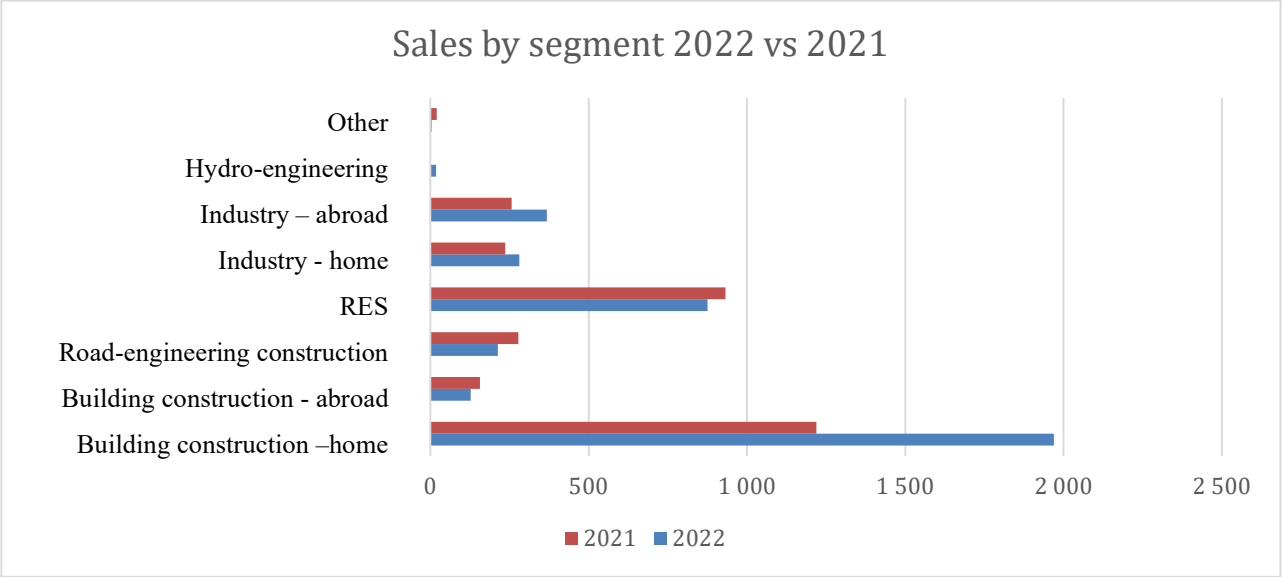
Profit and loss account of the ERBUD Group in analytical terms (in '000 PLN)

	2022	2021	% change
Revenues from sales of products, goods and services from continuing operations	3,855,649	3,102,095	24.29%
Operating expenses*	3,827,539	3,005,529	27.35%
Other operating profit/loss	(7,252)	(5,752)	26.08%
Operating profit/loss	20,858	90,814	(77.03%)
Financial activity gains/losses	(21,023)	(5,263)	(299.45%)
Gross profit /(loss) from continuing operations	(1,616)	85,395	(101.89%)
Income tax	(12,610)	64,057	(119.69%)
Net profit /(loss) of the continued business	10,994	21,338	(48.48%)
Net profit (loss) in accounting year, of which	10,994	21,338	(48.48%)
- appropriated to the shareholders of Parent Company	8,291	8,788	(5.66%)

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

3.2. Sales revenues

In 2022, the Group generated sales revenues from continuing operations at the level of PLN 3,855,649 thousand, i.e. up by 24.29 % compared to the previous year (PLN 3,102,095 thousand). First and foremost, revenues were up in the domestic building construction segment (61.5%), in the foreign industry segment (43.49%); in the segment: domestic industry (18.78%). ERBUD Group recorded declines in the road engineering segment (-23.45%) and in the foreign building segment (-18.94%).



Costs

The main cost item of the ERBUD Group (57.56 % of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. This value was slightly up compared to 2021, where the costs of third party services accounted for 56.57%. In 2022, they totalled PLN 2,230 million, i.e. up by 32.39% compared to the previous year. In second place in terms of percentage share of costs are costs of materials and energy consumption - 28.11% vs. 26.27% in 2021. In third place are employee benefit costs - 12.39% vs. 14.08%.

Operating costs of ERBUD Group ('000 PLN)

Item	For the period of 12 months, ended on 30 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021	Change in %
Third party services	2,229,880	1,684,317	32%
including third party services from subcontractors	1,874,017	1,384,534	35%
Material and energy consumption	1,088,826	782,165	39%
Employee benefit expenses	480,003	437,080	10%
Including remuneration consisting of shares	0	28,343	(100%)
Amortization and depreciation	33,128	27,649	20%
Taxes and charges	15,123	11,353	33%
Other cost categories	23,496	31,825	26%
Value of goods and materials sold	3,255	2,978	9%
Total costs by type	**3,873,711**	**2,977,367**	**30%**
Change in the balance of products, work in progress and accrued expenses under building contracts	(46,172)	28,162	(264%)
Cost of sales (negative value)	(13,259)	(10,830)	22%
General management and administration costs (negative value)	(180,780)	(185,919)	(3%)
Including remuneration consisting of shares	0	(28,343)	(100.00 %)
Manufacturing costs of products sold	**3,633,500**	**2,808,780**	**29%**

3.3. Other operating and financial income and expenses

In 2022, the Group's other operating income was PLN 3 856 thousand, compared to PLN 9 435 thousand in the previous year.

The largest item of other operating expenses were write-downs of receivables and inventories - PLN 2,015 thousand, and fines, penalties and damages paid - PLN 2,203 thousand, as well as donations in the amount of PLN 1,667 thousand. The donations were mainly related to aid to refugees from Ukraine in crisis situation.

Impairment of financial assets and contract valuation assets in 2022 PLN (11,108) thousand vs. PLN (15,187) thousand in 2021.

The result on the Group's financial activities was negative and amounted to PLN (21 023) thousand compared to PLN (5,263) thousand in 2021. In 2022 the level of financial costs was PLN 35 855 thousand, of which the largest item included interest on credits and loans, lease, bonds and other - PLN (16,075) thousand. In 2022, financial costs were up by 153% compared to the previous year.

3.4. Statement of Financial Position

On 31 December 2022, the total assets of the ERBUD Capital Group amounted to PLN 2,016,268 thousand compared to PLN 1,833,190 thousand at the end of 2021 (up by 10%). Fixed assets were up by 34% and reached PLN 442,555 thousand, whereas current assets were up by 5% and reached PLN 1,573,713 thousand.

Major items of the Group assets were as follows:

- Long- and short-term trade receivables and other receivables They totalled PLN 775,150 thousand, or they accounted for 38% of the total assets. Their value was up by 14% compared to the end of 2021 (PLN 762,386 thousand).
- Receivables from the measurement of building contracts in the amount of PLN 431,013 thousand (21% of the balance sheet total) against PLN 302,138 thousand (16% of the balance sheet total) in 2021. Up by 43%. The largest carrying values from the valuation of building contracts are in ONDE (PLN 195,823 thousand) and ERBUD S.A. - PLN 163.982 thousand.
- Cash and cash equivalents including cash on separated VAT accounts and restricted cash totalled PLN 199 299 thousand. 10 % of the total assets vs. PLN 424,810 thousand of 23% of total assets (down by 53% compared to the balance at the end of 2021).

As of 31 December 2022, total equity amounted to PLN 665,478 thousand (33% of total liabilities) vs. PLN 684,733 thousand at the end of 2021. The decrease in shareholders' equity is primarily due to the repurchase of own shares in ERBUD S.A. and ONDE S.A.

Shareholders' equity of the parent company amounted to PLN 2022 year-end PLN 540,881 thousand (81% of total equity) vs. PLN 552,867 thousand in 2021.

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 720,582 thousand (36% of total liabilities). They were up by 16 % compared to the previous year (PLN 622,685 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 245,957 thousand (12% of the balance sheet total) against PLN 244,048 thousand (13% of the balance sheet total) in 2021.

3.5. Cash flows

During 2022 the ERBUD Group recorded negative cash flows of PLN (199,249) thousand compared to the positive cash flows of PLN 70,622 thousand in the previous year. In particular they consisted of:

- Negative gross result (PLN 1,616 thousand) compared to PLN 85,395 thousand in the previous year.
- Negative change in working capital in the amount of (PLN 173,603 thousand); - receivables up by 14%, valuation of building contracts up on the asset side by 43%; increase in inventories by 138%.
- Negative result on investment activities due primarily to purchases of assets which was related to the construction of the segment of production of modular wooden buildings (PLN 21,615) thousand;
- Negative cash flows from financial activities in the amount of PLN 11 423 thousand.

As of 31 December 2022, the Group's cash balance, including accumulated VAT accounts and cash equivalents totalled PLN 199,299 thousand, compared to PLN 424,810 thousand as of 31 December 2019.

3.6. Changes in equity

As of 31 December 2022, total equity amounted to PLN 665,478 thousand (33% of total liabilities) vs. PLN 684,733 thousand at the end of 2021. The decrease in shareholders' equity is primarily due to the repurchase of own shares in ERBUD S.A. and ONDE S.A.

At the end of 2022 shareholders' equity of the Parent Company amounted to PLN 540,881 thousand as opposed to PLN 552,867 thousand in 2021.

Financial ratios

In 2022, all profitability ratios at individual levels of sales profits were positive.

Key financial ratios of the ERBUD Group for continuing operations

	2022	2021
EBIT margin (in %)	0.55	2.93
EBITDA margin (in %)	1.40	3.82
Adjusted EBIT margin (in %)	0.88	3.94
EBITDA margin, standardized (in %)	1.74	4.83
Sales profitability (in %)	5.76	9.46
Gross profitability (in %)	(0.03)	2.75
Net profitability (in %)	0.29	0.69

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

Despite the decline in liquidity ratios, the ERBUD Group had no problems with the payment of its liabilities on time. The Group's liquidity position throughout 2022 was very good despite the appropriation of own funds to the construction of the first 18 MGW "CYRANKA" wind farm.

ERBUD Group's key liquidity and debt ratios

	2022	2021
Current ratio	1.42	1.60
Quick ratio	1.28	1.53
Debt ratio (in %)	67%	63%
Debt-to-equity ratio	2.03	1.68

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

3.7. Interest debt

As of the end of December 2022, the ERBUD Group's total debt under loans, borrowings, bonds and finance leases amounted to PLN 312,575 thousand, including PLN 123,168 thousand of short-term debt and PLN 30,538 thousand of interest-bearing debt due to changes in the rules set forth in the IFRS 16 standard.

As of the end of December 2021, the ERBUD Group's total debt under loans, borrowings, bonds and finance leases amounted to PLN 213,895 thousand, including PLN 58,735 thousand of short-term debt and PLN 10,977 thousand of interest-bearing debt due to changes in the rules set forth in the IFRS 16 standard.

The companies of the ERBUD Group have access to multi-purpose credit and guarantee lines totalling PLN 1,708,251 thousand.

The following loan agreements were signed between the onset of 2022 and the date of this report:

- **On 1 February 2022** Annex No. 25 was signed by ING Bank Śląski S.A. to the Loan Agreement of 6 July 2010. Pursuant to these Annexes, the Issuer and its subsidiaries: ONDE S.A. and Erbud Industry Centrum Sp. z o.o. extend an option of using a multi-purpose line (overdraft facility and bank guarantee line) for the total amount of PLN 160 million. In relation to the terms and conditions in force prior to the signing of Annex No. 25, the sub-limit for current account overdraft facility for ONDE S.A. was increased from PLN 5 million to PLN 20 million and a new product was made available to ONDE S.A. (Letter of Credit) in the sub-limit amount of PLN 30 million under the joint multi-option line. The Issuer and its subsidiaries may use the lines within the sublimits specified for each and every entity: Limit for Erbud S.A. amounts to PLN 160 million, including an option of drawing debt max. to PLN 50 million; - sublimit for ONDE S.A. amounts to PLN 50 million with an option of drawing debt max. to PLN 20 million; - sublimit for Erbud Industry Centrum Sp. z o.o. amounts to PLN 10 million with an option of drawing debt max. to PLN 4 million. The line's maturity date is 31 January 2023.
- **On 9 February 2022** Annex no. 17 to the Framework Agreement No. 38/003/10/Z/GX of 2 February 2010 with mBank S.A.. Pursuant to this Annex, the Issuer may use the guarantee line in the amount of PLN 85 million. The line's maturity date is 3 February 2023.
- **On 18 February 2022** Annex No. 9 to MultiLine Agreement No. K01393/15 dated 20 November 2015, as amended was signed with Santander Bank Polska S.A.. Under this Annex, the Issuer and the ONDE S.A. may use a multi-purpose line (overdraft and bank guarantee line) up to PLN 165,800,000.00 (one hundred and sixty-five million, eight hundred thousand PLN), provided that the ONDE S.A. may use services under the MultiLine up to PLN 105,000,000.00 (one hundred and five million PLN). A new product has been made available to ONDE S.A. in relation to the terms and conditions in force prior to the signing of this annex. - Letter of Credit - in the sub-limit amount of EUR 14 million under the joint multi-option line. The line's maturity date is 7 July 2022.
- **On 20 April 2022**, Annex No. 6 to the Multi-Product Agreement No. 38/035/20/Z/UX was signed with mBank, based in Warsaw. Under the signed annex, the companies can use the Limit up to a total of PLN 112 million until 13 April 2023.
- **On 1 July 2022** Annex No. 21 was signed with PKO Bank Polski S.A. to the contract dated 30 June 2009. Pursuant to this Annex, the Issuer may use a multi-purpose line in the amount of PLN 70 million (overdraft and line for bank guarantees), including the possibility of incurring debt up to PLN 20 million. The maturity date of the line is 30 June 06 2023.
- **On 8 July 2023**Annex No. 10 was signed with Santander Bank Polska S.A. to the Multi-purpose Line Agreement No. K01393/15 of 20 November 2015, as amended. Under this Annex, the Issuer and the ONDE S.A. may use a multi-purpose line (overdraft facility, bank guarantee line and letters of credit) up to PLN 165,800,000.00 (one hundred and sixty-five million, eight hundred thousand PLN), provided that the ONDE S.A. may use services under the MultiLine up to PLN 60.800.000,00 (one hundred and five million PLN). The maturity date of the line is 7 July 2023.

- **On 26 July 2022** Annex No. 24 to the Multi-Product Agreement with BNP Paribas Bank Polska S.A. based in Warsaw. Pursuant to this Annex, the Issuer and its subsidiaries ONDE S.A. and Erbud International Ltd. may use the limit of PLN 181 million in accordance with the sub-limits listed below:
  - PLN 165 million total amount to be used by ERBUD S.A. and ONDE S.A. (combined limit for guarantees, letters of credit and overdraft)
  - PLN 16 million to be used only by Erbud International Sp. z o.o. (for guarantees and an overdraft facility).

  The aforementioned Agreement was made available to the Companies by 30 April 2023.

- **On 29 September 2021** Annex No. 13 signed with Credit Agricole Bank Polska S.A. with its registered office in Warsaw to the Line Agreement No. KKW/NS/15/2015 of 18 September 2015. Pursuant to Annex No. 13, the Issuer along with 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 take advantage of multi-purpose credit line up to the limit of PLN 60 million, whereas Issuer's subsidiaries may enjoy debt financing up to the amount i.e.: Erbud Industry Sp. z o.o. - PLN 7 million; Erbud Industry Centrum Sp. z o.o. - PLN 7 million; Erbud Industry Południe Sp. z o.o. - PLN 7 million). The maximum total value of the loan may not exceed PLN 21 million, meanwhile the maximum bank guarantee limit may not exceed PLN 60 million. The Issuer may utilize the limit up to the full amount, i.e. PLN 60 million, whereas the 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 20 million; Erbud Industry Południe Sp. z o.o. - PLN 12 million). The above-mentioned banking products were made available to the Issuer and its subsidiaries until 29 September 2023. The remaining terms and conditions remain unchanged.

- **On 27 October 2023** Annex No. 26 to the Loan Agreement with ING Bank Śląski was singed. The Annex increases the existing value of Agreement by PLN 15 million due to the inclusion of an additional Group member company - Erbud International Sp. z o.o. - in the Agreement with the Bank as of the date of signing the annex.The Bank will provide borrowers with a revolving limit of PLN 175 million, divided into an overdraft sub-limit of up to PLN 64 million and a guarantee credit sub-limit of up to PLN 175 million.

- The limit for Erbud S.A. is PLN 175 million including an option of drawing debt up to PLN 64 million;
- the sub-limit for ONDE S.A. is PLN 50 million with an option of drawing debt up to PLN 20 million;
- the sub-limit for Erbud Industry Centrum Sp. z o.o. is PLN 10 million with an option of drawing debt up to PLN 4 million.
- the sub-limit for the Erbud International Sp. z o.o. is PLN 15 million with an option of drawing debt up to PLN 5 million

The line's maturity date is 31 January 2024. Other conditions do not deviate from arm's length principle conditions.

- **On 31 October 2022** Annex No. 15 with Alior Bank S.A. to the Receivables Limit Credit Agreement No. U0002139462604 of 27 September 2012 and Annex No. 7 to the Agreement U0002931236940 of the Limit for Guarantee Products of 20 August 2015. Under the Annexes, the Issuer may use an overdraft facility of max. PLN 10 million and guarantee products max. PLN 80 million and EUR 2 million. The above-mentioned banking products were made available to the Issuer until 30 September 2023.

- **On 17 November 2022,** signing of Amendment Letter No. 1 to the significant Loan Agreement concluded in the form of "Trade Support Services Letter No. 24/2021" with HSBC Continental Europe (Joint Stock Company) Branch in Poland. Under this Agreement, the Parties extend an option for ERBUD S.A. and ONDE S.A. to use the limit for bank guarantees and letters of credit in the amount of PLN 100,000,000 until 31 October 2023.

The Limit consists of the following sublimits:

- Limit for guarantee products within the Sustainable Trade Support Service (implementation of Green Projects) - maximum PLN 100,000,000

- Limit for guarantee products under the Trade Support Service, but which are not a Sustainable Trade Facility - a maximum of PLN 50,000,00

- Limit for documentary letters of credit under the Sustainable Trade Support Service (implementation of Environmental Projects) - maximum PLN 45,000,000.

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 ERBUD Group member companies - as of the 2022 Financial Statements Date.

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	Overdraft facility	11,000	PLN	WIBOR 3M +1.50%	30 Apr. 2023	one-off	ERBUD S.A. 3,000; ONDE S.A. 5,000; ERBUD INTERNATIONAL 3,000;
mBank S.A.	Overdraft facility	40,000	PLN	WIBOR 1M +1,60%	13 Apr. 2023	one-off	ERBUD S.A. – 15,000; ONDE S.A. – 30,000
mBank S.A.	working capital facility	52,700	PLN	WIBOR 1M + 1,60%	13 Apr. 2023	one-off	Onde S.A.
PKO Bank Polski S.A.	Overdraft facility	20,000	PLN	WIBOR 3M 1.60%	30 Jun. 2023	one-off	ERBUD S.A.
Alior Bank S.A. Group	Overdraft facility	10,000	PLN	WIBOR 3M+1.6%	30 Sept. 2023	one-off	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft facility	64,000	PLN	WIBOR 1M +1.65%	31 Jan. 2024	one-off	ERBUD S.A – 50,000.; ONDE S.A – 20,000.; ERBUD Industry Centrum – 4,000; Erbud International 5,000;
Santander Bank Polska S.A.	Overdraft facility	5,000	PLN	WIBOR 1M +2.0%	7 Jul. 2023	one-off	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Non-revolving loan for real property acquisition	5,520	EUR	3.69%	27 Apr. 2028	On instalment basis	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Overdraft facility	7,000	PLN	WIBOR 1M +1,50%	30 Apr. 2023	one-off	ERBUD Industry sp. z o.o.
BNP Paribas Bank Polska S.A.	project finance facility	10,000	PLN	WIBOR 1M +1,50%	30 Apr. 2023	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR 1M +1.40%	30 Sept. 2023	one-off	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	4,000	PLN	WIBOR 1M +1.40%	30 Sept. 2023	one-off	Erbud Industry Centrum Sp. z o.o.

Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR 1M +1.40%	30 Sept. 2023	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	an investment loan for the acquisition of shares in Satchwell Sp. z o.o.	3,341	PLN	WIBOR 3M+1.55%	29 May 2026	Quarterly instalments	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR O/N+1.40%	30 Sept. 2023	one-off	ERBUD Industry Południe Sp. z o.o.
Credit Agricole Bank Polska S.A.	Working capital facility	1,000	PLN	WIBOR 1M +1.40%	30 Sept. 2023	one-off	Satchwell Sp. z o.o.
mBank S.A.	Overdraft facility	3,000	PLN	WIBOR 1M +1,5%	29 Jul. 2023	one-off	ERBUD International Sp. z o.o.
ING Bank Śląski S.A.	Investment loan	2,308	PLN	WIBOR 1M + 2,15%	30 Nov. 2025	On instalment basis	ONDE S.A.
Santander Bank Polska S.A.	Overdraft facility	PLN	PLN	WIBOR 1M + 2,0%	7 Jul. 2023	one-off	ONDE S.A.
BNP Paribas Bank Polska S.A.	Non-revolving loan for renovation and expansion of real estate	2,139	EUR	3.69%	20 May 2028	On instalment basis	MOD21 Sp. z o.o.
CommerzBank AG	Overdraft facilities	2,000	EUR	EURIBOR 3M+ 0.25%	31 May 2023	one-off	MOD21 GmbH (former GWI GmbH)
Deutsche Bank AG	Overdraft facilities	1,000	EUR	2.25%	30 May 2023	one-off	MOD21 GmbH (former GWI GmbH)
HSBC France (Joint Stock Company) Branch in Poland	Non-revolving loan	525	EUR	EURIBOR 3M+ 2.2%	24 Feb. 2023	instalments	IVT Weiner + Reimann 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%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santana Bank AG	Overdraft facilities	2,000	EUR	EURIBOR + 1.5%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Ford Bank AG	Car loan	4	EUR	0.00%-3.92%	31 Jul. 2023	instalments	IVT Weiner + Reimann GmbH
Santana Bank AG	Car loan	413	EUR	0.00%-3.92%	31 Jul. 2023	instalments	IVT Weiner + Reimann GmbH
KIA Finance	Car loan	42	EUR	0.00%-3.92%	30 Jun. 2026	instalments	IVT Weiner + Reimann GmbH
Ford Bank AG	Car loan	59	EUR	0.00%-5.99%	30 Sept. 2024	instalments	IKR
Santana Bank AG	Car loan	68	EUR	0,00%-3,19%	1 Oct. 2024	instalments	IKR
	Total:	274,350	PLN				
	Total:	16,270	EUR				

Bank guarantee limits made available to the Group - as of Financial Statement 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	80,000	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	123,000	PLN	ERBUD S.A. (120,000); ONDE S.A. (120,000); ERBUD INTERNATIONAL (3,000);
mBank S.A.	Bid bonds, performance bond, retention bond	85,000	PLN	ERBUD S.A.
mBank S.A.	Bid bonds, performance bond, retention bond	40,000	PLN	ERBUD S.A. - 10,000 ONDE S.A. – 30,000
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	50,000	PLN	ERBUD S.A.
Santander Bank Polska S.A.	Bid bonds, performance bond, retention bond	100,800	PLN	ERBUD S.A (60,800) ONDE S.A. (40,000)
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bond	100,000	PLN	ERBUD S.A.; ONDE S.A. (50,000 - for green guarantees)
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	60,000	PLN	ERBUD S.A. (60,000), ERBUD Industry Centrum Sp. z o.o. (5,000), ERBUD Industry Sp. z o.o. (10,000), ERBUD Industry Południe (12,000)
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	1,000	PLN	Satchwell sp. z o.o.
ING Bank Śląski S.A.	Bid bonds, performance bond, retention bond	175,000	PLN	ERBUD S.A. (175,000) ONDE S.A. (30,000) & ERBUD Industry Centrum Sp. z o.o. (6,000), Erbud International (10,000)
Santander Bank Polska S.A.	Letter of credit	14,000	EUR	ONDE S.A.
BNP Paribas Bank Polska S.A.	Letter of credit	70,000	PLN	ERBUD S.A.; ONDE S.A.

mBank S.A.	Bid bonds, performance bond, retention bond	3,000	PLN	Erbud International Sp. z o.o.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bond, retention bond	2,500	PLN	ERBUD INDUSTRY
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	2,960	EUR	MOD 21 GmbH (former GWI GmbH)
Santander Bank DE AG	Bid bonds, performance bond, retention bond	8,000	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Commerz Bank S.A.	Bid bonds, performance bond, retention bond	1,500	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
National Bank AG	Bid bonds, performance bond, retention bond	2,000	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Total:		**890,300**	**PLN**	
Total:		**30,460**	**EUR**	

Insurance guarantee limits made available to the Group - as of Report Date.

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond, advance payment	315,000	PLN	ERBUD S.A.; ONDE S.A. (incl. ERBUD Industry Sp. z o.o. – 20,000)
PZU S.A.	Bid bonds, performance bond, retention bond, advance payment	6,885	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	1,989	PLN	ERBUD S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	70,000	PLN	ERBUD S.A.
Generali TU S.A.	Bid bonds, performance bond, retention bond, advance payment	36,500	PLN	ERBUD S.A.
CREDENDO	Bid bonds, performance bond, retention bond, advance payment	20,000	PLN	ERBUD S.A.; ONDE S.A.
UNIQA TU SA	Bid bonds, performance bond, retention bond, advance payment	10,000	PLN	ERBUD S.A.
Euler Hermes AG.	Bid bonds, performance bond, retention bond	7,500	EUR	MOD 21 GmbH (former GWI GmbH), ERBUD S.A. i ERBUD International Sp. z o.o
ZURICH	Bid bonds, performance bond, retention bond	3,500	EUR	MOD 21 GmbH (former GWI GmbH)
R+V	Bid bonds, performance bond, retention bond	7,000	EUR	MOD 21 GmbH (former GWI GmbH)
AXA	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Bayerischer Versicherungverband	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Swiss RE	Bid bonds, performance bond, retention bond	2,000	EUR	MOD 21 GmbH (former GWI GmbH)
Credendo	Bid bonds, performance bond, retention bond	2,500	EUR	MOD 21 GmbH (former GWI GmbH)
VHV Versicherungen	Bid bonds, performance bond, retention bond	500	EUR	MOD 21 GmbH (former GWI GmbH)
Wuettembergische Versicherung	Bid bonds, performance bond, retention bond	750	EUR	MOD 21 GmbH (former GWI GmbH)
Generali S.A.	Bid bonds, performance bond, retention bond	20,000	PLN	ONDE S.A.

InterRisk	Bid bonds, performance bond, retention bond	10,000	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	30,000	PLN	ONDE S.A.
TUiR Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	15,000	PLN	ONDE S.A.
Uniqa TU	Bid bonds, performance bond, retention bond, advance payment	30,000	PLN	ONDE S.A.
TU Europa S.A..	Bid bonds, performance bond, retention bond, advance payment	6,000	PLN	ONDE S.A.
TU Europa S.A..	Bid bonds, performance bond, retention bond	850	PLN	Satchwell Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	7,000	PLN	Erbud Industry Centrum Sp. z o.o.
WARTA S.A.	Bid bonds, performance bond, retention bond	222	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.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	8,000	PLN	ERBUD International Sp. z o.o.
TU Gothaer.	Bid bonds, performance bond, retention bond	644	PLN	ERBUD International Sp. z o.o.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	5,877	PLN	ERBUD International Sp. z o.o.
Generali TU S.A.	Bid bonds, performance bond, retention bond	2,457	PLN	ERBUD International Sp. z o.o.
R+V	Bid bonds, performance bond, retention bond	3,000	PLN	IVT Weiner + Reimann GmbH
Total:		596,924	PLN	
Total:		34,750	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	15 May 2018	94	20	31 Dec. 2023	3M EURIBOR+2.2%
ERBUD S.A.	MOD21 Sp. z o.o.	22 Apr. 2021	3,100	661	22 Apr. 2023	3M WIBOR +1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	11 Jun. 2021	17,517	3,735	31 Mar. 2028	3M WIBOR +1.35%
ERBUD S.A.	JV PABC Sp. z o.o.	16 Jun. 2021	50	11	31 Dec. 2023	3M WIBOR +3.5%
ERBUD S.A.	Erbud Holding Deutschland GmbH	27 Jul. 2021	16,415	3,500	upon demand within 10 days,	3M EURIBOR+2.2%
ERBUD S.A.	MOD21 Sp. z o.o.	27 Jul. 2021	961	205	23 Jul. 2028	3M EURIBOR+1.9%
ERBUD S.A.	JV PABC Sp. z o.o.	22 Sept. 2021	90	19	31 Dec. 2023	3M WIBOR +2.2%
ERBUD S.A.	Sanssouci	26 Feb. 2021	4,314	920	31 Mar. 2023	10% per annum
ERBUD S.A.	Sanssouci	24 Mar. 2021	250	53	31 Mar. 2023	10% per annum
ERBUD S.A.	MOD21 Sp. z o.o.	13 Jan. 2022	23,300	4,968	31 Mar. 2028	3M WIBOR +2.5%
ERBUD S.A.	MOD21 Sp. z o.o.	19 Jan. 2022	3,564	760	31 Mar. 2028	3M EURIBOR+1.9%
ERBUD S.A.	MOD21 Sp. z o.o.	15 Mar. 2022	938	200	31 Mar. 2028	3M EURIBOR+1.9%
ERBUD S.A.	MOD21 Sp. z o.o.	6 May 2022	3,752	800	31 Mar. 2028	3M EURIBOR+1.9%
Erbud Shared Services	ERBUD S.A.	30 Jan. 2019	3,500	746	31 Dec. 2023	3M WIBOR +2.2%
IVT W&R GmbH.	Erbud Holding Deutchland GmbH	6 Dec. 2021	9,849	2,100	Valid indefinitely	EURIBOR 2,2%
ERBUD S.A.	ERBUD Industry Południe Sp. z o.o.	2022.05;23	4,000	853	31 Dec. 2023	WIBOR ON + 2.2%
ERBUD S.A.	MOD21 GmbH	7 Jul. 2022	6,222	1,327	30 Jun. 2028	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 GmbH	26 Jul. 2022	469	100	30 Jun. 2028	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	6 Sept. 2022	3,752	800	31 Dec. 2028	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	16 Dec. 2022	3,752	800	31 Dec. 2028	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	16 Dec. 2022	1,923	410	16 Mar. 2023	3M EURIBOR+1.9%
			107,812	**22,988**		

3.8. 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.	MOD 21 GmbH (former) GWI GmbH	16,659	Line for financial guarantees of EUR 3,060	PKO BP S.A. (German Branch)	31 Dec. 2031	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4,690	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherung sverband, R+V ; Swiss RE	31 Dec. 2022	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4,690	Overdraft facility of EUR 1 million	Deutsche Bank AG	31 May 2023	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	17,000	multi-purpose credit line	BNP Paribas Bank Polska S.A.	24 Feb. 2033	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	Sp. z o.o.		multi-purpose credit line	BNP Paribas Bank Polska S.A.	24 Feb. 2033	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.;	IVT W&R GmbH.	16,776	Non-renewable loan for the acquisition of shares in IVT Weiner + Reimann GmbH (EUR 3,577 thousand)	HSBC	24 Mar. 2023	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	6,720	Investment loan	ING Bank Śląski S.A.	30 Nov. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	70,349	Building Contract performance bond	Sun Power Energy Sp. z o.o.	11 Mar. 2026	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	PLN	Building Contract performance bond	ABO Wind Polska Sp. z o.o.	19 May 2027	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	17,300	Surety extended to proper execution of investment contract	Eurowind Energy A/S	28 Jun. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	37,889	Building Contract performance bond	EW Rywałd Sp. z o.o. (*Wind Farm*)	20 Jun. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value

ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	42,678	Building Contract performance bond	Monheimer Einkaufszentrum GmbH	Until works acceptance	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	15,000	Surety for an investment loan for the expansion of a production room	BNP Paribas Bank Polska S.A.	20 May 2028	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	23,364	Surety for a manufacturing line lease contract	BNP Paribas Leasing Services Sp. z o.o.	13 Jul. 2028	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,653	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	13 Jun. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,857	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	13 Jun. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	59	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	11 Mar. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,048	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	11 Mar. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	75	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	7 Apr. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	779	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	7 Apr. 2029	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
Total:		**298,584**				

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (subsidiary of ERBUD S.A.; ERBUD International Sp. z o.o. (subsidiary of ERBUD S.A.) – joint and several guarantee	ERBUD S.A.	70,000	multi-purpose credit– guarantee line (LKW)	PKO BP S.A.	30 Sept. 2030	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 2021

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
ERBUD S.A.				
31 Dec. 2022	113,278	194,674	249,931	557,884
31 Dec. 2021	87,568	238,980	260,306	586,854
ONDE S.A.				
31 Dec. 2022	29,492	149,214	88,074	266,780
31 Dec. 2021	7,436	160,022	50,907	218,364
MOD 21 GmbH (GWI GmbH)				
31 Dec. 2022	11,131	22,048	37,155	70,334
31 Dec. 2021	6,234	19,639	41,138	67,011
Erbud International Sp. z o.o.				
31 Dec. 2022	340	9,285	6,846	16,471
31 Dec. 2021	1,465	8,936	6,356	16,757
ERBUD Industry Sp. z o.o.				
31 Dec. 2022	8,767	2,376	6,640	17,783
31 Dec. 2021	0	565	7,234	7,800
Erbud Industry Centrum Sp. z o.o.				
31 Dec. 2022	430	12,627	2,914	15,971
31 Dec. 2021	1,698	7,811	3,074	12,583
Satchwell Sp. z o.o.				
31 Dec. 2022	0	0	673	673
31 Dec. 2021	0	0	726	726
ERBUD Industry Południe Sp. z o.o.				
31 Dec. 2022	140	5,973	1,700	7,813
31 Dec. 2021	450	5,629	1,384	7,463
IVT Weiner & Reimann GmbH				
31 Dec.. 2022	2,401	70	1,247	3,718
31 Dec. 2021	3,146	69		3,215
IVT Menzenbach GmbH				
31 Dec. 2022	755	0	0	755
31 Dec. 2021	741	0	0	741
IKR GmbH				
31 Dec. 2022	5,089	19,537	5,329	29,955
31 Dec. 2021	4,990	15,192	7,482	27,665
Total contingent liabilities as of 30 Dec. 2020	**Total**			**988,136**
Total contingent liabilities as of 30 Dec. 2020	**Total**			**949,179**

Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	31 Dec. 2022 (value in PLN M)	31 Dec. 2021 (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.

Contingent receivables under guarantees held

Item	As of 31 Dec. 2022	As of 31 Dec. 2021	Company
Performance bond, retention bond, payment guarantees	75,491	90,000	ERBUD S.A.
Performance bond, retention bond	56,677	51,206	ONDE S.A.
Performance bond, retention bond	2,545	25,139	Erbud International Sp. z o.o.
Performance bond, retention bond	33,784	40,019	MOD 21GmbH (former GmbH GWI)
Performance bond, retention bond	13,044	15,023	ERBUD Industry Sp. z o.o.
Performance bond, retention bond	0	0	Satchwell sp. z o.o.
Performance bond, retention bond	25	25	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond	162	396	ERBUD Industry Południe Sp. z o. o.
Performance bond, retention bond	47	46	IVT Weiner + Reimann GmbH
Performance bond, retention bond	0	0	IVT Menzenbach GmbH
Performance bond, retention bond	0	0	IKR GmbH
Total:	**181,775**	**221,854**	

3.9. The Management Board's position on the 20221 performance forecasts

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

3.10. The Management Board's recommendation concerning the distribution of 2022 profit

Due to the fact that the dividend policy is suspended and in connection with the geopolitical situation (armed conflict in Ukraine) as well as in connection with the plans of redemption of the purchased shares, the Management Board of the parent company recommends that the net profit of the parent company in the amount of PLN 177,736,302.25 be allocated to The remaining part of the profit will be allocated to reserve capital.

4. FINANCIAL PERFORMANCE OF ERBUD S.A.

4.1. Drivers of financial performance in 2022

In 2022 ERBUD S.A. generated a net profit of PLN 29,300 thousand compared to a net loss of PLN 177,736 thousand in 2021 (down by 84%) Analysing the level of net profit from the current year and the previous year, it should be noted that the main profit driver last year was the profit on the sale of shares in subsidiary ONDE S.A. during its IPO - PLN 186,205 thousand.

In 2022 major drivers of the Group's financial performance included:

- Skyrocketing prices of construction materials and raw materials
- Swelling interest rates.
- Good relations with contracting authorities/employers, so that some of the cost increase could be passed on to them
- High commitment of senior and lower-level managers to negotiations with contracting authorities/employers and various optimizations at construction sites.

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

- **Economic position triggered by armed conflict in Ukraine,**
- Economic situation in Poland and Europe
- Availability of EU funds,
- Investment demand,
- Monetary policy
- 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)

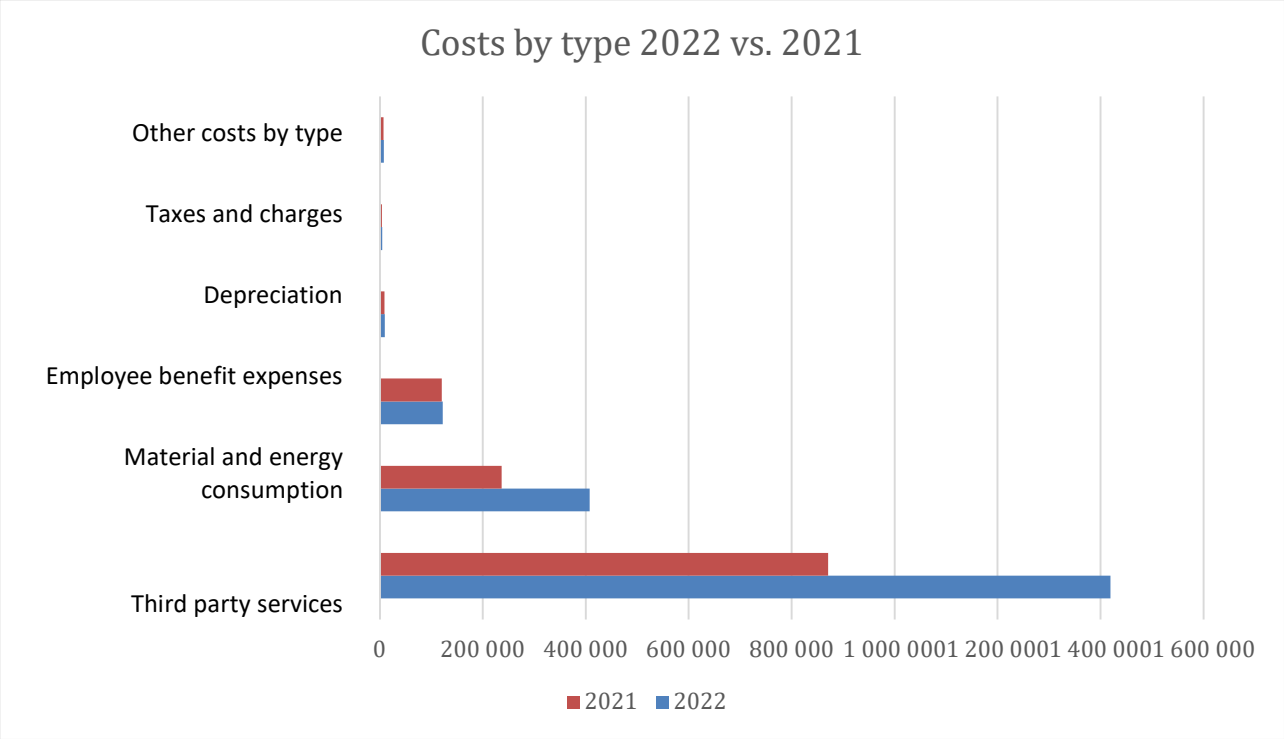
	2022	2021	Change in %
Revenues from sales of products, goods and services from continuing operations	1,955,585	1,303,612	50.01%
Operating expenses*	1,940,997	1,300,030	49.30%
Other operating profit/loss	3,552	4,454	20.25%
Net proceeds from the disposal of a subsidiary	18,627	186,205	(90.00%)
(Loss)/Reversal of the value of financial assets and contract valuation assets	(3,604)	(5,347)	32.60%
Operating profit/loss	33,163	188,894	(82.44%)
Financial activity gains/losses	402	27,606	(98.54%)
Gross profit /(loss) from continuing operations	33,565	216,500	84.50%
Income tax	4,265	38,764	89.00%
Net profit /(loss) of the continued business	29,300	177,736	83.51%

Despite major difficulties caused by the war outbreak in Ukraine, quantum leap of inflation especially in the basket of construction materials, wage pressure, the EBIT margin after clearing the effect obtained from the sale of ONDE S.A. shares is higher than in the previous year: 0.7% vs. 0.2%

Main cost item of ERBUD S.A. (72% of total costs by type) were the costs of third party services, mainly the costs of work commissioned to subcontractors. In 2022, they totalled PLN 1,434,079 thousand in value terms, i.e. they were up by 65% compared to the previous year.

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

- Expenditure on materials and energy - it was at the level of PLN 407,595 thousand vs. PLN 236 837 thousand in 2021. This accounted for 21% of total costs in 2021 and 19% in 2021 respectively. Up by 72% compared to 2021.
- Employee benefits in the amount of PLN 122 614 thousand. They accounted for 6% of total costs. In 2021, this relationship was as follows: PLN 120,208 thousand - 10% of total costs by type. In 2022, the costs of employee benefits were up by 2% compared to the previous year.



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

Cost	2022	2021	% change
Third party services	1,434,079	871,186	65%
Material and energy consumption	407,595	236,837	72%
Employee benefit expenses	122,614	120,208	2%
Amortization and depreciation	9,654	8,900	8%
Taxes and charges	5,070	4,492	13%
Other cost categories	7,928	7,357	8%
TOTAL	1,986,940	1,248,980	**59%**

4.2. Statement of Financial Position

On 31 December 2022, the total assets of ERBUD S.A. amounted to PLN 1,055,964 thousand and were up by 15% compared to the 2021 year-end (PLN 897,133 thousand). The assets increase is mainly driven by an increase of the item: financial assets (up by 81%), which consists mainly of loans granted to subsidiaries, including MOD 21 Sp. z o.o. in particular. Deferred tax assets also was up by 29% year-on-year.

As of 31 December 2022, the Company's equity totalled PLN 338,924 thousand compared to PLN 329,623 thousand at the end of 2021 (up by 3%). The increase in equity is primarily driven of the net profit generated in 2022, the main component of which were proceeds from the sale of shares in subsidiary ONDE S.A. as part of that company's share buybacks.

The year 2022, compared to 2021, saw a significant increase in long-term liabilities (up by 2021.60%) against PLN 120,659 thousand. Current liabilities were up by 24% against 2021 and reached the amount of PLN 596,381 thousand.

The increases were mainly driven by an increase in revenues, which rose 50% year-on-year.

4.3. Cash Flow Statement

During 2022, ERBUD S.A. recorded negative cash flows totalling PLN 104,982 thousand. (positive cash flows of PLN 96,172 thousand in the previous year). In particular they consisted of:

- Negative cash flows from operating activities in the amount of PLN 17,940 thousand, influenced by the change in working capital of PLN -38,379 thousand. 25% increase in receivables and 41% increase in asset-side contract valuation)
- Negative cash flows from investment activities in the amount of PLN 70 494 thousand (loans extended)
- Negative cash flows from financial activities in the amount of PLN 16 548 thousand.

As of 31 December 2022 the Company held cash and cash equivalents including on a separate VAT account totalling PLN 112 092 thousand compared to PLN 215 852 thousand as of 31 December 2020. Down by 48%.

4.4. Statement of Changes in Equity

On 31 December 2022, equity amounted to PLN 228,924 thousand (up by 3% compared to the end of 2021). The changes in capital were mainly influenced by the results generated in 2022 and the repurchase of own shares by ERBUD S.A.

4.5. Basic financial ratios of ERBUD S.A.

Item	2022	2021
Return of Equity (ROE) (in %)	8.65%	53.92%
Return on Assets (ROA) (in %)	2.77%	19.81%
EBIT margin (in %)	1.70%	14.49%
EBITDA margin (in %)	2.15%	15.62%
Sales profitability (in %)	3.86%	5.31%
Gross profitability (in %)	1.72%	16.61%
Net profitability (in %)	2.79%	13.63%

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	2022	2021
Current ratio	1.83	2.10
Quick ratio	1.28	1.51
Debt ratio (in %)	68%	63%
Debt-to-equity ratio	212%	172%

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

The level of debt ratios is worse than in 2021. This is mainly due to the sales growth and the consequent significant increase in liabilities. The long- and short-term liabilities were up by 25% in total, while the equity was up by 3%. Liquidity ratios have also deteriorated slightly but are still at levels reflecting the Company's excellent financial position.

The achieved ratios are satisfactory, however, the Management Board will strive to improve the profitability and debt ratios.

5. RISK MANAGEMENT

Risk management is a very important aspect of the ERBUD Group. The VUCA world adds new risks to those already known, created by the changing reality. In addition, the high volatility we currently face changes the weights of individual risks. Changing organizational structure is, inter alia, a response to the risks associated with a fossilized organization insensitive to changes in the environment.

Also, the strategy of diversification by both segment and geography is a response to risks associated with downturns in certain segments, risks associated with a vector change of demand for certain goods: for instance, conventional construction vs. prefabricated timber construction.

Ending the war in Ukraine is everyone's wish today, however, it is important to remember that for business it will also involve many risks ranging from another wave of exodus of workers, and not only Ukrainian ones, through an increase in the price of materials and services, to risks associated with poorly designed contracts, loss of resources. History shows that construction companies have become victims of the curse of abundance. This was the effect in 2011 and 2012 when building contractors declared bankruptcy after EURO 2012-related investments. Another example was the year 2018 when, perhaps already to a lesser extent than in 2011/2012, building contractors faced the problem of skyrocketing prices of construction materials and raw materials, which was related to the launch of the EU perspective and the increase in investment rate. The problem is a certain inertia existing in the construction sector, which is related to the period between bid price calculation and implementation. To a small extent, mechanisms related to hedging the price of materials, e.g., steel, are able to protect the company against loss of profits from a contract. The answer to this risk is again modular construction. Here, the time savings between calculation and execution reach 70%.

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** • **selection of wrong technology** • **incorrect selection of a business partner/employee** • **erroneous strategy tying up resources** **Organisation** • **poor communication between operational units** • **misappropriations** • **breaches of guidelines and internal procedures** • **inadequate organizational structure for fast responses** • **bad work organisation**	Economics • drastic fluctuation of raw material prices • currency and interest rate fluctuations • inflation rate growth • payroll cost growth • recession • supply chain disruption Politics • regulatory changes • entry barriers • trade embargoes • unstable global political situation

Personnel • **occupational diseases** • **labour strikes** • **lack of competencies** • **loss of workers** • **accidents at work** • **frauds** **Processes and assets** • **improper communication** • **fire / failures** • **defective product quality and pollution / contamination** • **too lengthy, complicated processes** • **cyberattacks**	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

The events of the last three years have shown that the risks referred to as "black swans" are impossible for us to predict and difficult to hedge against in 100%. The war conflict behind the eastern border has shown that one man's decision can destabilize the economy almost on a global scale. Following the Russia's invasion of Ukraine, the whole world faced a fuel crisis, stock markets and currencies of neighbouring countries, including Poland, were weakening. The political risk caused by the fact that the armed conflict is taking place across our border has caused a sharp decline in foreign investment, capital outflows from funds, and a freeze in private domestic investment. Raw material prices and their availability have become a much bigger issue in the construction business than COVID 19 hazards.

Erbud Group has always looked for its development in the Western Europe, especially in Germany. Any inclination to enter eastern markets sometimes perceived as emerging markets, however, was viewed negatively by the Management Board.

Neither the Issuer nor any member company of the ERBUD Group runs business operations in the Eastern European countries and does not maintain any commercial ties with entities from those countries. The Group does not have any assets there.

As of the date of publication of the report, the Group does not have a problem related to the shortage of Ukrainian workers. The situation is stable.

The Management Board monitors on an on-going basis the impact of the political and economic situation in Ukraine, Russia and Belarus on the ERBUD Group's operations. For more than two years we have been dealing with price hikes of building materials and labour in the Polish market. At present, we can talk about relative price stabilization, however, the prices are far from falling. Management, in response to the risks described above, seeks to develop new business segments and to apply a very selective approach to the contracts in other segments.

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* transaction 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 of the balance sheet date, there is one hedging transaction in the ERBUD Group for the purchase of equipment needed to fulfil a contract for the purchase of equipment, the price of which is denominated in US dollars. The transaction will be settled on 23 June 2023. The transaction value is USD 465 thousand.

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. The year 2022 saw a significant increase in interest rates. ERBUD S.A.'s Management Board held a debate on interest rate hedging with money market experts in January 2022. It was then decided, based on the development of IRS curves, not to hedge against interest rates. Unfortunately, the decisions at that time were made before the war outbreak. In order to minimize the increase in financial costs, a decision was made to convert PLN loans related to investments in MOD 21 into EUR. Revenue from the sale of modular timber houses will be in euros so there will be no exchange rate risk. The currency conversion took place on 16 February 2023, following a positive decision of the lending bank. Additionally, interest rates were secured for two years.

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

Also, the relatively low level of indebtedness results in management's assessment of this risk's impact on the bottom line as medium.

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.

However, all economic turbulence causes this risk to increase. Especially when financial institutions tighten credit terms for contracting authorities/employers and demand drops for lending products. Developers are currently facing this problem. This caused the Management Board to reclassify this risk from medium to high category also in 2023.

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

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 2022 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.

This type of risk prevailed in 2022 and is viewed by management as high also in 2023.

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. As previous years and especially 2022 have shown, the problem for the construction sector are not high prices of building materials and raw materials only their surges. Although it is possible to predict that, for instance, the forthcoming new EU financial perspective will generate new investments, and thus prices of materials and services will go up, however, the time inertia of the construction process makes it very difficult to manage such risks. This is because by including a provision for price hikes in the price calculation today, the company would not win any tenders. However, to mitigate this risk, contracts with a short time horizon should be signed.
- 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 and global economy and the construction industry. The year 2022 was a tough one for the construction sector due to the large price hikes we had already experienced in 2021, which were exacerbated by the outbreak of war in Ukraine. In addition, the slowdown of investment activities due to high interest rates and political risks, blocking the development of wind farm investments, mean that the risks associated with the macroeconomic situation came before the other risks depicted here last year. It is also predominant in 2023. General contractors and subcontractors clashed with changes that occurred overnight. A decrease of margins in the building construction sector was offset by the ERBUD Group in other market segments. This is another piece of evidence for the success of the business diversification policy.

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 regulatory changes 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).
- High variability in tax regulations

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. In the last couple of years in Poland there have been a series 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

ERBUD SA's operations are associated with environmental impact of both direct and indirect process. Based on the provisions of the integrated management system in place at the Company, at the central level of the organization we constantly (at least once a year during the review of the integrated management system) identify and evaluate all aspects of the environmental impact by the processes (main and auxiliary) which we consider in terms of:

- **direct aspects** arising from the company's operations, which we have direct influence over and can fully supervise,
- **indirect aspects** i.e., those that we can only supervise to a limited extent, and influence only by influencing other parties, e.g., subcontractors, suppliers.

We evaluate the significance of aspects based on the criteria adopted in the system, which, inter alia, consider:

- potential benefits or harm to the environment, including biodiversity;
- the condition of the environment (issues such as the sensitivity of the local, regional or global environment);
- size, number, frequency and reversibility of the aspect or impact;
- The existence of requirements under relevant environmental legislation;
- opinions of stakeholders, including organization workforce,

The methodology used to carry out the assessment makes it possible to identify unambiguously those aspects that have a significant impact on the environment in connection with the activity. Other aspects not considered to be material will be subject to oversight for compliance with legal and other applicable requirements.

For the purposes of our operations and processes, we identify and evaluate environmental aspects. We do this already in the bidding and design phases (for "Design and Build" projects), as part of the estimation of other risks and opportunities. These activities are aimed at transferring knowledge to the Site Supervisor thus facilitating the planning of environmental measures already in the contract execution phase. Records in the form of opportunity and threat sheet are kept by the Project Manager responsible for design and the production preparation department.

Responsibilities for identifying and assessing the significance of environmental aspects, setting goals, planning preventive actions, and appointing people to implement them during construction have been assigned to the Site Manager. After construction site handover as part of its extensive planning, it draws up, *inter alia*, an Environmental Program on the grounds of the significant environmental aspects identified earlier, and takes into account the conditions and specifics of the project under construction.

During investment project planning, any opportunities for reusing materials or waste that may occur throughout the construction process are analysed.

In the implementation phase of the construction process, including transportation and delivery, supervision manages risks and opportunities based on significant environmental aspects. Implements necessary preventive measures to minimize negative environmental impacts and plans actions to take advantage of opportunities. Opportunities and threats concerning material and waste management are also managed, constantly looking for opportunities to reuse materials and waste.

After analysis and evaluation of the significance of direct and indirect aspects, the following direct aspects were considered to be significant:

- waste management (hazardous and non-hazardous),
- electric energy consumption,
- liquid fuel consumption,
- material /raw material consumption,
- biodiversity.

The remaining aspects not considered significant are subject to on-going monitoring and, if their significance increases during the next management review assessment, they may be considered significant at the organization level.

5.7. Climate risks and their materiality

Determined following the methodology outlined in the European Commission's Communication providing guidelines for reporting non-financial information: A supplement on reporting of climate-related information (2019/C 209/01), as well as in the Directive of the European Parliament and of the Council (2022/2464/EU) (...) with regard to sustainability reporting) and the ESRS 1 sustainability accounting standards prepared on its grounds of: General Rules and ESRS E1: Climate Change that the materiality described is financial materiality (outside in) and environmental and social materiality (the inside out).

The key determinants of the high level materiality of climate issues for the ERBUD Group, developed during the November 2022 workshop, in part confirming and developing the 2019 workshop as well, are presented in the table below:

The materiality of climate issues for the ERBUD Group, along with the nature of their impact on the Group:

<table>
<tr><th colspan="2">Financial materiality</th><th colspan="2">Environmental and social materiality</th></tr>
<tr><th>Factor</th><th>Type of impact on the ERBUD Group</th><th>Factor</th><th>Type of impact on the ERBUD Group</th></tr>
<tr><td>Conditions allowing to run construction activities in winter season</td><td>+</td><td>Being a GHG emitter, although not primarily in the direct system (in this aspect, the Group recognizes itself as a low-carbon leader), but mainly by using the products of industries that significantly affect the climate (concrete production, asphalt and fuel production, cement production, steelmaking)</td><td>-</td></tr>
<tr><td>Occurrence of too warm and dry summer periods</td><td>-</td><td rowspan="2">Willingness to join the energy transition in Poland by having competence in the construction of RES</td><td rowspan="2">+</td></tr>
<tr><td>Occurrence of weather anomalies that may have adverse impact on the</td><td>-</td></tr>
</table>

project implementation process		installations (hydrogen production facilities + photovoltaics + wind farms + biogas plants) and the development of modular construction with a negative carbon footprint, as well as passive construction (BREEAM and LEED)	
Meeting the goal of minimizing own direct construction assets	+		
The Group's activities in the field of thermal efficiency improvement projects	+		
The Group's activities in the field of investments for environment-friendly energy sources, including the construction of RES system (hydrogen production facilities + photovoltaics + wind farms + biogas plants) and the conversion of high-carbon fuels to zero-carbon fuels (electric, hydrogen, human-powered) and low-carbon GHG (including hybrid and co-generation solutions)	+		
The Group's on-going investment activities in industries considered to have high GHG emissions	-		
Running construction activities in the areas potentially threatened by climate change, mainly in terms of weather changes	-	Knowledge of technology and running of construction sites with the aim of climate change adaptation.	+

In order to determine the resilience of the business model to climate in the medium and long term, ERBUD Group uses the Intergovernmental Panel on Climate Change's 2021 Sixth Assessment Report model - the so-called AR6, prepared by the Intergovernmental Panel on Climate Change (IPCC). Climate Change (IPCC) and scenario analyses prepared on this basis by the International Energy Agency (IEA) for four scenarios of infrared radiation intensity based on its retention in the Earth's atmosphere - RCP2.6, RCP4.5, RCP6 and RCP8.5, particularly the RCP4.5 and RCP8.5 scenarios. Based on these, as shown above, ERBUD Group made a detailed analysis of its climate change resilience in November 2022. Under each scenario, the analysis was carried out in a system of four phases: setting up a model of the company-climate impact, calculating the related security costs, analysing the security of the Group's current portfolio of products and processes and proposing additional security for the Group's products and processes. On the basis of the above analysis, it has been concluded that the ERBUD Group will increase the number of its climate-related activities between 2020 and 2030, which was added to the Group's objectives, without significant changes in its business model required.

The identified climate risks for the ERBUD Group will be described in the ERBUD Group's 2022 Non-financial information.

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 2022 and until the publication of the financial statements, i.e. 30 March 2023, the risk associated with the impact of coronavirus has been mitigated to: low. The above classification is also supported by the significant relaxation of pandemic-related regulations in Poland and Europe.

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 2021 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.	1 Feb. 2022.	23 Jan. 2023.	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2023	31 Jan. 2024	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2022.	31 Jan. 2023	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2023	31 Jan. 2024	Third party liability insurance of the designer	PLN 10 million for one and all events
Chubb European Group Limited Sp. z o.o. Polish Branch	8 June 2021	21 Jun. 2022	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	22 Jun. 2022	21 Jun. 2023	D&O Insurance	PLN 40 million
Chubb European Group SE, European company, Polish Branch	1 Jun. 2021	205-31	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Jul. 2022	30 Jun. 2023	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million

Additionally, all companies of the ERBUD Group are civil liability insurance holders. On-going construction contracts are insured for all construction and erection risks (CAR/EAR). The Group insures its property and IT equipment.

In terms of insurance selection and optimization, the ERBUD Group works with a specialized insurance broker.

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 filed 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 2008 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.

On 24 November 2021, the Court of Appeals in Warsaw accepted the Company's appeal in part, awarding the Bank the amount of PLN 51.383.600 with statutory interest for the period from 8 December 2010 to 31 December 2015 and statutory interest on late payments from 1 January 2016 to the date of payment. The Company bears 29% of the litigation costs, whereas the Bank bears 71%. The decision is final and binding.

On 2 December 2021 Bank Millennium S.A. filed a request to withhold the payment to ERBUD S.A. of 102,733,906.25 PLN. Withholding will occur until the deadline for filing a cassation appeal has passed and, if filed, until the cassation appeal has been completed.

The Court of Appeals in Warsaw, 7th Commercial and Intellectual Property Department, supported the Millennium Bank's motion and suspended payment of the adjudged amount, as requested by the Millennium Bank. The court's decision is non-appealable.

However, this does not withhold the accrual of interest on the principal, i.e. on the amount PLN 51 383,600.

The Court of Appeals published the rationale for the ruling.

6.1.2.

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

Date of filing a lawsuit: 14 February 2013

Value of the dispute: PLN 26,923,644.16

Current dispute status: 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 were cross-examined. 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 court delivered an expert opinion, which is favourable for ERBUD S.A. In the opinion the expert pointed out that the costs of substitute execution incurred by ERBUD S.A. are reasonable. According to the expert, DSH misperformed the contract and the repair method used by DSH was incorrect. On 07.10.2021 the court announced a verdict in which: adjudged from DSH - Dopravni stavby a.s. with its registered office in Brno (Czech Republic) to ERBUD S.A. the amount of PLN 26,923,644.16 (twenty-six million nine hundred twenty-three thousand six hundred forty-four zlotys and 16/100) along with interest and legal fees.

The Defendant filed an appeal against the judgment on 10 January 2023, whereas the Plaintiff filed a response to the appeal.

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.

The court heard the oral evidence provided by the witnesses. Expert evidence concerning this case will be heard by the court .

On 11 June we received information about a writ of summons to make a settlement attempt; there is no date of the session, no information as to what exactly the writ is supposed to concern, the files are transferred between courts, there was no option to inspect them.

The court heard the oral evidence provided by the witnesses. The court decided to admit expert evidence. The deadline for filing expert evidence was 31 March 2022.

On 2 February 2022, a visual inspection of the disputed property was held for the preparation of an expert opinion. The expert opinion was delivered to the law office in July 2022. The contents of the opinion speak in favour of the Company. Comments on the content of the opinion were submitted on 25 August 2022.

6.1.4.

Defendant: The Capital City of Warsaw – The Capital City Management Board for City Development

Court: District Court in Warsaw, 26th Commercial Division

Date of filing a lawsuit: 2 August 2022

Value of the dispute: PLN 11.955.258,50

Dispute status: The Plaintiff (ERBUD S.A. jointly with STRABAG Sp. z o.o., STRABAG AG and ED ZUBLIN AG) claims payment from the Defendant in the total amount of PLN 11,955,258.50 along with statutory interest and costs of proceedings. The Plaintiff has based its claims on the Defendant's obligation to pay for the performance of construction works performed on site of the Southern Hospital in Warsaw. The Defendant does not argue with the legitimacy of the payment of the aforementioned amount, and has applied for depositing it

with the court. The Defendant's request for permission to deposit the aforementioned amount with the court were rejected by the Court. The judgments are not legally binding and the Defendant has appealed against them.

Defendant: Independent Public Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin

Court: District Court in Szczecin, 8th Commercial Division

Date of filing a lawsuit: 7 November 2022

Value of the dispute: PLN 14.435.306,59

ERBUD S.A. demands that the Independent Public Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin should amend the contract of June 2021 for the execution of the project called "Construction of A2 building with a connector and land development as part of redevelopment and extension of A building of the "PUM" Independent Public Clinical Hospital No. 2 in the City Szczecin for the "PUM" Independent Public Clinical Hospital No. 2 in the City of Szczecin" by increasing the Contractor's remuneration by the amount of PLN 14,435,306.59 (gross) and adjudication of this amount.

6.1.5.

Defendant: BEST Deweloper Sp. z o.o.

Court: District Court in Szczecin

a) Lawsuit No. 1: 19 October 2022 - For the amount of PLN 5,928,173.34

Dispute status: The Plaintiff claims amounts due for work performed as part of the construction of multi-family apartment buildings in Chrzanowskiego Street in Szczecin. The amounts claimed are covered by VAT invoices, accepted and approved by the Defendant. They relate to works completed and accepted by the Defendant. On 2 November 2022 the Court issued a writ of payment. The court bailiff in Szczecin, by virtue of its Decision dated 6 December 2022, terminated the collateral proceedings, securing the amount covered by the payment order with interest as of 6 December 2022. By virtue of its Decision of 24 January 2023, the Court referred the parties to mediation and the court set a hearing date for 18 May 2023, to which it summoned all witnesses and parties. The parties are holding mediation talks.

b) Lawsuit No. 2: 6 February 2022 - for the amount of PLN 6,050,337.37

Dispute status: The Plaintiff claims amounts due for work performed as part of the construction of multi-family apartment buildings in Chrzanowskiego Street in Szczecin. The amounts claimed in the lawsuit are covered by VAT invoices issued on the basis of inventory reports accepted and signed by the Defendant. They relate to works completed and accepted by the Defendant. The demand for a lawsuit includes the issuance of writ of payment and a request to secure claims. No decisions on the case.

The value of other litigations where ERBUD S.A. is the Defendant totals PLN 22,369,064.20.

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 Airport*) („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.

On 11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Airport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the claimant, Erbud 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 to repair the airfield surface at the Warsaw-Modlin airport. On 2 March 2015, MPL's pleading was served on Erbud, in which MPL maintained its claims and requested that Erbud's counterclaim be dismissed.

After an exchange of pleadings, the court proceeded to examine the witnesses. The first hearing date took place on 28 October 2015. During subsequent court sessions, a number of witnesses called by both parties were cross-examined.

The Court heard from all witnesses submitted by the Parties.

On 21 December 2018, the last hearing was held, during which the Court concluded the process of hearing the Parties' representatives and decided to admit evidence from:

1. an opinion from an institute in the field of construction for the purpose of:
   a) determining the causes and effects of the occurrence of defects in the works performed by Erbud;
   b) determining whether the concrete mix recipes were drawn up correctly;
2. an opinion of an institute specializing in the of civil airports' operations and assessment of the technical condition of airport surfaces for the purposes of
   a) determining whether the condition of the surface of the Modlin Airport on 22 December 2012 justified shutting down air traffic and whether, given the condition of the airport surface at that time, it was possible to continue air traffic of class C planes on all or part of this surface while carrying out maintenance and repair works;
   b) determine whether the runway and taxiway surface maintenance work was properly performed in the period from 6 June 2012 to 22 December 2012;
3. expert's opinion on meteorology for the meteorological conditions affecting the performance of c-code aircraft flights actually occurring at the Warsaw-Modlin airport in the period from 22 December 2012 to 29 September 2013 in two variants:
   a) taking into account the ILS system at the Modlin airport at that time and
   b) taking into account the ILS Category 1 navigation system, which would have been certified at the time the concrete thresholds were taken out of service.

On 20 August 2019, the Court issued an order to commission to the Institute of Roads and Airports the performance of a construction opinion (reasons for defects in the surface and assessment of alternative repair options). Subsequently, the Court commissioned to the Institute the drawing up an opinion also on meteorological aspects. Ultimately, the Court extended the deadline for the opinion filing until 20 May 2021, and the opinion was filed on that date.

On 29 November 2021 Erbud filed comments and objections to the opinion along with a request to exclude the expert. On February 7, 2022, the Court sent Erbud's findings and comments to the expert and called upon him to respond. On 21 April 2022, the Court made an order awarding the expert the total fee requested by him. On 7 June 2022 Erbud lodged a complaint against the above-mentioned order. On 12 September 2022, the Second Instance Court dismissed the complaint in its entirety.

At the moment, the Court of First Instance is processing a request to exclude the expert - on 24 October 2022, it sent an commitment to MPL's attorney to respond to the motion to exclude, and sent to OAT Ltd. a request for information on the professional history of the Expert Team Leader at that company (which worked with MPL). A hearing was held on 25 January 2023, during which the Expert Team Leader was questioned. After the hearing, the Court invited the other members of the Expert Team to send written responses to the request for exclusion.

6.2.2.

Plaintiff: Marshal Office of the Wielkopolskie Province in Poznań

Defendant: ERBUD S.A. in Warsaw

Date of servicing an action to ERBUD S.A.: 28 January 2022

Value of the dispute: PLN 21,553,732

By virtue of a lawsuit dated 20 December 2021 the Wielkopolskie Province, with the headquarters of the Marshal's Office of the Wielkopolskie Province in Poznań, requests that the Court authorise Erbud S.A. to replace the entire systems at Erbud S.A.'s expense, which are as follows: 1) cold water, 2) hot water, 3) hydrant water, 4) process heat and 5) chilled water in the building being the registered office of the Office in Poznań, located at Al. Niepodległości 34 in Poznań under quality warranty.

A response to the lawsuit was filed. The date for the first hearing has been set for October 2022.

On 23 February 2023 the District Court dismissed the plaintiff's requests for expert evidence and the defendant's further requests for evidence, and closed the hearing. The publication of the judgment is scheduled for 23 March 2023.

According to Erbud S.A. there are no grounds to accept the claims of the Wielkopolskie Province in full.

Total value of other proceedings where ERBUD S.A. is the defendant: PLN 11,766,243.58

7. ERBUD S.A. IN CAPITAL MARKET

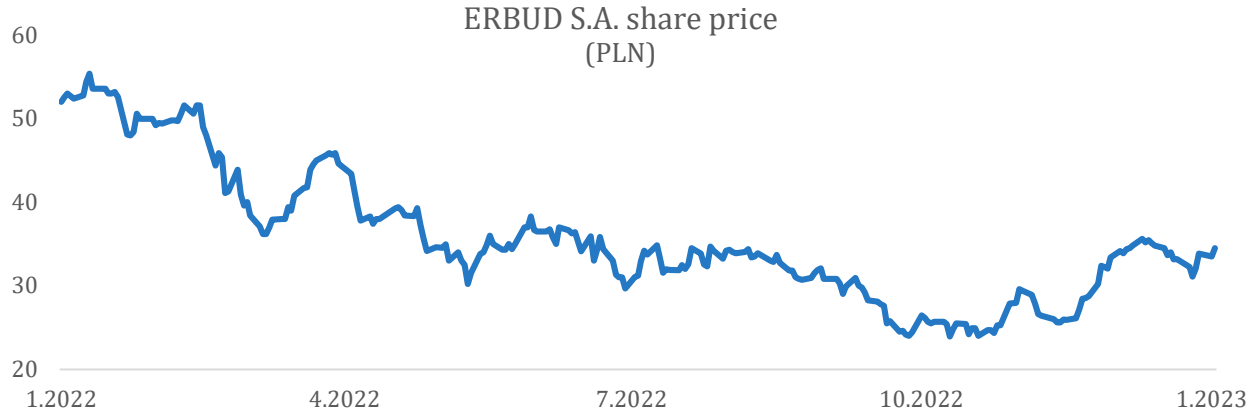
2022 was marked by a significant downturn in most stock markets around the world. The economic and social consequences of the COVID-19 pandemic (and policies to manage this health crisis), the global rise in inflation, and political tensions, with Russia's aggression against Ukraine primarily, have significantly worsened the macroeconomic environment and investor sentiment almost worldwide. Consequently, the vast majority of the leading stock market indices closed 2022 with significant declines in value terms - from around 10%, as in the case of Japan's NIKKEI225, France's CAC40, through 20% discounting of the US S&P 500, to even deeper corrections in the indices of the South Korean and Taiwanese stock markets.

7.1. Listing of ERBUD S.A. shares on WSE against the Polish market background

The Polish capital market closed 2022 with the worst, in terms of Return on Investment (ROI), in a decade. The WIG 2022 index is down 17%, with the WIG20 and mWIG40 down almost 21%. Relatively the best performer in 2022 was the sWIG80 index, whose value was down less than 13% last year.

Source: stooq.pl

The past year saw a repricing of most of the Warsaw Stock Exchange's sectoral indices. The WIG-Ukraine



index, which applies to all Ukrainian companies listed on the WSE, suffered the deepest plunge in value, by as much as 57%. The WIG-Food index, dominated by Ukrainian food producers, also lost more than half its value. 2022 saw also plunges in stock market capitalisations of pharmaceutical manufacturers (-43%), companies in the apparel and cosmetics sector (-38%), the gamedev industry (-29%) or the banking sector (29%). Only 3 indexes of the mining, chemical and construction sectors can boast of the positive annual rate of return. The increase in the latter's value is mainly driven by the increase in the capitalization of Budimex S.A., accounting for more than 40% of the index value.

The past year brought a significant correction in the stock market capitalisation of ERBUD S.A., mainly driven by a combination of negative economic (inflation, swelling interest rates, economic slowdown) and political factors (war in Ukraine, lack of key political decisions unlocking the development of RES investments in Poland). After a rapid increase in the capitalization of ERBUD S.A. share price in 2021, the company's share price has declined over the past year, from PLN 53 at the opening of the first session of 2022 to PLN 33.85 at the close of trading on 30 December 2022.

7.2. Dividend

In 2020, the Company's Board of Directors decided to suspend the dividend policy.

On 20 May 2022 the Company's Ordinary General Meeting of Shareholders passed resolutions to allocate part of the Company's 2021 profit of PLN 77.7 million to create reserve capital to finance the purchase of the Company's own shares for redemption, and to authorize the Company's Management Board to carry out share buyback transactions.

On 27 May 2022 the company announced that it had passed a resolution to make a buyback of its own shares, by way of a public tender bids. As part of the share buyback, completed on 20 June 2022, 166,666 of Company shares were bought back at a uniform price of PLN 120.00 per share, i.e. for a total price of PLN 19,999,920. The Own Shares acquired by the Company accounted for 1.38% of the Company's share capital and of the total vote at the Company's General Meeting of Shareholders.

7.3. Investor relations

ERBUD S.A. runs active communication with the capital market players, complying with the top standards and laws on, inter alia, disclosure requirements of companies listed on the regulated market, with special focus put on transparency and equal access to information for all stakeholders.

The Company periodically, as a rule on the day of publication of interim reports, holds public video conferences with representatives of the Company's Management Board to discuss operating and financial performance in the previous period.

The Company attaches great importance to the quality of communication with stakeholders via its website: www.erbud.pl/relacje_inwestorskie. The website makes available, in an accessible and convenient form for the user, inter alia, all necessary corporate information and documents, current and periodic reports, financial data, investor presentations as well as recordings of investor conferences, in accordance with the law.

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 2021", which were adopted by virtue of the Resolution of the Supervisory Board of the Warsaw Stock Exchange S.A. on 29 March 2021.

The content of the "Best Practice of WSE Listed Companies 2021", as well as the content of the currently applicable 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 accordance with the guidelines of the 2021 Code of Best Practice for WSE Listed Companies, the Company does not apply the following five (5) principles:

Principle	ERBUD S.A. comment
4. General meeting and relations with the shareholders	
4.1. The company should enable shareholders to participate in the general meeting by means of electronic communication (e-general meeting) if this is justified by the expectations of shareholders notified to the company, provided that it is able to provide the technical infrastructure necessary for holding such a general meeting.	The Company plans to comply with the indicated rule if the party convening the general meeting has decided on an option to participate in the general meeting by means of electronic communication. If shareholders participate in the general meeting using means of electronic communication, the Company plans to provide real-time two-way communication to the Company's shareholders who have registered for the general meeting;
4.3. The Company shall provide a publicly available real-time broadcast of the general meeting.	The Company does not plan to provide a publicly available real-time broadcast of the general meeting. In the Company's opinion, performing information obligations in relation to general meetings, i.e., in particular, publishing current reports and publishing other relevant information on the Company's website, will ensure that shareholders have full access to information concerning its general meetings.
4.4. Representatives of the media should be allowed to be present at General Meetings.	The Rule is not applied. In the Company's opinion, proper performance of information obligations related to general meetings, i.e. in particular publication

	of current reports and publishing other relevant information on the Company's website ensures that shareholders as well as other stakeholders have full access to information concerning general meetings.
4.8. Draft resolutions of the general meeting concerning issues included in the agenda of the general meeting should be submitted by shareholders no later than 3 days before the general meeting.	The Company does not apply the indicated rule. The Company is not in a position to assure that the Company's shareholders will always comply with the aforementioned rule and submit draft resolutions in compliance with the deadline provided for therein. In particular, the Company is not able to ensure that its shareholders will not exercise their rights under Article 401 § 5 of the Commercial Companies' Code to propose draft resolutions on the issues added to the agenda already during the Company's general meeting.
4.9.1. Where the subject matter of the general meeting is to be the appointment to the Management Board or the appointment of the Supervisory Board for a new term in office: 4.9.1. candidates for members of the board should be proposed within a timeframe allowing the shareholders present at the general meeting to make a decision with due discernment, but no later than 3 days before the general meeting; the candidates, together with a set of materials concerning them, should be immediately published on the company's website;	The Company does not apply the indicated rule. The Company is not in a position to ensure that the Company's shareholders comply with the aforementioned rule and propose candidates for the Supervisory Board members within the time limit provided for therein. In particular, the Company is not in a position to ensure that its shareholders do not exercise their right to propose candidates for Supervisory Board Members already during the Company's general meeting.

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. Financial statements are audited by independent authorised auditors.

The consolidated financial statements of the ERBUD Group are prepared by trained and experienced employees of the ERBUD Group, particularly the services hired by Erbud Shared Services Sp. z o.o. . 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 2022 and as of the date of publication of the Financial Statements, the registered share capital amounted to PLN 1,239,935.20 and was divided into 12 399 559 shares with a par value of PLN 0.10 per share.

In 2020 there were no changes in the share capital of the Company in 2022.

On 15 June 2022, the Management Board of ERBUD S.A. became aware of the registration on June 14, 2022 by the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register amended the Company's Articles of Association in connection with the adoption of Resolution No. 21/2022 of the Company's Annual General Meeting of 20 May 2022 on the cancellation of own shares acquired by the Company and Resolution No. 22/2022 of the Company's Annual General Meeting of Shareholders 20 May 2022 on the reduction of share capital and amendment to the Company's Articles of Association.

Pursuant to the Resolutions, § 5, para 1 of the Company's Articles of Association was amended. Before the amendment, § 5, para 1 of the Company's Articles of Association had the following wording:

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".

After the amendment, § 5, para 1 of the Company's Articles of Association had the following wording:

"Following the change, the Company's share capital amounts to PLN 1,209,650.20 (one million two hundred and nine thousand six hundred and fifty zloty twenty groszys) and is divided into 12,096,502 (twelve million ninety-six thousand five hundred and two) A series ordinary bearer shares, with a par value of PLN 0.10 (ten groszys) each, marked with ISIN code PLERBUD00012."

Following the registration of the amendments to the Articles of Association covered by the Resolutions, a total of 302,857 own shares acquired by the Company, corresponding to a total of 302,857 votes in the Company's shareholders' equity, were redeemed.

Thus the current amount of share capital totals PLN 1,209,650.20, and the share capital is divided into 12,096,502 A-series ordinary bearer shares with a par value of PLN 0.10 each.

The total number of votes attached to all issued Company shares is 12.096.502.

As of the date of publication of the financial statements i.e. 30 March 2023 compared to the date of publication of the 2021 Financial Statements (6 April 2022), the changes described below have occurred:

- On 8 April 2022 the Company received a notice on the sale of 370,00 shares by the shareholder ERBUD S.A. on 7 April 2022 (Issuer) pursuant to Article 19(3) of the MAR Regulation from DGI Closed Investment Fund of Non-Public Assets, a person closely related to a person discharging managerial responsibilities: Mr Dariusz Grzeszczak, the President of the Company's Management Board.

On 8 April 2022 OPTI Towarzystwo Funduszy Inwestycyjnych S.A., headquartered in Warsaw (hereinafter referred to as the "Society"), acting for and on behalf of the managed investment funds (the "Funds") pursuant to Article 69 (1) (2) and Article 69 (2) (1) (2). 1) letter a) in conjunction with Article 87 para 1, point 2, letter a) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies of 29 July 2005 (uniform text Journal of Laws of 2021, item 1983; "the Act") notified of a decrease by the Funds of their participation in the total number of votes at the General Meeting of Shareholders of Erbud S.A. with its seat in Warsaw (the "Company") below the threshold of 15% and also of a change in the previously held share by more than 2% of the total number of votes.
The decrease in the ownership of the total number of votes in the Company below 15% and by more than 2% of the total number of votes occurred as a result of the disposal transaction (the "Transaction") of 370,000 (in words: three hundred and seventy thousand) shares of the Company made outside the trading system on 7 April 2022 by the DGI FIZAN fund managed by the Society ("DGI FIZAN").

Before the Transaction, the DGI FIZAN fund:

1) directly held 1,861,731 (in words: one million eight hundred and sixty-one thousand seven hundred and thirty-one) shares in the Company, representing 15.01% of the Company's share capital, entitling him to exercise 1,861,731 votes at the Company's General Meeting of Shareholders, which accounted for 15.01% of the total number of votes in the Company;
2) indirectly did not hold shares in the Company.

After the Transaction DGI FIZAN fund: OPTI Towarzystwo Funduszy Inwestycyjnych S.A., with its registered office in Warsaw (00-120), at ul. Złota 59, entered into the Register of Entrepreneurs, kept by the District Court for the Capital City of Warsaw, 12th Economic Division of the National Court Register under the number KRS 0000487615, with the share capital of PLN 1,000,000, fully paid up; Tax ID (NIP) No. 107-002-77-14

1) directly holds 1,491,731 (in words: one million four hundred and sixty-one thousand seven hundred and thirty-one) shares in the Company, representing 12.03% of the Company's share capital, entitling him to exercise 1,491,731 votes at the Company's General Meeting of Shareholders, which accounted for 12.03% of the total number of votes in the Company;

- On 8 April 2022, the Company's registered office received a notice about the acquisition on 7 April 2022 of 370,000 shares by a shareholder of ERBUD S.A. (the Issuer) pursuant to Art. 19, par. 3 of the MAR Regulation i.e. Dariusz Grzeszczak, performing managerial duties (President of the Company's Management Board)
- On 31 May 2022 the Company, at its registered office, received a notice on the sale of 151,000 shares by the shareholder ERBUD S.A. on 27 May 2022 (Issuer) pursuant to Article 19(3) of the MAR Regulation from DGI Closed Investment Fund of Non-Public Assets, a person closely related to a person discharging managerial responsibilities: Mr Dariusz Grzeszczak, the President of the Company's Management Board.
- On 31 May 2022, the Company, at its registered office, received a notice about the acquisition, on 27 May 2022, of 151,000 shares by a shareholder of ERBUD S.A. (the Issuer) pursuant to Art. 19, par. 3 of the MAR Regulation i.e. Dariusz Grzeszczak, performing managerial duties (President of the Company's Management Board)

On 31 May 2022, pursuant to Art. 69, para 1, point 2, and Art. 69, para 2, point 1) letter a) of the Act on Public Offering and the Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies of 29 July 2005 (uniform text Journal of Laws 2021, item 1983; "the Act") received a notice from Erbud S.A. of a change in the shareholding of the person discharging managerial responsibilities, i.e. Mr. Dariusz Grzeszczak.

Before the Transaction, Mr. Dariusz Grzeszczak held 2,940,333 shares in the Company, accounting for 23.04% of the Company's share capital, with 2,940,333 votes attached, which accounted for 23.04% of the total number of votes in the Company, including:

1) directly he held 773,900 shares in the Company, accounting for 6.06% of the Company's share capital, entitling him to 773,900 votes, which accounted for 6.06% of the total number of votes in the Company;
2) indirectly - through DGI - he held 2,166,433 shares in the Company, accounting for 16.98% of the Company's share capital, with 2,166,433 votes attached, which accounted for 16.98% of the total number of votes in the Company, including:
   a) DGI directly held 2,136,260 shares in the Company, accounting for 16.74% of the Company's share capital, with 2,136,260 votes attached, which accounted for 16.74% of the total number of votes in the Company;
   b) DGI held indirectly - through Juladal Investment Limited - 30,173 shares in the Company, accounting for 0.24% of the Company's share capital, with 30,173 votes attached, which accounted for 0.24% of the total number of votes in the Company.

After the Transaction, he held 2,590,518 shares in the Company, accounting for 20.89% of the Company's share capital, with 2,590,518 votes attached, which accounted for 20.89% of the total number of votes in the Company, including:

1) directly held 1,249,787 shares in the Company, accounting for 10.08% of the Company's share capital, with 1,249,787 votes attached, which accounted for 10.08% of the total number of votes in the Company;
2) held indirectly - through DGI - 1,340,731 shares in the Company, accounting for 10.81% of the Company's share capital, with 1,340,731 votes attached, which accounted for 10.81% of the total number of votes in the Company.

- On 14 June 2022, the buyback of ERBUD S.A.'s own shares initiated by virtue of Resolution No. 24/2022 of the Company's Annual General Meeting of May 20, 2022 on authorizing the Company's Management Board to purchase the Company's own shares and appointing a commercial proxy authorized to represent the Company in transactions to buyback the Company's own shares from shareholders who are also members of the Company's Management Board (the "Authorizing Resolution") and Resolution No. 22/2022 of the Company's Supervisory Board of 21 April 2022 on the approval of the Company's activities to carry out the buyback of the Company's own shares for redemption, adopted by virtue of a resolution on 19 April 2022 to propose to the Company's Annual General Meeting of Shareholders to adopt a resolution authorizing the Company's Management Board to buyback the Company's own shares for redemption (the "Management Board Resolution").

On 27 May 2022, the Management Board of ERBUD S.A., pursuant to the aforementioned Resolutions, adopted Resolution No. 22/2022, which defines the terms of 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 20,000,000 (twenty million Polish zlotys);
2. The total number of Own Shares to be acquired under the Tender offer shall not exceed: 166,666 shares; (in words: one hundred and sixty -six thousand six hundred and sixty-six shares);
3. The price at which Own Shares will be acquired: PLN 120.00 (in words: one hundred twenty Polish zlotys 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: 27 May 2022
   b) the start date for the acceptance of bids from shareholders: 1 June 2022
   c) the end date for the acceptance of bids from shareholders: 14 June 2022,
   d) expected date of acquisition of Own Shares by the Company: 20 June 2022

On 17 June 2020, mBank S.A. Brokerage House sent the Company a summary of the share buy-back process.

As part of the buy-back process, sales offers were made for a total number of 11,652,336 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 98.57%.

The Own Shares acquired by the Company accounted then for 1.38% 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.

As of 31 December 2022 and as of the date of publication of the Company's Management Report 2022, the Company did not have own shares other than those indicated above.

Notifications regarding transactions involving ERBUD SA shares pursuant to Article 19.1 of the MAR Regulation.

- On 21 June 2022 the Company received a notification from DGI Closed Investment Fund of Non-Public Assets, a person closely related to the person discharging managerial responsibilities: Mr. Dariusz Grzeszczak - President of the Management Board of the Company, pursuant to Article 19(1) of the MAR Regulation, on the disposal of 19,178 shares - a transaction under the announced buyback of own shares of ERBUD SA;
- On 23 June 2022 the Company received a notification, pursuant to Article 19(1) of the MAR Regulation, regarding the sale of 17880 shares by Mr. Dariusz Grzeszczak, a shareholder of ERBUD S.A. - President of the Company's Management Board - transaction within the announced buyout of own shares of ERBUD SA;
- On 23 June 2022, the Company's registered office received a notification pursuant to Article 19(1) of the MAR Regulation about the disposal of 198 shares by Mr. Albert Dürr - a Member of the Supervisory Board of ERBUD SA - a transaction within the announced buyback of ERBUD SA's own shares;
- On 23 June 2022 the Company received at its registered office a notification from Wolff & Müller Baubeteiligungen GmbH & Co., a person closely related to a person discharging managerial responsibilities: Mr. Albert Dürr - a Member of the Company's Supervisory Board, pursuant to Article 19(1) of the MAR Regulation, about the sale of 52.140 shares - a transaction within the announced buyback of ERBUD SA own shares;
- On 23 June 2022 the Company received a notification from Wolff & Müller Holding GmbH & Co. KG, a person closely related to a person discharging managerial responsibilities: Mr. Roland Bosch, the Supervisory Board Chairman and Mr Albert Dürr - a Member of the Company's Supervisory Board, in accordance with Article 19(1) of the MAR Regulation, about the sale of 13,175 shares - a transaction within the announced buyback of ERBUD SA own shares;
- On 27 June 2022 the Company received an adjusted notification from Wolff & Müller Holding GmbH & Co. KG, dated 23 June 2022 (published in a Company's Current Report No. 30/2022 of 23 June 2022), a person closely related to a person discharging managerial responsibilities: Mr. Roland Bosch - Chairman of the Supervisory Board and Mr. Albert Dürr - a Member of the Company's Supervisory Board pursuant to Article 19 (1) of the MAR Regulation. In the corrected notification comprising a correction of an error to indicate the correct volume of sold shares of the Company Wolff & Müller Holding GmbH & Co. KG as part of the announced buyback of ERBUD S.A.'s own shares, i.e. the sale of not 13,175 shares but the sale of 3,802 shares.

- On 28 September 2022, the Company's registered office received a notice about the acquisition on 26 September 2022 of 10,000 shares of ERBUD S.A. pursuant to Article 19(3) of the MAR Regulation by Mr. Roland Bosch - the Chairman of Supervisory Board of ERBUD S.A.;
- On 14 October 2022, the Company's registered office received a notice about the acquisition on 12 October 2022 of 3,000 of ERBUD S.A. corporate bonds pursuant to Article 19(3) of the MAR Regulation, by Mr. Michał Otto - a Member of the Supervisory Board of ERBUD S.A.
- On 9 January 2023, pursuant to Article 69 in conjunction with Article 87 (1) (2b) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing Allianz

Polska Open-End Pension Fund, hereinafter referred to as Allianz OFE, managing Allianz Polska Voluntary Pension Fund, hereinafter referred to as Allianz DFE, received a notification informing ERBUD S.A. that as a result of the merger, pursuant to Article 67 of the Act of 28 August 1997 concerning the organization and operation of pension funds (uniform text the Journal of Laws of 2020, item 105, as amended; the "Pension Funds Act") and Article 492 § 1 item 1 of the Commercial Companies' Code, on 30 December 2022 with the company Aviva Universal Pension Society Aviva Santander Spółka Akcyjna managing the Second Allianz Polska Open-end Pension Fund (Second Allianz OFE), the share in the shareholders' equity and the total number of votes of ERBUD S.A. on the accounts of Allianz OFE, Allianz DFE and Second Allianz OFE exceeded 5%.

Before merger:

A total of 0 shares, representing 0.00% of the company's shareholders' equity, were registered in the accounts of Allianz OFE and Allianz DFE, which gave the right to exercise 0 votes attached to shares accounting for 0.00% of the total number of votes at the company's Annual General Meeting of Shareholders.

In the account of the Second Allianz Open-end Pension Fund, 764,935 shares were registered, accounting for 6.32% of the company's shareholders' equity, which gave the right to exercise 764,935 votes attached to shares accounting for 6.32% of the total number of votes at the company's Annual General Meeting of Shareholders.

After merger:

The total balance in the accounts of Allianz OFE, Allianz DFE and Second Allianz OFE reached 764,935 shares, accounting for 6.32% of the company's shareholders' equity, which gives the right to exercise 764,935 votes attached to shares accounting for 6.32% of the total number of votes at the company's Annual General Meeting of Shareholders.

As of 31 December 2022 and the date of publication of this Financial Statement, ERBUD SA holds **166,666** of own shares, that account for 1.38% of total shareholders' equity.

The **166,666** shares referred to hereinabove have not yet been redeemed by the Company, so the shareholders' equity remains unchanged and totals PLN 1,209,650.20.

The Company's share capital structure is as follows:

- 12,096,502 (twelve million, ninety-six thousand, five hundred and two) ordinary A series 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 12,096,502 (to each share one vote is attached), while the par value per Company share remains unchanged and amounts to PLN 0.10.

Series	No.	Price in nominal terms (in PLN)	Value (in PLN)
A	12,096,502	0.10	1,209,650.20
Total:	**12,096,502**	**0.10**	**1,209,650.20**

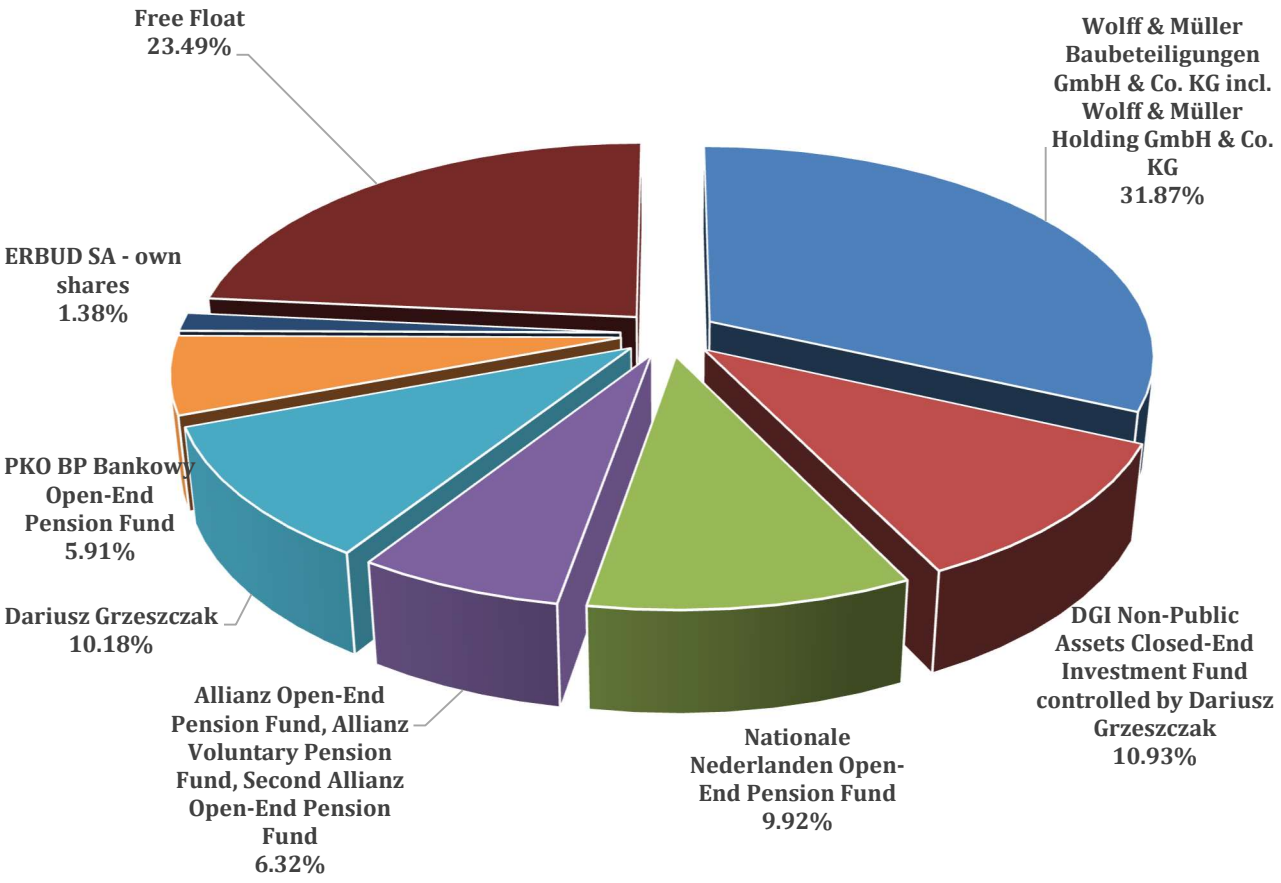
ERBUD S.A. shares are ordinary bearer shares and are not preference shares. There are no special control rights attached to the Company's shares. The Articles of Association of ERBUD S.A. also does not impose any restrictions on the transfer of ownership of shares issued by the Company, on exercising 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 at 31 December 2022 and the date of publication of the 2022 Financial Statements, the list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total votes at the General Meeting of Shareholders of ERBUD S.A. was as follows:

Name of shareholder	As of 30 March 2023		As of 31 December 2022		As of 7 November 2022	
	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	3,854,837	31.87%	3,854,837	31.87%	3,854,837	31.87%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	1,321,553	10.93%	1,321,553	10.93%	1,321,553	10.93%
Dariusz Grzeszczak	1,231,907	10.18%	1,231,907	10.18%	1,231,907	10.18%
Nationale Nederlanden OFE	1,200,000	9.92%	1,200,000	9.92%	1,200,000	9.92%
Aviva OFE Aviva BZ WBK	x	x	x	x	1,183,146	9.78%
Allianz OFE, Allianz DFE, Second Allianz OFE	764,935	6.32%	764,935	6.32%	x	x

PKO OFE	715, 279	5.91%	715,279	5.91%	715,279	5.91%
ERBUD S.A. - own shares without voting rights at General Meeting	166,666	1.38%	166,666	1.38%	166,666	1.38%
Other shareholders	2,841,325	23.49%	2,841,325	23.49%	2,423,114	20.03%
Total:	**12,096,502**	**100.00%**	**12,399,359**	**100.00%**	**12,399,359**	**100.00%**

Shareholding structure of ERBUD S.A. as of 31.12.2022 and the date of publication of this report.



*** ERBUD SA - own shares without voting rights at the General Meeting of Shareholders, pursuant to Art. 364, §2 of the Commercial Companies' Code*

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	Tied up since 1 Jan. 2022	As of 30 March 2023		AS of 31 December 2022	
		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	1,321,553	10.93%	1,321,553	10.93%
Dariusz Grzeszczak	President of the Management Board	1,231,907	10.18%	1,231,907	10.18%
Albert Dürr	A Supervisory Board Member	26,354	0.22%	26,354	0.22%
Roland Bosch	The Chairman of the Supervisory Board	10,000	0.08%	10,000	0.08%
Agnieszka Głowacka***	Vice-President of the Management Board	3,938	0.03%	3,938	0.03%
Jacek Leczkowski****	Vice-President of the Management Board	5,112	0.04%	5,112	0.04%

** Mr Dariusz Grzeszczak also controls DGI Closed Investment Fund of Non-Public Assets, which holds 10.93% of Erbud S.A. shares. (10.93% of the total number of votes). Moreover Dariusz Grzeszczak holds 0.5% shareholding in ONDE SA (a subsidiary of the Issuer).*
** Mr Albert Dürr holds 85% shareholding in Wolff & Müller Holding GmbH & Co. KG, which holds: (i) 2,16% shareholding in Erbud S.A. directly (2.16% of the total number of votes) and (ii) indirectly, through a 100% subsidiary of Wolff & Müller Baubeteiligungen GmbH & Co. KG 29.70% of Erbud S.A. shares. (29.70% of the total number of votes). Additionally Mr. Albert Dürr holds 85% shareholding of Dürr Holding GmbH, which holds 0.11% shareholding in Erbud S.A. (0.11% of the total number of votes). In total Mr. Albert Dürr holds directly and indirectly 32.08% shareholding in Erbud S.A. (32.08% of the total number of votes).*
**** Ms Agnieszka Głowacka holds additionally 0.25% shareholding in ONDE S.A. (the Issuer's subsidiary).*
***** Mr Jacek Leczkowski holds additionally 6,48% shareholding in ONDE 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 2022 the content of the Company's Articles of Association was amended.

On 20 May 2022 The Ordinary General Meeting of Shareholders of ERBUD S.A., by virtue of its Resolution No. 22/2022, amended the wording of §5, para 1 of the Company's Articles of Association, whereas amendments were recorded in the National Court Register on 14 June 2022, i.e.:

the wording of §5, para 1 of the Company's Articles of Association until 13 June 2022:

"The Company's shareholders' equity 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".

Effective from 14 June 2022 §5, para 1 of the Company's Articles of Association shall be replaced with the following new wording:

"Following the change, the Company's share capital amounts to PLN 1,209,650.20 (one million two hundred and nine thousand six hundred and fifty zloty twenty groszys) and is divided into 12,096,502 (twelve million ninety-six thousand five hundred and two) A series ordinary bearer shares, with a par value of PLN 0.10 (ten groszys) each, marked with ISIN code PLERBUD00012."

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 2and 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:

1) reviewing and approving the Management Board's Report on the Company Activities and the financial statements for the previous financial year,

2) the adoption of a resolution on profit distribution or loss coverage,

3) granting discharge to members of the Company's governing bodies in respect of the performance of their duties, adoption of the Supervisory Board Bylaws and determination of the rules of remunerating Supervisory Board members,

4) an increase or decrease of the Company's share capital

5) Rules for amending the Company's Articles of Association

6) the Company's merger with another commercial company,

7) dissolution and liquidation of the Company,

8) issuance of convertible bonds, bonds with pre-emptive right or subscription warrants,

9) the disposal or lease of the enterprise, or of an organized part thereof, and the establishment of a limited property rights.

10) examination of the issues raised by the Supervisory Board, the Management Board or by Company shareholders,

11) 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 2021, one (1) Annual General Meeting of Shareholders of ERBUD S.A. was held (on 11 May 2021) and two (2) , Extraordinary General Meetings of Shareholders of ERBUD S.A. (9 April 2021 and 26 November 2021).

8.5. Activities of the Supervisory Board

8.5.1. Composition

In the period from 1 January 2022 to 31 December 2022 the Supervisory Board of ERBUD SA consisted of:

- Roland Bosch - the Chairman of Supervisory Board,
- Gabriel Główka - Deputy Chairman of the Supervisory Board
- Albert Dürr - a Supervisory Board Member
- Michał Otto - a Supervisory Board Member
- Janusz Reiter - a Supervisory Board Member
- Beata Jarosz - a Supervisory Board Member
- Michał Wosik - a Supervisory Board Member

As of 31 December 2022 and as of this Report Date, the dependent Members of the Supervisory Board of ERBUD SA are :

Mr Roland Bosch and Pan Albert Dürr (representing a shareholder of Wolff & Müller Baubeteiligungen GmbH & Co. KG and Wolff & Müller Holding GmbH & Co. KG) and Mr Gabriel Główka (has been sitting on the Supervisory Board of ERBUD SA since 15 November 2006).

The following Members of the Supervisory Board of ERBUD S.A. fulfil the independence criteria specified in the Act on Statutory Auditors: Ms Beata Jarosz, Mr Michał Otto, Mr Janusz Reiter and Mr Michał Wosik.

In addition, the following Members of the Supervisory Board of ERBUD S.A. have no actual and significant ties with a shareholder holding at least 5% of the total number of votes in ERBUD S.A: Mr Gabriel Główka, Ms Beata Jarosz, Mr Michał Otto, Mr Janusz Reiter and Mr Michał Wosik.

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

Audit Committee, between 1 January 2022 and 31 March 2022, operated with the following composition:

- Michał Otto – The Chairman of the Audit Committee (an independent Supervisory Board member, in the Audit Committee has been sitting since 28 April 2016),
- Gabriel Główka – An Audit Committee member (a dependent Supervisory Board member, in the Audit Committee has been sitting since 15 November 2006)
- Janusz Reiter – An Audit Committee member (an independent Supervisory Board member, in the Audit Committee has been sitting since 18 May 2018)

On 1 April 2022, the Supervisory Board of ERBUD S.A. appointed two new members of the Audit Committee, thus from 1 April 2022 to the date of publication of this report, the Audit Committee of ERBUD S.A. consists of:

- Michał Otto – The Chairman of the Audit Committee (an independent Supervisory Board member, in the Audit Committee has been sitting since 28 April 2016),
- Gabriel Główka – An Audit Committee member (a dependent Supervisory Board member, in the Audit Committee has been sitting since 15 November 2006)
- Janusz Reiter – An Audit Committee member (an independent Supervisory Board member, in the Audit Committee has been sitting since 18 May 2018)
- Roland Bosch - a Member of the Audit Committee (dependent Member of the Supervisory Board, as a representative of the shareholder - Wolff & Müller Group, on the Audit Committee since 1 April 2022)
- Michał Wosik – A Member of the Audit Committee (an independent Supervisory Board member, in the Audit Committee has been sitting since 1 April 2022),

Messrs. Roland Bosch and Michal Wosik were appointed to the Audit Committee by virtue of resolutions Nos. 13/2022 and 14/2022 of the ERBUD S.A.'s Supervisory Board. The aforementioned composition of the Audit Committee is current as of the date of this report.

As of 31 December 2022 and as of the date of this Report in the Audit Committee of the Supervisory Board of ERBUD S.A. Messrs. Michał Otto, Janusz Reiter, Michał Wosik fulfil the independence criteria 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.

including financial validation of companies, assessment of their financial standing, 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 2022, the Audit Committee held 4 meetings convened by the Chairman of the Audit Committee, (meetings were held at: 1 April 2022, 23 June 2022, 2 September 2022, 30 November 2022) that could be attended by the remaining Supervisory Board members as well as heads of: Legal Division as well as Audit and Internal Control Department of ERBUD SA.

The meetings were held in accordance with the 2022 Audit Committee's Work Plan, which defined the dates 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 14 December 2020, by virtue of 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 Sp. z o.o. Audyt sp.k.) to review the interim financial statements and audit the annual financial statements of the Company and the Company's Capital Group in 2021-2023.

By virtue of Resolution No. 2/2021 of 7 January 2021, the Supervisory Board of ERBUD S.A. agreed to extend the agreement with PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. on reviewing interim financial

statements and auditing annual financial statements of the Company and the Company's Capital Group in 2021-2023, following the recommendation of the Audit Committee of ERBUD S.A.

On 23 June 2022, the Audit Committee of ERBUD S.A. adopted Resolution No. 8/2022 on the assessment of the auditor's independence and approval for the auditor to provide permitted non-audit services to the Company, i.e. review services of the Company's financial statements for the first half of 2022.

The Remuneration Committee, from 1 January 2022 to 31 December 2022 and as of the this Report Date, was operated with the following composition:

- Roland Bosch - Remuneration Committee Chairman
- Michał Otto - a Remuneration Committee Member,
- Janusz Reiter - a Remuneration Committee Member

8.5.2. Competencies

The powers of the Supervisory Board include:

1) to approve the strategic long-term plans of the Company,
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,
4) to give consent to: acquisition, disposal and encumbering of real estate, perpetual usufruct, or share in real estate or perpetual usufruct,
5) to give to consent to setting up and dissolution of manufacturing plants and branch offices.
6) granting consent to the Company to issue guarantees, property sureties, issue bills of exchange and incur other off-balance sheet liabilities with a unit value exceeding EUR 2,000,000.00 (in words: two million euros) save for: (i) guarantees issued at the request of the Company by financial institutions in the ordinary course of business, (ii) guarantees, sureties of property, issuance of bills of exchange and assumption of other off-balance sheet commitments with a unit value exceeding EUR 2,000,000.00 (in words: two million euros) for the benefit of member entities of the capital group (save for item 11) below),
7) 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,
8) to approve the acquisition, disposal, encumber shares or interest in other entities,
9) 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, change of the company profile, split or merger of subsidiaries or affiliated entities,
10) to grant consent to take all measures not related to the Company profile and extraordinary measures with the value exceeding the equivalent of EUR 200,000.00 (in words: two hundred thousand),
11) granting consent to enter into material transactions with related parties, pursuant to the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trade, and Public Companies of 29 July 2005,
12) to grant consent to the investments exceeding the equivalent of the value of EUR 200,000.00 (in words: two hundred thousand), unless such investments are included in the investment plan, approved by the Supervisory Board,
13) 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,
14) 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.
15) 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,

16) 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,
17) Other matters reserved for the powers of the Supervisory Board by law, provisions of this Statute, forwarded upon the request of the Management Board or delegated by virtue of a resolution of the General Meeting.

The Audit Committee powers include:

1) to monitor the financial reporting process.
2) to monitor the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting.
3) to monitor the performance of auditing activities including in particular the conduct of an audit by the audit firm.
4) 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;
5) 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;
6) to assess the independence of the auditor and to give consent to the provision of permitted non-audit services to the Company;
7) to develop a policy of audit firm appointment to carry out the audit of Financial Statement;
8) 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;
9) to determine the procedure for the audit firm appointment by the Company.
10) to make a recommendation to the Supervisory Board on the appointment of statutory auditors or audit firms in accordance with the policies developed by the audit committee following the selection procedure carried out in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision;
11) to make recommendations aimed at securing the reliability of the financial reporting process at the Company.

On 24 March 2023 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 Audit Committee powers 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 2021, 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 2021, which related to the renewal of the contract, was based on a resolution passed by the Audit Committee on 14 December 2020, which made a recommendation to the Supervisory Board regarding the appointment of the audit firm. 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 7 January 2021, 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 2021 - -2023 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, par. 1, subpar. 4 of the Act on Statutory 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 delivery by the auditor of permitted non-audit services in the Company, i.e., the services of the Company's financial statement review for H1 2019.

- Review services of the financial statements of ERBUD S.A. for H1 2022 and the consolidated financial statements of the ERBUD Group for H1 2021;
- assurance services on selected non-financial indicators for the year 2022
- evaluation services for the 2022 Report on the Remuneration of Company Governing Bodies;
- Services to prepare an audit report on the compliance of the 2022 financial statements in XBRL format with ESMA standards.

On 24 March 2023, 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 short-listing and audit firm appointment procedure, along with an indication that:

- 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,
- 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;

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

On 29 March 2023, the Supervisory Board assessed the compliance of the Operations Report of ERBUD S.A. and the Annual Financial Statement with the books, documents and the actual state of affairs.

Remuneration of the entity authorised to audit financial statements ('000 PLN)	2022	2021	2020
Audit of the annual financial statements and consolidated financial statements	343	300	259
Review of the interim financial statements/consolidated financial statements	190	190	200
Other services (annual audit of financial statements of subsidiaries), review of bi-annual financial statements of ONDE SA, review of bi-annual consolidated financial statements of ONDE SA	614	480	426
Other services - attestation service concerning XBRL and report on remuneration of members of the Management Board and Supervisory Board (Erbud S.A. and ONDE S.A.)	133	100	25
Other services - attestation of other non-financial indicators (Erbud S.A. and ONDE S.A.)	160	130	x
TOTAL PLN	PLN 1,440	PLN 1,200	PLN 910

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. and ERBUD Capital Group.

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 27 June 2022 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

On 27 June 2022, Mr. Radosław Górski resigned from his position as a Member of the Management Board of ERBUD S.A. Given the above from 28 June 2022 to the this Report Date, the ERBUD S.A. Management Board was composed of:

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

The current term of office of the ERBUD SA Management Board Members has started on 11 May 2021.

As at the date of publication of this report, the Management Board of ERBUD S.A. is 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

8.7.2. Powers as of 30 March 2023

A Management Board member	Responsibility
Dariusz Grzeszczak – President of the Management Board	**With regard to ERBUD Group** • Development of ERBUD Group strategy. • Development and supervision over the activities of HR Department. • Supervision over the operations of the Marketing, ESG and PR Department • Supervision over the activities of the Division of Advisors to the Management Board on Strategy and Development. • Supervision over the activities of the Management Board and Corporate Governance. • Supervision over the operations of the Equity Investment Department • Supervision over the Process and Digitalisation Management Division • Supervision over ERBUD Industry Group member companies: ERBUD Industry Centrum sp. z o. o. ERBUD Industry Południe Sp. z o. o. • Supervision over foreign maintenance activities: IVT Weiner + Reimann GmbH and IKR GmbH

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** • Supervision over the activities of the Finance Division including the Controlling Section and Treasury Section • Supervision over the activities of the Audit and Internal Control. • Cooperation with financial institutions, banks, insurance companies, brokers. • Coordination of information policy on the MAR MAD Directive. • Supervision over financial and non-financial reporting. • Funds raising. • Supervision over the implementation of the financial policy of the ERBUD Group • 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 + hydro-engineering (relations with industry investors, support in the acquisition of building contracts). b) Supervision over the operations of the Legal Division. c) Supervision over the Purchasing and Central Procurement Division **With regard to ERBUD Group** • Supervision over the activities of OH&S Division including the Environmental Protection Department. • Supervision over ONDE S.A. • Supervision over MOD21 Sp. z o.o. and MOD21 GmbH companies • Supervision over ERBUD International Sp. z o.o. • Supervision over JV WMER Matoc Sp. z o. o. • Supervision over JV PABC Sp. z o. o. • Supervision over operations of HEBUD Sp. z o. o. in liquidation
Radosław Górski – A Management Board Member until 27 June 2022	**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. including Satchwell Sp. z o.o. ERBUD Industry Południe Sp. z o. o.

b) Supervision over the operations of the foreign maintenance business i.e.:
IVT Weiner + Reimann GmbH; IKR 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 2022	Remuneration paid by the Issuer's subsidiaries in 2022	Total
Dariusz Grzeszczak	7,319.00	394.00	7,713.00
Agnieszka Głowacka	2,052.00	248.00	2,299.00
Jacek Leczkowski	4,693.00	320.00	5,014.00
Radosław Górski	1, 965.00	0	1,965.00
TOTAL	**16,030.00**	**962.00**	**16,992.00**

Name and surname	Remuneration paid by the Issuer in 2021	Remuneration paid by the Issuer's subsidiaries in 2021	Total
Dariusz Grzeszczak	3,989.00	130.00	4,119.00
Agnieszka Głowacka	1,136.00	224.00	1,360.00
Jacek Leczkowski	2,161.00	293.0	2,454.0
Radosław Górski	1,134.00	0.00	1,134.00
TOTAL	**8,420.00**	**647.00**	**9,067.00**

With reference to Mr Dariusz Grzeszczak, the President of Management Board

If the Company terminates the Agreement with a notice period, where the reason justifying the termination is the removal of the Member from the Management Board of the Company, and the termination occurs before the end of the term of the Management Board of the Company, the Company shall be obliged to pay the compensation of Management Board Member in the amount equal to the product of the sum of the total monthly remuneration paid by the Issuer and its affiliated companies and the number of months remaining until the end of the term. The maximum number of months is 24.

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 one-month joint compensation.

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 to the Company a contractual penalty equivalent to double monthly salary.

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 50% of monthly salary.

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 equivalent to monthly salary.

With reference to Ms Agnieszka Głowacka, Vice-President of the Management Board

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 50% of monthly salary.

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 equivalent to monthly salary.

8.7.4. Supervisory Board

In 2022, the remuneration of the Supervisory Board paid by the Issuer was as follows:

Remuneration of the Supervisory Board members ('000 PLN)	2022	2021
Udo Berner	x	63
Roland Bosch**	108.4	10.5
Albert Dürr**	73.1	68
Gabriel Główka	86.4	80.4
Piotr Kaczmarek	x	25.4
Michał Otto*	72	67
Janusz Reiter	72	67
Michał Wosik	72	45.4
Beata Jarosz	72	7
TOTAL	**554.4**	**433.7**

**- including remuneration from ONDE for serving in the position of a Supervisory Board Member*
*** - including PPK*

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.

The Company, in accordance with the "2021 Best Practices of WSE Listed Companies", adopted a diversity policy on 16 September 2021 and 26 November 2021 for the Company's Management Board and the Company's Supervisory Board, respectively.

In addition, in 2022 the Management Board of Erbud S.A. adopted the Human Rights Policy, and in early 2023, further documents such as:

Anti-Corruption Policy, Information Security Policy, Code of Ethics, Whistle-blower Regulations.

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 2022 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 Annual 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., 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

Warsaw, 28 March 2023