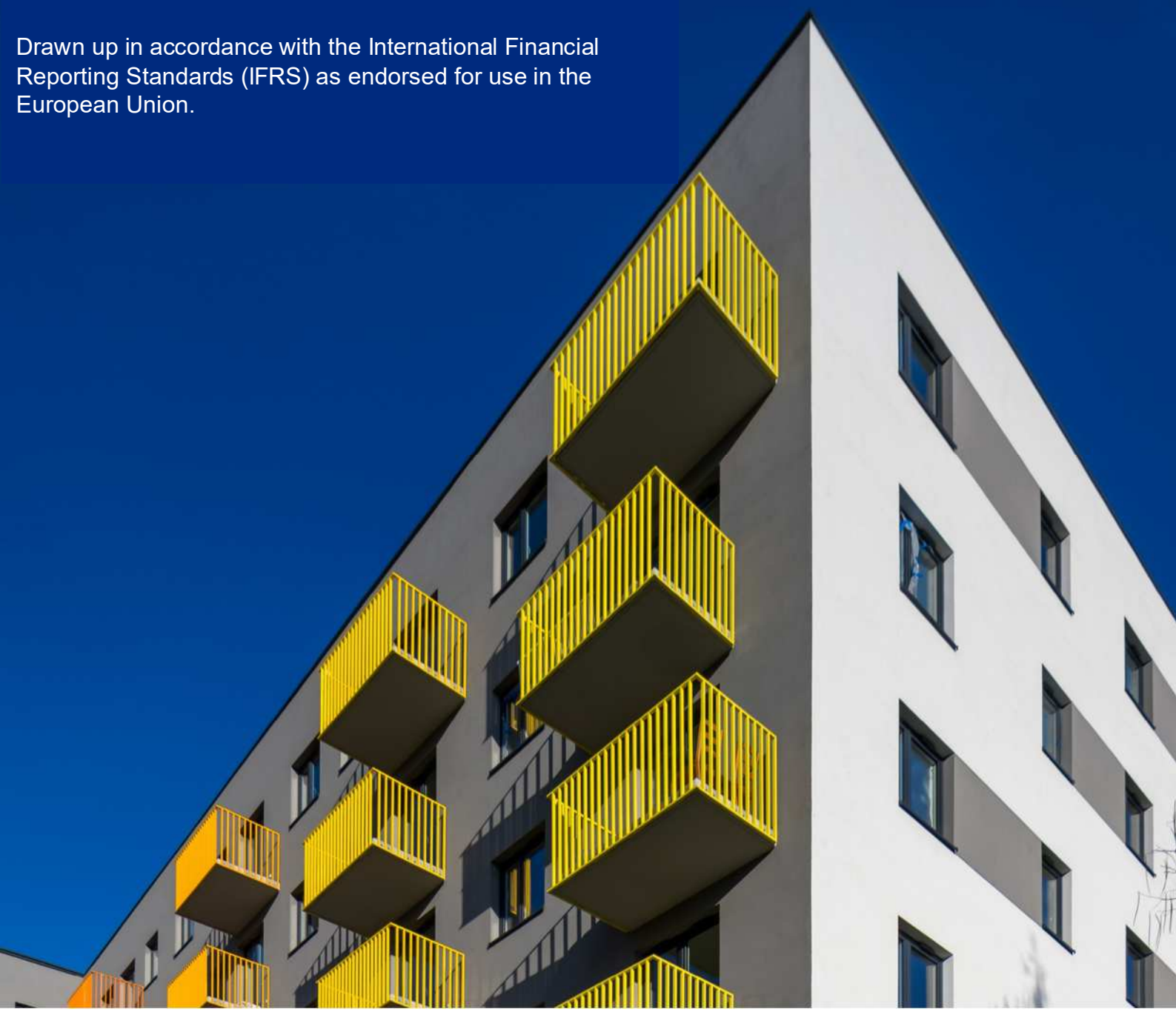
ERBUD CAPITAL GROUP

Consolidated Financial Statements

for the accounting year ended on 31 December 2022

Drawn up in accordance with the International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.



CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	CONTINUING OPERATIONS		
Note 4.2.-4.3.	Revenues from sales of products and services	3,855,649	3,102,095
Note 4.2.-4.4.	Cost of products and services sold	3,633,500	2,808,780
	Gross sales profit/(loss)	**222,149**	**293,315**
Note 4.4.	Cost of sales	13,259	10,830
Note 4.4.	General and administrative (G&A) costs	180,780	185,919
	including remuneration consisting of shares	-	28,343
Note 4.6.	Other operating income	11,508	14,236
Note 4.6.	Other operating expenses	7,652	4,801
	Loss reversal/(impairment) of financial assets and customer contract valuation assets	(11,108)	(15,187)
Note 4.2.	**Operating profit**	**20,858**	**90,814**
	Share in net profits/ (losses) of equity-accounted subsidiaries	(1,451)	(156)
Note 4.7.	Financial income	14,832	8,817
Note 4.7.	Financial expenses	35,855	14,080
Note 4.2.	**Gross profit/loss**	**(1,616)**	**85,395**
Note 4.8.	Income tax	(12,610)	64,057
	Net profit for the accounting period	**10,994**	**21,338**
	Shareholders of Parent Company	8,291	8,788
	Non-Controlling Stakeholders	2,703	12,550

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Consolidated profit / (loss), net	**10,994**	**21,338**
Foreign exchange gains/losses resulting from translation of statements of foreign entities	**1,174**	(212)
Comprehensive income (including tax effect) subject to reclassification into result	**1,174**	**(212)**
Comprehensive income in the accounting period	**12,168**	**21,126**
Appropriated to:		
Shareholders of Parent Company	9,456	8,579
Non-Controlling Stakeholders	2,712	12,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31. Dec. 2022	31. Dec. 2021
	ASSETS	**2,016,268**	**1,833,190**
Note 6.1.	Investment properties	33,909	-
Note 6.2.	Goodwill	41,588	41,240
Note 6.1.	Intangible assets	13,546	9,907
Note 6.1.	Tangible fixed assets	195,867	167,932
Note 6.11.	Investments accounted for using the equity method	52,888	34,940
Note 5.1.	Financial assets	13,823	11,525
Note 4.8.	Deferred tax assets	82,358	49,496
Note 2.2.	Receivables under building contracts - bid bonds	8,576	14,432
	Fixed assets	**442,555**	**329,472**
Note 6.4.	Inventory	160,239	67,446
Note 2.2.	Receivables under building contracts - bid bonds	23,455	15,189
Note 2.3.	Pricing of building contracts - assets	431,013	302,138
Note 6.5.	Trade receivables	651,583	594,647
Note 6.5.	Other receivables	91,536	57,036
Note 5.1.	Financial assets	9,428	28,567
Note 3.8.	Cash and cash equivalents	163,961	363,210
Note 3.8.	Cash assets in VAT account	35,338	50,745
Note 3.8.	Cash with restricted availability.	-	10,855
Note 6.6.	Other assets	7,160	13,885
	Current assets	**1,573,713**	**1,503,718**
	LIABILITIES	**2,016,268**	**1,833,190**
Note 3.1.	Share capital	1,210	1,240
	Supplementary capital	254,769	207,074
Note 3.1.	Own shares	(20,000)	(70,000)
	Reserve capital	131,624	71,552
	Foreign exchange gains/losses resulting from conversion of foreign unit	6,645	5,480
	Retained earnings	166,633	337,521
	Equity of shareholders of the Parent Company	540,881	552,867
	Equity of non-controlling stakeholders	124,597	131,866
	Equity	**665,478**	**684,733**
Note 3.2.-3.5	Debt	189,407	155,160
Note 6.7.	Provisions	22,062	26,385
Note 4.8.	Deferred tax liabilities	15,274	10,597
Note 2.2.	Liabilities vis-à-vis subcontractors - bid bonds	16,866	15,855
	Long-term liabilities	**243,609**	**207,997**
Note 3.2.-3.5	Debt	123,168	58,735
Note 6.7.	Provisions	34,340	30,847
Note 2.2.	Liabilities vis-à-vis subcontractors - bid bonds	154,169	130,829
Note 2.3.	Pricing of building contracts - liabilities	245,957	244,048
Note 6.9.	Trade payables	443,402	363,131
Note 6.9.	Other liabilities	106,145	112,870
	Short-term liabilities	**1,107,181**	**940,460**

Consolidated statement of changes in equity

	Share capital	Own shares	Supplementary capital	Reserve capital	Foreign exchange gains/losses resulting from conversion of foreign unit	Retained earnings	Total	Equity of non-controlling stakeholders	Equity
As of 1 Jan. 2021	**1,240**	**-**	**195,497**	**17,822**	**5,689**	**80,804**	**301,052**	**9,441**	**310,493**
Net result in the accounting period	-	-	-	-	-	8,788	**8,788**	12,550	**21,338**
Comprehensive income in the accounting period	-	-	-	-	(209)	-	**(209)**	(3)	**(212)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(209)**	**8,788**	**8,579**	**12,547**	**21,126**
Dividend	-	-	-	-	-	(500)	**(500)**	(3,253)	**(3,753)**
Transfer of the net income from previous year to retained earnings	-	-	2,308	25,000	-	(27,308)	**-**	-	**-**
Sales and issue of shares in a subsidiary	-	-	9,269	-	-	275,737	**285,006**	112,998	**398,004**
Employee share schemes	-	-	-	28,343	-	-	**28,343**	-	**28,343**
Acquisition of own shares	-	(70,000)	-	-	-	-	**(70,000)**	-	**(70,000)**
Issue of shares	-	-	-	387	-	-	**387**	133	**520**
As of 31 December 2021	**1,240**	**(70,000)**	**207,074**	**71,552**	**5,480**	**337,521**	**552,867**	**131,866**	**684,733**
As of 1 Jan. 2022	**1,240**	**(70,000)**	**207,074**	**71,552**	**5,480**	**337,521**	**552,867**	**131,866**	**684,733**
Net result in the accounting period	-	-	-	-	-	8,291	**8,291**	2,703	**10,994**
Comprehensive income in the accounting period	-	-	-	-	1,165	-	**1,165**	9	**1,174**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,165**	**8,291**	**9,456**	**2,712**	**12,168**
Dividend	-	-	-	-	-	(447)	**(447)**	-	**(447)**
Net retained earnings carried forward	-	-	100,000	77,737	-	(177,737)	**-**	-	**-**
Settlement of share buyback by a subsidiary in the Group	-	-	-	-	-	28,610	**28,610**	(9,981)	**18,629**
Decrease of share capital	(30)	70,000	(45,000)	(24,970)	-	-	**-**	-	**-**
Acquisition and redemption of a stake in a subsidiary	-	-	-	-	-	395	**395**	-	**395**

Acquisition of own shares	-	(20,000)	-	-	-	-	**(20,000)**	-	**(20,000)**
Share buyback by a subsidiary in the Group	-	-	-	-	-	(30,000)	**(30,000)**	-	**(30,000)**
Capital increase pursuant to the resolution	-		(7,305)	7,305	-	-	**-**	-	**-**
As of 31 December 2022	**1,210**	**(20,000)**	**254,769**	**131,624**	**6,645**	**166,633**	**540,881**	**124,597**	**665,478**

CONSOLIDATED CASH FLOW STATEMENT

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	(1,616)	85,395
Note 4.2.	Amortization and depreciation	33,128	27,649
Note 4.7.	Foreign exchange losses	(4,333)	(23)
Note 4.7.	Interest and share in profits (dividend)	16,982	8,653
Note 6.10.	Other non-cash adjustments	(7,011)	25,423
Note 4.8.	Income tax paid	(29,758)	(62,115)
Note 6.10.	Change of working capital balance	(143,017)	(258,345)
	Operational cash flows, net	**(135,625)**	**(173,363)**
	INVESTMENT ACTIVITY CASH FLOWS		
Note 5.1.2	Inflows from credits/loans extended	2,708	7,393
Note 6.10.	Other inflows	30,890	20,910
Note 6.1.	Expenditures on the acquisition of tangible fixed assets	(54,202)	(88,063)
Note 5.1.2	Loans extended expense	(972)	(37,406)
	Expenditures on the acquisition of shares in companies	(30,586)	(46,547)
	Other	(39)	-
	Investment activity cash flows, net	**(52,201)**	**(143,713)**
	FINANCIAL ACTIVITY CASH FLOWS		
Note 3.2.	Income from credits and loans taken	149,231	72,952
Note 3.4.	Inflow from bond issue	-	75,000
	Proceeds from the sales of shares in a subsidiary	-	398,004
	Other inflows	209	388
Note 3.2.	Debt (principal) repayment expense - principal	(86,555)	(19,720)
Note 3.2.	Lease debt repayment expense - principal	(24,174)	(8,874)
Note 3.2.	Debt (interest) repayment expense	(18,593)	(4,791)
	Dividend payment	(500)	(3,261)
Note 3.1.	Acquisitions of own shares	(30,977)	(70,000)
Note 3.4.	Redemption of debt securities	-	(52,000)
	Other expenses	(64)	-
	Financial activity cash flows, net	**(11,423)**	**387,698**
	NET CASH FLOWS	**(199,249)**	**70,622**
	Opening cash balance	**363,210**	**292,588**
	Closing cash balance	**163,961**	**363,210**

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The Financial Statement comprises icons that represent:

 Accounting Policy

 Estimates

1. INFORMATION GENERAL

1.1. INTRODUCTION

The Parent Company of Erbud S.A Capital Group. ("Group") is Erbud S.A. ("Parent Company"), with its registered office in the City of Warsaw, at ul. Franciszka Klimczaka No. 1.

The Parent Company was entered into the National Court Register on 29 November 2006 under entry No. KRS 0000268667 (District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register). The Parent Company has been listed on the Warsaw Stock Exchange since 2007 and has been incorporated into the construction companies index "WIG Construction".

The scope of the Group's activities comprises broadly understood construction and erection services performed on general contractor basis in Poland and in foreign countries. In addition, Erbud S.A. plays the role of a management, advisory and financial centre within the Group. The Group operates in the Polish market and in the markets of other European Union countries.

The duration of the Parent Company and the Group member companies is indefinite.

Composition of the Parent Company's Management Board as of 31 December 2022 and as of the date of signing the Consolidated Financial Statements:

Dariusz Grzeszczak – President of the Management Board

Agnieszka Głowacka – Vice-President of the Management Board

Jacek Leczkowski – Vice-President of the Management Board

The composition of the Parent Company's Supervisory Board as of 31 December 2022 and as of the date of signing the Consolidated Financial Statements was as follows:

Gabriel Główka

Albert Dürr

Michał Otto

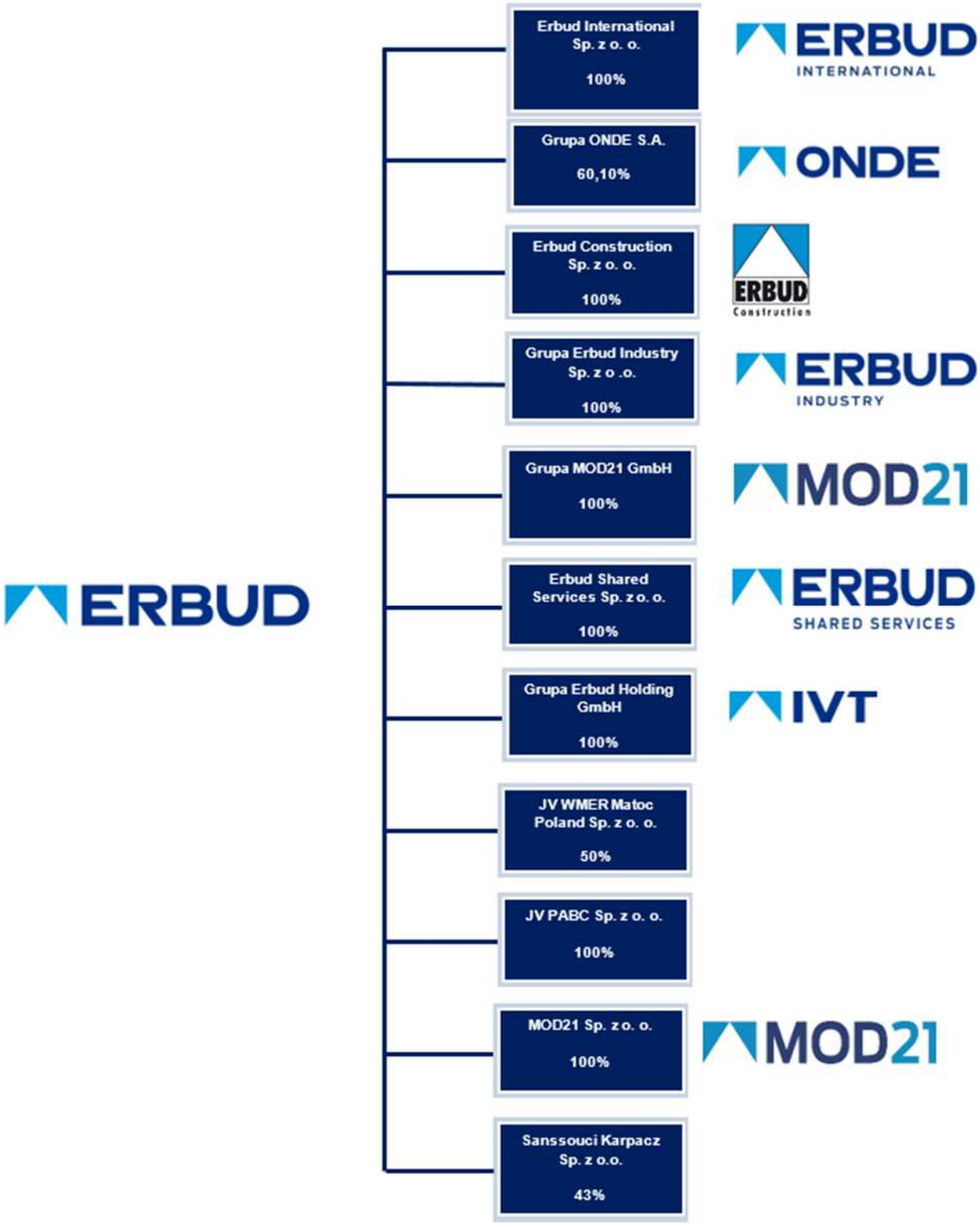
Janusz Reiter

Michał Wosik

Roland Bosch

Beata Jarosz

The Consolidated Financial Statements of the Erbud S.A. Group are published on the Warsaw Stock Exchange (WSE) website under ESPI/EBI Company Reports.



Detailed organisational structure of the Group is presented in the Note 6.12. The above figure shows the share of Erbud S.A. in the individual member companies of the Erbud S.A. Group as of the date of drawing up the financial statements.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

Consolidated Financial Statements were drawn up as of 31 December 2022 in compliance with the International Financial Reporting Standards, endorsed by the European Union.

The Consolidated Financial Statement is presented in Polish currency (Polish zloty, "PLN"), and all figures are specified in thousands of Polish zlotys.

The Condensed Financial Statement has been drawn up on a historical cost basis, except for financial derivatives that were priced at fair value.

This Consolidated Financial Statement was approved for publication by the Management Board on 28 March 2023.

Going concern

This Consolidated Financial Statement was drawn up following going concern principle applicable to the Group in the foreseeable future. As of the date of approval of this Financial Statement, no signs prevailed indicating a risk to the continuation of Group operations following a going concern principle.

Impact of COVID-19

To date the Group has not recorded a material impact of COVID-19 on its current operations. The building contracts were carried out in adherence to the planned schedules, and no penalties for project delays were recorded. Additional costs related to providing necessary safety for the personnel were not significant and did not have material impact on the Group's performance. The coronavirus pandemic did not undermine Group's liquidity, and the Group maintained a stable cash balance throughout the year and paid its liabilities in a timely manner. The Group also experienced no change in the recoverability of accounts receivable, which were paid by the customers on an on-going basis with no significant delays.

Impact of armed conflict in Ukraine

Following the Russia's invasion of Ukraine, both the world and Poland faced a fuel crisis and the weakening stock markets and currencies of neighbouring countries. Raw material prices and their availability have become a much bigger issue in the construction business than COVID 19 hazards.

The Management Board monitors on an on-going basis the impact of the political and economic developments in Ukraine, Russia and Belarus on the Group's operations. For more than a year we have been dealing with price hikes of building materials and labour in the Polish market. The Group takes the risk of rising material and labour prices into account in the calculations it makes on an on-going basis. The Management Board is taking measures to reduce the impact of the price shock caused by the conflict in Ukraine, such as diversifying the business geographically as well as by segment, while negotiating contract terms with the employers.

Pricing at fair value

The measure of fair value of an asset or liability the Group takes into consideration the properties of a certain asset or liability, if the market participants take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The Group classifies fair value measurement principles using the fair value hierarchy, reflecting the weight of source data used for measurement, pursuant to IFRS No. 13. As of the individual balance sheet dates, the Group has no items measured at fair value but discloses fair value for items measured at amortized cost.

Conversion of items into foreign currencies

The items specified in the Financial Statements are measured in the currency of the core business environment where the entity carries out its operations ("functional currency"). The functional currency of Polish companies within the Group is PLN, whereas the functional currency of German companies is EUR, and the presentation currency of the financial statements is Polish zloty (PLN).

Transactions in foreign currencies are recorded in the books at the time of initial recognition in the value converted into PLN at the average NBP rate prevailing at the transaction date.

At the balancing date cash assets and liabilities denominated in currencies other than Polish zloty are converted into Polish zlotys using the appropriate average exchange rate, effective at the end of the accounting period, determined for a certain currency by the National Bank of Poland. The foreign exchange gains/losses are posted respectively into the line "financial gains (losses)" or in cases defined by accounting principles (policy), are capitalised in the assets value.

The non-cash assets and liabilities recognised at historic cost expressed in foreign currency are posted at historical exchange rate prevailing at the transaction date. Non-cash assets and liabilities are carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of fair value measurement.

1.3. THE APPLICATION OF NEW AND AMENDED STANDARDS, AND THEIR INTERPRETATIONS:

In this Consolidated Financial Statement, the following new and amended standards were applied for the first time, which entered into force in 2022:

a) Amendments to IFRS 3 "Business Combinations"

The amendments to the standard published in May 2020 are intended to update the relevant references to the Conceptual Assumptions in IFRS, without making subject matter changes to business combinations accounting.

b) Amendments to IAS 16 "Property, Plant and Equipment"

The amendments to IAS 16 'Property, plant and equipment' regulate the cost of property, plant and equipment and amounts received from the sale of items manufactured during their testing. The amended standard requires that revenue from the sale of test production and the related costs be recognised in the statement of gain or losses eliminating an option of adjusting the value of constructed fixed assets by these amounts.

c) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"

The amendments to IAS 37 provide clarification on which costs should be taken into account when assessing whether a contract will be loss-making and represents an onerous contract.

d) Annual Amendments to IFRS 2018 - 2020

"The annual revision of IFRS 2018-2020" introduces changes to the standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples for IFRS 16 "Lease".

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement.

Published standards and interpretations, which are not yet effective and have not been applied by the Group before.

In these Consolidated Financial Statements, the Group has not decided to apply earlier the following published standards, interpretations or amendments to the existing standards before their effective date:

a) IFRS 17 "Insurance Contracts" and amendments to IFRS 17

The IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017 and amendments to IFRS 17 were published on 25 June 2020. The new amended standard is effective for annual periods beginning on or after 1 January 2023.

The new IFRS 17 "Insurance Contracts" will replace the current IFRS 4, which permits a variety of practices in the settlement of insurance contracts. The new standard will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies only, and contracts entered into by entities other than insurance companies may also contain an element that complies with the definition of an insurance contract (as defined in IFRS 17).

The above amendment will not have a material impact on the Group.

b) Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Board Guidance on accounting policy disclosures in practice

The amendment to IAS 1 requires disclosure of material information about accounting policies, which are defined in the Standard. The amendment clarifies that information about accounting policies is material if, in its absence, users of the financial statements would not be able to understand other relevant information in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been revised to provide guidance on the application of the concept of materiality to accounting policy disclosures. The amendment is effective from 1 January 2023. The amendments will not have a material impact on the Group.

c) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In 2021 the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of estimates. The amendment to IAS 8 clarifies, how entities should distinguish between changes in accounting policies and changes in accounting estimates. The amendment is effective from 1 January 2023. The amendments will not have a material impact on the Group.

d) Modifications do MSR 12 “Income Tax”

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning liabilities. Prior to the amendment to the standard, there was ambiguity as to whether the recognition of equal amounts of an asset and a liability for accounting purposes (e.g. the initial recognition of a lease) that has no impact on current tax settlements triggers the recognition of deferred tax balances, or whether the so-called initial recognition exemption applies, which states that deferred tax balances are not recognised, if the recognition of an asset or liability has no impact on the accounting or tax outcome at the time of that recognition. The amended IAS 12 addresses this issue by requiring deferred tax to be recognised in the above situation by additionally stating that the exemption from initial recognition does not apply if an entity simultaneously recognises an asset and an equivalent liability and each creates temporary differences.

The amendment shall apply to financial statements for periods beginning on or after 1 January 2023. The above amendments will not have a material impact on the Group.

e) Amendment to IFRS 17 "Insurance Contracts"

This amendment relates to the transitional requirements in connection with the first-time application of IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'. The purpose of the amendment is to ensure the usefulness of financial information for investors in the period of initial application of the new standard by introducing certain simplifications with regard to the presentation of comparative information.

The amendment applies only to the application of new standard IFRS 17 and does not affect any other requirements set forth in IFRS 17.

The above amendments will not have a material impact on the Group.

f) Amendments to IFRS 16 "Lease"

In September 2022, the Board amended IFRS 16 'Leases' by supplementing the requirements for subsequent measurement of the lease liability for sale and leaseback transactions, where the criteria of IFRS 15 are met and the transaction should be accounted for as a sale.

The amendment requires the seller-lessee to subsequently measure the lease liabilities arising from a sale-leaseback in such a manner that no gain or loss on retained right-of-use is recognised. The new requirement is particularly relevant where sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from 'lease payments' under IFRS 16. The amended standard includes a new example that illustrates the application of the new requirement to this extent. The amendment is effective from 1 January 2024. At the date of these consolidated financial statements, the amendment has not yet been approved by the European Union.

g) Amendments to IAS 1 "Presentation of Financial Statements"

In 2020, the Board published amendments to IAS 1 that clarify the presentation of liabilities as long- and short-term. In October 2022 the Board issued further amendments to IAS 1, which address the classification of liabilities as long-term and short-term, for which an entity is required to comply with certain contractual requirements known as covenants. The amended IAS 1 standard states that liabilities are classified as either short-term or long-term depending on the rights that exist at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for instance, a waiver or breach of covenant) affect the classification.

The published amendments shall apply to financial statements for periods beginning on or after 1 January 2024.

At the date of preparation of these consolidated financial statements, the amendments in question had not yet been endorsed by the European Union.

h) IFRS 14 "Regulatory Deferral Accounts"

This standard allows entities that drawn up financial statements for the first time (on or after 1 January 2016) pursuant to IFRS to recognize amounts resulting from operations with regulated prices, in compliance with the previously applied accounting principles. To enhance comparability with entities that already apply IFRS and do not post such amounts, under published IFRS 14, amounts resulting from operations with regulated prices should be presented separately in both the statement of financial position, in the profit and loss account and the statement of other comprehensive income.

IFRS 14 will not be endorsed by virtue of the European Union's decision.

i) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its associates or joint ventures

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

Where a non-monetary asset is a 'business', the investor will show a full gain or loss from the transaction. If the assets do not meet the business definition criteria, the investor recognises a gain or loss excluding the portion that represents the interest of other investors.

The amendments were published on 11 September 2014. As of the date of drawing up these separate financial statements, the endorsement of this amendment is deferred by the European Union.

2. BUILDING CONTRACTS



The Group signs fixed-price contracts for the execution of building contracts, mainly in the areas of apartment construction (including entire housing estates), hotels, SPA facilities, shopping malls, wind farms, power plants, production rooms, and highways.

Income and expenses generated by the building contracts underway are recognized by the Company in pace with the progress of works being made. Some Group member companies measure contract performance progress rate using the performance-based method, i.e. it determines the value of revenues and expenses under the performance of building contracts in the period from the Contract Date to the balancing date proportionally to the progress rate of a certain contract performance by way of evaluation of the achieved results and milestones. Some of the companies apply the expenditure-based method i.e. they determine the value of revenue on execution of building contracts in the period from the contract date to the balance sheet date proportionally to the progress rate of execution of a certain contract by calculating the progress rate of works based on the ratio of costs recognized for the contract to the total cost budget prepared for the contract. From thus determined figures the Group deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period. A change of the estimated progress rate of contract execution is treated as a change in estimate and affects the amount of revenues recognized in the period in which the change in estimate was made. If it is not possible to determine progress rate of non-finished service (including construction service) or expected total cost of service delivery in a reliable manner, then the revenues are determined at the level of costs born in a certain accounting period, however, not higher than costs, which are expected to be covered by the employer in the future.

On the other site the results of pricing (i.e., the determination of revenues and expenses using the progress rate method) are recorded as "Pricing of building contracts - assets (or liabilities)." The balances of assets under building contracts resulting from the excess of revenue recognized using the performance-based method over the invoiced revenues are subject to an impairment charge calculated similarly to the non-past due trade receivables. All building contract assets at the Level 2 of the impairment model and a simplified matrix approach (similar to trade receivables) are used to calculate the impairment loss on these assets. Due to the manner in which balances on building contract assets are recognized, they are not subject to aging and are treated entirely as current, not past due. The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Group recognizes invoiced revenues in the line "Trade and other receivables" (Note 6.5) The Contractors under building contracts signed with the Group withhold a part of the payments as a performance bond for the contracts. These figures are recognized as "Building contract receivables - bid bonds" and are refundable most often after project completion after the end of the guarantee period.

The Group engages subcontractors to carry out work related to the execution of building contracts. The invoiced costs related to subcontractors' employment are recognized as "Trade payables and other liabilities" (Note 6.9) The Group retains a portion of payments to subcontractors in relation to performance bond, and recognizes it the line "Building contract liabilities - bid bonds". The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.2.

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position - see Note 4.8.

2. BUILDING CONTRACTS

The Group sets up provisions for contracts with negative margins when it has found out grounds to claim that a given building contract in progress will end with a loss. Provisions are charged into the costs of a given period at the full value of the expected loss on a given contract and are disclosed in the balance sheet under "Provisions".

The Group provides only basic guarantees to its customers, which do not represent a separate duty to perform obligation. The warranty period varies depending on the contract under implementation and the components covered.

The Group engages subcontractors to carry out work related to the execution of building contracts. The Group acts as principal with respect to work performed by subcontractors. The invoiced costs related to subcontractors' employment are recognized in the line "Trade payables (Note 6.10) The Group retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Liabilities vis-a-vis subcontractors - bid bonds"

For certain building contracts executed under joint contractual arrangements in which the Group is the consortium or assignment leader, the Group has assessed that it acts as an intermediary with respect to the work performed by the other partner and which the Group as leader invoices the Employer. The Group defines its role as that of an intermediary under a certain order where it identifies specific goods and services to be delivered and the Group has no control over them before they have been transferred to the customer. When the Group acts as an intermediary, it recognizes revenue upon the fulfillment of its obligation in the contractual amount of the fee or commission to which it will be entitled, to which it will be entitled, in exchange for being commissioned by another party to provide specific services or goods. Due to the nature of the concluded consortia and orders, in which the Group acts as a leader, there are no fees and commissions as described above, hence no revenues are generated in the Group from commissions for invoicing to a customer work performed by another consortium member. The Group recognizes as revenues only the amount of remuneration due for the execution of its scope of work for the customer in adherence to the policy described above.

Payment terms for building contracts provided by the Group, range from 30 to 180 days from the invoice date and for other sales transactions are typically 30 days from the invoice date. Accordingly, the signed contracts do not contain a significant financing component except for the amounts invoiced for building contracts, which are repaid at a later date as they represent deposits retained by the customer. The amounts retained under individual invoices represent a maximum of 10% of the remuneration for the contract execution and are subject to release for a period of up to 5 years once the contract has been completed. Revenues under the building contracts for the portion that is retained as a bid bond is recognized at a discounted amount.

The application of the performance-based or expenditure-based method to recognize revenues and expenses under the building contracts requires an estimated work progress rate under a certain contract, i.e., the measurement of completed work at the balancing date (performance-based method) or an estimate of the total cost budget under a certain contract (expenditure-based method).

Performance-based method:

The physical quantity survey, used to determine the progress in contract performance, is taken by the construction site personnel. The quantity survey is carried out separately for each scope of works, i.e. elements or stages of the contract underway, according to the measures assigned to them (mainly m^2, kg and pcs.).

The Company has adequate control processes in place to ensure that the calculation of actual project outcome is based on current and reliable estimates of the quantity survey, subject to verification and approval by designated persons. The quantity survey made by construction site personnel is subject to verification by the branch manager responsible for the construction site, and then additionally by the Group's internal audit department.

Expenditure-based method:

Cost budgets for certain contracts are prepared by the Group Management in the bidding phase and updated during the financial year or when the grounds for revision of the cost or revenue budget have been identified. If between official budget revisions there are events that have material impact on contract performance, the value of total revenues or contract costs is updated on an ongoing basis, i.e. changes in the scope of the contract are reflected in the Group's internal system immediately after they are negotiated by the Group with the customer.

The Group keeps track of projects being implemented - building contracts in the internal system used for project management. Information concerning certain contract, its progress rate, is entered into the system by the Contract/Site Manager and then approved by the Branch Manager responsible for the construction site. The budgets of individual contracts are formally updated (revised) during the year based on current information and then they are approved by the Management Board. If between official budget revisions there are events that have material impact on contract performance, the value of total revenues or contract costs is updated on an ongoing basis, i.e. changes in the scope of the contract are reflected in the Group's internal system immediately after they are negotiated by the Group with the customer.

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

The income and expenses figures under building contracts for the accounting period and on YTD basis are presented in the table below.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	3,341,874	2,700,958
Costs under building contracts,	3,194,523	2,406,748
Net income before recognition and settlement of provisions for the contracts generating liabilities	**147,351**	**294,210**
Setting up provisions for the contracts generating liabilities	3,466	1,771
Release /utilisation of provisions set up in the previous periods	-	2,864
Gross profit/loss	**143,885**	**295,303**
Gross profit margin		
excluding provisions for the contracts generating liabilities	4%	11%
including provisions for the contracts generating liabilities	4%	11%

Gross profit margin is defined as gross profit on sales divided by sales revenues.

2.2. ACCOUNT RECEIVABLES AND BUILDING CONTRACT LIABILITIES - BID BONDS

Receivables under building contracts - bid bonds are held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') Solely payment of principal and interest) and are measured at amortized cost subject to impairment allowance, if any. At initial recognition, these financial assets are recognised at nominal value, i.e. at amounts initially invoiced less the value of discounts. The discount value calculation methods is presented in Note 6.6. The value of deposits due is updated by the Group by impairment losses recognised in accordance with the accounting policy referred to in Note 6.6. and presented under "Impairment of financial assets" in the statement of net income.

Bid bonds liabilities are measured at initial recognition at fair value (i.e., the amount of payments discounted using the current market interest rate for such liabilities) and the cost of subcontractor services is recognized at that level. In later periods, bid bond liabilities are measured at amortized cost, whereas interest expense is recognized in the line of financial expenses.

	2022			2021		
	Refund below 12 months	Refund above 12 months	Total	Refund below 12 months	Refund above 12 months	Total
Receivables under building contracts - bid bonds prior to discounting	23,888	11,044	**34,932**	15,440	16,822	**32,262**
Revaluation write-off for impairment	(433)	(2,468)	**(2,901)**	(251)	(2,390)	**(2,641)**
Receivables under building contracts - bid bonds	23,455	8,576	**32,031**	15,189	14,432	**29,621**
Liabilities vis-à-vis subcontractors - discounted bid bonds	**154,169**	**16,866**	**171,035**	**130,829**	**15,855**	**146,684**

2.3. DETERMINATION OF OUTSTANDING AMOUNT RELATED TO NON-COMPLETED BUILDING CONTRACTS

	2022	2021
Revenues under non-completed building contracts YTD	5,463,874	3,564,549
Invoiced receivables from customers, YTD (excl. advances)	5,261,616	3,484,845
Balance of payments under non-completed building contracts	**202,258**	**79,704**
including:		
(1) Assets for completed, non-invoiced construction works, gross	307,488	199,795
Asset impairment write-off under building contracts	(2,843)	(1,327)
(1a) Assets for completed, non-invoiced construction works, net	304,645	198,468
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	102,387	118,764
Costs related to building contracts, YTD	3,450,360	1,737,487
Losses posted on YTD basis	-	274
Subcontractor expense and own expenses on a YTD basis.	3,500,604	1,765,803
Balance of payments under building contracts	**50,244**	**28,316**
including:		
(3) Assets for non-completed, invoiced construction works of the subcontractors	126,368	103,670
(4) Liabilities for due and payable non-completed, invoiced construction works of the subcontractors	76,124	75,354
Balance of payments under building contracts	**252,502**	**108,020**
including:		
Pricing of building contracts - assets - TOTAL AMOUNT	**431,013**	**302,138**
Pricing of building contracts - balance settlement (2)+(4)	178,511	194,118
Building contract liabilities - advanced paid	67,446	49,930
Pricing of building contracts - liabilities - TOTAL AMOUNT	**245,957**	**244,048**

At all dates that are initial dates of the periods indicated in the table above, the total opening balances were recognized as revenues in the period.

Changes in the value of assets and liabilities from the pricing of contracts result from the specific nature of settlement of building contracts and invoicing schedules for individual contracts.

3. CAPITAL AND DEBT MANAGEMENT

3.1. CAPITAL MANAGEMENT

Share capital comprises common stock and is carried at par value (in adherence to the Articles of Association of the Parent Company and an entry made into the National Court Register).

Share premium is the amount equal to the surplus of price for acquisition of shares in Parent Company above their nominal value. It is recognised in the line "Share premium reserve capital".

Other supplementary capitals are set up mainly from retained earnings including amounts obligatorily appropriated to the reserve capital in accordance with the requirements of the Commercial Companies Code.

Reserve capitals are created from retained earnings for the purposes indicated in the Articles of Association.

Equity allocated to the non-controlling interests represents a part of equities of subsidiaries covered with full consolidation that belongs to other stakeholders than the entities that are Group members.

The Company's supplementary capital is set up in accordance with the provisions of the Polish Commercial Companies Code and the decisions of the shareholders. Pursuant to the Commercial Companies Code, a supplementary capital should be set up to cover losses, that should account for at least 8% of the profit for a certain accounting year, until the supplementary capital reaches at least one third of the share capital. The supplementary capital set up in this manner is not subject to distribution. The General Meeting of Shareholders decides on the use of the supplementary and reserve capital, however, a part of the supplementary capital may be used only to cover the loss reported in the financial statements and is not subject to distribution into other purposes.

The Group manages its capital structure and as a result of changes in economic conditions, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Group may manage appropriately the dividend payment to shareholders or issue to new shares.

The main objective of the Group's capital management is to maintain a good credit rating and safe equity ratios in order to support the Group's operations and enhance shareholders' value.

Return on Equity - ROE

	2022	2021
(1) Gross profit attributable to shareholders of the Parent Company	(1,219)	35,170
(2) Equity	665,478	684,733
ROE [(1)/(2) x 100%]	**(0.18%)**	**5.14%**

Debt ratio

	2022	2021
(1) Liabilities and provisions for liabilities	1,350,790	1,148,457
(2) Total assets	2,016,268	1,833,190
Debt ratio [(1)/(2) x 100%]	**66.99%**	**62.65%**

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Debt-to-equity ratio	2022	2021
(1) Liabilities and provisions for liabilities	1,350,790	1,148,457
(2) Equity	665,478	684,733
Debt-to-equity ratio [(1)/(2)]	**202.98%**	**167.72%**

"Liabilities and provisions for liabilities" are the sum of all long-term liabilities and short-term liabilities recognised in the Statement of financial position.

In all the presented periods, the deb-to-equity ratio was within the range defined by the Management Board as the ratio target level.

The most important driver of the above ratios and their value as the Group's net profit.

Share capital

As of 31 December 2022, the share capital consisted of 12 096 502 shares with a total value of PLN 1,209,650.20, and the structure of shareholders holding over 5% of the share capital and members of the Management Board and entities controlled by them was as follows:

Shareholder	No. of shares	% shareholding in share capital
Wolff & Müller Baubeteiligungen GmbH & Co. KG	3,592,950	29.70%
Wolff & Müller Holding GmbH & Co. KG	261,887	2.16%
Durr Holding GmbH	12,712	0.11%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	1,321,553	10.93%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1,200,000	9.92%
Allianz OFE, Allianz DFE, Second Allianz OFE	764,935	6.32%
Dariusz Grzeszczak	1,231,907	10.18%
PKO BP Bank Open-Ended Pension Fund	715,279	5.91%
Jacek Leczkowski	5,112	0.04%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	13,642	0.11%
Roland Bosch	10,000	0.08%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	166,666	1.38%
Other shareholders	2,795,921	23.11%
Total	**12,096,502**	**100%**

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

The 166,666 shares referred to hereinabove have not yet been redeemed by the Company, so the share capital remains unchanged at PLN 1.209.650,20.

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-à-vis
Erbud S.A., and in particular do not grant the right to appoint members neither Company's Management nor Supervisory Boards.

The number of shares making up the approved capital equals to the number of shares issued. The par value per share for all share series is PLN 0.10. No shares were reserved for the purposes of the issue related to the exercise of put options. All issued shares are ordinary non-preference shares. There are no limitations on rights to shares or limitations on share transferability.

Basic earnings per share (EPS) are calculated by dividing net profit /(loss) for the period, allocated to ordinary shareholders of the Company, by the weighted average number of the issued ordinary shares over the accounting period. Own shares bought back by the Company for redemption are excluded from the calculation of the weighted average number of shares for the periods presented.

For purposes of calculating diluted earnings per share, net income/(loss) for the reporting period attributable to ordinary shareholders and the weighted average number of ordinary shares for the accounting period are adjusted for the effect of all diluting potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as the Company has no dilutive instruments.

Stock split effected both during and after the accounting period adjust the weighted average number of ordinary shares for purposes of computing basic and diluted earnings per share for all periods presented.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Net profit attributable to shareholders of the Parent Company	8,291	21,338
Average weighted number of ordinary shares (in pcs.)	12,007,918	12,303,140
Basic and diluted earnings per share (in PLN)	**0.69**	**1.73**

3.2. NET DEBT

		2022	2021
Note 3.8.	**Cash and cash equivalents and restricted cash (A)**	**163,961**	**374,065**
Note 3.3.	Credit and loan liabilities	46,343	46,496
Note 3.4.	Debt related to issued bonds	75,586	75,586
Note 3.5.	Lease liabilities	67,478	33,078
	Long-term debt	**189,407**	**155,160**
Note 3.3.	Credit and loan liabilities	100,834	43,523
Note 3.4.	Debt related to issued bonds	-	-
Note 3.5.	Lease liabilities	22,334	15,212
	Short-term debt	**123,168**	**58,735**
	Total debt (B)	**312,575**	**213,895**
	(Net debt)/Cash and cash equivalents and restricted cash ((A)-(B))	**(148,614)**	**160,170**

The Group defines net debt as the balance of credits and loans borrowings and leases less cash and cash equivalents (including restricted cash classified as short-term assets). If there is an excess of cash and cash equivalents over debt, the net amount is defined by the Group as 'cash and cash equivalents'.

Changes in debt during the reporting periods presented were as follows:

Debt related to:	Credits and loans	Issued bonds	Lease	Total Amount Debt
Debt as of 1 January 2021	36,170	52,000	39,292	**127,462**
Increase due to acquisition	10	-	-	**10**
Income from credits and loans taken - financing granted	72,952	75,000	1,353	**149,305**
Entering into lease contracts	-	-	23,173	**23,173**
Accrued interest on debt	2,064	2,999	1,250	**6,313**
Expenses related to debt taken out - principal repayment	19,720	52,000	8,874	**80,594**
Expenses related to debt taken out - interest repayment	1,446	2,413	932	**4,791**
FX differences related to the debt in foreign currencies	(107)	-	(12)	**(119)**
Other non-cash changes	96	-	(6,960)	**(6,864)**
Change of debt in the accounting period	**53,849**	**23,586**	**8,998**	**86,433**
Debt as of 31 Dec. 2021	**90,019**	**75,586**	**48,290**	**213,895**
Income from credits and loans taken - financing granted	149,231	-	-	**149,231**
Entering into lease contracts	-	-	54,553	**54,553**
Accrued interest on debt	12,229	3,851	2,700	**18,780**
Expenses related to debt taken out - principal repayment	86,555	-	24,174	**110,729**
Expenses related to debt taken out - interest repayment	12,201	3,851	2,541	**18,593**
FX differences related to the debt in foreign currencies	997	-	20	**1,017**
Other non-cash changes	(6,543)	-	10,964	**4,421**
Change of debt in the accounting period	**57,158**	**-**	**41,522**	**98,680**
Debt as of 31 Dec. 2022	**147,177**	**75,586**	**89,812**	**312,575**

3.3. DEBT RELATED TO CREDITS AND LOANS

Credit and loan liabilities are initially recognized at fair value less transaction costs. At each balancing date, credits and loans are priced at amortized cost using effective interest rate.

	2022	2021
Long-term		
Bank loans	44,035	46,496
Loans	2,308	-
	46,343	**46,496**
Short-term		
Overdraft facilities	26,582	22,362
Bank loans	72,460	14,260
Loans	1,792	6,901
	100,834	**43,523**
Total credit and loan liabilities	**147,177**	**90,019**

	31. Dec. 2022	31. Dec. 2022	31. Dec. 2021	31. Dec. 2021
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	46,343	-	46,496	-
Short-term	100,834	-	37,144	6,379
Total	**147,177**	**-**	**83,640**	**6,379**

Loans and borrowings shown as long-term and short-term interest bearing at WIBOR 3M + 1.35% - 3.5%, 3M EURIBOR + 1.9 - 2.2%. ON WIBOR +2.2% and 10% per annum.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed to be WIBOR 1M per day plus a fixed percentage expressing the risk premium. Long-term credits and loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

As of the balance sheet date of 31 December 2022 the ERBUD Group had access to bank and insurance multi-purpose lines with a total value of PLN 1,930,565 thousand. (including a limit jointly shared with Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. in Hestia in the amount of PLN 265 000 thousand), which may be used mainly for loans or bank and insurance guarantees. As of the balance sheet date of 31 December 2022, the ERBUD S.A. utilized PLN 143,077 thousand to take out loans and PLN 988,136 thousand to take out bank and insurance guarantees.

As of the balance sheet date of 31 December 2021, the ERBUD Group had access to bank and multi-purpose insurance lines with the total value of PLN 1,708,251 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees. As of the balance sheet date of 31 December 2021, the ERBUD Group utilized PLN 69,621 thousand under the loans and PLN 820,273 thousand under bank and insurance guarantees.

Covenants

After the balance sheet date, annexes to the loan agreements were signed with the financing banks, which changed the calculation of the financial ratios (covenants). The profitability ratio is calculated as EBITDA (formerly EBIT) divided by Sales Revenue. The ratio limit remained unchanged - a minimum of 1%.

"Consolidated Net Financial Debt Ratio" means the quotient of Consolidated Net Financial Debt and Consolidated Equity.	As of	
	31. Dec. 2022	31. Dec. 2021
	0.19	**(0.33)**
Consolidated long-term and short-term debt	312,575	213,895
Cash assets	199,299	424,810
Adjusted equity by goodwill and intangible assets	610,344	633,586

3.4. DEBT RELATED TO ISSUED BONDS

Liabilities related to issued bonds are initially recognized at fair value less transaction costs. At each balancing date, the issued bond liabilities are priced at amortized cost using effective interest rate.

As of balance sheet date, the Group had the following outstanding debt in relation to issued bonds posted into long-term liabilities.

Issue date	Type issued bonds	Currency	Interest rate	Maturity date	Purpose of financing	Par value of shares	31. Dec. 2022	31. Dec. 2021
23 Sept. 2021	D-series bearer shares, dematerialized, unsecured	functional	WIBOR 6M + 2.6%	23 Sept. 2025	financing of an increased working capital requirement		75,586	**75,586**
			Total bond liability as of 31 Dec. 2022 of which:				**75,586**	**75,586**

The item Consolidated long-term and short-term debt represents the sum of debt due to loans, borrowings, leases and bonds issued.

The item "Cash" represents the sum of cash and cash equivalents, cash held in a VAT account and restricted cash.

The item "Equity adjusted with goodwill and intangible assets" represents the value of equity less goodwill and intangible assets.

3.5. DEBT RELATED TO LEASE

Period		2022 Nominal value of minimum payments	2021 Nominal value of minimum payments
Below 1 year	Short-term	24,574	16,502
Above 1 year	Long-term	74,914	39,161
Nominal value of minimum payments		**99,488**	**55,663**
Future lease costs		9,676	7,373
Present value of minimum payments		**89,812**	**48,290**
Below 1 year	Short-term	21,748	15,212
Above 1 year	Long-term	68,064	33,078

3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 31 Dec. 2022 and 31 December 2021, collateral for debt obligations on tangible fixed assets are presented below.

	2022	2021
Tangible fixed assets	85,183	36,601
Inventory	1,280	-
Total	**86,463**	**36,601**

For information on credit and loan related debt, see Note 3.3.

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2022	2021	2022	2021
Others units				
Guarantees and sureties	181,775	222,716	979,650	956,762
Bills of exchange	153	654	14,820	14,204
Litigations	12,117	1,152	48,681	48,523
Including litigation against Warsaw Modlin Airport (MPL)	-	-	*34,381*	*34,381*
Total	**194,045**	**224,522**	**1,043,151**	**1,019,489**

Contingent assets include guarantees and sureties received by the Group from subcontractors under performance bonds and implied warranties.

Contingent liabilities of the Group relate primarily to orders to extend guarantees by the Group and banks to the Group's contractors to secure their claims under building contracts, mainly performance bonds and bid bonds.

3.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand as well as short-term deposits with maximum maturity of three months.

The Group has at its disposal cash with restricted availability. This group primarily includes funds pledged as security for bank guarantees issued in connection with building contracts executed by the Group.

The Group posts restricted cash in a separate line in the statement of financial position as it does not meet the definition of cash and cash equivalents due to its inability to be used in the short term for the Group's requirements.

Cash held in VAT bank accounts does not meet the criteria for presentation as cash and cash equivalents and is presented in a separate line in the balance sheet.

The classification adopted for presentation in the statement of financial position is consistent with the classification of these funds in the Cash Flow Statement.

Cash and cash equivalents and cash in VAT and bank accounts meet the SPPI test and the "held for collection" business model test, and are therefore measured at amortized cost with an impairment charge determined in accordance with the expected loss model.

	2022	2021
Cash in hand	60	121
Cash at bank	163,901	352,234
Cash at bank with restricted availability (securing bank guarantees)	-	10,855
Total cash and cash equivalents	**163,961**	**363,210**

The amount of the impairment loss on cash is marginal.

Cash on VAT bank accounts as at 31 December 2022 amounted to PLN 35,338 thousand (as of 31 December 2021 they totalled PLN 50,745 thousand).

As of 31 December 2022 restricted cash was nil (as of 31 December 2021 it amounted to PLN 10,855 thousand).

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ALTERNATIVE PERFORMANCE MEASURES

The Management Board analyses segment performance using Key Performance Indicators such as EBIT, adjusted EBIT, EBIT margin, adjusted EBIT margin and EBITDA and adjusted EBITDA. The Management Board of the Group considers the aforementioned measures as important additional performance measures and therefore presents them in the report next to the measures defined by IFRS. It should be borne in mind that EBIT, as well as EBIT and EBITDA margins these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. Accordingly, these KPIs should not be analysed in isolation or as substitutes for measures defined by IFRS.



EBITDA and EBIT are measures showing the results achieved by the Group after eliminating the impact of income tax, financing costs and income and in the case of EBITDA, depreciation and amortization.

EBITDA is defined as profit after tax (net income), plus income tax expense, finance costs and depreciation and amortization, less financial income. The adjusted EBITDA is defined as EBITDA after taking out one-off events.

The Group defines EBIT as profit after tax (net income), plus income tax burdens, finance costs less finance income. The adjusted EBIT is defined as EBIT after taking out one-off events.

The EBIT margin is a measure that shows the Company's profitability ignoring the impact of income taxes and finance costs and revenues. The Group defines EBIT margin as EBIT divided by sales revenues of goods and services.

The Group defines adjusted EBIT and adjusted EBITDA as EBIT and EBITDA, respectively, adjusted for the impact of one-off transactions (e.g., the net income from the sales of subsidiary shares)

	2022	2021
Net profit /(loss) for the accounting period	**10,994**	**21,338**
Income tax	(12,610)	64,057
Gross profit/loss	**(1,616)**	**85,395**
Share in net profits/losses of equity-accounted subsidiaries	(1,451)	(156)
Financial expenses	35,855	14,080
Financial income	14,832	8,817
EBIT	**20,858**	**90,814**
One-off expenses	-	**39,489**
Adjusted profit/loss before tax	**(1,616)**	**124,884**
Adjusted EBIT	**20,858**	**130,303**
Amortization and depreciation	33,128	27,649
EBITDA	**53,986**	**118,463**
Adjusted EBITDA	**53,986**	**157,952**
Revenues from sales of products and services	3,855,649	3,102,095
Profit Margin EBIT	**1%**	**3%**
Adjusted EBIT margin	**1%**	**4%**

For the purposes of analysing performance, the management uses the measure of adjusted EBIT as defined above. Data
for the period of 12 months of 2021, contains such events, which included share-based remuneration costs of PLN 28,343 thousand, being non-cash costs, costs incurred in connection with the acquisition of IKR GmbH of PLN 3,115 thousand and accrued bonuses for employees accrued as a result of the sale of ONDE shares in the amount of PLN 8,031 thousand.

4.2. ACCOUNTING SEGMENTS

Based on the management accounting presented to the main operational decision-maker (i.e. the Management Board of the Parent Company), the Company identified four basic accounting segments:

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
- road engineering construction services
- industrial construction segment at home
- industrial construction segment in foreign countries
- hydro-engineering segment
- renewable energy sources segment
- modular timber construction,
- renewable energy sources segment in foreign countries,
- other segments.

The operations were broken down into individual segments by classifying the significance of operations into the segment. Such a breakdown corresponds to the distribution of the main risks and returns on expenses incurred.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Separate Financial Statements.

The Management Board analyses segment performance using Key Performance Indicators such as EBIT, adjusted EBIT,
EBIT margin, adjusted EBIT margin and EBITDA and adjusted EBITDA and appropriately adjusted for the effect of non-recurring events, the aforementioned measures.

The estimates presented in prior periods have not materially changed from the historical information drawn up as of 31 December 2021.

The Group has no counterparties from which originates more than 10% of total revenue.

Key information on segments in the accounting periods January 2022 - December 2022 and January 2021 - December 2021.

The Group operates in Poland and abroad (in Germany, Belgium, Norway, France, Sweden, Austria and Lithuania). Revenues from external customers and assets in any country other than Poland are not significant, therefore they were aggregated in the total line and disclosed as "Foreign operations".

	For the period of 12 months, ended on 31 Dec. 2022			For the period of 12 months, ended on 31 Dec. 2021		
	Country (Poland)	Foreign countries	Total	Country (Poland)	Foreign countries	Total
Sales to third party customers, of which:	3,360,333	495,316	**3,855,649**	2,688,583	413,512	**3,102,095**
Accrued and deferred income	3,193,701	148,173	**3,341,874**	2,550,369	150,589	**2,700,958**
Income recognized at a certain point in time	166,632	347,143	**513,775**	138,214	262,923	**401,137**

Fixed assets other than financial instruments and deferred tax assets	366,436	51,781	**418,217**	179,395	51,209	**230,604**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Data concerning revenues and results as well as assets and liabilities in individual accounting segments are presented in the table below.

For the purposes of financial data analysis in the accounting segments, the Group Management Board eliminates the impact of one-off events referred to in in Note 4.1.

												For the period of 12 months, ended on 31 Dec. 2022
	Domestic building construction	Residential/commercial buildings in foreign countries	Road engineering construction	Industrial construction segment at home	Industrial construction segment in foreign countries	Hydro-engineering segment	Renewable energy sources segment	Modular timber construction	Renewable Energy Sources Segment - Foreign countries	Other segments	Total continued operations
Sales to third party customers	1,969,307	127,302	212,820	280,810	368,014	18,420	863,223	262	11,843	3,648	**3,855,649**
Total sales revenues	**1,969,307**	**127,302**	**212,820**	**280,810**	**368,014**	**18,420**	**863,223**	**262**	**11,843**	**3,648**	**3,855,649**
Segments' performance and reconciliation with gross profit of the Group											
Cost of goods sold (COGS)	1,893,399	125,891	201,138	254,689	325,432	16,981	804,894	37	10,780	259	**3,633,500**
Sales margin	**75,908**	**1,411**	**11,682**	**26,121**	**42,582**	**1,439**	**58,329**	**225**	**1,063**	**3,389**	**222,149**
Sales margin %	4%	1%	5%	9%	12%	8%	7%	86%	9%	93%	6%
Other operating profit/loss	(58,704)	(20,600)	(6,386)	(18,329)	(32,269)	(3,663)	(42,264)	(13,155)	(477)	(5,444)	**(201,291)**
Segment performance – EBIT	**17,204**	**(19,189)**	**5,296**	**7,792**	**10,313**	**(2,224)**	**16,065**	**(12,930)**	**586**	**(2,055)**	**20,858**
EBIT margin	1%	(15%)	2%	3%	3%	(12%)	2%	(4935%)	5%	(56%)	1%
Share in net profits/ (losses) of equity-accounted subsidiaries	(680)						(771)				**(1,451)**
Profit (loss) on financial activities (financial income less financial expenses)											**(21,023)**
Gross profit/loss											**(1,616)**
Income tax											**(12,610)**
Net profit/loss											**10,994**
Amortization and depreciation	9,985	1,839	1,457	5,188	5,611	33	3,415	1,665	-	3,935	**33,128**
Segment performance – EBITDA	**27,189**	**(17,350)**	**6,753**	**12,980**	**15,924**	**(2,191)**	**19,480**	**(11,265)**	**586**	**1,880**	**53,986**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Assets and liabilities											
Pricing of building contracts - assets	**184,076**	**6,023**	**44,987**	**20,447**	**23,958**	**685**	**150,837**	**-**	**-**	**-**	**431,013**
Other assets											**1,585,255**
Total assets											**2,016,268**
Pricing of building contracts - liabilities	**169,133**	**16,490**	**20,308**	**26,273**	**807**	**-**	**10,388**	**-**	**2,558**	**-**	**245,957**
Other liabilities											**1,770,311**
Total liabilities											**2,016,268**
Other material items											
Share in performance of associates and joint-ventures measured with equity method	(680)	-	-	-	-	-	(771)	-	-	-	(1,451)
Loss reversal/(impairment) of financial assets and contract valuation assets	(3,604)	(9,261)	2,523	(5)	(88)	-	(673)	-	-	-	(11,108)
Capital expenditures on tangible fixed and intangible assets	7,682	766	2,405	3,228	5,538	-	64	35,423	-	851	55,957
Interest income	5,397	(1)	4,692	307	148	-	-	-	-	-	**10,543**
Interest expenses	10,899	276	5,607	2,649	762	-	13	772	-	434	**21,412**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	Domestic building construction	Residential/commercial buildings in foreign countries	Road engineering construction	Industrial construction segment at home	Industrial construction segment in foreign countries	Hydro-engineering segment	Renewable energy sources segment	Modular timber construction	Renewable Energy Sources Segment - Foreign countries	Other segments	For the period of 12 months, ended on 31 Dec. 2021 Total continued operations
Total revenues											
Sales to third party customers	1,219,358	157,045	278,022	236,414	256,467	1,641	932,452	43	-	20,653	**3,102,095**
Total sales revenues	**1,219,358**	**157,045**	**278,022**	**236,414**	**256,467**	**1,641**	**932,452**	**43**	**-**	**20,653**	**3,102,095**
Segments' performance and reconciliation with gross profit of the Group											
Cost of goods sold (COGS)	1,163,404	133,901	261,933	214,539	219,313	1,641	807,896	-	-	6,153	**2,808,780**
Sales margin	**55,954**	**23,144**	**16,089**	**21,875**	**37,154**	**-**	**124,556**	**43**	**-**	**14,500**	**293,315**
Sales margin %	5%	15%	6%	9%	14%	-	13%	-	-	70%	9%
Other operating profit/loss	(46,531)	(18,729)	(11,022)	(20,295)	(14,320)	(1,033)	(35,224)	(1,264)	-	(14,594)	**(163,012)**
One-off expenses	-	-	-	-	(3,115)	-	(28,343)	-		(8,031)	**(39,489)**
Segment performance – EBIT	**9,423**	**4,415**	**5,067**	**1,580**	**19,719**	**(1,033)**	**60,989**	**(1,221)**	**-**	**(8,125)**	**90,814**
Segment performance - adjusted EBIT	**9,423**	**4,415**	**5,067**	**1,580**	**22,834**	**(1,033)**	**89,332**	**(1,221)**	**-**	**(94)**	**130,303**
EBIT margin	1%	3%	2%	1%	8%	0%	7%	(2840%)	-	(39%)	**3%**
Share in net profits/losses of equity-accounted subsidiaries							(156)				**(156)**
Profit (loss) on financial activities (financial income less financial expenses)											**(5,263)**
Gross profit/loss											**85,395**
Income tax											**64,057**
Net profit/loss											**21,338**

4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Amortization and depreciation	9,282	1,898	3,776	5,370	3,879	-	2,826	38	-	580	**27,649**
Segment performance – EBITDA	**18,705**	**6,313**	**8,843**	**6,950**	**23,598**	**(1,033)**	**63,815**	**(1,183)**	**-**	**(7,545)**	**118,463**
Assets and liabilities											
Pricing of building contracts - assets	**112,204**	**10,791**	**34,897**	**16,463**	**43,348**	**-**	**84,435**	**-**	**-**	**-**	**302,138**
Other assets											**1,531,052**
Total assets											**1,833,190**
Pricing of building contracts - liabilities	**133,214**	**19,443**	**6,586**	**33,413**	**5,737**	**-**	**45,655**	**-**	**-**	**-**	**244,048**
Other liabilities											**1,589,142**
Total liabilities											**1,833,190**
Other material items											
Share in performance of associates and joint-ventures measured with equity method	-	-	-	-	-		(156)			-	**(156)**
Loss reversal/(impairment) of financial assets and contract valuation assets	(5,348)	(7,143)	(361)	(1,194)	(25)	-	(1,065)	-	-	(51)	**(15,187)**
Capital expenditures on tangible fixed and intangible assets	38,744	324	1,465	1,167	5,630	-	4,461	32,776	-	505	**85,072**
Interest income	5,132	398	2,649	1	1	-	4	-	-	-	**8,185**
Interest expenses	5,865	653	589	689	1,406	-	10	14	-	18	**9,244**

4.3. SALES REVENUES



Approximately 90% of its revenues the Group generates from the performance of building contracts. Details on the recognition of this category of revenues are provided in Note 2.1.



The main revenue estimates concern the recognition of revenue from building contracts. They are referred to in Note 2.1.

The following table provides information on the aggregate amount of transaction prices allocated to service obligations not performed or not fully performed as of the balance sheet date under building contracts.

	31. Dec. 2022	31. Dec. 2021
Total value of opened contracts	7,483,010	6,374,817
Cumulative value of revenues under open contracts recognized through the reporting date	5,463,873	3,564,549
The revenues in value terms to be recognized in subsequent periods under open contracts	2,019,137	2,810,268
Long-term (revenues to be realized within one to three years from the balance sheet date)	455,696	1,069,354
Short-term (revenues to be realized below one year from the balance sheet date)	1,563,441	1,740,914

Due to the specific nature of the long-term contracts under implementation, it is not possible to estimate precisely the time horizons within which the revenues from the contracts commenced as at a given balance sheet date will be recognized over a period longer than one year.

Revenues generated by the Group originate from the execution of construction works in Poland and the European Union and from other sales to local customers.

Figures concerning revenues are presented in note 4.2 Reporting segments.

4.4. COST OF GOODS SOLD (COGS)

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

4.5. EMPLOYEE BENEFIT EXPENSES

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Wages and salaries	388,318	361,305
including remuneration consisting of shares	-	*28,343*
Expenses related to post-employment defined benefit plans	852	1,867
Social insurance and other employee benefits	90,833	73,908
Total	**480,003**	**437,080**

4.6. OTHER OPERATING INCOME AND EXPENSES

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Other operating income		
Proceeds from the sales of non-financial fixed assets	3,089	1,103
Penalties, fines and damages	792	2,062
Proceeds from the sales of shares	-	1,086
Revenues from subsidies received	24	1,653
Liabilities written off	1,319	1,748
Refund of taxes and charges	2,385	2,248
Dissolution of provisions	1,140	1,802
Other	2,759	2,534
	11,508	**14,236**

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Others operating expenses		
Note 6.8.	Set up / released provisions	12	105
Note 6.9.	Litigation costs	276	399
	Donations	1,667	271
	Penalties, fines and damages	2,203	1,940
	Other	3,494	2.086
		7,652	**4,801**

4.7. FINANCIAL INCOME AND EXPENSES

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Financial income		
Note 5.1.2	Interest income		
	Loans extended expense	1,816	1,568
	From settlement of accounts	6,322	4,890
	Other	2,405	1,727
	FX gains/losses	2,496	46
	Other	1,793	586
		14,832	**8,817**

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Financial expenses		
Note 5.1.2	Interest income		
Note 3.4.	Issued bond expense	3,851	2,413
Note 3.3.	Credits and loans	12,201	1,432
Note 3.5.	Lease liabilities	2,541	1,871
	Other	2,819	3,528
	Arrangement fee on bank's overdraft facility	2,874	2,629
	FX gains/losses	8,728	420
	Other	2,841	1,787
		35,855	**14,080**

4.8. TAXATION

The mandatory burdening of the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the value of assets and liabilities shown in the accounting books and their tax value and the tax loss deductible in the future, the Group, using the balance sheet method, sets up: deferred income tax liabilities in respect of positive temporary differences and determines deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

Deferred income tax assets and liabilities are not recognized in the case of temporary differences arising upon initial recognition of an asset or liability in a transaction that is not a business combination and in case of transactions that have no impact on either the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legal right to set-off tax liabilities and current tax liabilities, and if the deferred tax concerns a tax imposed by the same tax authority on the same taxpayer. It implies that deferred income tax assets and liabilities are compensated in the Group financial statements.

The Group recognizes a tax asset only when projections of future financial results indicate that a tax gain will be realized to allow the asset to be realized in a specified future.

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realisation of the deferred tax asset. An element of judgment regarding the recoverability of deferred tax assets is the Group's projected future financial performance and its impact on assets recoverability.

The determination of the effective income tax rate is presented in the table below:

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Gross profit before taxation	**(1,616)**	**85,395**
Tax according to the statutory tax rate applicable in Poland - 19%	**(307)**	**16,225**
Additional tax burden being a result of a rate exceeding 19% in Germany	8,427	5,855
Excess of non-taxable income over non-deductible expenses	(7,469)	-
Net proceeds from the disposal of a subsidiary	3,539	35,379
Permanent differences - non-tax deductible costs	-	6,598
Special Economic Zone support	(16,800)	-
Tax recognized in the financial net profit/loss	**(12,610)**	**64,057**
Current tax	22,723	65,634
Deferred tax	(35,333)	(1,577)
Effective tax rate	**780.32%**	**75.01%**

In 2022, so high deferred tax amount is mainly due to the recognition of a deferred tax asset due to the receipt of a support decision by MOD 21 Sp. z o.o. The asset set up for this purpose totals PLN 16 800 thousand.

The table below presents changes in deferred tax assets and liabilities in the accounting year:

	1 January 2021	Impact as of		31 December 2021	Impact as of		31 December 2022
		Net profit/loss	Other comprehensive income		Net profit/loss	Other comprehensive income	
Deferred tax assets							
Pricing of building contracts - liabilities and taxable work in progress	55,919	14,811	-	70,730	42,591	-	113,321
Provisions	11,351	333	-	11,684	1,192	-	12,876
Tax loss	4,189	(1,050)	-	3,139	5,876	-	9,015
Special Economic Zone's support	-	-	-	-	16,800	-	16,800
Accrued wages and salaries, and charges	715	1,884	-	2,599	(1,627)	-	972
Receivables revaluation write-downs	6,237	(258)	-	5,979	5,804	-	11,783
Other financial liabilities	2,349	1,214	-	3,563	(1,553)	-	2,010
Deferred expenses	693	-	-	693	345	-	1,038
Other	2,700	(441)	(25)	2,234	3,836	87	6,157
Total	**84,153**	**16,493**	**(25)**	**100,621**	**73,264**	**87**	**173,972**
Deferred tax liabilities							
Pricing of building contracts - assets	31,419	14,732	-	46,151	32,296	-	78,447
Conversion of assets into fair value	4,923	(1,099)	7,303	11,127	(214)	7,146	18,059
Financial expenses activated	-	-	-	-	-	-	-
Balance sheet pricing and liabilities discount	809	179	-	988	930	-	1,918
Accrued interest on debt	292	462	-	754	807	-	1,561
Posted revenues	579	(92)	-	487	(370)	-	117
Other	1,486	734	(5)	2,215	4,482	89	6,786
Total	**39,508**	**14,916**	**7,298**	**61,722**	**37,931**	**7,235**	**106,888**
Assets and liabilities set off	38,375			51,125			91,614
Post-set-off balance	**46,911**			**60,093**			**97,632**
Assets	45,778			49,496			82,358
Liabilities	1,133			10,597			15,274
Net impact of changes in the period		**1,577**	**(7,323)**		**35,333**	**(7,148)**	

In the year ended on 31 December 2022 and 31 December 2021 there were no negative temporary differences on which no deferred tax assets were recognised.

The table below shows the periods of realisation of deferred income tax assets and liabilities.

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Short-term	115,081	80,518	70,885	42,940
Long-term	58,891	26,370	29,736	18,782
Total	**173,972**	**106,888**	**100,621**	**61,722**

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES



Pursuant to IFRS 9 the Group classifies financial instruments, into the following categories:

- Assets priced at amortized cost;
- Financial assets priced at fair value through financial profit or loss;
- Financial liabilities priced at amortized cost;
- Derivative instruments determined as hedging instruments in hedge accounting.

In the above categories, the Group has only items measured at amortized cost

Financial assets priced at amortized cost include primarily:

Note 5.1.2	Financial Assets - Loans Extended
Note 2.2.	Receivables under building contracts - bid bonds
Note 6.5.	Trade receivables
Note 6.5.	Other receivables
Note 2.3.	Assets under building contracts
Note 3.8.	Cash and cash equivalents
Note 3.8.	Cash assets on the VAT account
Note 3.8.	Cash with restricted availability.
Note 5.1.	Other financial assets (including extended loans)

Financial liabilities priced at amortized cost comprise mainly:

Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds
Note 2.3.	Liabilities under building contracts
Note 6.9.	Trade payables
Note 6.9.	Other liabilities
Note 3.2. – 3.5.	Debt

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below shows the carrying amount of key groups of financial assets and financial liabilities by category. The carrying value of financial assets and financial liabilities held by the Group presented in the tables below did not differ significantly from their fair value in both presented periods.

		Financial instrument classes			
	A line in the Statement of Financial Position	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2022				
Notes 5.1.2	Financial assets - loans extended	17,530	-	-	**17 530**
	Financial assets - other	756	-	-	**756**
Note 2.2.	Receivables under building contracts - bid bonds	32,031	-	-	**32,031**
Note 6.6.	Trade receivables	651,583	-	-	**651,583**
Note 6.6.	Other receivables	91,536	-	-	**91,536**
Note 2.3.	Pricing of building contracts - assets	431,013	-	-	**431,013**
Note 3.8.	Cash and cash equivalents	163,961	-	-	**163,961**
Note 3.8.	Cash on VAT accounts	35,338	-	-	**35,338**
Note 3.8.	Cash with restricted availability.	-			**-**
Note 2.2.	Liabilities vis-à-vis subcontractors - bid bonds	-	171,035	-	**171,035**
Note 2.3.	Liabilities vis-à-vis subcontractors - valuation	-	245,957	-	**245,957**
Note 6.10.	Trade payables	-	443,402	-	**443,402**
Note 6.10.	Other liabilities	-	106,145	-	**106,145**
Note 3.2.-3.5.	Debt	-	222,763	89,812	**312,575**
	Total	**1,423,748**	**1,189,302**	**89,812**	**2,702,862**

	A line in the Statement of Financial Position	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
		2021			
Notes 5.1.2	Financial assets - loans extended	38,852	-	-	**38,852**
	Financial assets - other	856	-	-	**856**
Note 2.2.	Receivables under building contracts - bid bonds	29,621	-	-	**29,621**
Note 6.6.	Trade receivables	594,647	-	-	**594,647**
Note 6.6.	Other receivables	57,036	-	-	**57,036**
Note 2.3.	Pricing of building contracts - assets	302,138	-	-	**302,138**
Note 3.8.	Cash and cash equivalents	363,210	-	-	**363,210**
Note 3.8.	Cash on VAT accounts	50,745	-	-	**50,745**
Note 3.8.	Cash with restricted availability.	10,855			**10,855**
Note 2.2.	Liabilities vis-à-vis subcontractors - bid bonds	-	146,684	-	**146,684**
Note 2.3.	Liabilities vis-à-vis subcontractors - valuation	-	244,048	-	**244,048**
Note 6.10.	Trade payables	-	363,131	-	**363,131**
Note 6.10.	Other liabilities	-	112,870	-	**112,870**
Note 3.2.-3.5.	Debt	-	165,019	48,876	**213,895**
	Total	**1,447,960**	**1,031,752**	**48,876**	**2,528,588**

		Financial instrument classes			
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2022				
	Impact as of financial result				
Note 4.7.	Financial income /(financial expenses) – interest	10,543	(18,871)	(2,541)	**(10,869)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	29	(6,261)	-	**(6,232)**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	(11,108)	-	-	**(11,108)**
	Total	**(536)**	**(25,132)**	**(853)**	**(28,209)**

		Financial instrument classes			
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Others Accounts Payable	Total key categories
	2021				
	Impact as of financial result				
Note 4.7.	Financial income /(financial expenses) – interest	8,347	(9,024)	(382)	**(1,059)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	56	(430)	-	**(374)**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	(15,187)	-	-	**(15,187)**
	Total	**(6,784)**	**(9,454)**	**(382)**	**(16,620)**

5.1.1. FINANCIAL ASSETS

As of 31 December 2022 and as of 31 December 2021 the Group was in the possession of the following items disclosed in the Statement of Financial Position in the line financial assets:

		2022	2021
Note 5.1.2	Loans extended	17,530	38,852
	Other	5,721	1,097
	Total	**23,251**	**39,949**
	Long-term	13,823	11,382
	Short-term	9,428	28,567

5.1.2.FINANCIAL ASSETS – LOANS EXTENDED

Borrower	Loan currency	Interest rate	Maturity date	2022	2021
Goalscreen Holdings Limited	EUR	6.00%	2 Dec. 2021	-	20,934
Goalscreen Holdings Limited	PLN	8.00%	2 Dec. 2021	-	2,269
FARMA WIATROWA SZYBOWICE SP. Z O.O. (WIND FARM)	PLN	6.00%	29 Apr. 2024	3,358	-
PflegeQuartier Beteiligungs	EUR	4.00%	31 Jan. 2022	3,849	3,995
FRANKIEWICZ ENERGY COMPANY	PLN	6.00%	29 Apr. 2022	-	1,262
KWE	PLN	2.50%	1 Jan. 2032	3,177	2,991
DEPVPL 22 POWER PLANT	PLN	0.00%	25 Jun. 2025	-	1,200
AZURYT 6 INVESTMENTS	PLN	8.00%	19 Oct. 2023	-	1,147
SOLAR SERBY	PLN	8.00%	19 Oct. 2023	1,534	-
IVT personnel	EUR	0-0.5%	31 Dec. 2024	32	14
IVT personnel	EUR	0-0.5%	31 Dec. 2023	22	-
Sanssouci Karpacz Sp. z o.o.	PLN	10.00%	31 Mar. 2023	5,404	4,948
JV PABC Sp. z o.o.	PLN	3 M EURIBOR + 2.2% - 3.5%	31 Dec. 2022	154	92
Total including:				**17,530**	**38,852**
Long-term				8,101	10,285
Short-term				9,429	28,567

Loans extended with the maturity date prior to the balance sheet date will be settled in H1 2023 as part of the planned joint financing projects.

The Management Board does not identify any indication of a material impairment loss on the loan to PflegeQuartier Beteiligungs, since the lender makes regular repayments on its borrowing.

There is credit risk and currency risk associated with the loans, which are described in Note 5.2, respectively. Loans granted are classified at Level 1 of the impairment model. The loans extended are, in the Company's opinion, assets with a high credit quality rating for the purposes of the ECL model.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed at WIBOR rate for PLN-denominated loans and at EURIBOR rate for EUR-denominated loans as of a given date plus a fixed percentage reflecting the risk premium. Loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

Loans are classified at Level 1 of the impairment model at all balance sheet dates presented. All loans granted as of the respective balance sheet dates were considered to be instruments with low credit risk and therefore the allowance for

expected credit losses recognized during the period is limited to 12-month expected credit losses. The expected credit loss was calculated based on the probability of default, the repayment profile agreed to in the loan agreement and an assessment of recoveries from the collateral. As of particular balance sheet dates, the amount of impairment loss and its changes in the presented periods were insignificant in terms of amounts, therefore the Group does not present movements on the impairment loss. The increase in the loan balance as a result of new loans granted did not significantly contribute to the change in the impairment allowance.

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the Group is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The ERBUD S.A.'s Management Board is responsible for determining the rules for the management of such risks and for verifying them.

5.2.1. MARKET RISK – CURRENCY RISK

While performing its core operations, the Group does not enter into building contracts that are denominated in EUR.

With regard to receivables and liabilities arising from material purchase contracts concluded under which payments will be made in EUR and with respect to EUR-denominated loans granted, the Group has determined that risk is immaterial.

			2022	
		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN)	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	47,412	4,741	(4,741)
Note 6.5.	Trade receivables	124,859	12,486	(12,486)
Note 2.2.	Receivables under building contracts - bid bonds	6,112	611	(611)
Note 5.1.2	Financial assets - loans extended	3,902	390	(390)
	Liabilities			
Note 3.3.-3.5.	Debt	48,028	(4,803)	4,803
Note 6.9.	Trade payables	44,249	(4,425)	4,425
Note 2.2.	Building contract liabilities - bid bonds	497	(50)	50
	Impact of exchange rate changes - total assets and liabilities	**275,059**	**8,950**	**(8,950)**

		2021		
		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN)	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	43,371	4,337	(4,337)
Note 6.5.	Trade receivables	31,601	3,160	(3,160)
Note 2.2.	Receivables under building contracts - bid bonds	3,140	314	(314)
Note 5.1.2	Financial assets - loans extended	24,929	2,493	(2,493)
	Liabilities			
Note 3.3.-3.5.	Debt	6,379	(638)	638
Note 6.9.	Trade payables	10,644	(1,064)	1,064
Note 2.2.	Building contract liabilities - bid bonds	19	(2)	2
	Impact of exchange rate changes - total assets and liabilities	**120,083**	**8,600**	**(8,600)**

5.2.2.MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly in connection with debt financing, i.e. bank credits and loans (Note 3.3), issued bonds (Note 3.4) and financial lease products (Note 3.5), used by the Group.

In addition, the Group invests idle cash partly into variable interest rate deposits and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Group to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate (extended loans - Note 5.1.2.) expose the Group to the risk of fair value volatility, however, owing to the fact that the Group does not measure these items at fair value, this impact is not reflected in the financial statements.

The Group monitors the exposure to interest rate risk and prepares interest rate forecasts.

The analysis of sensitivity of items bearing a variable interest rate to interest rate changes is presented in the table below.

	2022			2021		
	Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result		Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result	
		+250 bp	-250 bp		+250 bp	-250 bp
Cash and cash equivalents	31,007	775	(775)	163,575	4,089	(4,089)
Financial assets - loans extended	154	4	(4)	5,040	126	(126)
Credit and loan liabilities	139,268	(3,482)	3,482	66,960	(1,674)	1,674
Debt related to issued bonds	75,000	(1,875)	1,875	75,586	(1,890)	1,890
Lease liabilities	90,154	(2,258)	2,258	36,822	(921)	921
Total impact		**(6,836)**	**6,836**		**(270)**	**270**

The table below presents items bearing fixed interest rate.

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	2022	2021
	Balance sheet value of items not subject to market risk	Balance sheet value of items not subject to market risk
Cash and cash equivalents	132,954	210,490
Financial assets - loans extended	17,376	33,812
Credit and loan liabilities	7,909	23,059
Lease liabilities	243	11,468
	158,482	**278,829**

* Cash and cash equivalents and restricted cash

5.2.3.CREDIT RISK

The Group's financial assets, which are exposed to credit risk are mainly items listed in the table below.

		2022	2021
Note 3.8.	Cash and cash equivalents	163,961	374,065
Note 5.1.2	Financial Assets - Loans Extended	17,530	38,852
Note 6.5.	Trade receivables	651,583	594,647
Note 2.2.	Receivables under building contracts - bid bonds	32,031	29,621
Note 2.3.	Pricing of building contracts - assets	434,771	302,138
	Total	**1,299,876**	**1,339,323**

Cash and cash equivalents

ERBUD minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Group works jointly with highly reliable financial institutions as indicated in the table below. There is a significant concentration of credit risk at individual accounting dates - information on the amount of cash balances held at one financial institution is shown below.

A breakdown of cash and cash equivalents balances by credit rating grades is shown in the table below. AA-, A-, BBB+, BBB rating grades according to Euro Rating are the investment levels. BB rating, is out of investment grade, nonetheless the cash amount accounts for 11% of total cash assets of the Group.

According to the Euro Rating agency	2022	2021
Bank ranked A-	11.0%	19.0%
Banks rated BBB+	4.0%	13.0%
Banks rated BBB	68.0%	66.0%
Banks rated BBB-	6.0%	0.0%
Banks rated BB	11.0%	2.0%
	100.0%	**100.0%**

As of 31 December 2022, the value of cash assets and their equivalents located in one financial institution did not exceed 68% of the total balance.

As of 31 December 2021, the value of cash assets and their equivalents located in one financial institution did not exceed 66% of the total balance.

The entire balance of cash and cash equivalents as of the respective balance sheet dates is included in Degree 1 of the impairment model (i.e., balances for which credit risk has not increased significantly since initial recognition).

The allowance for impairment of cash and cash equivalents was determined individually for each balance related to the financial institution. External bank ratings and publicly available information on default rates for a given rating grade determined by Euro Rating were used to assess credit risk. The analysis showed that these assets have low credit risk at the accounting date. The Group has taken advantage of the simplification allowed by the standard and the impairment loss has been determined on the basis of 12-month credit losses. The calculation of write-off showed an immaterial amount of impairment loss.

Trade receivables and the assets under building contracts

To protect against credit risk resulting from receivables under building contracts (i.e. trade receivables, receivables under building contracts - bid bonds and valuation of building contracts), the Group has in place a policy of assessing and verifying credit risk related to all contracts, both at the offering phase and during contract execution. 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 Group has no credit risk concentration in relation to trade receivables and receivables under building contracts - in relation to bid bonds and valuation of building contracts.

Changes in the write-down of receivables are presented in the Note 6.5.

5.2.4. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Group maintains an appropriate amount of cash and transferable securities as well as enters into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Group uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Group pursues 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.

The table below shows the Group's financial liabilities as of 31 December 2022 by maturity date based on contractual non-discounted payments.

					2022	
	Below 3 months	3-12 months	1-5 years	Above 5 years	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	38,431	62,403	50,537	-	**151,371**	**143,830**
Debt related to issued bonds	-	586	75,000	-	**75,586**	**75,000**
Lease liabilities	5,064	18,766	70,339	2,465	**96,634**	**89,812**
Liabilities vis-à-vis subcontractors - bid bonds	64,133	95,148	15,385	5,744	**180,410**	**171,035**
Trade payables	443,402	-	-	-	**443,402**	**443,402**
Total	**551,030**	**176,903**	**211,261**	**8,209**	**947,403**	**923,079**

					2021	
	Below 3 months	3-12 months	1-5 years	Above 5 years	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	1,515	42,145	50,538	46	**94,244**	**90,019**
Debt related to issued bonds	-	586	75,000	-	**75,586**	**75,000**
Debt related to financial lease	3,601	14,880	31,942	5,240	**55,663**	**48,290**
Liabilities vis-à-vis subcontractors - bid bonds	8,636	124,664	12,303	5,115	**150,718**	**146,684**
Trade payables	361,356	817	958	-	**363,131**	**363,131**
Total	**375,108**	**183,092**	**170,741**	**10,401**	**739,342**	**723,124**

5.2.5. CLIMATE RISK

The Erbud Group monitors the impact of climate risks on the Group's operations and, at present, does not identify any significant impact of climate factors on its operations. The Erbud Group has consistently pursued its ESG strategy, adhering to the required environmental aspects, investing in the development of projects in the RES industry, as well as in timber construction.

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

The most significant items of property, plant and equipment are land, buildings and structures. Fixed assets under construction are also a significant item. In addition, the Group also owns technical appliances and machinery.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs. When the Group identifies indications that property, plant and equipment may be impaired, it performs an impairment test based on an estimate of the recoverable amount of the property, plant and equipment. Recoverable amount is determined as the higher of the value that is realizable upon sale of a given non-current asset less costs to sell or the value in use calculated based on the discounted cash flows to be generated by a given non-current asset or group of assets.

The initial value of tangible fixed assets comprises their purchasing price plus all costs connected directly with the purchase and adaptation of the asset to the condition fit for use. The initial value also comprises the cost of spare parts of machinery and equipment when incurred, if the recognition criteria are met, i.e. a member company of Erbud Group expects that spare parts will be used for more than one year and it is possible to assign them to a specific item of tangible fixed assets.

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred.

The Group annually verifies the residual value, useful life and depreciation methods of tangible fixed assets. The revisions performed as of 31 December 2022 and 31 December 2021 did not result in a change to the remaining estimated useful lives, depreciation methods or residual values of property, plant and equipment.

Depreciation rates are by class of fixed assets (including the right to use assets that belong to a particular category):

- Buildings and structures – 2% - 4,5%
- Technical appliances and machinery – 6% - 30%
- Means of transport – 12,5% - 20%
- Other – 10% - 33%
- Lands are not depreciated.

The rights to use the assets are amortized over a period that reflects the effective term for which contracts have been signed.
For leased assets of the Group, depreciation rates coincide with depreciation rates for its own assets belonging to the same category because the lease term corresponds to the economic useful life of the asset (including renewal options) or the contract includes an option to purchase the asset and it is reasonably certain that the Group will exercise the option.

Fixed assets under construction are priced at the level of costs connected directly with their acquisition or manufacturing including costs of financing, less write-downs for impairment. Fixed Assets under construction are not depreciated until their construction has been completed.

Lease accounting policy effective from 1 January 2019:

Leases are recognized as right-of-use assets and obligations to pay for those rights at the date the leased assets are available for use by the Group. Right-of-use assets are presented in Note 6.1.

At the lease start date, the lease obligations are measured at an amount equal to the present value of the following lease payments for the right to use the underlying asset during the lease term:

- fixed lease payments (including substantially fixed payments), less any lease incentives payable,
- variable lease payments that depend on an index or rate;
- amounts expected to be paid by the Lessee under the guaranteed residual value,
- the exercised price of a call option, if it can be assumed with reasonable certainty that the lessee will exercise the option,
- financial penalties for lease termination, if the lease terms and conditions provide that the Lessee may exercise the lease termination option

Lease payments are discounted using the lease interest rate, if that rate can be readily determined, or the lessee's incremental debt rate.

Each lease payment is allocated between a liability and a finance expense. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect the change in estimated lease term, option to redeem, change in lease payments and guaranteed residual value and lease contract modifications.

The lease term is a non-cancellable lease term; periods covered by renewal and early termination options are included in the lease term if there is a reasonable certainty that the lease will be renewed or the lease will not be terminated early.

As of 31 December 2022 the Group held the following categories of tangible fixed assets including the right to use the assets:

			2022			2021
Tangible fixed assets category	Gross value	Write-offs and revaluations	Net value	Gross value	Write-offs and revaluations	Net value
Lands (including right of perpetual usufruct to land)	23,203	1,377	21,826	28,928	1,189	27,739
including lease	12,917	885	12,032	4,795	709	4,086
Buildings and structures	119,013	44,853	74,160	97,639	46,551	51,088
including lease	32,364	13,125	19,239	23,120	16,614	6,506
Technical appliances and machinery	92,241	48,728	43,513	58,901	44,158	14,743
including lease	34,048	6,718	27,330	11,471	5,087	6,384
Means of transport	87,221	42,192	45,029	72,444	39,633	32,811
including lease	49,618	14,800	34,818	35,602	12,703	22,899
Other fixed assets	24,125	16,496	7,629	18,909	11,897	7,012
including lease	235	49	186	85	20	65
Fixed assets under construction	3,710	-	3,710	23,194	-	23,194
Other	-	-	-	11,354	9	11,345
Total	**349,513**	**153,646**	**195,867**	311,369	143,437	167,932

The Group concluded lease contracts for an average period of 3 to 5 years. Leases include mainly means of transport and leases of offices, warehouses and rights of perpetual usufruct to land. These contracts mostly (except for perpetual usufruct rights) contain an option of contract renewal after the end of the basic period. Additionally, under the concluded lease contracts for the means of transport the Group is entitled to repurchase the leased asset at the end of contract life.

Debt under lease contracts is referred to in Note 3.5.

	Lands including land perpetual usufruct right	Buildings and structures	Technical appliances and machinery	Means of transport	Other solution fixed assets	Fixed assets under construction	Intangible assets	Total
Net value as of 1 January 2021	**13,554**	**29,772**	**15,361**	**26,367**	**5,149**	**1,942**	**12,009**	**104,154**
Increases:								
Acquisition	13,836	24,569	3,426	2,751	14,115	25,602	312	**84,611**
Lease	-	-	1,331	13,894	-	-	-	**15,225**
Acceptance of fixed assets	566	4,066	959	1,232	1,121	-	36	**7,980**
Other, including reclassification adjustments	-	1,113	19	151	(168)	(4,346)	(1,013)	**(4,244)**
Decreases:								
Amortization and depreciation	215	8,409	6,288	9,473	1,844	-	1,420	**27,649**
Disposal and decommissioning	-	-	69	2,107	11	-	8	**2,195**
Internal transfers	-	-	-	-	-	8	(8)	**-**
Other	-	-	-	(7)	-	-	-	**(7)**
FX gains and losses from translation	(2)	(23)	4	(11)	(5)	4	(17)	**(50)**
Net value as of 31 Dec. 2021	**27,739**	**51,088**	**14,743**	**32,811**	**18,357**	**23,194**	**9,907**	**177,839**
Net value as of 1 Jan. 2022	**27,739**	**51,088**	**14,743**	**32,811**	**18,357**	**23,194**	**9,907**	**177,839**
Increases:								
Acquisition	-	1,964	4,412	3,816	3,398	35,361	5,237	**54,188**
Lease	8,432	15,321	3,478	21,870	150	-	-	**49,251**
Acceptance of fixed assets	-	-	-	-	68	(68)	-	**-**
Other, including reclassification adjustments	-	35,376	27,075	-	(11,480)	(50,952)	-	**19**
Decreases:								**-**
Amortization and depreciation	528	5,820	6,200	12,301	2,980	-	1.683	**29,512**
Disposal and decommissioning	-	-	20	1,320	5	-	-	**1,345**
Other	13,836	23,951	-	-	-	3,844	-	41,631
FX gains and losses from translation	20	182	25	153	121	18	85	**604**
Net value as of 31 Dec. 2022	**21,827**	**74,160**	**43,513**	**45,029**	**7,629**	**3,709**	**13,546**	**209,413**

The major changes in fixed assets relate to the transfer of land and buildings and structures from fixed assets to investment properties. The net value of the fixed assets transferred totalled PLN 33,909 thousand as of 31 December 2022.



Investment property is property that is treated as a source of rental income or held for appreciation in value, or both, and because of these two benefits, it is not used in operations, nor held for sale in the course of regular business.

Investment properties are initially carried at cost plus transaction costs. After initial recognition, they are carried at cost of acquisition (cost of production) less depreciation or amortisation and impairment loss allowances. As a consequence of the occurrence of reasons causing permanent impairment of the above-mentioned investment items, an appropriate write-down is made. This write-down is charged to Other operating expenses. If the reason for the impairment loss has ceased to exist, the equivalent of all or an appropriate part of the previously recognised impairment loss increases the value of the investment and is included in other operating income.

Investment properties

	2022	2021
Opening balance, net	-	-
Recognition due to change of purpose of fixed assets	33,909	
Closing balance, net	**33,909**	-

Amortization and depreciation

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
General and administrative (G&A) costs	15,627	13,119
Costs of products and services sold	17,501	14,530
Total	**33,128**	**27,649**

Right to use assets under lease, lease liabilities

The following simplifications allowed by IFRS16 have been adopted:

- no lease contracts for low-value assets (below PLN 15 thousand) are activated,
- contracts that will be terminated during the current year are omitted,

During the periods covered by these financial statements, the Group did not enter into any lease contracts for a period shorter than 12 months. The signed lease contracts did not comprise a variable fee for the Lessor.

Charges associated with all short-term leases and leases of low-value assets are recognized as an expense in the financial net income on a straight-line basis. At the time of initial application of the standard, for all lease contracts, except for short-term leases and leases of low-value assets, previously classified as operating leases.

Data regarding the first-time adoption of IFRS 16 is presented in the tables below.

	LANDS	BUILDINGS AND STRUCTURES	TECHNICAL APPLIANCES AND MACHINERY	MEANS OF TRANSPORT	OTHERS FIXED ASSETS	TOTAL
Net value as of 1 Jan. 2021	**4,276**	**12,072**	**7,201**	**17,246**	**82**	**40,877**
Increase due to opened lease contracts	-	-	1,331	15,186	-	16,517
Increase due to expenditures for tangible fixed assets under construction and advances for tangible fixed assets	-	-	-	(929)	-	(929)
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets	-	(10)	(179)	(2,085)	-	(2,274)
Amortization and depreciation	(190)	(5,556)	(1,937)	(5,823)	(17)	(13,523)
Decrease of the depreciation to date due to reclassification - from right-to-use leased assets to tangible fixed assets	-	-	(32)	(696)	-	(728)
Net value as of 31 Dec. 2021	**4,086**	**6,506**	**6,384**	**22,899**	**65**	**39,940**
Net value as of 1 Jan. 2021	**4,086**	**6,506**	**6,384**	**22,899**	**65**	**39,940**
Increase due to opened lease contracts	8,432	15,321	3,478	21,870	150	49,251
Increase due to expenditures for tangible fixed assets under construction and advances for tangible fixed assets	-	-	19,592	-	-	19,592
Amortization and depreciation	(503)	(2,642)	(2,124)	(9,951)	(29)	(15,249)
FX gains and losses from translation	17	55	-	(1)	-	71
Net value as of 31 Dec. 2022	**12,032**	**19,240**	**27,330**	**34,817**	**186**	**93,605**

	Net value	
	31. Dec. 2022	31. Dec. 2021
Lands (including right of perpetual usufruct to land)	12,032	4,086
Buildings and structures	19,239	6,506
Technical appliances and machinery	27,330	6,384
Means of transport	34,818	22,899
Other fixed assets	186	65
Total impact	**93,605**	**39,940**

6.1.1. AMOUNTS OF CONTRACTUAL OBLIGATIONS TAKEN TO ACQUIRE TANGIBLE FIXED ASSETS

As of 31 December 2022 and 31 December 2021 the Group had no contractual commitments related to fixed asset purchase agreements and entered into lease agreements as to which the lease period has not yet commenced and are not shown in lease commitments in this regard.

6.2. GOODWILL



Goodwill arises as a result of accounting for the acquisition of projects using the acquisition method - details are provided below).

Accounting principles concerning goodwill impairment are described in Note 6.3.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Opening balance of goodwill	**41,240**	**40,667**
Additions	-	630
FX gains and losses from translation	348	(57)
Closing balance of goodwill	**41,588**	**41,240**
Including acquisitions:		
ONDE S.A.	18,274	18,274
Erbud Holding GmbH	17,990	17,642
Other	5,324	5,324

6.3. FIXED ASSETS IMPAIRMENT

The Group carries out test for fixed asset impairment, if there are reasons for impairment and additionally it carried out a test for goodwill once a year. Recoverable amount is determined at the lowest possible level, i.e. for an individual asset or for the cash-generating centre to which the asset belongs.

Tangible fixed assets impairment

At each balancing date the it is evaluated if there are any objective reasons indicating a risk of asset or asset category impairment. If there are such reasons, the estimated recoverable value is agreed for the asset and an impairment loss is written off, in the amount equal to the difference between the recoverable value and balance sheet value. The recoverable value corresponds the higher of the following two values: fair value less costs closing sales or value in use. The impairment loss is posted into profit and loss account. As of each balancing date, the Group also assesses whether there are any indications that the impairment loss recognised in previous periods should be reduced or completely reversed.

Goodwill impairment

Goodwill is tested for impairment at least once a year. Potential impairment is recognized immediately as a decrease in goodwill and recognized in the Profit and Loss Account, additionally it is not subject to reversal in subsequent reporting periods.

To carry out possible impairment test, the goodwill is allocated to the cash generating units. In the event of a disposal of an operation within a cash-generating centre to which goodwill has been allocated, the goodwill associated with the disposal shall be included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill impairment

Goodwill is allocated to the Group's cash-generating centres. It is assumed that the goodwill arising from the acquisition of shares in ONDE S.A. by Erbud S.A. is generated by ONDE S.A., which is the cash-generating centre ONDE S.A.

For ONDE S.A., the recoverable amount of the cash-generating unit is determined based on the valuation of ONDE SA shares on the Warsaw Stock Exchange.

Goodwill created through the acquisition of the Erbud Holding Group by Erbud SA is assumed to be the cash-generating centre of the entire industrial segment abroad related to the Erbud Holding Group.

The recoverable amount of a cash-generating unit is determined based on the unit's value in use, estimated using a Discounted Cash Flow (DCF) model. These calculations use cash flow projections over a three-year period. The cash flows going beyond the three-year period were estimated to be at a constant level. The growth rate does not exceed the long-term average growth rate for the construction sector abroad where the cash-generating centre operates. The calculations assume an average gross margin of 13.0%, while the discount rate used was 11.7%. The Management Board established the budgeted gross margin on the basis of historical performance and its own projections of market development. Weighted average growth rates are in line with the forecasts presented in the industry reports. The discount rate used is a rate that reflects each segment specific risks.

In 2022 and 2021, an analysis was carried out and no grounds were found to set up an impairment write-down for a loss of an asset or group of tangible assets.

The goodwill impairment test, which was carried out as of 31 December 2022, did not indicate any need to make an impairment write-off.

6.4. INVENTORY

The following items are mainly recognized in individual inventory categories:

- Materials – items kept at storage sites to be used in manufacturing processes, especially in construction activities;
- Work in progress;
- Finished goods;
- RES projects

Materials are valued at the purchase price, and their expenditure is accounted for using the FIFO ("first in-first out") method. Work in progress and finished goods are prices at the cost of direct materials and labor, together with an appropriate mark-up of indirect production costs determined based on the assumption of normal utilization of production capacity, excluding costs of external financing. At the balancing date the inventory is priced taking lower of the two values: purchasing price or the cost of manufacturing and net selling price.

Under materials the Group posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract). The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate (details provided in Note 2.1).

The Group identifies a separate category of finished goods as RES projects, which are wind farm and photovoltaic projects developed in-house. RES projects are priced at the lower of the two figures mentioned below: production cost and net realisable price. The net selling price is the estimated selling price assessed by the Management Board based on market data.

	2022	2021
Materials	30,125	26,284
Work in progress	233	54
Finished goods	111	250
Merchandise	1,728	1,709
PV projects underway	128,658	39,501
Gross value of inventory	**160,855**	**67,798**
Impairment write-offs for inventory	616	352
Net value of inventory	**160,239**	**67,446**

6.5. TRADE RECEIVABLES AND THE OTHER RECEIVABLES

In the trade receivables as well as other receivables category the ERBUD Group recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the building contracts executed by the Group) and budget receivables, including corporate income tax receivables and tax on goods and services receivables.

Trade receivables , with maturity typically from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. Trade receivables are held for collection and meet the SPPI test, therefore, as of the balance sheet date, these items are measured at amortized cost, including any write-off.

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there was any indication of impairment or not. For trade receivables, the Group uses the simplified approach and measures impairment losses at the amount of credit losses expected over the life of the receivable from moment of initial recognition. For trade receivables that have been assessed as not impaired based on the portfolio analysis performed, the estimation of impairment losses, if any, is based on the use of an write-off matrix where write-offs are calculated for trade receivables classified into different aging categories (past due periods) using a default rate. The default rate is determined based on historical data (calculated on the basis of the last 5 years) adjusted for the impact of future factors.

In the same manner the Group calculates the allowance for expected credit losses for deposit receivables and construction contract assets in an analogous manner; balances that are not past due are included in the "not past due" category in the write-off matrix, and the write-off is calculated taking into account the default rate for not past due receivables.

For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-offs were set up depending on the assessment of their recoverability.

If the value of money in time is material (applies to the bid bonds receivables) the value of receivables is determined through discounting projected future cash flows to the present value, using a gross discount rate reflecting current market-based appraisals of time value of money. If the discounting method has been applied, the increase of receivables caused by time elapse is posted as financial gains.

	2022			2021		
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables	699,549	47,966	651,583	640,580	45,933	594,647
Receivables from corporate income tax	18,568	-	18,568	3,207	-	3,207
Other budget receivables	49,810	-	49,810	23,037	-	23,037
Other receivables	24,368	1,210	23,158	32,002	1,210	30,792
Total	**792,295**	**49,176**	**743,119**	**698,826**	**47,143**	**651,683**

Modifications of the write-off for trade receivables are presented in the table below.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Opening balance of write-downs	**47,143**	**37,352**
Setting up/(reversal)of individual write-offs	901	11,031
Setting up /(reversal) of write-offs according to write-off matrix	2,059	651
Use of individual write-offs	(1,155)	(2,019)
Reversal of individual write-offs	-	(49)
Other	48	156
FX gains and losses from translation	180	21
Closing write-offs, of which:	**49,176**	**47,143**
Matrix-based calculated write-off	11,105	9,046
Individual write-off	38,071	38,097

	2022	2021
Non-past due receivables:	**399,182**	**466,892**
Past-due receivables:	**252,401**	**127,755**
below 1 month	93,168	33,929
1-3 months	60,664	15,534
3-6 months	9,399	2,741
6 months - 1 year	12,223	20,463
Above 1 year	76,947	55,088
Total trade receivables, net	**651,583**	**594,647**

For the remaining disputable receivables write-offs were set up based on estimated Discounted Cash Flows.

The Group is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of credit risk related to trade receivables since the Group has a large number of domestic customers. All receivables, except for those individually written off, are rated by the Group as having the highest internal credit rating. For all receivables except those written-off individually, the Group estimates a write off for expected credit losses in an amount equal to 12 months expected credit losses.

6.6. OTHER ASSETS

The “Insurance” line comprises prepayments made by the Group under insurance contracts concerning future reporting periods. They are recognized in the income statement proportionally to the time expired.

In the "Prepayments" line the Group recognises amounts paid on account of concluded preliminary agreements for the acquisition of shares in Companies which do not meet the definition of derivatives under IFRS 9.

	2022	2021
Prepayments	-	6,738
Insurance	3,726	6,767
Other	3,434	380
Total	**7,160**	**13,885**

6.7. PROVISIONS

The Provisions category mainly comprises provisions for warranty repairs, provisions for employee benefits and post-employment benefits, and provisions for litigations and disputes.

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. The assumptions used to calculate the provision for warranty repairs as of 31 December 2022 were based on the records of warranty repairs between 2018 and 2022 and as of 31 December 2021 - between 2018 and 2021 respectively.

Provision for benefits in the post-employment period

This category comprises provisions for retirement and pension severance pays, to be paid by the Group under the effective law and the remuneration rules and regulations. The amount of the provision is determined at the present value using actuarial techniques requiring the adoption of certain assumptions. Assumptions vital to pricing include the levels of discount rates, projected rates of return on assets (ROA), forecast wage increases. Due to pricing complexity, the assumptions made, its long-term nature, the liabilities related to the above mentioned benefits are very sensitive to assumption changes. All the above assumptions are verified and updated at the end of each reporting period.

Provisions for litigation and disputes

Detailed analysis of potential risks related to litigation, making decisions about a need to reflect the impact of such litigation in the Group's financial statements and the amount of the provision are made by the legal departments and the Management Board.

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provision for employee benefits in the post-employment period	Provisions for litigations and damages	Other	Total
As of 1 Jan. 2021	**26,416**	**15,722**	**2,435**	**7,265**	**51,838**
Increase	5,551	5,530	36	6,898	18,015
Dissolution	950	6,863	916	5,220	13,949
Increase due to acquisition	-	4,355	-	154	4,509
Utilisation	-	2,510	-	575	3,085
FX gains and losses from translation	(11)	(54)	(7)	(24)	(96)
As of 31 Dec. 2021	**31,006**	**16,180**	**1,548**	**8,498**	**57,232**
short-term	21,326	101	1,396	8,024	30,847
long-term	9,680	16,079	152	474	26,385
As of 1 Jan. 2022	**31,006**	**16,180**	**1,548**	**8,498**	**57,232**
Increase	5,774	332	-	6	6,112
Dissolution	1,063	3,855	116	1,390	6,424
Increase due to acquisition	-	-	-	33	33
Utilisation	-	161	-	759	920
FX gains and losses from translation	48	305	-	16	369
As of 31 Dec. 2022	**35,765**	**12,801**	**1,432**	**6,404**	**56,402**
short-term	26,924	112	1,396	5,907	34,340
long-term	8,841	12,689	36	496	22,062

6.8. LITIGATIONS

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

Material proceedings to which the ERBUD S.A. is the plaintiff:

Party to the litigation	Description of subject of the litigation
Defendant: Bank Millennium S.A. in Warsaw Date of filing a lawsuit: 22 December 2010 Value of the litigation: 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 ERBUD S.A. According to the Company, the product was not optimally customised to 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 ERBUD S.A. about a negative valuation of the exposure held at that time. At the same time, a litigation arose over the content of FX option transactions, mainly with respect to the exclusion of option structures. The restructuring details were presented by ERBUD S.A. in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. ERBUD S.A. 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, ERBUD S.A. decided to bring an action for payment of compensation for the loss. The total loss associated with the option transactions was settled in the year in which it was incurred, i.e. 2008. Between 2016 and 2020, the case was considered by the District Court and the Court of Appeal, and finally, in 2018, the Supreme Court issued a decision in the lawsuit brought by ERBUD S.A. against Bank Millennium S.A., in which it took into consideration 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 the Court of Appeal in Warsaw decided: 1) To admit ex officio evidence from a court expert's opinion in the field of finance, economics and banking to the circumstances. 2) Have the court expert draw up a written opinion in three copies within two months. On 24 November 2021, the Court of Appeal in Warsaw accepted the Company's appeal in part, awarding the amount of PLN 51.383.600 from the Bank to the Company, along 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 PLN 102.733.906,25. 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 Bank Millennium's motion and suspended payment of the adjudged amount, as requested by the Bank Millennium. 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.
Defendant: DSH – Dopravni	Current status of the litigation: On 27 May 2014 ERBUD S.A. extended the claim

Party to the litigation	Description of subject of the litigation
Stavby, a.s., Brno, the Tschekia Date of filing a lawsuit: 14 February 2013 Value of the litigation: PLN 26,923,644.16	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 7 October 2021, the court announced a verdict ordering DSH - Dopravni stavby a.s. with its registered office in Brno (Tschekia) to pay the amount of PLN 26,923,644.16 to ERBUD S.A, 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 challenging the Defendant's allegations.
Defendant: Platinum Resort Sp. z o.o. Date of filing a lawsuit: 3 December 2018 Value of the litigation: PLN 16,301,236.97 Counterclaim: Defendant: ERBUD S.A. Date of filing a lawsuit: 27 April 2019 Value of the litigation: PLN 13,516,629.86	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 “The construction of a four-star hotel complex consisting of three hotel buildings with site landscape gardening 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. Pursuant to 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 ERBUD S.A. 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 ERBUD's attorneys replied to the complaint. To date, the Szczecin Court of Appeal has not heard the complaint. 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 2019 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 building 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. 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 ERBUD S.A. in July 2022. The contents of the

Party to the litigation	Description of subject of the litigation
	expert opinion speak in favour of the Company. Comments on the content of the opinion were submitted on 25 August 2022.
Defendant: The Capital City of Warsaw – The Capital City Management Board for City Development Date of filing a lawsuit: 2 August 2022 Value of the litigation: PLN 11,955,258.50	Litigation 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 not appealed against them.
Defendant: Independent Public Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin Date of filing a lawsuit: 7 November 2022 Value of the litigation: 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 of Szczecin" by increasing the Contractor's remuneration by the amount of PLN 14,435,306.59 (gross) and adjudication of this amount. The lawsuit was filed. At the moment, there are no more developments in this case.
Defendant: BEST Deweloper Sp. z o.o. Date of filing a lawsuit No. 1: 19 October 2022 Value of the litigation: PLN 5,928,173.34 Date of filing a lawsuit 2: 6 February 2023 Value of the litigation: PLN 6,050,337.37	Litigation 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 by the Defendant and accepted by the Plaintiff. 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.
	The value of other litigations where ERBUD S.A. is the Defendant totals PLN 22,369,064.20.

Material proceedings to which the ERBUD S.A. is the defendant

Party to the litigation	Description of subject of the litigation
Plaintiff: Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. („MPL") Defendant: ERBUD S.A. in Warsaw Date of servicing an action to ERBUD S.A. 23 May 2014	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

Party to the litigation	Description of subject of the litigation
Value of the litigation: PLN 34,381,374.64	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. Court hearings were held between 2015 and 2019, where representatives of the Parties and experts were heard. 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 7 February 2022, the Court sent Erbud's findings and comments to the expert and called upon him to respond. 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 jointly 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. According to Erbud S.A. there are no grounds to accept the claims of MPL in full.
Plaintiff: The 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 litigation: 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. 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

6.9. TRADE PAYABLES, OTHER LIABILITIES

Trade payables and other liabilities include primarily trade payables to non-related parties, advances received, payroll liabilities and tax liabilities.

Trade payables are initially carried at fair value (corresponding to the nominal value) and as of the balance sheet date they are priced at amortized cost.

The received advance payments refer mainly to payments from contractors for the performance of building contracts and are recognized at the nominal value of the payment received.

Payroll payables are recognized at the value due for the work performed, accrued in accordance with the concluded contracts.

Tax liabilities (including tax on goods and services, corporate income tax, personal income tax) are recognized at the amount requiring payment by the Group in compliance with the effective and applicable legislation.

Short-term employee benefit liabilities

This category comprises provisions for non-utilized holidays. The basis for calculation of provision for non-utilized leave is the specification of non-utilized leave days at a certain balancing date broken down by employees and their daily gross salary plus social contribution surcharges paid by the Employer.

	2022	2021
Trade payables	**443,402**	**363,131**
including to related entities	-	103
Liabilities vis-à-vis budget in relation to:	**47,007**	**52,132**
VAT tax	10,404	20,716
corporate income tax	19,394	9,798
personal income tax	4,836	6,642
Social insurance contribution	10,752	10,613
real estate tax	2	-
State Fund for the Rehabilitation of the Disabled	224	194
Employee Capital Plans (PPK)	115	-
holiday accrual (Belgium tax)	413	945
other	867	3,224
Other liabilities	**59,138**	**60,738**
wages and salaries	14,987	14,605
accruals	2,695	835
short-term employee benefit liabilities	31,604	36,947
other	9,852	8,351
Total	**549,547**	**476,001**

6.10. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 December 2022 and for the period
from 1 January to 31 December 2021.

	Change in balance of Cash Flow Statement in the period from January 2022 to December 2022	Change in balance of Cash Flow Statement in the period from January 2021 to December 2021
Change in provision balance	**(830)**	5,394
Change in inventory balance	**(92,793)**	(41,718)
Change of receivables balance	**(91,436)**	(253,355)
Change in balances of short-term liabilities, excluding credits and loans	**131,697**	141,888
Change of the balance of assets and liabilities under building contracts	**(126,966)**	(113,447)
Change of balance of the remaining assets	**37,311**	2,893
Change of working capital balance	**(143,017)**	**(258,345)**

	Other non-cash adjustments in the Cash Flow Statement in the period from January 2022 to December 2022	Other non-cash adjustments in the Cash Flow Statement in the period from January 2021 to December 2021
Share-based payments	**-**	28,343
Loan-shares set-off	**(6,366)**	-
Other	**(645)**	(2,920)
Other non-cash adjustments	**(7,011)**	**25,423**

	Other inflows from investment activities 01.2022-12.2022	Other inflows from investment activities 01.2021-12.2021
Disposal of fixed assets	**5,938**	3,902
Lease-back	**24,880**	10,394
Cash of acquired companies, liquidation of deposits, interest	**-**	6,614
Other	**72**	-
Other inflows from investment activities	**30,890**	**20,910**

6.11. GROUP STRUCTURE

Group Structure

As of 31 December 2022, the Group consists of the Parent Company Erbud S.A. along with its subsidiaries, consolidated using the full method, and entities not controlled by Erbud S.A., consolidated using the equity method.

Related entities and consolidation rules: The consolidated financial statements comprise data of the Parent Entity and its subsidiaries.

Subsidiaries are consolidated using the full method from the date of control acquisition to the date of control loss. The control is exercised when the Parent Company is exposed to variable financial results due to its involvement in the entity in which it made investment, or when it has the right to changing financial results and is capable of influencing the level of these financial results by exercising its control over the entity. The financial statements of subsidiaries are drawn up for the same accounting period as the financial statement of the Parent Company using consistent accounting principles. If control is lost over a subsidiary, the profit or loss on the transaction resulting in the control loss is recognized in the income statement.

Settlements, income, expenses and unrealized gains recognised in the assets, arising out of transactions between Group member companies are taken out.

As of the date of control acquisition, the Group determines whether the controlled entity is a business as defined in IFRS 3 or a group of assets not representing a business.

Settlement of acquisition of ventures is made using the acquisition method. Under this method the identifiable assets and liabilities acquired are carried at fair value as of the acquisition date. The payment made under business acquisition transaction is priced using fair value, calculated as collective sum of fair values as the date of acquisition of assets submitted by the Group, liabilities taken by the Group against previous owners of the acquired entity and equity instruments issued by the Group in exchange for taking over control over acquired entity. Acquisition-related costs are recognized in income statement as incurred. The excess of the acquisition price, fair value of previously held interests and non-controlling interests over the fair value of the net assets acquired, subject to the exceptions referred to in IFRS 3, is goodwill.

For asset acquisitions that are not business acquisitions, the purchase price is allocated to the individual assets acquired based on their relative fair values. Transaction costs are included in the initial value of the acquired fixed assets. No goodwill is generated through an asset acquisition transaction.

The investments in associates are accounted for in the consolidated financial statements using the equity method. In compliance with the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost, and then adjusted to reflect the Group's contribution to the financial result and to other comprehensive income of the associate. An investment in an associate is accounted for using the equity method from the date on which the entity becomes an associate.

While evaluating a need to recognise impairment of the Group's investment in an associate, the requirements of IAS 28 are applied. If necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36, Impairment of Assets, as a single asset by comparing its recoverable amount with its carrying amount. The impairment recognized represents a portion of the carried value of the investment. The reversal of this impairment is recognised in accordance with IAS 36 to the extent of any subsequent increase in the recoverable amount of the investment.

#	Name of entity	Registered office	Scope of activities	Parent Company's share in equity (equal to the voting rights held) 2022	2021
	Shares held directly				
1	ONDE S.A.	Toruń	Road engineering and renewable energy sources	**60.10%**	60.70%
2	Erbud International Sp. z o.o.	Rzeszów	Construction services	**100.00%**	100.00%
3	Erbud Construction Sp. z o.o.	Toruń	Construction services	**100.00%**	100.00%
4	Erbud Industry Sp. z o.o.	Toruń	Engineering services	**100.00%**	100.00%
5	MOD21 GmbH	Düsseldorf, Germany	Construction services	**100.00%**	100.00%
6	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	**100.00%**	100.00%
7	Erbud Holding Deutschland GmbH	Düsseldorf, Germany	Management services	**100.00%**	100.00%
8	Hebud Sp. z o.o. in liquidation	Minsk, Belorussia	Construction services	**100.00%**	100.00%
9	Toruńska Sportowa in liquidation Sp. z o.o.	Toruń	Sports, entertainment and leisure services	**39.00%**	39.00%
10	JV WMER Matoc Poland Sp. z o.o	Warsaw	Construction services	**50.00%**	50.00%
11	JV PABC Sp. z o.o.	Warsaw	Construction services	**100.00%**	100.00%
12	MOD21 Sp. z o.o.	Ostaszewo	Modular timber construction	**100.00%**	100.00%
13	Sanssouci Karpacz Sp. z o.o.	Warsaw	Construction services	**43.00%**	43.00%

#	Name of entity	Registered office	Scope of activities	Shares of Parent Company held indirectly (corresponding to the voting rights held) 2022	2021
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
3	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
4	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
5	IVT Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
6	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
7	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
8	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
9	WTL20 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
10	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
11	WTL80 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
12	WTL100 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
13	WTL120 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
14	WTL130 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
15	WTL140 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
16	WTL150 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
17	WTL160 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
18	WTL170 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
19	IDE Projekt Sp. z o.o.	Toruń	Design services	**100.00%**	100.00%
20	Satchwell Polska Toruń Sp. z o.o.	Toruń	Maintenance services in the industrial segment	**100.00%**	100.00%
21	Solar Serby Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	50.00%
22	Cyranka Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
23	DEPVPL sp. z o.o. Power Plant	Toruń	Renewable energy sources	**100.00%**	50.00%
24	KWE Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	50.00%
25	IKR GmbH	Bitterfeld - Wolfen	Maintenance services in the industrial segment	**100.00%**	100.00%
26	WTL50 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
27	WTL210 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
28	WTL270 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
29	Park Słoneczny Ciechanów Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
30	Park Lewałd Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
31	FW Gumienice Sp. z o.o. (Wind Farm)	Toruń	Renewable energy sources	**100.00%**	100.00%
32	Farma Wiatrowa Szybowice Sp. z o.o. (Wind Farm)	Warsaw	Renewable energy sources	**50.00%**	50.00%
33	DEVOZE Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
34	Neo Solar Kazimierz Biskupi Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	0.00%
35	PV KADŁUBIA 2 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	0.00%
36	PV SZCZEPANÓW Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	0.00%
37	ONDE Beteiligungs GmbH	Germany, Dusseldorf	Development of contracting activities in the RES business segment	**100.00%**	0.00%

Interests of jointly controlled companies consolidated using the equity method and classified as long-term financial assets:

Long-term financial assets	31. Dec. 2022	31. Dec. 2021
Solar Serby Sp. z o.o.	14,687	14,687
KWE Sp. z o.o.	11,232	11,232
Elektrownia DE PVPL 22 Sp. z o.o. (Power Plant)	-	3,400
Farma Wiatrowa Szybowice Sp. z o.o. (Wind Farm)	5,287	5,287
Tauron Serwis Sp. z o.o.	488	488
Sanssouci Karpacz Sp. z o.o.	2	2
Neo Solar Kazimierz Biskupi Sp. z o.o.	22,681	-
ONDE Beteiligungs GmbH	118	-
Share in net profits/losses of equity-accounted subsidiaries	(1,607)	(156)
Total	**52,888**	**34,940**

For major investment projects consolidated using the equity method, the key financial figures for the period ended on 31 December 2022 are presented below:

	Solar Serby Sp. z o.o. (wind farm.	KWE SP. Z O.O. (WIND FARM)	FARMA WIATROWA SZYBOWICE SP. Z O.O. (WIND FARM)	Solar Kazimierz Biskupi Sp. z o.o.	Sanssouci Karpacz Sp. z o.o.
Balance Sheet highlights:					
ASSETS, of which:	**3,098**	**4,071**	**3,612**	**11,315**	**49,811**
Fixed assets	1,588	3,572	1,118	4,802	-
Current assets	1,510	499	2,494	6,513	49,806
Cash assets	-	2	1	89	2,335
LIABILITIES, of which:	**3,098**	**4,071**	**3,612**	**11,315**	**49,811**
Long-term liabilities of which:	2,929	3,435	3,977	8,562	-
Financial liabilities	2,929	3,435	3,977	8,562	-
Short-term liabilities of which:	1,141	89	14	341	19,352
Financial liabilities	-	-	-	-	360
Abridged Profit and Loss Account:					
Net profit for the accounting period	(695)	(403)	(259)	(216)	(1,582)
Other P&L items:					
Financial expenses	1	93	237	193	43

The accounting period of subsidiaries is the same as that of the parent company. These companies have no restrictions on the cash allocation to potential dividend payments and loan repayments.

In the financial statements, the Group presented acquisitions of entities comprising a group of assets not representing a business, acquisitions of stakes in jointly controlled entities and acquisitions of entities representing a business.

Acquisition of entities comprising a group of assets not representing a business

On 6 June 2022 ONDE S.A. entered into an agreement to acquire a 100% shareholding in a special purpose vehicle (PV Szczepanów Sp. z o.o.) that owns a photovoltaic farm project from two non-related parties. The transaction price totalled PLN 4.404 thousand and is subject to cash settlement. Transaction costs related to this transaction were immaterial. The acquired company's assets comprises a land lease agreement defining the site for the construction of a photovoltaic farm, environmental approvals, land development conditions and cash assets. The Company does not generate revenues and does not have certain processes in place, nor workforce; therefore, the transaction was initially classified as an asset acquisition rather than business acquisition. Asset acquisitions are accounted for by allocating the acquisition price to the individual assets acquired based on their relative fair values. ONDE S.A. assessed that the price paid will be allocated mainly to the acquired feasibility study for the construction of photovoltaic farms in the acquired locations, which was recognized as inventory in the ONDE Group's consolidated financial statements, as the photovoltaic farms will be constructed for sale during regular business of the Group.

On 6 June 2022 ONDE S.A. entered into an agreement to acquire a 100% shareholding in a special purpose vehicle (PV Kadłubia 2 Sp. z o.o.) that owns two photovoltaic farm projects from two non-related parties. The transaction price totalled PLN 9.421 thousand and is subject to cash settlement. Transaction costs related to this transaction were immaterial. The acquired company's assets comprises a land lease agreement defining the site for the construction of a photovoltaic farm, environmental approvals, land development conditions and cash assets. The Company does not generate revenues and does not have certain processes in place, nor workforce; therefore, the transaction was initially classified as an asset acquisition rather than business acquisition. Asset acquisitions are accounted for by allocating the acquisition price to the individual assets acquired based on their relative fair values. ONDE S.A. assessed that the price paid will be allocated mainly to the acquired feasibility study for the construction of photovoltaic farms in the acquired locations, which was recognized as inventory in the ONDE Group's consolidated financial statements, as the photovoltaic farms will be constructed for sale during regular business of the Group.

In 2022, two further milestones (obtaining maps for design purposes and obtaining a final decision approving the building permit design and granting a building permit) were made on the path leading to development of the 10 MW Włoszakowice photovoltaic power plant project, owned by FW Gumienice Sp. z o.o. Wind Farm.

Therefore, in accordance with the agreement, the purchase price for the shares in FW Gumienice Sp. z o.o. Wind Farm went up by PLN 907 thousand.

Acquisition of entities that represent a business

In the current year no entities that represent a business were acquired.

Acquisition of shares in jointly controlled entities

On 2 February 2022 ONDE S.A. entered into an agreement to acquire a 50% shareholding in a special purpose vehicle (Solar Kazimierz Biskupi Sp. z o.o.) that owns a photovoltaic farm project, from a non-related party. The transaction price totalled PLN 22,681 thousand and is subject to cash settlement. Transaction costs related to this transaction were immaterial.

Company foundation

On 14 September 2022, a deed of company foundation was concluded under the name ONDE Beteiligungs GmbH. The company was established for the ONDE Group to acquire other businesses in the German market.

6.12. TRANSACTIONS WITH RELATED ENTITIES

Transactions with related entities

The following tables show the totals of transactions made by the Erbud S.A. Group with its member companies in the period ended on 31 December 2022 and in the period ended on 31 December 2021.

	2022		2021	
	Subsidiaries not consolidated by full method	Total	Subsidiaries not consolidated by full method	Total
Trade receivables	13,449	**13,449**	2,972	**2,972**
Loans extended	13,628	**13,628**	10,377	**10,377**
Trade payables	-	**-**	103	**103**
Sales revenues	30,188	**30,188**	12,496	**12,496**
Interest income on loans extended	1,187	**1,187**	437	**437**
Purchase of goods and services	45	**45**	-	**-**

Transactions with key members of management staff

The remuneration accrued for the members of the Management Board of the Parent Company and for the members of the Supervisory Board paid by the Group in the accounting year is presented in the table below:

	2022	2021
Management Board		
Short-term employee benefits (wages & salaries)	13,689	16,451
Supervisory Board		
Short-term employee benefits (wages & salaries)	554	432
Total	**14,243**	**16,883**

As of the date of submission of these financial statements, the Management Board members and proxies do not hold any share-based benefits.

At individual balance sheet dates the managing persons (members of the Management and Supervisory Boards) held the following number of shares (all shares are ordinary shares):

	2022		2021	
Shareholder	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders	No. of shares /votes	% of shareholding in the share capital counted in votes at the General Meeting of Shareholders
Dariusz Grzeszczak (and DGI Fund controlled by Dariusz Grzeszczak)	2,553,460	21.11%	728,787	22.10%
Jacek Leczkowski	5,112	0.04%	5,112	0.04%
Agnieszka Głowacka	3,938	0.03%	3,938	0.03%
Albert Dürr	13,642	0.11%	13,840	0.11%
Roland Bosch	10,000	0.08%	-	0.00%
Total	**2,586,152**	**21.37%**	**751,677**	**22.28%**

6.13. POST-ACCOUNTING PERIOD EVENTS

On 24 February 2023, a resolution was adopted by the Extraordinary General Meeting of ERBUD SA in Warsaw on the merger of ERBUD SA (as the Acquirer) with ERBUD Industry Sp. z o.o. (as the Acquiree). The Management Board of the Acquirer has resolved to merge the Acquirer with ERBUD Industry Sp. z o.o. with its registered office in Warsaw by transferring all assets of the Acquiree to the Acquirer, as the sole shareholder of the Acquiree, and to dissolve the Acquiree without liquidation. The Acquirer is the sole shareholder of the Acquiree and therefore the merger will take place without any increase in the share capital of the Acquirer and without any change to its Articles of Association.

Signatures of all Management Board members:

Dariusz Grzeszczak
/President of the Management Board/

Jacek Leczkowski
/Vice-President of the Management Board/

Agnieszka Głowacka
/Vice-President of the Management Board/

Warsaw, 28 March 2023