ERBUD GROUP

Directors' Report on ERBUD Capital Group Operations in H1 2023

5 September 2023



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1. MACROECONOMIC ENVIRONMENT

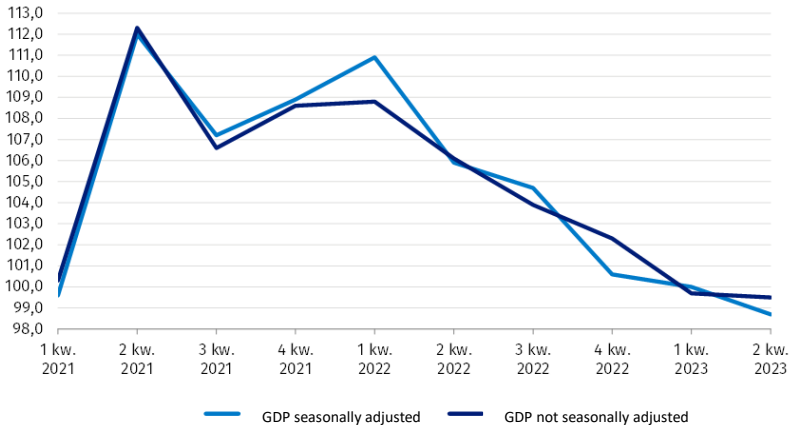
1.1. Economic situation

1.1.1. Poland

Situation in Poland and macroeconomic forecasts:

The market estimates that annualised GDP growth will remain positive and that the slowdown in economic growth will not be accompanied by a significant rise of unemployment rate. Thus, economists expect that the Polish economy will follow a 'soft landing' scenario.

According to the latest forecasts made by the Bank Credit Agricole economists, the average annual economic growth rate in 2023 will be 0.8 per cent. The rationale points out that in July 2023, the aggregate PMI for the Eurozone was clearly below expectations and for the second consecutive month it was below the 50-point boundary separating growth from contraction of economic activity. Moreover, the index for future production (services and manufacturing combined) at a 12-month horizon reached its lowest value since November 2022 in July. Of particular relevance to the situation of Polish exports are the trends in German manufacturing, where the PMI component for new orders in July indicated a decline at the fastest rate since the pandemic outbreak, and the index for expected production at a 12-month horizon was down again and was recorded below the 50-point limit for the third consecutive month. As predicted by Credit Agricole Bank, the realisation of production backlogs in Germany and the Eurozone as a whole will continue to be a constraint for the decline in current output in the coming months, but their potential to stabilise current activity amid a weak inflow of new orders is slowly being exhausted. This does not mean, however, that there will be a collapse in manufacturing activities in the processing sector in the euro zone. The forecast fall of inflation rate in the single currency zone will help to stimulate consumer demand and, consequently, activity in the processing sector. In summary, in an environment of weakened domestic demand in Poland, the contribution of net exports is expected to remain distinctly positive in 2023, but lower than previously expected. According to the economists of the aforementioned bank, the driver of GDP decline will be lower consumption growth rate, particularly in Q3.



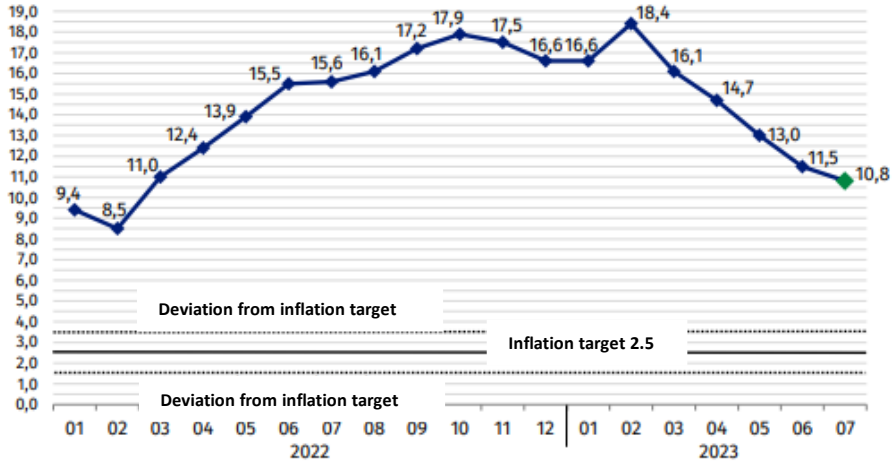
Source: Statistics Poland (former Central Statistical Office), quarterly national accounts, real GDP dynamics (corresponding period of the previous year = 100)

In 2024, with an expected recovery in the Eurozone and global trade, economists forecast that Poland's GDP growth rate will accelerate moderately. An additional driver of economic growth in 2024 will be the impact of the low base in 2023. The decline in inflation rate expected by Credit Agricole analysts will boost consumption. Additional boost for consumption will be provided by the indexation of the family benefit paid under the Family 500+ Programme up to the level of PLN 800. Credit Agricole Bank forecasts GDP growth at the level of 2.8% in 2024. On the risk side of GDP growth rate, there are indicated expected trends in public investment. Given the

absorption cycle of EU funds, the growth of gross public fixed capital formation will clearly decelerate in 2024. Moreover, the economists believe that the probability of further delays (even until H2 2024) in the project kick-offs under the National Reconstruction Plan has clearly increased due to the on-going Poland-EU dispute, which will be negative for the economic activity.
According to data published by Poland Statistics, nominal wage growth in the enterprise sector with the headcount more than nine people rose to 11.9% year-on-year in June, compared to 12.2% in May. In real terms, after accounting for the price changes, corporate wages rose by 0.4% y-o-y in June, compared to a 0.7% decline in May, their first increase since July 2022. The market analysts expect nominal annual wage growth to follow a mild downward trend in the coming quarters, which will also be observed for average wages across the economy. The major driver of the downward trend in nominal wage growth in the coming quarters will be the expected significant inflation rate decline and the associated reduction in corporate wage pressures.

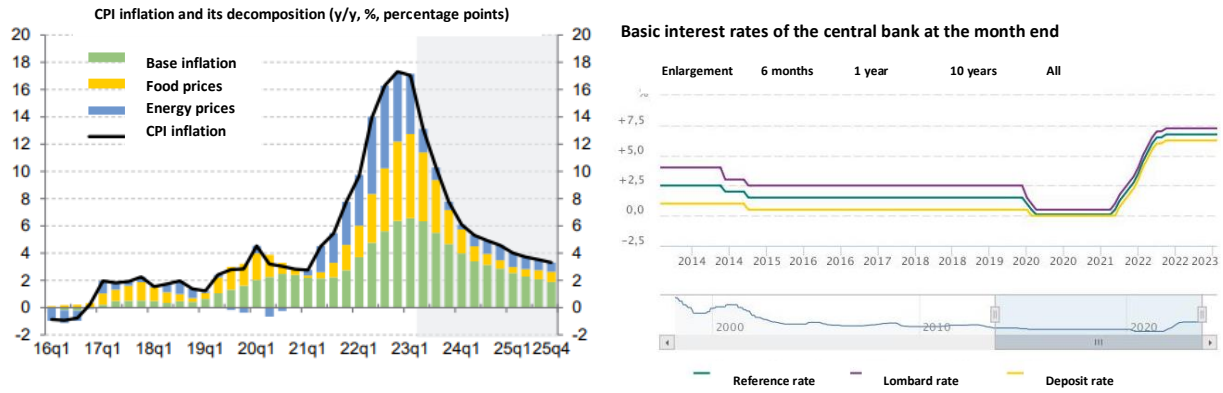
Inflation:

Preliminary data published by the Statistics Poland (former Polish Central Statistical Office) showed that CPI inflation rate eased to 10.8% in July, compared to 11.5% y/y in June and 13.0% in May. Thus, inflation has remained above the upper limit of deviation from the central bank's inflation target (3.5% y/y) for almost 2.5 years.



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

According to the July projection of the Polish central bank (NBP)- drawn up with the assumption of unchanged NBP interest rates - inflation will hover around 11.1 - 12.7% in 2023 (10.2 - 13.5% in the March projection), 3.7 - 6.8% in 2024 (3.9 - 7.5%) and 2.1 - 5.1% in 2025 (2.0 - 5.0%) with a 50% probability. The short-term path of inflation expected in the projection was therefore revised slightly downward from the forecast presented in March. In addition, the projection results indicate that inflation in 2024-2025 will be significantly above the MPC's inflation target (2.5%). The expected GDP growth rate in the projection will hover around -0.2 - 1.3% in 2023 (-0.1 - 1.8% according to the March projection), 1.4 - 3.3% in 2024 (1.1 - 3.1%) and 2.1 - 4.4% in 2025 (2.0 - 4.3%) with a 50% probability. Thus the projection talks about a scenario of slightly lower economic growth than expected in the March projection and closer to 0.5% in 2023, as well as its gradual acceleration in subsequent years.

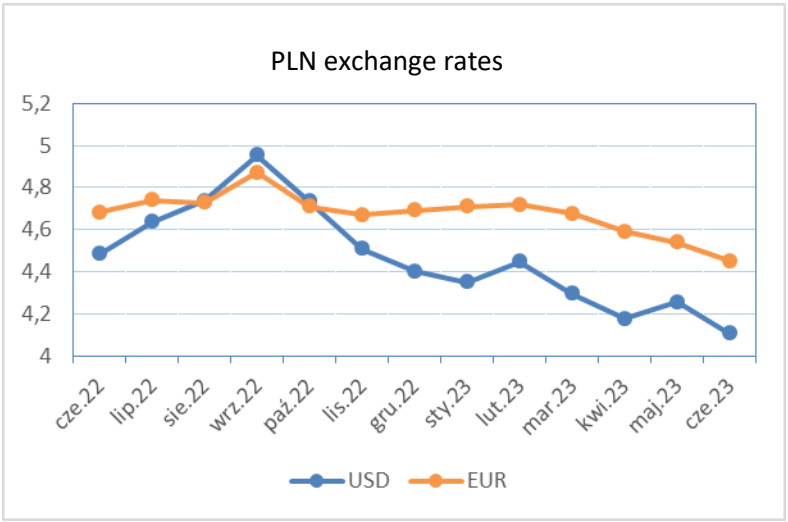


Source: National Bank of Poland (NBP), Inflation Report, Core and CPI inflation together with forecasts and central bank's interest rates

According to economists' estimates, Poland's y/y inflation will follow the downward trend and decline to single-digit levels in September or October, with the prospect of 7-8% by the end of 2023. In early July, the Monetary Policy Council (MPC) again left interest rates unchanged (the main rate is 6.75%). At the same time, at the conference following the MPC meeting, the MPC Chairman Adam Glapiński communicated the end of the cycle of interest rate rises in the country. In light of the statements of the MPC Chairman and the dovish stance of most MPC members, the market expects interest rate cuts as early as this autumn.

Exchange rates of major currencies:

At the end of June 2023 on a y/y basis, the Polish złoty had strengthened against the Euro by 5% and against the US dollar by 8.4%. Russia's attack on Ukraine and the on-going war across the eastern border is raising uncertainty on the part of investors. The exchange rate of the Polish currency is negatively affected by internal factors such as the government's expansionary fiscal policy and high inflation rate. On the other hand, it should be noted that since the end of September 2022, a gradual appreciation of the Polish currency and a return to pre-Ukraine war exchange rate levels has been noticed. In the case of EUR/PLN, the exchange rate approached the levels of 4.40-4.45, which were last seen in late 2020.



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

Positive investor sentiment towards the Polish currency is driven both by global drivers such as a weakening US dollar or the pushing back of hostilities from the Polish border towards eastern Ukraine and hopes for a faster conflict resolution, and by the local drivers. High interest rates, decelerating inflation, including falling energy costs in Poland and Europe now seem to be successfully attracting foreign capital, which has turned away from the dollar. In the short term, the room for appreciation of the Polish currency seems to be limited due to

macroeconomic factors such as still high inflation and a possible start of earlier interest rate cuts, which many economists are already predicting in the early autumn this year.

1.1.2. European Union:

According to Eurostat's preliminary estimates, GDP in the European Union was up in Q1 2023 by 1.1% compared to the same period of the previous year and up by 0.5% in Q2. Year-on-year inflation in the EU countries at the end of June was at the level of 6.4% (5.5% in the Eurozone)

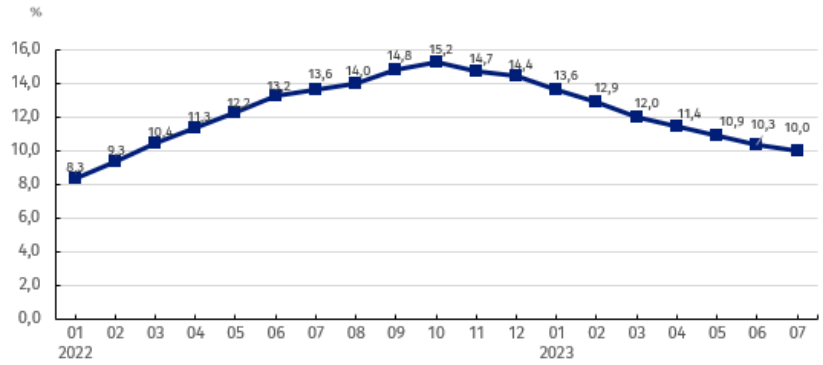
In the countries where the ERBUD Group operates, GDP growth rate in Q1 and Q2 2023 (y/y) and inflation (y/y) at the end of June were as follows, respectively:

- Germany (-0.3%) and (-0.1%), inflation 6.8%
- Belgium 1.3% and 0.9%, inflation 1.6%
- France 0.9% and 0.9%, inflation 5.3%

According to the European Commission's spring publication, the GDP growth forecasts for the overall 2023 and 2024 are as follows: European Union recorded 1.0% and 1.7% respectively (Eurozone 1.1% and 1.6%), with Germany up by 0.2% and 1.4% respectively, Belgium 1.2% and 1.4% and France 0.7% and 1.4%. Meanwhile, according to the inflation estimates for the next two years price growth should be at 6.7% (5.8% in the Eurozone) in 2023 and 3.1% (2.8% in the Eurocurrency zone) in 2024.

Construction business status:

According to the Poland Statistics, the growth rate of construction and assembly output was down to 1.5% y/y in June, compared to a 0.6% fall in May, which was below market consensus (+1.8%). The rise of production growth rate was caused by a low base recorded in the previous year. The rise of production growth rate between May and June was driven by the rise in the categories "construction of buildings" (-5.7% y/y in June vs. -12.2% in May) and "specialized construction activities" (3.8% vs. 0.9%), while the opposite influence was exerted by lower growth rate in the "construction of civil engineering structures" category (5.9% vs. 9.1%). Adjusted for the impact of seasonal factors, total construction output was down by 0.5% m/m in June, the fourth consecutive month of decline.



Source: Statistics Poland, Construction and assembly output price indices - changes in construction and assembly output prices in 2022-2023 compared to the same period in the previous year

In July 2023, construction output prices were up by 0.7% compared to the previous month. Since October 2022, there has been a declining trend in the annual price growth rate of construction and assembly output. As opposed to July 2022, construction and assembly output prices were up by 10%, while October 2022's y/y growth rate exceeded even 15%.

Poland Statistics' data confirms that housing construction in Poland is slowing down. In January-July 2023, 126,400 housing units were completed. It was down by 0.2% compared to same period in 2022. In January-July 2023, fewer housing units were completed compared to the same period in the previous year. In the initial seven months of this year 126,400 housing units were commissioned. It was down by 0.2% compared to same period in 2022. Declines were recorded in retail construction, while the number of housing units commissioned by developers rose marginally. The developers commissioned 73,600 housing units, up by 0.3% compared to the previous year. Not only the number of completed, but also planned construction sites is falling. In the first seven months of this year, permits were issued or construction notifications were filed for 131,100 housing units. This is down by as much as 32.3% compared to the same period last year. Developers were responsible for most of the permits. They were granted 85,600 permits, down by 35.4% on year-on-year basis.

Construction sector forecasts:

According to the Poland Statistics' research on the business activity, the overall business climate index in the construction sector was up in June for the fourth consecutive month, but still remains relatively low compared to historical data. Incoming Poland Statistics' economic research results in recent months indicate a gradual improvement in the construction sector. Special attention should be paid in particular to the indicators for current as well as expected orders, which continue a clear upward trend. According to estimates of the Credit Agricole economists, the 2% Safe Credit government scheme will be an important factor supporting residential construction activity in the coming months. In turn, construction activities in the civil engineering segment will be supported by the desire of public finance sector entities to utilize and clear still in this year the EU funds available under the previous EU 2014-2020 multi-year financial perspective. The market estimates that a gradual recovery in construction activity will start in the second half of this year.

According to a study of Spectis research company, in the case of civil engineering construction, building contractors attach high hopes to the new pool of EU funds, but their impact on investment volumes will be noticeable with a visible delay. Moreover, rapidly rising prices for construction services and building materials will cause some investment projects to be put on hold in order to raise additional financing. The analysts indicate that declining number of new investment projects will translate into significant fall of construction output in 2023-2024. The slowdown in investment activities already underway is mainly driven by the effect of a high comparative base, high prices for construction materials and labour, and high interest rates, affecting the high cost of raising money. The economic downturn and rising construction costs will contribute to an earlier slowdown in the engineering sector. The main reason for the adjustment will be the transition period between the two seven-year EU budgets, resulting in fewer investments being made. According to Spectis research company, there is currently a noticeable gap in the field of public works procurement when it comes to major infrastructure projects, particularly in the rail construction sector. The smaller engineering investment segment, mainly financed by the local authorities, is doing much better. After a transient slowdown, in the following years, public investment, financed by the EU Reconstruction and Resilience Instrument and the EU budget for 2021-2027, should be a major growth catalyst. Despite the difficulties and delays to date, it is expected that most of the funds will be released.

In the long run, a recovery in the industrial and energy construction sectors is also forecast, driven by the need to accelerate the energy transition of the economy. Renewable energy sources will be an increasingly important segment of the energy market in the years to come. There is significant interest in photovoltaic and wind farm projects both on the part of private investors and large corporations, including state-owned enterprises (SOEs). In the 2030 perspective, opportunities will arise in contracts for Solidarity Transport Hub (STH) airport, contracts for the Polish military, the nuclear power industry (mainly as a subcontractor for large global corporations) and in road construction (Government Scheme for the Construction of National Roads to 2030) or hydrotechnical construction (projects to treat and increase potable water resources and counteract climate change).

Regulations with a significant impact on building contractor operations:

1. **Construction Law**

In April 2023, amendments to the Construction Law came into force concerning, inter alia:

- Expansion of the functionalities of the E-Construction portal
- Building permit exemptions for detached houses;
- Simplification of the procedure for commissioning buildings;
- Expansion of the Electronic Construction Logbook system to include an Electronic Construction Works Logbook

2. **Energy performance certificate for a building**

On 28 April 2023, the Act of 7 October 2022 amending the Act on the energy performance of buildings and the Act - Building Law came into force. By virtue of the legislation, the catalogue of those who must have an energy performance certificate for a building has been extended to include investors planning civil works that requires a building permit. Indeed, a copy of the energy performance certificate must be attached to the application for an occupancy permit.

Periodic inspections of the heating or air-conditioning systems have been made mandatory.

3. **Wind Turbine Act**

In April 2023, the Act of 9 March 2023 amending the Act on investments in wind power plants and certain other acts (Journal of Laws of 2023, item 553).

The objective of the Act is to:

- make the rules more flexible to enable onshore wind energy development,
- facilitate residential development, mainly in the rural areas,
- to continue full protection of local communities from the impact of wind turbines,
- enhance the safety level through additional maintenance obligations for power generators.

The Act stipulates that turbines can only be located on the grounds of a Local Zoning Plan. The basis for determining the minimum distance - between 10 times the maximum height of the turbine (10H rule) and 700 m for residential buildings - will be, inter alia, the results of the strategic environmental impact assessment ("SEIA") carried out as part of the Local Zoning Plan. The Act also introduces minimum distances between wind turbines and power transmission lines.

In the case of the construction of a wind turbine in the vicinity of buildings, the 10H rule applies, meaning that the turbine can be located at a distance of 10 times the height of the turbine. There is an option provided for by the Act to reduce this distance. The Act provides that the Local Zoning Plan may specify a different distance between the wind turbine and the residential building, having regard to the extent of the impacts of the wind turbine. The absolute minimum distance that may not be exceeded is 700 m.

The developer of wind power plants will have to allocate at least 10% of the installed capacity to be taken up by the inhabitants of the municipality (virtual prosumers). The virtual prosumer legislation will not come into force until 2024.

4. **Special Nuclear Power Act**

Since April 2023, an amendment to the Act on the Preparation and Execution of Nuclear Energy Facility and Associated Investment Projects has been in force. The Act intends primarily to streamline in a comprehensive manner the investment processes related to the construction of nuclear power plants and provide better oversight of the project.

5. **Act of 14 April 2023 on the preparation and implementation of projects concerning pumped storage power plants along with associated investments**

The Act on the Preparation and Implementation of Pumped Storage Power Plant Investments and Associated Investments, published on 15 June, is expected to improve the preparation, implementation and expansion of pumped storage power plant projects. These power plants will act as electricity storage facilities.

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

1. **Labour Code and labour law**

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

Other significant amendments to the labour law in 2023:

- an increase of business travel allowances,
- change in the "mileage allowance" limit - regarding the reimbursement of the costs of using a private car for business purposes,
- a provision authorising the employer to carry out an employee sobriety check employee,
- additional leave (an option to extend parental leave by an additional two months, additional 5 days of unpaid care leave, additional days of leave in case of force majeure or in urgent family matters).

Following the revocation of the epidemic emergency on 1 July 2023, the obligations under the Labour Code regarding medical examinations and health and safety training were renewed.

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

2. Slim VAT 3 Package

On 5 June 2023, the Act amending the Value Added Tax Act and certain other acts introducing the so-called Slim VAT 3 simplification package was published. The main objective of the simplification package is to streamline and speed up the VAT clearing process, which should have a positive impact on businesses' liquidity. Most of the amendments have already became effective from 1 July 2023.

- ✓ Correcting invoices and exchange rates

The rules for the conversion of foreign currency amounts for correcting invoices have been clarified. According to the adopted amendments, for 'plus' as well as 'minus' adjustments, the exchange rate at which the invoice was originally converted should be used. In the case of cumulative adjustments, the exchange rate of the last working day preceding the issuing of the cumulative adjustment invoice will be able to be used.

- ✓ Split payment mechanism as well as joint and several liability

The number of entities able to benefit from the advantages of the split payment mechanism (non-application of VAT sanctions and increased interest on arrears) was expanded. The amendment refers to the situation where the amount of tax resulting from an invoice received is also paid by a taxable person other than the one indicated on the invoice, e.g. the factor.

- ✓ VAT Account

The catalogue of possibilities for spending the funds accumulated in the VAT account has been extended (these funds will be able to be spent to settle obligations e.g. with regard to mineral tax, retail sales tax, a levy on foodstuffs, the so-called sugar levy or a levy on quarter-litter bottles).

- ✓ Transfers between VAT accounts in the VAT group have been regulated.
- ✓ Effective from 1 January 2023 23% VAT rate was restored on gas, fuel, heat and electricity. 0% VAT rate still applied to food.

3. Special Act on Ukraine

On the onset of 2023, another amendment to the Law on Assistance to the Ukrainian Citizens in Connection with the Armed Conflict in the Territory of Ukraine and Certain Other Acts, referred to as the 'Special Act on Ukraine', entered into force. From 1 April 2023, it will become possible for Ukrainian citizens with a PESEL with UKR status to apply for a temporary residence and work permit, a residence and work permit for a highly qualified occupation (EU Blue Card) or to carry out a business activity. Under the procedure for granting a temporary residence permit, Ukrainian nationals are treated in a special manner; even in the absence of grounds for residence or existing grounds for refusal, the permit will be granted for a period of 1 year. The amendments to the Special Act on Ukraine also extend most of the tax allowances and exemptions previously in force until 31 December 2022 in the Personal Income Tax (PIT) Law and the Corporate Income Tax (CIT) Law. The extended arrangements will apply until 31 December 2023 with retroactive effect from 1 January 2023.

4. Other amendments

In 2023, the rules on hidden dividends in limited liability/joint stock companies were repealed.

The obligation to file PIT/WZ forms (bad debt relief) has been abolished.

Following the cancellation of the epidemiological emergency, mandatory reporting of domestic tax schemes will become again effective from August.

From September it will be necessary to use up-to-date certificates of residence.

From 1 July 2023, a requirement was restored to report faster payments to accounts outside the VAT White List to the Inland Revenue Office. Also from 1 July 2023 (after the revocation of the epidemiological emergency), the basic deadline for issuing tax interpretations returned. It will be 3 months.

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

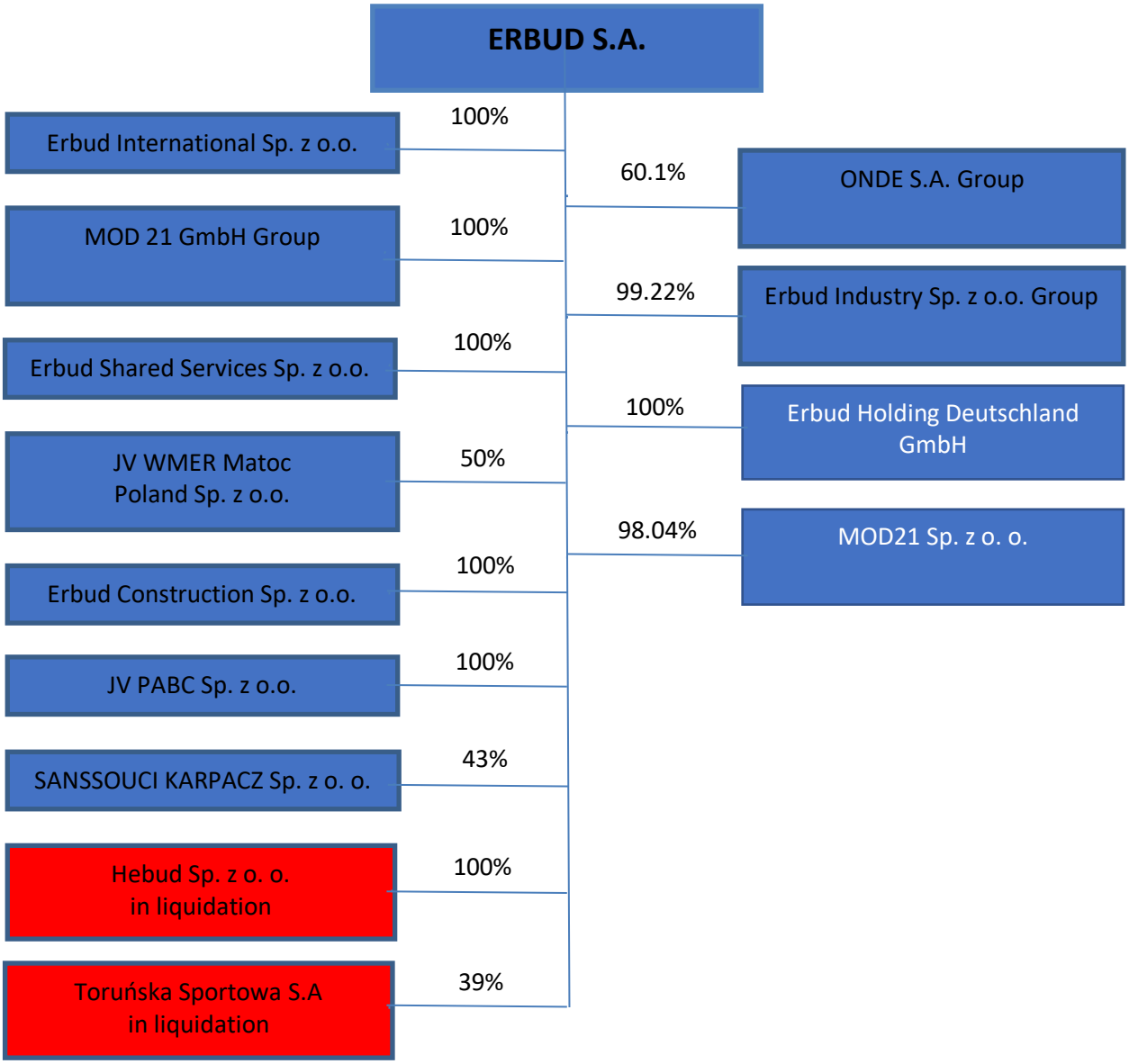
In addition to the factors described above, the ERBUD Group's operations will be affected by such factors such as:

- The impact of the '2% safe credit' on housing development;
- the end of the war in Ukraine and entering its reconstruction phase;
- release of funds under the Recovery and Resilience Facility – RRF;
- scale of public investment;
- macroeconomic environment in Europe and globally;
- possible conflict between China and USA.

2. ERBUD GROUP ACTIVITIES IN H1 2023

2.1. Capital Group Structure

At of the date of Financial Statements drawn up on 30 June 2023, the structure of the ERBUD GROUP was as follows:



On 3 April 2023, the merger of Erbud Industry Sp. z o.o. (Acquiree) with ERBUD S.A. (Acquirer) was entered into the National Court Register. The Acquirer was entitled to 100% of the shares in the share capital of the Acquiree and, pursuant to Article 515 § 1 of the Code of Commercial Companies, the merger of the companies took place without share capital increase of the Acquirer.

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

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

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

Since 9 May 2023, i.e. since the publication of the ERBUD Group's Condensed Consolidated Report for Q1 2023, the following changes in the Group's structure have taken place:

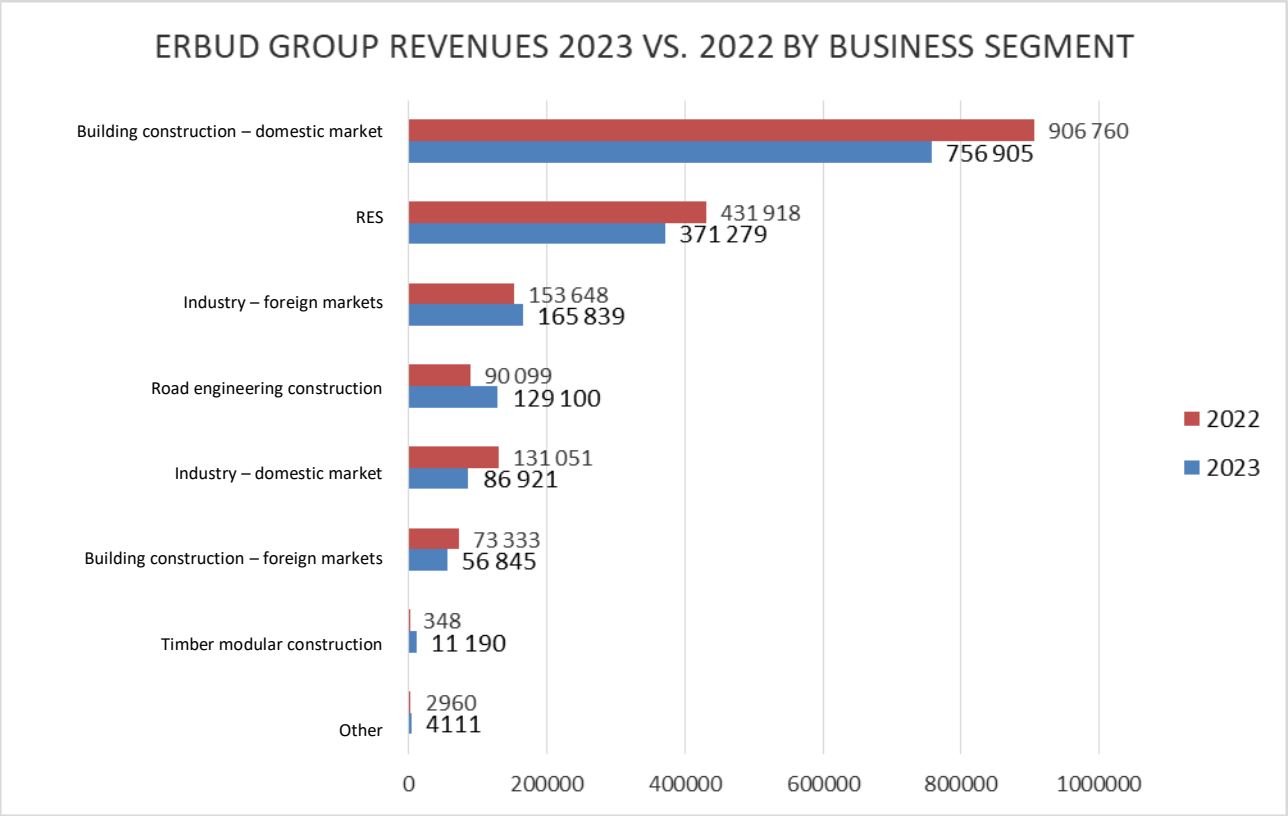
On 12 May 2023, the Extraordinary General Meeting of Shareholders of MOD 21 Sp. z o.o. passed a resolution to increase the share capital by creating two new shares with a par value of PLN 50.00 each. The new shares were acquired by Mr Theodor Kaczmarczyk, the President of the Management Board of MOD 21 Sp. z o.o. and President of the Management Board of MOD 21 GmbH. As a result of the acquisition of the new shares by Mr Theodor Kaczmarczyk, ERBUD S.A. now holds 98.04% of the shares in the share capital of MOD 21 Sp. z o.o. and the same number of votes at the shareholders' meeting of this company. Shares held by Mr Kaczmarczyk are not preference shares.

On 23 August 2023, ONDE S.A., in current report No. 20/2023, announced that on 22 August 2023, the reduction of share capital, redemption of own shares and related amendments to the Company's Articles of Association were registered by the District Court in Toruń. The Company's share capital was reduced by PLN 10,344.82, from PLN 1,100,600.00 to PLN 1,090,255.18, as a result of the redemption of 517,241 of the Company's own shares acquired by the Company, out of the total of 55,030,000 shares down to 54,512,759 shares. Thus, the current share capital amounts to PLN 1,090,255.18 and is divided into 54,512,759 A-series ordinary bearer shares with a par value of PLN 0.02 each. The total number of votes attached to all the Company's shares is 54,512,759.

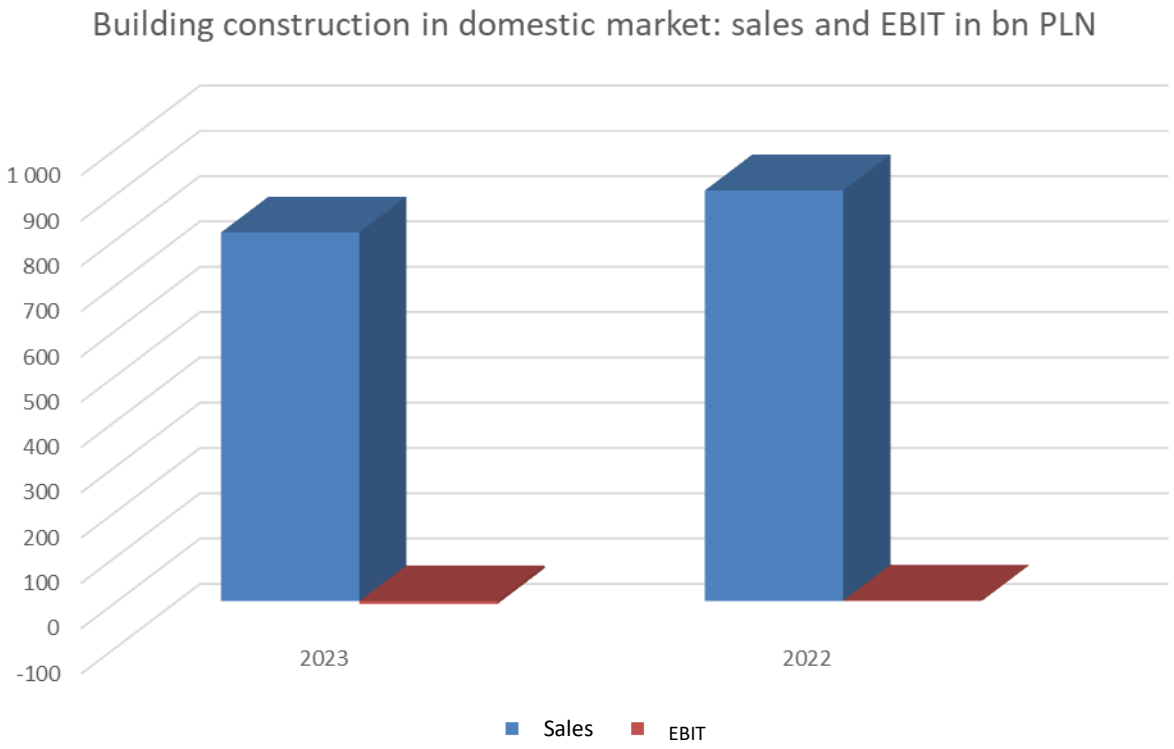
2.2. Breakdown of activities

The ERBUD Group is in top five leading construction groups in Poland. However, the Group's business is highly diversified in terms of its activities. The scope of its activities covers a wide range of construction and erection services, performed both in the capacity of a general contractor and sub-contractor, construction of RES systems including both wind power stations and photovoltaic systems; road-engineering services, maintenance services for a wide range of industries, construction of denitrification and desulphurization plants, construction of modern, environmentally friendly boiler plants as well as small-scale hydro-engineering works. 2023 is the year of the first sales in the new business leg that ERBUD Group has been developing since 2021 - the segment for the production and sale of timber modular buildings.

The Group executes orders at home and abroad (mainly in Germany, Belgium and in Lithuania). In the first half of this year, operations in Poland accounted for 85.04% of the total revenues. In the comparative period, this share accounted for 87.30% of the Group's sales revenues.



2.3. Residential/commercial buildings in Poland



Building construction projects in Poland are carried out by ERBUD S.A., Erbud International Sp. z o.o. and by JV WMER Matoc Poland Sp. z o.o.
ERBUD S.A. activities are carried out by its three branches and three technical offices: the Warsaw Branch with technical offices in Szczecin and Rzeszów; the Toruń Branch with a technical office in Gdańsk specialising in hydraulic engineering; and the Wrocław Branch with a technical office in Kraków. The new organisational structure was introduced effective from 1 January this year and was a response to the difficult situation in the building construction sector. The branch office are headed by top managers who proved themselves in the most difficult moments. The engineering branch, which was an independent 100% subsidiary of ERBUD S.A. until 3 April 2023, was also incorporated into the Warsaw branch.

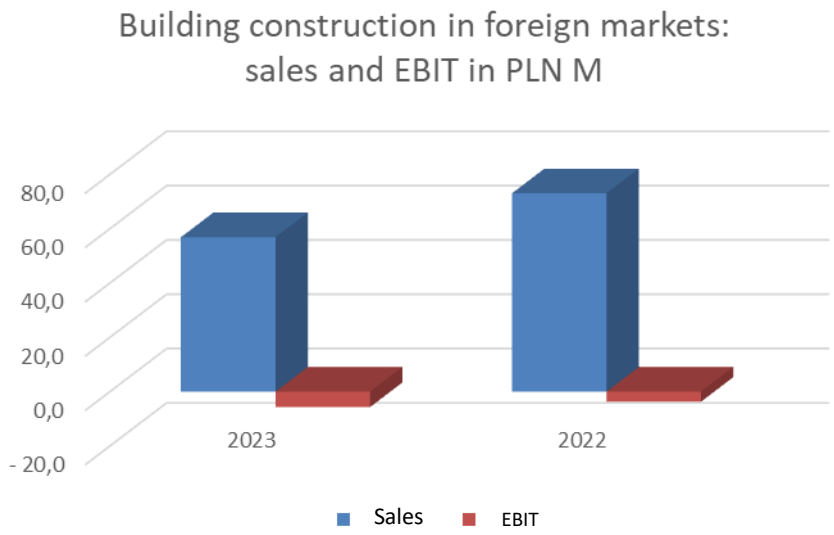
In H1 2023, the Group's net revenue from domestic volume construction totalled PLN 756 905 thousand, down by 16.53% compared to the same period of the previous year.

At the end of June 2023, the order portfolio in the domestic building construction segment was worth PLN 1.1 billion compared to PLN 1.7 billion at the end of H1 2022, of which PLN 0.69 billion was in H2 2023.

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

- **9 February 2023** – Signing of a significant contract worth approximately PLN 50 million net for the construction of an offshore wind farm's maintenance base (The Operations and Maintenance Base) with Baltic Power sp. z o.o.
- **24 March 2023** – Signing of contract for general construction work with LINDE GmbH, LINDE Engineering. The value of the contract is EUR 12.6 million (PLN 59.3 million).
- **13 April 2023** – Signing of the contract for the construction of the District Court Katowice East. Contract value – PLN 92.6 million. Investor: State Treasury – Regional Court in Katowice.
- **23 May 2023** – Signing of the contract for the construction of a manufacturing and warehousing facilities with social premises along with the required infrastructure. Contract value = PLN 69.8 M. Investor: Universal Scientific Industrial Poland Sp. z o.o
- **28 June 2023** – Signing of contract for the construction of a multi-family residential building with commercial units and an underground car park. Contract value = PLN 64.2 M. Investor: PROJEKT CISZEWSKIEGO spółka z ograniczoną odpowiedzialnością spółka komandytowa.
- **13 July 2023 r.** – signing of Appendix No. 1 to the Contract concerning manufacturing and supply of gas-fired boilers and the construction of a boiler room, originally executed by Erbud Industry Sp. z o.o. The value of works under Appendices PLN 94.5 million, and the total value of contract is PLN 142 million. Investor: PFEIFER & LANGEN POLSKA S.A.

2.4. Residential/commercial buildings in foreign countries

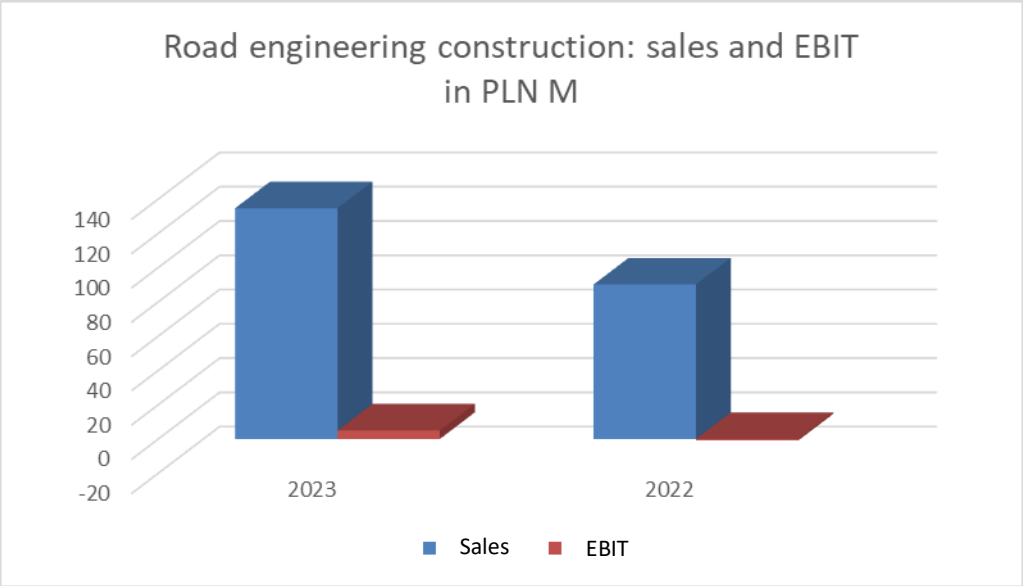


Building construction projects in foreign countries are primarily carried out by MOD 21 GmbH (formerly GWI BAUUNTERNEHMUNG GmbH) - in Germany - as well as by Erbud International Sp. z o.o. and ERBUD S.A. (in the markets of the following countries: Belgium, the Netherlands, Luxembourg). Due to the economic situation in Germany and the negative development in the conventional construction sector (recession, decline in the number of construction service orders, price hikes energy and building material price hikes), the decision was taken in March 2023 to close the conventional construction division (Hochbau) of MOD21 GmbH by the end of 2023. Consequently 33 employees were laid off. This radical decision was the result of an in-depth analysis of the Company's key figures recorded in the past few years. At the same time, the company wants to focus entirely on modular construction. The Company will focus on the sales of timber modular buildings manufactured by its sister company MOD 21 Ltd.
Building construction projects are being completed and no new contracts are being signed. In Q2 2023, 30 building construction workers were laid off.

In the first six months of 2023, the building construction in foreign countries business segment generated revenues of PLN 56.8 million for the ERBUD Group, down by 22.48% compared to the same period in the previous year. The decline in sales was generated due to the phasing out of the building construction business at MOD21 GmbH.

In June 2023, the foreign order portfolio totalled PLN 0.6 billion in value terms. compared to PLN 0.3 billion in the corresponding period of 2022, with PLN 0.56 billion generated in H2 2023.

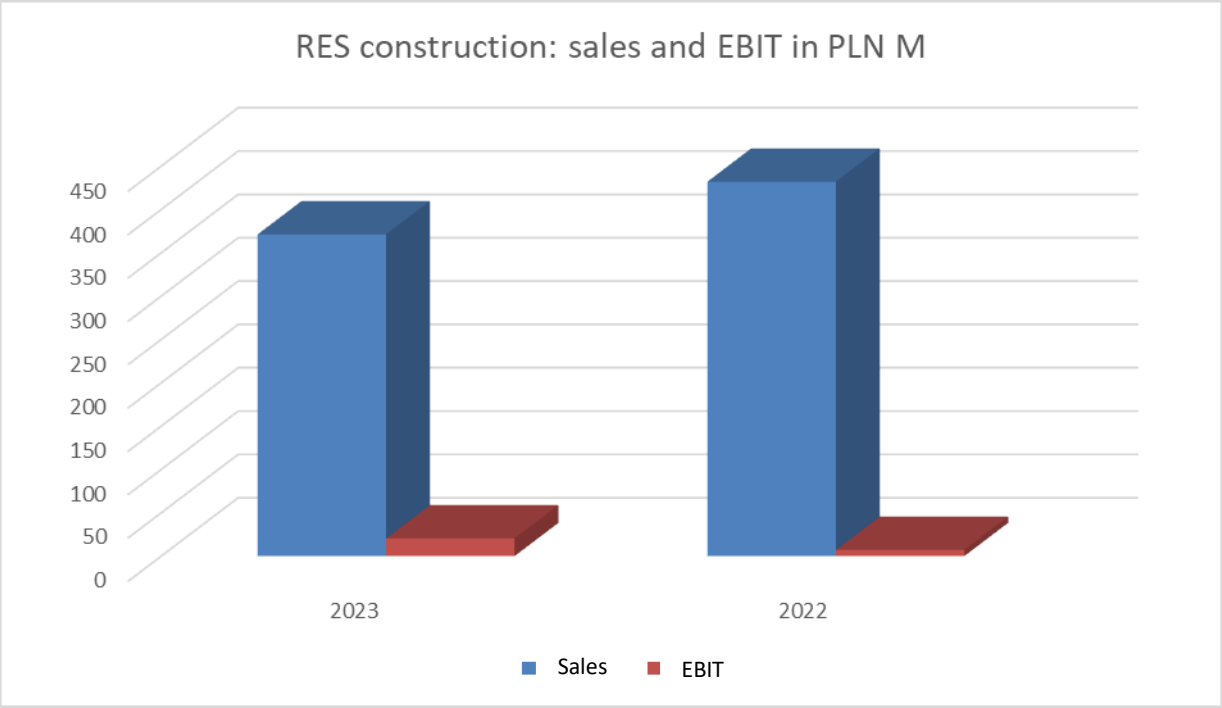
2.5. Road engineering construction services



ONDE S.A., a daughter company of ERBUD S.A., operates in the road engineering service segment. In H1 2023, this segment's revenues totalled PLN 129.1 million. Compared to the same period in 2022, sales was up by 43.29%. The largest project in this segment is still the S3 road construction by a consortium comprising also Mosty Łódź S.A.

At the end of June 2023, the order portfolio for this segment was worth PLN 0.229 billion, of which PLN 0.2 billion was for 2023. In the comparable period of 2022, the portfolio for this segment was worth PLN 0.15 billion.

2.6. Renewable Energy Sources (RES)

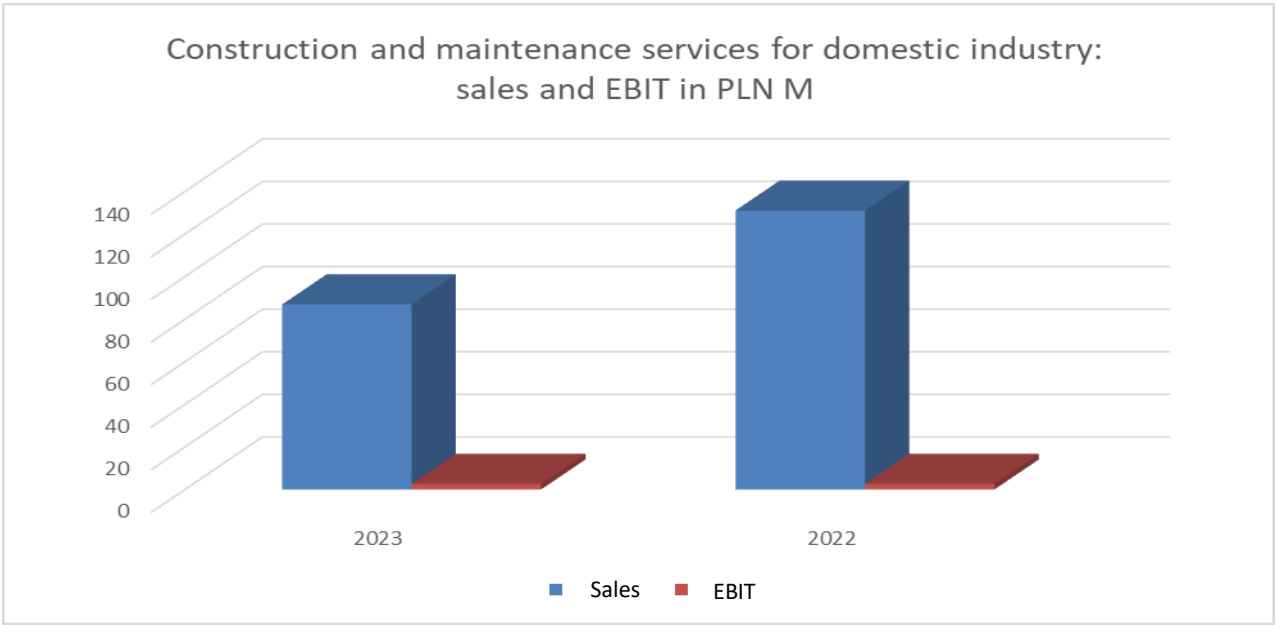


In the first six months of 2023, the RES business generated PLN 371.2 million in revenues, down by 18.52% compared to the same period in the previous year (PLN 432 million).

At the end of June 2023, the order portfolio for RES segment was worth PLN 0.56 billion, of which PLN 0.39 billion was for 2023. In the comparable period of 2022, the portfolio for this segment was worth PLN 0.47 billion.

Q2 2023 ended with the sale of one of ONDE's own projects - the 18 MV 'Cyranka' photovoltaic farm.

2.7. Maintenance services for the domestic industry

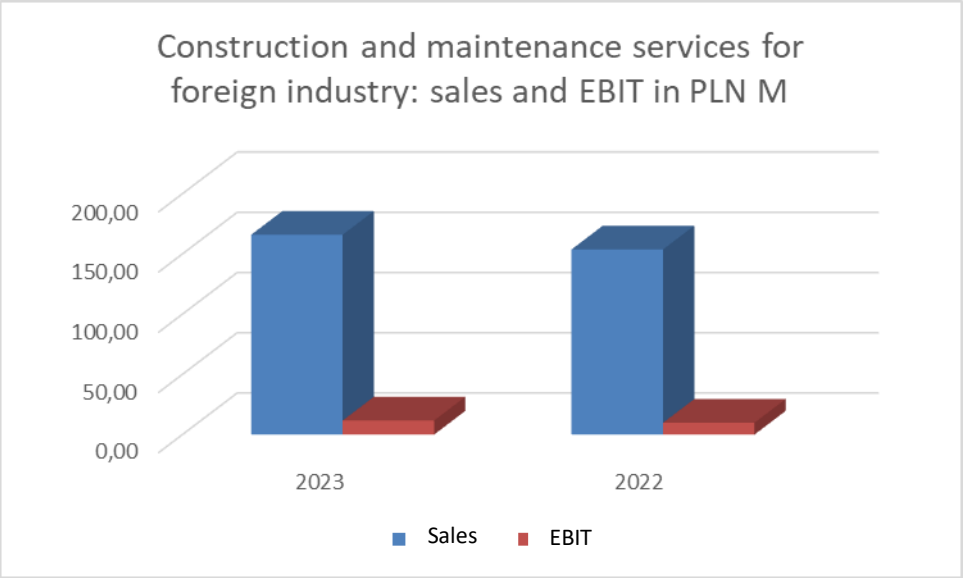


Projects in the industrial services segment in Poland fall into the scope of business activities of three subsidiaries: Erbud Industry Centrum, Erbud Industry Południe and Satchwell Sp. z o.o.

In H1 2023, the revenues generated in the construction and maintenance services for the industry totalled PLN 87 million, compared to PLN 131 million in the same period of the previous year, which was down by 33.67%.

At the end of June 2023, the order portfolio for this segment was worth PLN 0.10 billion, of which PLN 0.08 billion was posted in 2023. In the comparable period of 2022, the portfolio for this segment was worth PLN 0.15 billion.

2.8. Maintenance services for the industry in foreign countries



IVT Weiner + Reimann GmbH, IVT Menzenbach GmbH and IKR GmbH focus on the maintenance services rendered for the power sector and the broadly-understood offshore industry.

In 2023, sales of IVT and IKR companies totalled PLN 165.8 million vs. PLN 153.6 million last year.

At the end of June 2023, the order portfolio for this segment was worth PLN 0.23 billion, of which PLN 0.15 billion was for 2023. In the comparable period of 2022, the portfolio for this segment was worth PLN 0.12 billion.

IVT offers a full range of modern industrial technologies. In addition to the assembly and disassembly of industrial systems, IVT also offers a wide variety of services for industrial plants.

IVT operates in the following business areas:

- Steel and pipeline structures
- Industrial and on-site engineering services
- Electrical, meteorological, measurement and control technologies
- House and building technology
- Building technical management
- Downtime management
- Industrial curing
- Temporary employment (through the subsidiary IVT Menzenbach)

IVT's activities are concentrated in the Rhine-Ruhr region - in addition to the main office, IVT is in the possession of branches located on the customer sites: Bottrop, Dinslaken, Duisburg, Krefeld and Moers.

IVT activities are based on long-term customer relations. IVT's customer portfolio comprises companies operating in:

- ArcelorMittal Duisburg - steel industry
- ArcelorMittal Bottrop – coking plant
- Axel Springer - printing house (photo / Welt am Sonntag)
- Benteler Steel / Tube - Tube manufacturing
- Cargill – Food industry
- Ineos - chemistry
- Minegas / MingasPower - mining gas extraction and power generation
- RAG - shaft filling/monitoring of water and methane levels
- Rondo Food - pet food
- SBO (formerly OGM) - management of public buildings
- STEAG - energy supplier
- VIVAWEST - Housing Co-operative

The first half of the year can be described as very successful for IVT. Due to a very good order situation and successful negotiations with customers, IVT was able to significantly improve both turnover and the profitability situation compared to plan. Compared to last year's period, the initial months

were characterised by high activity in shaft filling. From today's perspective, 2023 will not only be a follow-up of the very successful 2022, but the good performance will be once again exceeded.

IKR GmbH is a service provider to industry and also carries out larger-scale projects under signed contracts. With a competent and qualified personnel, it provides quality services at moderate prices. IKR acts as a partner to its clients and relies on long-term, trust-based cooperation.

IKR is headquartered in Bitterfeld-Wolfen with its own production capacity and its own training company.

IKR GmbH primarily handles orders in the field of pipeline and plant construction.

IKR has branches in Bavaria on the Wacker-Chemie site in Burghausen, its own manufacturing facility in Guben (Lausitz) and in Hamburg at Nynas GmbH & Co. KG.

IKR specializes in the following business areas:

Petrochemical sector: IKR executes new construction, extension and conversion projects at refineries, gas and hydrogen plants and air separators.

Chemical sector:

It assists its customers on key issues such as sustainability, energy conservation and enhanced environmental awareness.

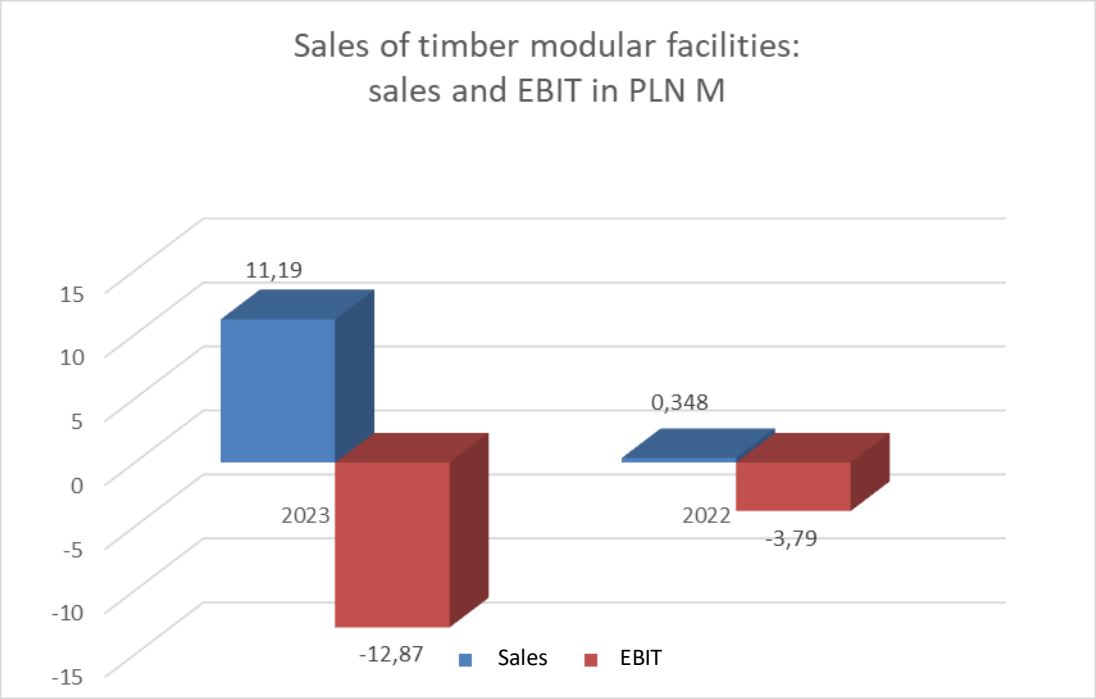
Industry /Energy:

IKR plans and builds process engineering systems on power plant, food industry and wastewater treatment plant sites. Another goal is to build test facilities for both industry and universities.

IKR has succeeded in implementation of the H1 targets set for this year. This is all the more welcome as the design business is in crisis due to the war in Ukraine and customers are adopting a very cautious approach. Planned investments in which IKR should also be active have been postponed to Q2 and Q3 2023.

Nevertheless, it can now be assumed that the 2023 targets will not only be met, but exceeded.

2.9. Fabrication and sale of timber modular buildings.



In H1 2023, the revenues of the modular segment totalled PLN 11.2 million. These were the first revenues generated by this segment.

At the end of June 2023, the segment had an order book of PLN 0.12 billion, including a conditional contract for the construction of apartments for rent of PLN 0.08 billion; of which PLN 0.06 billion is falls due in 2023.

The fabrication of the first modular building, a kindergarten for the Eisingen Municipality in Germany, consisting of 25 modules with a total area of 524 m², started in April 2023. Fabrication of a shelter for people in refugee crisis, commissioned by the City of Munich, was also started in Q2 2023. The shelter building will be 3,636 m² in size and will consist of 105 modules. In addition, the company has won a number of tenders, such as the production of a kindergarten for the municipalities of Reutlingen and Rüdersdorf near Berlin. Berlin or an after-school centre in Stralsund, which could be realised in the second half of 2023 after final confirmation of the entry into force of the contracts by the contracting authorities.

In Q1 2023, an investment in a second manufacturing line was started, enabling the fabrication of cross laminated timber (CLT) modular structures. The value of the investment project is nearly PLN 13 million and the investment will be completed in November 2023. Due to the aforementioned investment project, the headcount at MOD21 Sp. z o.o. will go up to approximately 190 people.

At present, the sales and calculation department continues to be expanded. The Company also intends to recruit project managers and site managers for the Düsseldorf office in the near future. The decision to switch from conventional to modular construction is driven by the very good growth prospects of the latter business segment. The real estate sector in Germany is negotiating with the federal government to make it compulsory for local authorities to build a min. 30 % of new buildings using a timber technology (Immobilienverband: 30-Prozent-Quote für Modulbau, Süddeutsche Zeitung, 3 May 2023 r.). This target mirrors the assumptions for the so-called timber initiative (Holzbauinitiative. Strategie der Bundesregierung zur Stärkung des Holzbaus als ein wichtiger Beitrag für ein klimagerechtes und ressourceneffizientes Bauen, BMWSB, Berlin 2023). published in June 2023 by the Federal Ministry of Housing, Urban Development and Construction. The adoption of such a strategy by the German federal government will create a huge modular construction market in Germany.

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

There were no significant achievements or setbacks in the Issuer Group during the first half of 2023 that could have a significant impact on the financial position. Both the Issuer and its subsidiaries run their statutory activities.

In the first half of the year, the Group's management continued to focus on renegotiating construction contracts that had been signed before Russia's invasion of Ukraine. The swelling costs have rendered contracts financially unviable. Thanks to the efforts of ERBUD Group managers, from the day the war broke out until 30 June 2023, it was possible to enhance the value of contracts signed before 2022 by more than PLN 130 million. However, even this scale of extra payments only allowed to cover the costs of the orders underway. Therefore, at the end of Q2 2023 the domestic building construction segment posted a negative performance.

The second area of particular interest is the segment of timber modular buildings. An investment project designed as a 'start-up' despite a good market environment for the product did not develop at the expected rate. The new production staff, the new 'back office', despite the support extended by ERBUD S.A., did not generated the pre-planned sales targets, and consequently did not generate the set profit margins. "Going up the learning curve" period for a new organisation, made up of new people dealing with new processes, is much longer than originally anticipated. The Erbud Group has been active in the service segment since its foundation. MOD 21 is the Group's first manufacturing company.

Positive events include the sale of the first 18 MV "Cyranka" PV project. Thus, the ONDE Group, which is 60% owned by ERBUD S.A., has bucked the previous trend in the RES project development activities.

Not without significance for the Group is an event described as occurring after the balance sheet date - the final win with Bank Millenium S.A..

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

In the second half of 2023, the ERBUD Group will continue its efforts targeted primarily at hedging margins on contracts underway and building its portfolio for 2024-2025. One of ERBUD Group's priorities in the 2023 - 2025 period will be to reach full utilisation rate of capacity in the business segment of fabrication and sales of timber modular buildings.

The ONDE Group will monetise further RES projects in future periods and, at the same time, to continue building its new portfolio of projects in various phases of development using generated cash flows. Another priority for the ONDE Group is to strengthen its position in foreign markets. The first bridgehead in Lithuania has confirmed the validity of this strategy.

The ONDE Group is also tasked with further development of its services in the overseas markets.

Another equally important task facing the ERBUD GROUP is to take care of its cash position and secure access to third party capital. The financial position of the ERBUD Group is stable. As of 30 June 2023, the Group had PLN 179.7m of available cash in hand and PLN 14.0 held in a VAT account. Interest liabilities totalled PLN 347.6 million, including PLN 19.9 million from reclassification of tenancy and lease contracts pursuant to the IFRS 16 standard. Long-term debt totalled PLN 179.6 million, with the largest item being bond liabilities maturing in September 2025; short-term debt: PLN 173.2 million. The net debt, excluding the debt under IFRS 16 standard, totalled PLN 136.4 million.

The Erbud Group entered the second half of 2023 with a very stable order book worth approximately PLN 2.80 billion. Meanwhile the value of the portfolio falling into 2023 is worth approximately PLN 1.6 billion. For comparison sake in the corresponding period of the previous year a portfolio value of PLN 2.4 billion as of 30 June 2022, of which PLN 1.7 billion was due in 2022.

Between January and August 2023, the Group signed contracts worth approximately PLN 1,538 million.

2.11.1. Post balance sheet date events that will have impact on the Group's operations in future periods.

The Management Board of Parent Company, at the date of the financial statements, drawn up as of 30 June 2023, has identified the following event occurring after the date of 30 June 2023 that will have an impact on the Group's operations in 2023:

On 31 July 2023, the Management Board of ERBUD S.A. received the Supreme Court's decision about the refusal to consider the cassation appeal of Bank Millennium S.A., based in Warsaw, against the judgment of the Court of Appeals in Warsaw favourable to the Company, dated 24 November 2021.

On 1 August 2023, an amount of PLN 112,313,076.28 was credited to ERBUD S.A.'s account.

3. ERBUD GROUP FINANCIAL PERFORMANCE IN H1 2023

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

3.1. Key drivers of financial performance

The first half (H1) of 2023, the ERBUD Group closed with a net loss from continuing operations of PLN 4 659 thousand compared with a loss of PLN 1 449 thousand in the first half (H1) of 2022. The performance in the first half of 2023 is burdened by the negative performance of the new business segment - fabrication and sale of timber modular buildings and negative performance in the domestic and foreign building construction segment. At the operating profit/loss (EBIT) level, the MOD21 Sp. z o.o. start-up company incurred a loss of PLN 10.5 million.

The net loss in the first half of 2023 was generated mainly by:

- Building of fabrication and sale of timber modular buildings' segment Product sales have already started in Q2 but the attainment of break-even point (BEP) is not expected until next year.
- A significant share of sales of contracts signed before the outbreak of war in Ukraine.
- Phasing out of the building construction business carried out by MOD21 GmbH (former GWI GmbH) - operating loss of PLN 8.8 million;
- Write-down of receivables in ERBUD S.A. as a result of non-enforceability - PLN 4.9 million

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

ERBUD Group has not published financial forecasts for 2023.

Specification	2023	2022	Difference	% change
Revenues from sales of products, merchandise and services	1,582,190	1,790,117	-207,927	-11.62%
Net profit/loss on sales	120,480	110,676	9,804	8.86%
Net profit/loss on sales	7.61%	6.18%		

Operating profit (EBIT)	**10,220**	**12,399**	**(2,179)**	**(17.57%)**
% EBIT	**0.65%**	**0.69%**		
EBITDA	**28,166**	**28,816**	**(650)**	**(2.26%)**
% EBITDA	**1.78%**	**1.61%**		
Gross profit/loss	**(8,690)**	**5,592**	**(14,282)**	**(255.40%)**
% Gross profit/loss	**(0.55%)**	**0.31%**		
Net profit/loss	**(4,659)**	**(1,449)**	**(3,210)**	**221.53%**

3.2. Sales revenues

In the first half of 2023 the Group generated sales revenues of PLN 1,582,190 thousand, 11.62% lower than in the same period last year. In H1 2023, sales was up in the following business segments: road and engineering construction services (43.29%), maintenance services for industry in foreign countries (7.93%). The remaining segments recorded a sales decline.

3.3. Costs

The main cost item of the ERBUD Group (57.95% of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. In H1 2023, they totalled PLN 924.9 million, i.e. they were up by 8.67% compared to the same period of the previous year.

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

- Expenses on materials and energy - they totalled PLN 389.1 million (24.38% of operating expenses) and were down by 32.18% compared to H1 2022.
- Employee benefit costs - closed at PLN 241.2 million (15.11% of operating expenses), up by 1.43% in this cost category compared to that in H1 2022.

Total costs by type in H1 2023 were down by 14.41% compared to the same period in 2022.

Operating costs ('000 PLN)

	2023	2022	Difference	% change
Total costs by type	**1,595,945**	**1,864,684**	**(268,739)**	**(14.41%)**
Third party services	924,926	1,012,758	(87,832)	(8.67%)
Material and energy consumption	389,093	573,729	(184,636)	(32.18%)
Employee benefit expenses	241,224	237,813	3,411	1.43%

Amortization and depreciation	17,946	16,417	1,529	9.31%
Taxes and charges	7,314	10,170	(2,856)	(28.08%)
Other cost categories	13,730	11,835	(1,895)	(16.01%)
Value of materials sold	1,712	1,962	(250)	(12.74%)

3.4. Other income

Other operating income and expenses

In H1 2023, the Group's Other net operating income including impairment of financial assets and contract valuation assets totalled to PLN (8,854) thousand, compared to PLN (108) thousand in the same period in the previous year. In Other operating income line, the largest items were Gains on disposal of non-financial fixed assets - PLN 931.2 thousand. Other operating expenses were up by 147%, with the largest item being allowances for receivables, totalling PLN 4.9 million.

Financial activity gains/losses

The Group's financial activity gains/losses were negative and totalled PLN (18,151) thousand, compared to a loss of PLN (6,495) thousand in H1 of the previous year. In the period under study, the financial costs were up by 79% on a year-on-year basis. On the cost side, the largest items were Interest on bonds, loans and others of PLN 15.9 million, and foreign exchange losses of PLN 9.8 million.

In the Financial income line in H1 2023, the largest items were Interest on loans extended - PLN 3.8 million, and foreign exchange gains - PLN 4.6 million. As of 30 June 2023 the financial income was up by 3.9% compared to that on 30 June 2022.

3.5. Statement of Financial Position

On 30 June 2023, the total assets of ERBUD S.A. Capital Group amounted to PLN 1,972 million and were down by 2.20 % compared to the end of 2022.

Major items of the Group assets were as follows:

- Short-term trade receivables and other receivables including deposits. They totalled PLN 646 million i.e. they accounted for 33.18% of the total assets. Their value was down by 15.74% compared to the end of 2022.
- Another significant asset are receivables from the valuation of construction contracts - PLN 533 million - accounting for 27.1 % of total assets (up by 23.76% compared to that on 31 December 2020). The contract valuation was up mainly at ERBUD S.A. – 23.8% and ONDE S.A. – 24.3%. This is a result of, inter alia, the execution of contracts under the Polish Deal and the execution of contracts with an option of invoicing completed items.
- Cash and cash equivalents in the amount of PLN 193.6 million, including cash accumulated in the VAT account (down by 2.84% compared to the 2022 closing balance).
- Fixed assets were priced at PLN 436.8 million that accounted for 22.15% of assets. Their value was down by 1.30% compared to the end of 2022. They consisted primarily of tangible fixed assets (PLN 220 million), deferred tax assets (PLN 88 million), investments accounted for using the equity method (PLN 52 million).
- Current assets of PLN 1,535 million accounted for 78% of the value of assets and their value was down by 2.45% compared to the end of 2022.

As of 30 June 2023, shareholders' equity totalled PLN 626.7 million, (including non-controlling shareholders' equity of PLN 129.6 million) compared to PLN 665 million at the end of 2022 (down by 5.82%).

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

- Total current liabilities of PLN 1,103m (accounting for 55.92% of liabilities) were up by 0.39% compared to that on 31 December 2022;
- Interest-bearing debt totalled PLN 349 million (accounting for 17.68% of total liabilities), including PLN 19.9 million. under the IFRS 16 amendment, and was up by PLN 35.9 million (11.51%) compared to that at year-end 2022.

3.6. Cash flows

In H1 2023 the ERBUD Group recorded positive cash flows of PLN 15.7 million (PLN (216.8) million in the same period of the previous year). In particular they consisted of:

- Positive cash flows from investment activities in the amount of PLN 2.33 million.
- Negative cash flows from investment activities in the amount of PLN 8.97 million.
- Positive cash flows from financial activities in the amount of PLN - 22.35 million.
- As of 30 June 2023 the Group held cash and cash equivalents in the amount of PLN 193.6 million, including cash accumulated in the VAT account (down by 2.8% compared to the 2022 closing balance).

3.7. Changes in equity

As of 30 June 2023, shareholders' equity totalled PLN 643.9 million, (including non-controlling shareholders' equity of PLN 129.4 million) compared to PLN 665.5 million at the end of 2022 (down by 3.25%).

Changes in the value of shareholders' equity were caused by the performance in the reporting period and the dividend paid.

3.8. Interest debt

At the end of June 2023, ERBUD Group's total interest-bearing debt (loans, borrowings, bonds, leases) totalled PLN 350 million, including PLN 173 million of short-term debt.

The increase in interest-bearing liabilities compared to the end of 2022 (PLN 313 million; 11.95%) is mainly due to the higher utilisation of both long- and short-term loans. Long-term loan utilisation up by 9.58%; short-term loan utilisation by 47.26%

Specification	30 Jun. 2023	31 Dec. 2022	30 Jun. 2022
cash assets	193,647	199,299	161,250
interest liabilities	349,938	312,575	338,675
IFRS 16	19,891	30,538	8,143
interest debt in real terms	330,047	282,037	330,532
Net debt	136,400	82,738	169,282

Key financial contracts signed prior to the date of the financial statements in H1 2023.

On 26 June 2023, Contract No. 10 1020 1026 0000 1602 0594 1028 for a multi-purpose credit limit was signed with PKO Bank Polski S.A. Under this contract ERBUD S.A. can draw on a multi-purpose line of PLN 70 million, with a debt sub-limit of PLN 20 million under the line. This contract is valid for another 12 months, i.e. until 28 June 2024.

On 6 July 2023 ERBUD S.A. jointly with ONDE S.A. signed with Santander Bank Polska S. A. Appendix No. 12 to the MultiLine Agreement No. K01393/15 of 20 November 2015, as amended. Under this Appendix, the Issuer and ONDE S.A. may use a multi-purpose line (overdraft and bank guarantee line and letters of credit) up to PLN 140.000.000,00 (one hundred and forty million PLN), provided that the ERBUD S.A. may use services under the Limit up to PLN 60.000.000,00 (one sixty million PLN). The line's maturity date is 7 July 2024. The other conditions remained unchanged.

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

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

A summary of these hedges can be found in the interim, consolidated financial statements of the ERBUD Capital Group for the period from 1 January to 30 June 2023.

Loan agreements and multi-purpose financial agreements (a loan with a guarantee facility) as of the date of publication of the condensed financial statements contain financial ratios that the borrower has undertaken to maintain during the term of the loan. As of 30 June 2023 the Group had not breached any financial ratios (covenants) set forth in the applicable agreements with financial institutions.

As of the balance sheet date of 30 June 2023, the ERBUD Group had access to bank and multi-purpose insurance lines with the total value of PLN 2,073,425 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees.

Loan agreements signed by ERBUD Group entities - as of 5 September 2022.

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date	Payment of installments	Borrower
BNP Paribas Bank Polska S.A.	Overdraft facility	11,000	PLN	WIBOR 3M +1.50%	2023.10.30	one-off	ERBUD S.A. 3 000; ONDE S.A. 5 000; ERBUD INTERNATIONAL 3 000;
mBank S.A.	Overdraft facility	40,000	PLN	WIBOR 1M +1.60%	2023.09.28	one-off	ERBUD S.A. – 15 000; ONDE S.A. – 30 000
mBank S.A.	working capital facility	23,721	PLN	WIBOR 1M + 1.60%	2023.09.28	one-off	Onde S.A.
PKO Bank Polski S.A.	Overdraft facility	20,000	PLN	WIBOR 3M 1.60%	2024.06.28	one-off	ERBUD S.A.
Alior Bank S.A. Group	Overdraft facility	10,000	PLN	WIBOR 3M+1.6%	2023.09.30	one-off	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft facility	64,000	PLN	WIBOR 1M +1.65%	2024.01.31	one-off	ERBUD S.A – 64000.; ONDE S.A – 20 000.; ERBUD Industry Centrum – 4 000; Erbud International 5 000;
Santander Bank Polska S.A.	Overdraft facility	5,000	PLN	WIBOR 1M +2.0%	2024.07.07	one-off	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Non-revolving loan for real property acquisition	4,994	1,000	3.69%	2028.04.27	On instalment basis	ERBUD S.A.
Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR 1M +1.40%	2023.09.30	one-off	ERBUD S.A.
Credit Agricole Bank Polska S.A.	working capital facility	4,000	PLN	WIBOR 1M +1.40%	2023.09.30	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR 1M +1.40%	2023.09.30	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	an investment loan for the acquisition of shares in Satchwell Sp. z o.o.	2,673	PLN	WIBOR 3M+1.55%	2026.05.29	Quarterly installments	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	7,000	PLN	WIBOR O/N+1.40%	30 Sept. 2023	one-off	ERBUD Industry Południe Sp. z o.o.
Credit Agricole Bank Polska S.A.	Working capital facility	1,000	PLN	WIBOR 1M +1.40%	2023.09.30	one-off	Satchwell Sp. z o.o.
mBank S.A.	Overdraft facility	3,000	PLN	WIBOR 1M +1.5%	2023.09.28	one-off	ERBUD International Sp. z o.o.
ING Bank Śląski S.A.	Investment loan	1,913	PLN	WIBOR 1M + 2.15%	2025.11.30	On instalment basis	ONDE S.A.
Santander Bank Polska S.A.	Overdraft facility	20,000	PLN	WIBOR 1M + 2.0%	2024.07.07	one-off	ONDE S.A.
BNP Paribas Bank Polska S.A.	Non-revolving loan for renovation and	1,944	1,000	3.69%	2028.05.20	On instalment basis	MOD21 Sp. z o.o.

	expansion of real estate						
CommerzBank AG	Overdraft facilities	2,000	1,000	EURIBOR 3M+ 0.25%	2024.04.30	one-off	MOD21 GmbH (former GWI GmbH)
Deutsche Bank AG	Overdraft facilities	1,000	1,000	6.00%	2024.04.30	one-off	MOD21 GmbH (former GWI GmbH)
Commerzbank	Overdraft facilities	1,500	1,000	EURIBOR + 1.5%-2.0%	Valid indefinitely	one-off	IVT Weiner + Reimann GmbH
National Bank AG	Overdraft facilities	1,000	1,000	EURIBOR + 1.5%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santana Bank AG	Overdraft facilities	2,000	1,000	EURIBOR + 1.5%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santana Bank AG	Investment loan	1,068	1,000	EURIBOR + 1.5%-2.5%	2025.12.31	installments	IVT Weiner + Reimann GmbH
National Bank AG	Investment loan	181	1,000	1.50%	2027.05.31	installments	IVT Weiner + Reimann GmbH
Santana Bank AG	Investment loan	1,900	1,000	3.99%	2027.06.30	installments	IVT Weiner + Reimann GmbH
Santana Bank AG	Car loan	302	1,000	0.00%-3.92%	2024.07.31	installments	IVT Weiner + Reimann GmbH
KIA Finance	Car loan	26	1,000	0.00%-3.92%	2026.06.30	installments	IVT Weiner + Reimann GmbH
Skoda Finance	Car loan	140	1,000	0.00%-3.92%	2024.02.24	installments	IVT Weiner + Reimann GmbH
Santana Bank AG	Car loan	49	1,000	3.29%	2024.10.01	installments	IKR
Ford Bank AG	Car loan	43	1,000	5.99%	2024.09.30	installments	IKR
	Total:	227,307	PLN				
	Total:	18,147	1,000				

3.9. Contingent receivables and liabilities

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

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	15,807	Line for financial guarantees of EUR 3 060	PKO BP S.A. (German Branch)	2031.12.31	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4,450	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherungsverband, R+V ; Swiss RE	2023.12.31	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	8,901	Overdraft facility of EUR 2 million	Commerzbank	2024.04.30	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4,450	Overdraft facility of EUR 1 million	Deutsche Bank AG	2024.04.30	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor
ERBUD S.A.	ONDE S.A.	6,720	Investment loan	ING Bank Śląski S.A.	2028.11.30	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	66,755	Building Contract performance bond	Sun Power Energy Sp. z o.o.	2026.03.11	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	20,000	Building Contract performance bond	ABO Wind Polska Sp. z o.o.	2027.05.19	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	17,300	Surety extended to proper execution of investment contract	Eurowind Energy A/S	2028.06.28	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	37,889	Building Contract performance bond	EW Rywałd Sp. z o.o. (*Wind Farm*)	2028.06.20	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	40,498	Building Contract performance bond	Monheimer Einkaufszentrum GmbH	Until works acceptance	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	15,000	Surety for an investment loan for the expansion of a production room	BNP Paribas Bank Polska S.A.	2028.05.20	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	23,364	Surety for a manufacturing line lease contract	BNP Paribas Leasing Services Sp. z o.o.	2028.07.13	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value

ERBUD S.A.	MOD 21 Sp. z o.o.	1,653	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.06.13	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,857	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.06.13	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	59	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.03.11	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,048	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.03.11	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	75	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.04.07	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	779	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.04.07	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	583	Surety for the Lease Contract	BNP Paribas Leasing Services Sp. z o.o.	2029.03.11	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 GmbH	44,503	Surety Agreement - line of guarantee	CHUBB European Group SE	unlimited	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1,500	Surety - see commercial (trade credit)	SIG sp. z o.o.	2024.12.31	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	600	Surety - see commercial (trade credit)	Hydrosolar sp. z o.o.	2023.12.31	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	574	Surety - see commercial (trade credit)	Abus Crane Systems Polska sp. z o.o.	2023.12.31	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	711	Surety - see commercial (trade credit)	Abus Crane Systems Polska sp. z o.o.	2023.12.31	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
Total:		**315,076**				

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (a subsidiary of ERBUD S.A.) ERBUD International Sp. z o.o.(a subsidiary of ERBUD S.A.) – joint and several guarantee	ERBUD S.A.	70,000	multi-purpose credit– guarantee line (LKW)	PKO BP S.A.	9/28/2031.	Civil surety, the Guarantor charges a surety fee of 1% of the value

Conditional liabilities under guarantees granted to third parties ('000 PLN)

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
ERBUD S.A.				
30 Jun. 2023	105,593	173,426	278,660	557,679
30 Jun. 2022.	112,443	230,660	257,049	600,153
31 Dec. 2021	87,568	238,980	260,306	586,854
ONDE S.A.				
30 Jun. 2023	75,585	171,658	107,987	355,230
30 Jun. 2022.	20,755	131,031	85,070	236,856
31 Dec. 2021	7,436	160,022	50,907	218,364
MOD 21 GmbH (GWI GmbH)				
30 Jun. 2023	9,486	22,270	34,985	66,741
30 Jun. 2022.	6,579	19,997	36,158	62,734
31 Dec. 2021	6,234	19,639	41,138	67,011
Erbud International Sp. z o.o.				
30 Jun. 2023	340	6,317	6,345	13,002
30 Jun. 2022	340	9,923	6,712	16,975
31 Dec. 2021	1,465	8,936	6,356	16,757
Erbud Industry Centrum Sp. z o.o.				
30 Jun. 2023	3,500	12,875	2,346	18,721
30 Jun. 2022	5,680	13,390	3,550	22,621
31 Dec. 2021	1,698	7,811	3,074	12,583
ERBUD Industry Południe Sp. z o.o.				
30 Jun. 2023	229	6,956	2,434	9,619

30 Jun. 2022	0.00	4,506	1,869	6,375
31 Dec. 2021	450	5,629	1,384	7,463
Satchwell Sp. z o.o				
30 Jun. 2023	0	0	679	679
30 Jun. 2022	0	0	740	740
31 Dec. 2021	0	0	726	726
IVT Weiner + Reimann GmbH				
30 Jun. 2023	2,063	0	842	2,905
30 Jun. 2022	2,438	70	885	3,394
31 Mar. 2021.	2,594	70	0	2,664
IVT Menzenbach GmbH				
30 Jun. 2023	716	0	0	716
30 Jun. 2022	754	0	0	754
31 Dec. 2021	741	0	0	741
IKR GmbH				
30 Jun. 2023	4,829	20,810	6,292	31,930
30 Jun. 2022	5,078	13,293	10,395	28,766
31 Dec. 2021	4,990	15,192	7,482	27,665
30 Jun. 2023	**Total**			**1,057, 223**
30 Jun. 2022	**Total**			**984,413**
31 Dec. 2021	**Total**			**949,179**

Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	31 Jun. 2023 (in PLN M)	31 Dec. 2022 (in PLN M)
Contingent liabilities under lawsuits brought against ERBUD S.A.	46.88	46.88

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

As of 30 June 2023, the Group had the following contingent receivables under guarantees where the ERBUD Group companies are beneficiaries.

Contingent receivables under guarantees held

Item	As of 30 Jun. 2023 in '000 PLN	As of 30 Jun. 2023 in '000 PLN	As of 31 Dec. 2021 in '000 PLN	Company
Performance bond, retention bond, payment guarantees	82,259	91,538	90,000	ERBUD S.A.
Performance bond, retention bond	52,822	51,416	51,206	ONDE S.A.
Performance bond, retention bond	2,608	2,732	25,139	Erbud International Sp. z o.o.
Performance bond, retention bond	29,805	36,075	40,019	MOD 21 GmbH (GWI GmbH)
Performance bond, retention bond	25	25	25	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond	917	359	396	ERBUD Industry Południe Sp. z o. o.
Performance bond, retention bond	0	0	46	Satchwell Sp. z o.o
Performance bond, retention bond	45	47	0	IVT Weiner + Reimann GmbH
Performance bond, retention bond	0	0	0	IVT Menzenbach GmbH
Performance bond, retention bond	0	0	0	IKR GmbH
Total:	**168,480**	**194,385**	**221,854**	

Bank guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2021 (in '000 PLN)

Guarantor	Type of liability	Limit amount '000	Currency	Obligor
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	80,000	PLN	ERBUD S.A.
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	2,000	1,000	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	123,000	PLN	ERBUD S.A (60 800) ONDE S.A. (120,000) ERUBD INTERNATIONAL (3 000)
mBank S.A.	Bid bonds, performance bond, retention bond	85,000	PLN	ERBUD S.A.
mBank S.A.	Bid bonds, performance bond, retention bond	40,000	PLN	ERBUD S.A. - 10.000 ONDE S.A. – 30 000
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	50,000	PLN	ERBUD S.A.
Santander Bank Polska S.A.	Bid bonds, performance bond, retention bond	120,000	PLN	ERBUD S.A (60 800) ONDE S.A. (60,000)
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bond	100 000 (50 million for green guarantees)	PLN	ERBUD S.A. ONDE S.A.
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	60,000	PLN	ERBUD S.A. (60 000), ERBUD Industry Centrum Sp. z o.o. (17 000), ERBUD Industry Południe (12 000)
Satchwell Sp. z o.o	Bid bonds, performance bond, retention bond	1,000	PLN	Satchwell sp. z o.o.
ING Bank Śląski S.A.	Bid bonds, performance bond, retention bond	175,000	PLN	ERBUD S.A. (175,000) ONDE S.A. (30,000) & ERBUD Industry Centrum Sp. z o.o. (6 000), Erbud International (10 000)
Santander Bank Polska S.A.	Letter of credit	14,000	EUR	ONDE S.A.
BNP Paribas Bank Polska S.A.	Letter of credit	70,000	PLN	ERBUD S.A.; ONDE S.A.
mBank S.A.	Bid bonds, performance bond, retention bond	3,000	PLN	Erbud International Sp. z o.o.
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bond	2,960	EUR	MOD 21 GmbH (former GWI GmbH)

Santander Bank DE AG	Bid bonds, performance bond, retention bond	8,000	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Commerz Bank S.A.	Bid bonds, performance bond, retention bond	1,500	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
National Bank AG	Bid bonds, performance bond, retention bond	2,000	EUR	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Total:		**907,000**	**PLN**	
Total:		**30,460**	**EUR**	

Insurance guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2021 (in '000 PLN)

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond, advance payment	315,000	PLN	ERBUD S.A.; ONDE S.A. , Erbud Industry Centrum (7 000)
PZU S.A.	Bid bonds, performance bond, retention bond, advance payment	20,000	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	1,989	PLN	ERBUD S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	70,000	PLN	ERBUD S.A.
Generali TU S.A.	Bid bonds, performance bond, retention bond, advance payment	36,500	PLN	ERBUD S.A.
CREDENDO	Bid bonds, performance bond, retention bond, advance payment	20,000	PLN	ERBUD S.A.; ONDE S.A.
UNIQA TU SA	Bid bonds, performance bond, retention bond, advance payment	30,000	PLN	ERBUD S.A.
Euler Hermes AG.	Bid bonds, performance bond, retention bond	7,500	EUR	MOD 21 GmbH (former GWI GmbH)
ZURICH	Bid bonds, performance bond, retention bond	3,500	EUR	ERBUD S.A. and ERBUD International Sp. z o.o.
R+V	Bid bonds, performance bond, retention bond	7,000	EUR	MOD 21 GmbH (former GWI GmbH)
AXA	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Bayerischer Versicherungverband	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Swiss RE	Bid bonds, performance bond, retention bond	2,000	EUR	MOD 21 GmbH (former GWI GmbH)
Credendo	Bid bonds, performance bond, retention bond	2,500	EUR	MOD 21 GmbH (former GWI GmbH)
VHV Versicherungen	Bid bonds, performance bond, retention bond	500	EUR	MOD 21 GmbH (former GWI GmbH)
Wuettembergische Versicherung	Bid bonds, performance bond, retention bond	750	EUR	MOD 21 GmbH (former GWI GmbH)
Chubb	Bid bonds, performance bond, retention bond	10,000	EUR	MOD 21 GmbH (former GWI GmbH)
Generali S.A.	Bid bonds, performance bond, retention bond	23,500	PLN	ONDE S.A.

KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	70,000	PLN	ONDE S.A.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	5,000	EUR	ONDE S.A.
Uniqa TU	Bid bonds, performance bond, retention bond, advance payment	40,000	PLN	ONDE S.A.
TU Europa S.A..	Bid bonds, performance bond, retention bond, advance payment	6,000	PLN	ONDE S.A.
TUiR Allianz Polska S.A.	Bid bonds, performance bond, retention bond, advance payment	18,000	PLN	ONDE S.A.
InterRisk	Bid bonds, performance bond, retention bond, advance payment	20,000	PLN	ONDE S.A.
TU Europa S.A..	Bid bonds, performance bond, retention bond	850	PLN	Satchwell Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	7,000	PLN	Erbud Industry Centrum Sp. z o.o.
WARTA S.A.	Bid bonds, performance bond, retention bond	222	PLN	Erbud Industry Centrum Sp. z o.o.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	500	PLN	ERBUD Industry Południe Sp. z o.o.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	8,000	PLN	ERBUD INTERNATIONAL Sp. z o.o.
TU Gothaer.	Bid bonds, performance bond, retention bond	644	PLN	ERBUD INTERNATIONAL Sp. z o.o.
Generali TU S.A.	Bid bonds, performance bond, retention bond	2,457	PLN	Erbud International Sp. z o.o.
R+V	Bid bonds, performance bond, retention bond	3,000	EUR	IVT Weiner + Reimann GmbH
Total:		690,665	PLN	
Total:		44,750	EUR	

3.10. The Management Board's stance on the performance forecasts for a given year in light of the performance presented as of 30 June 2023.

The Issuer's Management Board did not publish financial forecasts for 2023.

4. RISK MANAGEMENT

Risk management is a very important aspect of the ERBUD Group. The last few years have shown how important it is to create an agile organisation that is resilient above all to abrupt events that were hard to predict, referred to in management literature as black swans. Monitoring of risks that are more predictable allows to implement more quickly countermeasures at the moments of complete surprise.

The Management Board approaches the problem of risk management systemically, taking into account all possible potential risks such as:

Internal risks	**External risks**
Strategy ● **lack of fast adaptation to ever changing market environment** ● **failure to keep abreast with changing technology** ● **erroneous choice of partner** ● **underestimation of costs in the case of investments, overestimation of potential revenues and investigation of BEP** **Organisation** ● **poor communication between operational units** ● **misappropriations** ● **breaches of guidelines and internal procedures** ● **management errors**	Economics ● fluctuation of raw material prices ● interest rate changes ● exchange rate fluctuations ● inflation rate growth ● increase of insurance contributions ● supply chain disruption Politics ● regulatory changes ● entry barriers ● trade embargoes ● regulatory changes

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

The types of risks particularly monitored by the ERBUD Group are depicted below due to their high significance on the risk map.

4.1. Financial Risk

4.1.1 Currency risk

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

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

In the event of contracts denominated in euro, for which it is not possible to match the currency adequately, the Group seeks to hedge the material currency risk using forward currency contracts with key parameters as close as possible to those of the hedged item.

In the case of construction contracts, however, this is difficult because it is often not possible to establish a precise financial schedule - for instance, in the case of contracts settled on the basis of remeasurements of quantities.

With a contract secured with forward contracts, there is a risk of payment postponement or non-payment.

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

Debt obligations are incurred in the currency in which the ERBUD Group entity generates revenues.

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

4.1.2 Interest rate risk

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

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

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

At the moment, the company's governing bodies focus in particular on the monitoring of risk associated with changes in interest rates. The Management Board is aware of the fact that long-term debt financing (bonds, investment loans) is on the rise.

Interest rate risk also translates into core business by reducing investments due to their lack of profitability. We are currently witnessing a large reduction in capital expenditures precisely due to high interest rates.

4.1.3 Price risk

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

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

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

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

4.1.4 Credit risk

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

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

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

4.1.5 Liquidity risk

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

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

ERBUD S.A. also benefits from debt financing raised through the issue of bonds worth PLN 75 million with the maturity date in September 2025.

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

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

As of 30 June 2023 the ERBUD Group had the capacity to meet its short-term liabilities. All Group member companies paid their interest and trade payables on time.

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

4.2. Operational risk

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

- Risk of underestimation of contract execution costs. If the value of all works necessary to perform the contract, specified in the tender offer, is underestimated, the Group may incur a loss or generate a lower profit on a certain contract.
- Risk of failure to recognise extra costs of works by the Employer. The proper performance of the subject matter of the contract sometimes requires the performance of extra works not specified in the contract, and thus incurring costs higher than accepted. Additional work may also result in the contract execution deadline being exceeded. The Group's request for additional fee may be considered groundless by the Employer.
- Risk of suspension of contracts by the investor.
- Protests by residents or ecologists in the case of road investments, delaying construction work.
- Risk of poor quality of delivered materials.
- Risk related to liability under the warranty for physical defects and guarantee of the quality of performed works.
- Risk related to the responsibility for the improper performance of construction works by subcontractors.
- Risk of loss of managerial and engineering staff. Decisions to reassign some of these staff and the no possibility to replace them with suitable staff may have a negative impact on the performance of certain contracts.
- Risk of misjudging the period over which the newly created business segments reach their ability to achieve profitability.
- Risk of acquisition of new entities - mispricing, loss of employees after an ownership change, risk of losing customers, risk of key managers quitting.

4.3. Macroeconomic Risk

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish and global economies. The development opportunities for the construction sector are particularly influenced by the share of ERBUD Group investments into economic growth. According to preliminary estimates published by Eurostat, in Q2 2023 seasonally adjusted GDP was up by 0.3 per cent in the Eurozone and remained unchanged in the EU compared to the previous quarter. In quarterly terms, Poland's GDP fell was the highest of all EU countries.

As opposed to the same quarter of the previous year, seasonally adjusted GDP was up by 0.6 per cent in the Eurozone and up by 0.5 per cent in the European Union as a whole in Q2 2023.

In quarterly terms the fastest growth was recorded by the economies of Ireland, Lithuania and Slovenia. In the second quarter of this year, Irish GDP was up by 3.3 per cent. (q/q). During the same period, Lithuania's economy was up by 2.8 per cent and Slovenia's by 1.4 per cent.

In total, 13 countries recorded GDP growth. Unfortunately, Poland's economy is behaving in an entirely different manner, recording the highest quarterly slump in the overall European Union. In the second quarter, compared to the first, our country's economy shrank by 3.7%. By contrast, in an annual comparison, Poland's GDP was 1.3% weaker compared to that in the previous year.

In the construction sector in Q3 of this year a deterioration in the situation was recorded according to the Institute of Economic Development of the Warsaw School of Economics (IRG SGH). The business climate index for the construction industry reached a negative value of 4.6 points. The index is 5.4 points lower compared to the previous quarter's value. According to the market research, the downturn is mainly due to high production costs (high raw material and material prices, labour costs, loan servicing costs).

This situation is not conducive to the development of business at home as can be seen in the tenders, where the price war is already in full swing.

4.4. Legal Risk

The legal risk in the ERBUD Group is primarily related to the way in which amendments in the law are implemented. It happens on ad hoc basis. There is a lack of legal consultation, preparatory efforts. There has been a genuine avalanche of legal amendments over the past few years. Even before the Polish Deal legislative package came into force, the OECD had made a negative assessment of our tax system. The major drawback was its complexity. We were ranked penultimate among the 37 countries covered by the survey. Often, legal changes entail significant compliance costs for companies and systematically make the criminal liability of managers more and more severe. We now have examples of total fiddling with the law concerning electronic invoices and with the whistle-blower act.

4.5. Tax Risk

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

4.6. Environmental Risk

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

- direct aspects arising from the company's operations, which we have direct influence over and can fully supervise,
- indirect aspects i.e., those that we can only supervise to a limited extent, and influence only by influencing other parties, e.g., subcontractors, suppliers.
- We evaluate the significance of aspects based on the criteria adopted in the system, which, inter alia, consider:
- potential benefits or harm to the environment, including biodiversity;
- the condition of the environment (issues such as the sensitivity of the local, regional or global environment);
- size, number, frequency and reversibility of the aspect or impact;
- The existence of requirements under relevant environmental legislation;
- opinions of stakeholders, including organization workforce,

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

For the purposes of our operations and processes, we identify and evaluate environmental aspects. We do this already in the bidding and design phases (for "Design and Build" projects), as part of the estimation of other

risks and opportunities. These activities are aimed at transferring knowledge to the Site Supervisor thus facilitating the planning of environmental measures already in the contract execution phase. Records in the form of opportunity and threat sheet are kept by the Project Manager responsible for design and the production preparation department.

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

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

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

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

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

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

4.7. Climate risks and their materiality

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

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

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

Financial significance		Environmental and social significance	
Factor	Type of impact on the ERBUD Group	Factor	Type of impact on the ERBUD Group
Conditions allowing to run construction activities in winter season	+	Being a GHG emitter, although not primarily in the direct system (in this aspect, the Group recognizes itself as a low-carbon leader), but mainly by using the products of industries that significantly affect the climate (concrete production, asphalt and fuel production, cement production, steelmaking)	-
Occurrence of too warm and dry summer periods	-	Willingness to join the energy transition in Poland by having competence in the construction of RES installations (hydrogen production facilities + photovoltaics + wind farms + biogas plants) and the development of modular construction with a negative carbon footprint, as well as passive construction (BREEAM and LEED)	+
Occurrence of weather anomalies that may have adverse impact on the project implementation process	-		
Meeting the goal of minimizing own direct construction assets	+		
The Group's activities in the field of thermal efficiency improvement projects	+		
The Group's activities in the field of investments for environment-friendly energy sources, including the construction of RES system (hydrogen production facilities + photovoltaics + wind farms + biogas plants) and the conversion of high-carbon fuels to zero-carbon fuels (electric, hydrogen, human-powered) and low-carbon GHG (including hybrid and co-generation solutions)	+		
The Group's on-going investment activities in industries considered to have high GHG emissions	-		
Running construction activities in the areas potentially threatened by	-	Knowledge of technology and running of construction	+

climate change, mainly in terms of weather changes		sites with the aim of climate change adaptation.	

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

Confirmation of the Group's environmental efforts is the fact that ERBUD S.A. and ONDE S.A. at the end of July 2023, for the third consecutive time, successfully passed another verification of their **environmental declaration, which allowed them to maintain their entry in the EMAS register. This elite and voluntary system of credible environmental reporting is the highest environmental accolade in the European Union.**

4.8. Cyberattack Risk

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

4.9. Coronavirus Risk

On 1 July 2023, an epidemic emergency caused by SARS-CoV-2 infections was revoked in Poland.

Already before that, practically from February 2022 onwards, as a result of, inter alia, other events that have shaken the global economy, the risks associated with the virus have receded into the background. The more that the sectors in which the ERBUD Group operates have not been adversely affected by the pandemic. Apart from the increased costs associated with the introduction of personal protective equipment (PPE) for the personnel the pandemic did not have a major impact on the Group's operations. The positive effect, if one can speak of such in such cases at all, has been a significant increase in the digitalisation of processes within the Group and the analogue-digital conversion of numerous processes throughout business - electronic signatures, online meetings, etc.

4.10. Risks related to Russia's attack on Ukraine

In the wake of Russia's attack on Ukraine in 2022, a number of business risks have emerged, which the Group is also currently facing. The first significant effect were swelling prices of building materials, raw materials and electricity. The price hikes superimposed on rising inflation and interest rate rises. All that has had a stagflationary impact on the construction sector in particular - skyrocketing costs and a sharp slowdown in new investment projects. At the war outbreak date, the Erbud Group has a portfolio worth PLN 3.8 billion, of which 0.9 billion was due in 2023, of which 0.7 billion was the ERBUD S.A. portfolio and 0.08 billion was the ONDE

S.A. portfolio. The portfolios became unprofitable already at the war outbreak date. Negotiations with investors were launched forthwith and they have continue to date. Consequently 130 million in extra payments were raised to cover the additional costs. The long-standing cooperation with most of the employers has paid off here. In the case of public contracts, such sentiment was already lacking and in this area the negotiations are pending to date. In some cases, the projects are referred to the Attorney General's Office. The portfolios are now mostly non infected by war-induced effects, but the rate of winning new contracts has slowed down considerably. The Group has decided not to succumb to price wars on tenders. Short-term contracts have become a priority. A risk that is currently being considered to be linked indirectly to the geopolitical situation is another shock price hikes of materials and raw materials in the event of Ukraine reconstruction. This will also involve the lack of material availability. The response to these risks is the development of a new business segment involving fabrication and sale of modular facilities, where from the moment the contract is signed, it takes a few months rather than several months for the product to be ready.

4.11. Insurance

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

Additionally, the Group uses motor insurance.

Insurance contracts

Insurer	Valid from	Valid to	Subject of insurance	Value of insurance
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2023.	1/31/2024.	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2023.	1/31/2024.	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2/1/2023.	1/31/2024.	Construction and erection all risks insurance	Open
Chubb European Group Limited Sp. z o.o. Polish Branch	6/22/2022.	6/21/2023.	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	6/22/2023.	6/23/2024.	D&O Insurance	PLN 40 million
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	7/1/2023.	6/30/2024.	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million, including foregone profits PLN 2 million

5. DISPUTES

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

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

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

5.1. Material proceedings to which the Issuer is the plaintiff

5.1.1.

Defendant: Bank Millennium S.A. in Warsaw

Date of filing a lawsuit: 22 December 2010

Value of the dispute: PLN 71,065,496

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

PLN/EUR pair, Bank Millennium S.A. informed the Issuer about a negative valuation of the exposure held at that time.

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

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

On 4 November 2016, the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer.

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

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

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

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

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

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

On 3 June 2020 Court of Appeal in Warsaw decided:

To admit ex officio evidence from a court expert's opinion in the field of finance, economics and banking to the circumstances:

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

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

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

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

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

On 31 July 2023, the Management Board of ERBUD S.A. received the Supreme Court's decision about the refusal to consider the cassation appeal of Bank Millennium S.A., based in Warsaw, against the judgment of the Court of Appeals in Warsaw favourable to the Company, dated 24 November 2021.

On 1 August 2023, an amount of PLN 112,313,076.28 was credited to ERBUD S.A.'s account.

5.1.2.

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

Date of filing a lawsuit: 14 February 2013

Value of the dispute: PLN 26,923,644.16

Current dispute status: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22,925,604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014, the defendant filed a counterclaim for the amount of PLN 5,651,633. On 6 November 2015, a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties were cross-examined. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX

notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018, the Court dismissed both oppositions. The court made a decision to have an expert draw up an opinion.

The court delivered an expert opinion, which is favourable for ERBUD S.A. In the opinion the expert pointed out that the costs of substitute execution incurred by ERBUD S.A. are reasonable. According to the expert, DSH misperformed the contract and the repair method used by DSH was incorrect.

On 07.10.2021 the court announced a verdict in which: adjudged from DSH - Dopravni stavby a.s. with its registered office in Brno (Czech Republic) to ERBUD S.A. the amount of PLN 26,923,644.16 (twenty-six million nine hundred twenty-three thousand six hundred forty-four zlotys and 16/100) along with interest and legal fees.

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

On 26 May 2023, the court issued a judgment by which:

- discontinued the appeal proceedings in respect of the counterclaim;
- dismissed the appeals;
- ordered DSH - Dopravni stavby a.s. with its registered office in Brno (Czech Republic) to pay Erbud S.A. PLN 25,000 (twenty-five thousand zlotys) as reimbursement of the costs of the appeal proceedings.

An application for establishing the enforcement clause has been filed.

5.1.3.

Defendant: Platinum Resort Sp. z o.o.
Date of filing a lawsuit: 3 December 2018

Value of the dispute: PLN 16.301.236,97

Counterclaim

Defendant: ERBUD S.A.

Value of the dispute: 13,516,629.86

Date of filing a lawsuit: 27 April 2019

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

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

On 3 December 2018 the Issuer filed a lawsuit for payment of PLN 16.301.236,97 together with interest in the writ of payment proceedings for remuneration and other claims related to the execution of the aforementioned investment together with an additional request for securing claims.

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

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

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

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

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

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

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

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

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

The court has scheduled a trial date for 13 September 2023.

5.1.4.

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

Court: District Court in Warsaw, 26th Commercial Division

Date of filing a lawsuit: 2 August 2022

Value of the dispute: PLN 11.955.258,50

Dispute status: The Plaintiff (ERBUD S.A. jointly with STRABAG Sp. z o.o., STRABAG AG and ED ZUBLIN AG) claims payment from the Defendant in the total amount of PLN 11,955,258.50 along with statutory interest and costs of proceedings. The Plaintiff has based its claims on the Defendant's obligation to pay for the performance of construction works performed on site of the Southern Hospital in Warsaw. The Defendant does not argue with the legitimacy of the payment of the aforementioned amount, and has applied for depositing it with the court. The Defendant's request for permission to deposit the aforementioned amount with the court were rejected by the Court. The judgments are not legally binding and the Defendant has appealed against them. The date of the court session was set for 27 September 2023.

On 16 May 2023 the Defendant made partial payment of claims by paying the amount of PLN 6,155,612.55.

5.1.5.

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

Court: District Court in Szczecin, 8th Commercial Division

Date of filing a lawsuit: 7 November 2022

Value of the dispute: PLN 14.435.306,59

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

5.1.6.

Defendant: BEST Deweloper Sp. z o.o.

Court: District Court in Szczecin

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

Dispute status: The Plaintiff claims amounts due for work performed as part of the construction of multi-family apartment buildings in Chrzanowskiego Street in Szczecin. The amounts claimed are covered by VAT invoices, accepted and approved by the Defendant. They relate to works completed and accepted by the Defendant. On 2 November 2022 the Court issued a writ of payment. The court bailiff in Szczecin, by virtue of its Decision dated 6 December 2022, terminated the collateral proceedings, securing the amount covered by the payment

order with interest as of 6 December 2022. By virtue of its Decision of 24 January 2023, the Court referred the parties to mediation and the court set a hearing date for 18 May 2023, to which it summoned all witnesses and parties. The parties concluded mediation talks unsuccessfully.

On 1 June 2023, the court issued a judgment by which:

1. upheld in its entirety the writ for payment in injunctive proceedings issued by the Regional Court in Szczecin on 2 November 2022 in case ref. no. VIII GNc 573/22;

2. ordered the Defendant Best Deweloper Sp. z o.o. in Szczecin to pay ERBUD S.A. the sum of PLN 74,134.88 (seventy-four thousand one hundred and thirty-four zlotys eighty-eight groszys) as legal costs with statutory interest for delay from the date of this judgment becoming final until the date of payment.

On 17 July 2023 BEST Deweloper sp. z o.o. filed an appeal against the judgment. No appeal hearing date.

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

Dispute status: The Plaintiff claims amounts due for work performed as part of the construction of multi-family apartment buildings in Chrzanowskiego Street in Szczecin. The amounts claimed in the lawsuit are covered by VAT invoices issued on the basis of inventory reports accepted and signed by the Defendant. They relate to works completed and accepted by the Defendant. The demand for a lawsuit includes the issuance of writ of payment and a request to secure claims. No decisions on the case. On 23 May 2023, a complaint was filed against the order dismissing the application for security.

The value of other litigations where ERBUD S.A. is the Defendant totals PLN 21.397.880,2.

5.2. Material proceedings to which the Issuer is the defendant

5.2.1.

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

Defendant: ERBUD S.A. in Warsaw

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

Value of the dispute: PLN 34,381,374.64

On 12 May 2014, a statement of claim was delivered to ERBUD S.A. in which the Warsaw Modlin Airport (MPL) requested payment of PLN 34.381.374,64 for damages along with statutory interest and litigation costs. The damages claimed by the Warsaw Modlin Airport (MPL) consists of losses and benefits incurred by the claimant and lost as a result of allegedly improper performance by ERBUD of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway.

On 11 October 2014 ERBUD S.A. submitted a reply to the statement of claim in which it requested that the Warsaw Modlin Airport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the claimant, Erbud instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount of PLN 19.892.366,30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by Erbud to repair the airfield surface at the Warsaw-Modlin airport. On 2 March 2015, MPL's pleading was served on Erbud, in which MPL maintained its claims and requested that Erbud's counterclaim be dismissed.

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

The Court heard from all witnesses submitted by the Parties.

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

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

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

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

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

5.2.2.

Plaintiff: Marshal Office of the Wielkopolskie Province in Poznań

Defendant: ERBUD S.A. in Warsaw

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

Value of the dispute: PLN 21.553.732

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

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

On 23 February 2023 the District Court dismissed the Plaintiff's requests for expert evidence and the defendant's further requests for evidence, and closed the hearing. On 23 March 2023, the court dismissed the claim in its entirety.

The Plaintiff did not file an appeal and paid the costs of the trial to ERBUD SA.

Total value of other proceedings where ERBUD S.A. is the defendant: PLN 16.894.897,67

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

In H1 2023 and until the date of publication, neither the Issuer nor its subsidiaries entered into any transactions other than those related to the regular activities of the aforementioned entities. All transactions are concluded following the arms' length principle.

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

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

6. CORPORATE GOVERNANCE - SELECTED INFORMATION

6.1. Changes in the governing authorities of ERBUD S.A.

6.1.1. The Management Board of ERBUD S.A.

From 9 May 2023 to 6 September 2023, the Management Board of ERBUD S.A. is composed of:

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

6.1.2. The Supervisory Board of ERBUD S.A.

From 9 May 2023 to 6 September 2023, the Supervisory Board of ERBUD S.A. was composed of:

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

As of 30 June 2023 and as of this Report Date, the dependent Members of the Supervisory Board of ERBUD SA are :

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

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

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

6.2. Share capital

As of 30 June 2023 and at the date of Condensed Consolidated Financial Statements for H1 2023, the share capital of ERBUD S.A. amounts to PLN 1,192,983.60 and is divided into 11,929,836 ordinary shares with a par value of PLN 0.1 per share

On 12 June 2022, the Management Board of ERBUD S.A., with its registered office in Warsaw ("Company") became aware of the registration on Wednesday, 7 June 2023 by the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register amended the Company's Articles of Association in connection with the adoption of Resolution No. 20/2023 of the Company's Annual General Meeting of 20 May 2023 on the cancellation of own shares acquired by the Company and Resolution No. 21/2022 of the Company's Annual General Meeting of Shareholders 20 May 2022 on the reduction of share capital and amendment to the Company's Articles of Association.

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

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

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

"The Company's share capital amounts to PLN 1,192,983.60 (one million one hundred and ninety-two thousand nine hundred and eighty-three zlotys and sixty groszys) and is divided into 11,929,836 (eleven million nine hundred and twenty-nine thousand eight hundred and thirty-six) ordinary A-series bearer shares with a par value of PLN 0.10 (ten groszys) each, marked with ISIN code PLERBUD00012."

Following the registration of the amendments to the Articles of Association covered by the Resolutions, a total of 166.666 own shares acquired by the Company, corresponding to a total of 166.666 votes in the Company's shareholders' equity, were redeemed.

6.3. ERBUD S.A.'s shareholders

As at the date of the financial statements, i.e. 6 September 2023, the list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting was as follows:

Name of shareholder	As of 6 Sept. 2023		As of 9 May 2023	
	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG including Wolff & Müller Holding GmbH & Co. KG	3,854,837	32.32%	3,854,837	31.87%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	721,553	6.05%	721,553	5.96%
Nationale Nederlanden OFE	1,200,000	10.06%	1,200,000	9.92%
Allianz OFE, Allianz DFE, Second Allianz OFE	764,935	6.41%	764,935	6.32%
Dariusz Grzeszczak	1,831 907	15.36%	1,831 907	15.14%
PKO BP OFE	715,279	6.00%	715,279	5.91%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	0	0.00%	166,666	1.38%
Other shareholders	2,795 921	23.43%	2,841,325	23.49%
Total:	**11,929,839**	**100.00%**	**12,096,502**	**100.00%**

6.4. Transactions involving ERBUD SA shares between 9 May 2023 and 6 September 2023.

Between 9 May 2023 and the publication date of the report for H1 2023 (6 September 2023), there were no reportable transactions involving ERBUD SA shares.

On 15 May 2023, the Company received a notification from Allianz Polska S.A. Universal Pension Fund Company, which manages Allianz Polska Open-End Pension Fund that on 12 May 2023, as a result of the liquidation of the Second Allianz Polska Open-End Pension Fund (hereinafter: Second Allianz OFE) through the transfer of its assets to Allianz OFE, the share in the total number of votes of ERBUD S.A. in the accounts of Allianz OFE was above 5%.

Prior to the liquidation of Second Allianz OFE, the total balance in the accounts of Allianz OFE and Second Allianz OFE amounted to 764,935 shares in the Company, which together accounted for 6.32% of the Company's share capital and gave the right to exercise 764,935 votes accounting for 6.32% of the total number of votes at the Company's AGM.

Following the liquidation of the Second Allianz OFE, the account of Allianz OFE holds 764,935 shares, accounting for 6.32% of the Company's share capital, which gives the right to exercise 764,935 votes from shares accounting for 6.32% of the total number of votes at the Company's AGM.

At the same time, Powszechne Towarzystwo Emerytalne Allianz Polska (Allianz Polska S.A. Universal Pension Fund Company S.A.), which manages Allianz OFE (Allianz Open-End Pension Fund), announced that:

- it is not in the possession of any subsidiaries holding shares in the Company,
- the situation referred to in Art. 69(4)(6) of the Act does not arise,
- nor does it hold the financial instruments, referred to in Art. 69b, section 1, items 1) and 2) of the Act.

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

As at the date of the financial statements, i.e. 6 September 2023, the list of managers and supervisors holding shares in the Issuer directly or indirectly through subsidiaries is as follows:

Related person	Type of relation	As of 6 Sept. 2023		As of 9 May 2023	
		No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM	No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	President of the Management Board	721,335	6.05%	721,553	5.96%
Dariusz Grzeszczak	President of the Management Board	1,831 907	15.36%	1,831 907	15.14%
Albert Dürr**	A Supervisory Board Member	26,354	0.22%	26,354	0.22%
Roland Bosch	The Chairman of the Supervisory Board	10,000	0.08%	10,000	0.08%
Jacek Leczkowski****	Vice-President of the Management Board	5,112	0.04%	5,112	0.04%
Agnieszka Głowacka	Vice-President of the Management Board	3,938	0.03%	3,938	0.03%

*** Mr Dariusz Grzeszczak controls additionally DGI Closed-End Investment Fund of Non-Public Assets, which holds 6.05% of shares in Erbud S.A. (6.05% of the total number of votes). Moreover Dariusz Grzeszczak holds 0.5% shareholding in ONDE SA (a subsidiary of the Issuer).*

*** Mr Albert Dürr holds 85% shareholding in Wolff & Müller Holding GmbH & Co. KG, which holds: (i) 2,20% shares in Erbud S.A. directly (2.20% of the total number of votes) and (ii) indirectly, through a 100% subsidiary of Wolff & Müller Baubeteiligungen GmbH & Co. KG 30.12% of Erbud S.A. shares. (30.12% of the total number of votes). Additionally Mr. Albert Dürr holds 85% shareholding of Dürr Holding GmbH, which holds 0.11% shareholding in Erbud S.A. (0.11% of the total number of votes). In total Mr. Albert Dürr holds directly and indirectly 32.54% shareholding in Erbud S.A. (32.08% of the total number of votes).*

**** Mr Jacek Leczkowski holds additionally 6,48% shareholding in ONDE S.A. (the Issuer's subsidiary).*

*** Ms Agnieszka Głowacka holds additionally 0.25% shareholding in ONDE S.A. (the Issuer's subsidiary).*

Compared to the date of Q1 2023 Financial Statements, the shareholdings of the Issuer's management and supervisory personnel have changed as a result of the transactions described above and in view of the reduction of the share capital.

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

STATEMENT OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

The Management Board of ERBUD S.A. consisting of the following persons: Dariusz Grzeszczak - President of the Management Board; Agnieszka Głowacka - Vice-President of the Management Board; Jacek Leczkowski - Vice-President of the Management Board; declare that to the best of their knowledge:

The Interim Condensed Separate Financial Statements and comparative data and the Interim Condensed Consolidated Financial Statements and comparative data have been drawn up in compliance with the applicable accounting principles and give a true, fair and clear picture of the Issuer's assets, financial position and its profit or loss;

and

the Semi-annual Report on the Issuer's Activities and the Semi-Annual Report on the Issuer's Group Activities give a true picture of the issuer's development, performance and position, including a description of the fundamental risks and threats.

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

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

Warsaw, 5 September 2023