

ERBUD Capital Group 2023 Operations Report

comprises ERBUD S.A. OPERATIONS REPORT

25 March 2024

Table of Contents

A LETTER OF THE MANAGEMENT BOARD MEMBERS 3
1. MACROECONOMIC ENVIRONMENT 5
1.1. Economic situation 5
1.2. Condition of the construction sector in Poland 15
2. ERBUD GROUP ACTIVITIES IN 2023 21
2.1. Capital Group Structure 21
2.2. ERBUD S.A. 24
2.3. Erbud International Sp. z o.o. 34
2.4. MOD 21 Sp. z o.o. 36
2.5. MOD 21 GmbH (GWI BAUUNTERNEHMUNG GmbH) 38
2.6. ONDE S.A. 40
2.7. Erbud Industry Centrum Sp. z o.o. 52
2.8. Satchwell Polska Toruń Sp. z o.o. 53
2.9. ERBUD Industry Południe Sp. z o.o. 54
2.10. ERBUD Shared Services Sp. z o.o. 56
2.11. IVT Weiner + Reimann GmbH 57
2.12. IKR GmbH 58
2.13. JV MATOC POLAND Sp. z o.o. 59
2.14. Development directions of ERBUD Group activities 60
3. ERBUD GROUP FINANCIAL PERFORMANCE IN 2023 63
3.1. Key drivers of financial performance 63
3.2. Sales revenues 64
3.3. Costs 64
3.4. Other operating and financial income and expenses 65
3.5. Financial Statement 66
3.6. Cash flows 66
3.7. Changes in equity 67
3.8. Interest debt 68
3.9. Contingent receivables and liabilities 76
3.10. The Management Board's position on the 2023 performance forecasts 79
3.11. The Management Board's recommendation concerning the distribution of 2023 profit 80
4. FINANCIAL PERFORMANCE OF ERBUD S.A. 81

4.1. Drivers of financial performance in 2023 81
4.2. Financial Statement 83
4.3. Cash Flow Statement 83
4.4. Statement of Changes in Equity 83
4.5. Basic financial ratios of ERBUD S.A. 84
5. RISK MANAGEMENT 85
5.1. Financial Risk 87
5.2. Operational risk 90
5.3. Macroeconomic Risk 91
5.4. Legal Risk 91
5.5. Tax Risk 91
5.6. Environmental Risk 92
5.7. Climate risks and their materiality 93
5.8. Cyberattack Risk 95
5.9. Risks associated with the impact of coronavirus and the war in Ukraine. 95
5.10. Insurance 95
6. Litigations 97
6.1. Material proceedings to which the Issuer is the plaintiff 97
6.2. Material proceedings to which the Issuer is the defendant 98
7. ERBUD S.A. IN CAPITAL MARKET 100
7.1. Dividend 101
7.2. Investor relations 102
8. CORPORATE GOVERNANCE 103
8.1. Rules and Scope of Corporate Governance 103
8.2. Control and risk management systems in the process of preparing financial statements 104
8.3. Shares and shareholders of ERBUD S.A. 105
8.4. Articles of Association and General Meeting of Shareholders 110
8.5. Activities of the Supervisory Board 112
8.6. Entity authorized to audit the financial statements 116
8.7. Management Board Activities 118
9. MANAGEMENT BOARD STATEMENTS 123

A LETTER OF THE MANAGEMENT BOARD MEMBERS

Dear Sirs,

Last year was full of challenges and uncertainty. However, despite persistent inflation, the armed conflict beyond our eastern border or price wars in the construction market, we did not deviate even for a moment from the path we had chosen. We have consistently pursued our plans to transform the ERBUD Group into a socially and environmentally aware organisation. Behind us is a year of redefining our business in terms of new challenges in a tough market environment, the entry into force of a number of solutions that precisely define the European Union's ESG directives. We feel strong in this area, and we still want to consolidate our position.

Our business is based on four strong pillars - building construction, which is our foundation and ERBUD's 33-year-long heritage; construction of renewable energy sources - mainly photovoltaic and wind farms; maintenance services for industry, on which Polish and German companies are focused; and modular timber construction. All our business legs complementarily pursue our overriding idea of sustainability.

We are happy that the decisions taken years ago enable us to pursue successfully our goals. Throughout the year, the Group benefited from business diversification. The ONDE's RES business had the largest positive impact on its performance. We are delighted with the Company's development - it manages to buy and sell projects successfully, which was already incorporated into its business strategy years ago. As a Group, we have also consistently been as good as our word.

The business segment delivering maintenance services for industry also recorded a very good year - both at home and abroad. Our entry into the maintenance service area, followed by the acquisition of further companies, has enabled us to build a strong business leg in this area. The dynamic growth of this segment, especially in foreign markets, is a proof that this was the right decision and that the segment itself is characterised by huge potential and above-average margins.

On the other hand the year 2023 was a tough year for building construction, where the first half of the year saw price destabilisation and inflationary leap. The negative profitability of the building construction segment is due to the settlement of "pre-inflationary" contracts in Poland and the phasing out of operations abroad. However, despite the apparent caution on the part of our customers, who were less willing to announce tenders for further projects in times of costly investment capital, we have managed to build up a strong order backlog. This allows us to have a positive future outlook also in this area.

We are in the process of reorganising our MOD21 start-up in the area of modular timber construction. We invest a lot of resources and put a lot of work into this business. In 2023 we

exceeded £50 million worth of sales, which is a decent performance for a start-up. We are invariably pleased that the market for our products in Germany is huge, and the extension of the Ostaszewo plant by adding a new manufacturing line will further boost our competitive edge. Today, the market expects low-carbon products with faster lead times. We offer tailored-made products and services to cater exactly for these needs.

The Company's performance in 2023 was strongly influenced by one-off events: compensation (including interest) from Millennium Bank for currency hedging option transactions and the settlement agreement with the Modlin Airport. We are happy that the issue has been addressed.

Despite hardship and challenges we had to face last year, we generated sales of PLN 3,234.4 million. In parallel the Company generated a gross margin on sales of 209.1 million and Group EBITDA reached PLN 57 million. We posted a net profit of PLN 23.3 million.

Last year our personnel worked very hard and we appreciate their efforts very much. We are pleased with the fact we have continually been raising our occupational health and safety standards, and that we feel we are leading the leader in this area, and the awards in the 'Build Safely' competitions are the best proof of that. We also enjoy our other successes. The companies ERBUD and ONDE have successfully passed the restrictive audit and are once again were added to the prestigious EMAS register. The Association of Stock Exchange Issuers (SEG) awarded ERBUD the title "Climate Aware Company 2023" - under the climate awareness survey, the Group came in the fifth position overall (9.5/10) and the top position among all building contractors in Poland. The Polish ESG Association awarded us the 'ESG Innovator' for our calculator that calculates CO_2 emissions in conventional and building construction.

We deliver consistently our projects in a responsible, timely and transparent manner. We are pleased to have a group of regular business partners, which testifies to the ERBUD Group's highest standards and satisfaction with cooperation.

Best regards,

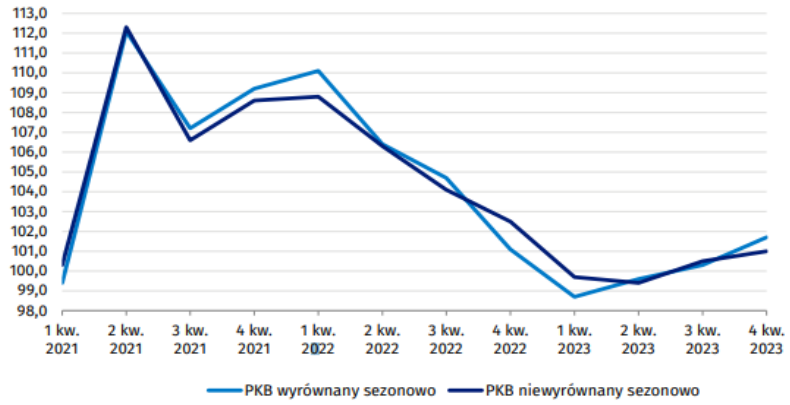
Dariusz Grzeszczak Agnieszka Głowacka Jacek Leczkowski

1. MACROECONOMIC ENVIRONMENT

1.1. Economic situation

1.1.1. Poland

According to a preliminary estimate by the Statistics Poland (former Polish Central Statistical Office), the Gross Domestic Product (GDP) was up by 0.2% in real terms in 2023, compared to the 5.3% growth recorded in 2022. Domestic demand was down by 4.1 per cent after a previous rise recorded in 2022 by 5.2 per cent. Consumption was down by 0.1% in real terms , while household sector consumption fell by 1% (against 2022 rises by 4.1% and 5.2% respectively). The year 2023 saw a significant reduction in inventories. These factors had adverse impact on the GDP growth rate. On the other hand, the opposite impact on the growth rate was exerted by the rise in capital expenditures on fixed assets, up by 8.0% year-on-year, and the strongly positive impact of net exports.

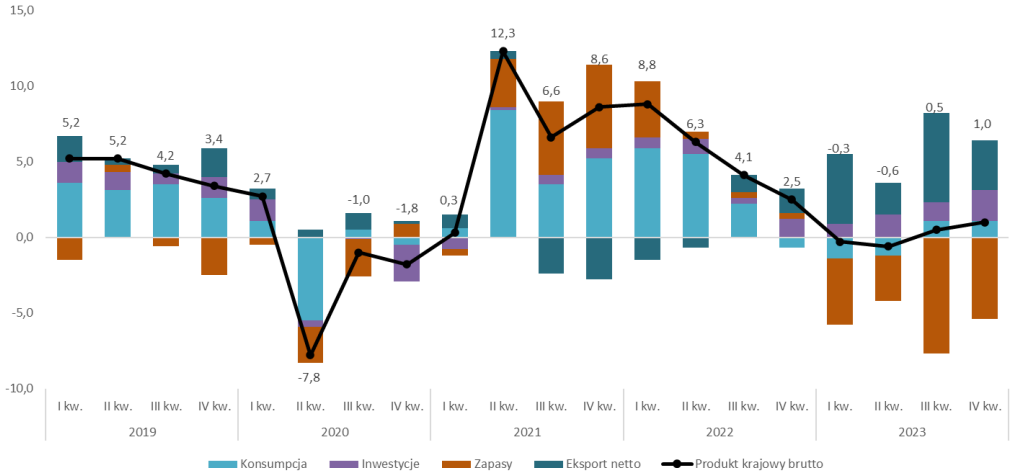


Key:

Polish (original)	*English (translation)*
1 kw, 2 kw, 3 kw. 4 kw…	*Q1, Q2, Q3, Q4 …*
PKB wyrównany sezonowo	*GDP seasonally adjusted*
PKB niewyrównany sezonowo	*GDP non-seasonally adjusted*

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

The GDP growth rates in real terms of the individual quarters were 8.8%, 6.3%, 4.1% and 2.5% for Q1, Q2, Q2 and Q4 2022 respectively, clearly indicating a slowdown of economic growth. Meanwhile, GDP growth rates in real terms in the four individual quarters of 2023 were -0.3%, -0.6% and 0.5% and 1.0%, respectively. This indicates the slowdown of Polish economy in the first two quarters of 2023 last year. This was driven by a reduction in consumption and domestic demand visible after year-on-year comparison, which is the result of a high base that is directly related to the increase in household spending that occurred in response to the influx of refugees from Ukraine.



Key:

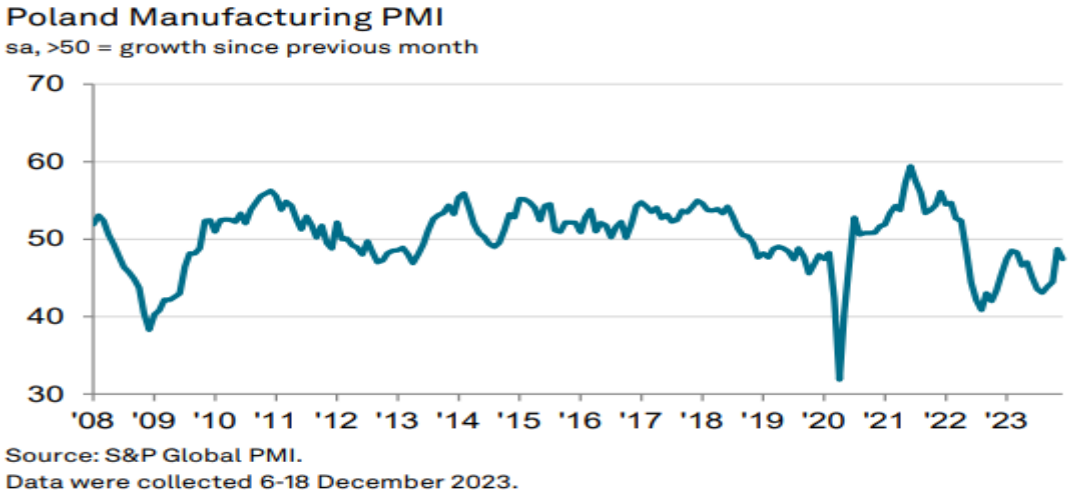
Polish (original)	*English (translation)*
1 kw, 2 kw, 3 kw. 4 kw…	*Q1, Q2, Q3, Q4 …*
Konsumpcja	*Consumption*
Inwestycje	*Investments*
Zapasy	*Inventory*
Eksport netto	*Net exports*
Produkt krajowy brutto	*Gross Domestic Product*

Source: Statistics Poland, Department of National Accounts, Quarterly National Accounts, Scale of impact of individual categories on GDP growth in real terms (in percentage points), GDP non-seasonally adjusted; fixed average prices of the previous year

Strongly negative impact on the growth rate in all quarters of 2023 had the change in inventories. At the turn of 2021, the inventories were by far the strongest contributor to GDP growth rate. The reason for this was the uncertainty attached to the pandemic outbreak and the associated supply chain disruption. Meanwhile 2023 saw a significant reduction in the accumulated inventories due to falling uncertainty that build up in 2021 and 2022. It was also reflected in the Poland's Manufacturing Purchasing Managers Index (PMI) surveyed in the October.

As reported in the S&P Global Poland Manufacturing PMI Report, manufacturers had reduced the number of purchase transactions concerning new feedstocks in response to falling demand, while drawing on stocks of semi-finished and finished products built up during the pandemic and war. Meanwhile the PMI index in 2023 remained at the level of 46.2, the third worst performance ever of the survey for Poland.

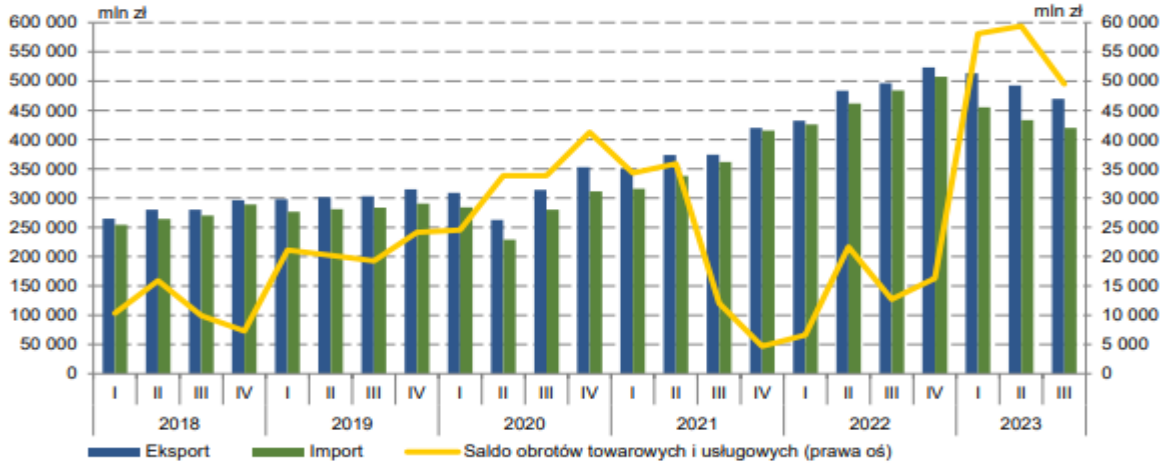
Meanwhile net exports had a strongly positive impact on the Gross Domestic Product growth rate.



Source: NBP, Performance in foreign trade in goods and services, Balance of payments of the Republic of Poland in Q3 2023.

Subsequently, trade was partially paralysed by the outbreak of a pandemic. Another event having adverse impact on the turnover in international trade in goods and services was Russia's aggression against Ukraine. Both the UK and Ukraine are among the top 10 markets for the Polish exports. Nevertheless, the value of Polish exports has significantly gone up since 2019, and Germany remains Poland's major export partner.

On the other hand, the year-on-year comparative study shows that the exports in value terms declined, driven by both declining prices and volumes.



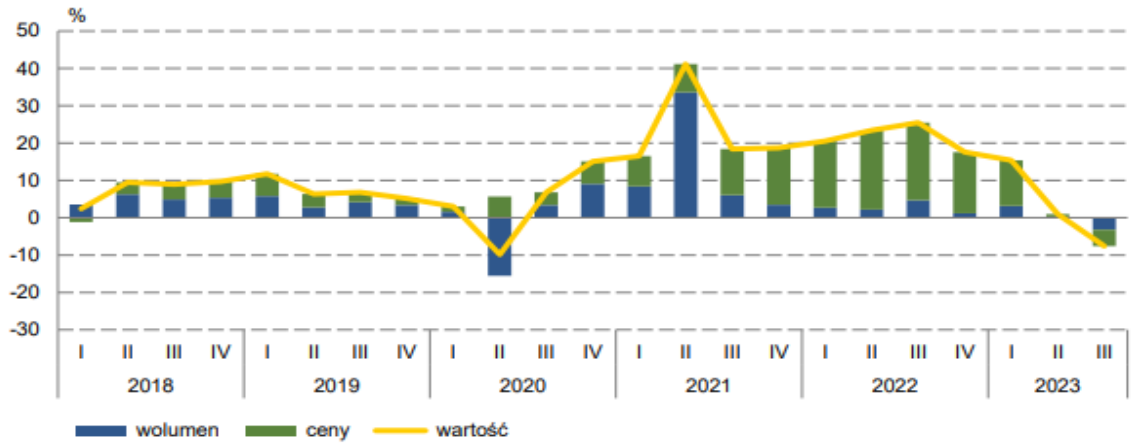
Key:

Polish (original)	*English (translation)*
1 kw, 2 kw, 3 kw. 4 kw…	*Q1, Q2, Q3, Q4 …*
mln zł	*PLN mio*
Eksport	*Exports*
Import	*Imports*
Saldo obrotów towarowych i usługowych (prawa oś)	*Balance of trade in goods and services (right axis)*

Source: National Bank of Poland (NBP), Changes in volume, prices and value of exports (% y/y), Balance of Payments of the Republic of Poland in Q3 2023.

The National Bank of Poland, in its Balance of Payments of the Republic of Poland in Q3 2023, highlighted that the decline in volumes as well as prices is a global trend, driven by the weakening of key global economies. In Q3 2023, a decline in exports in nominal terms was recorded in 24 EU Member States. Meanwhile falling prices are affecting both fuels, intermediate goods and, increasingly, final goods. The only category that saw an increase in value in Q3 2023 included means of transport.

The decline rate in imports was also higher in Q3 2023.



Key:

Polish (original)	*English (translation)*
1 kw, 2 kw, 3 kw. 4 kw…	*Q1, Q2, Q3, Q4 …*
wolumen	*Volume*
ceny	*Prices*
wartość	*Value*

Source: National Bank of Poland (NBP), Changes in volume, prices and value of imports (% y/y), Balance of Payments of the Republic of Poland in Q3 2023.

In this case, the main reason for this phenomenon is attributed to a strong decline in import prices, as well as a fall in volume due to shrinking domestic demand and a reduction in demand for intermediate products used for export production. Meanwhile the decline in import prices is mainly related to the fall in energy commodity prices, including fuel and gas prices.

Meanwhile the balance of commodity trade has remained positive since the onset of 2023. This balance is influenced by, inter alia, a stronger fall in import prices compared with export prices and a higher decline in the imports volume than in exports, which is reflected in the increase in the terms of trade index.



Source: Statistics Poland, Quarterly National Accounts.

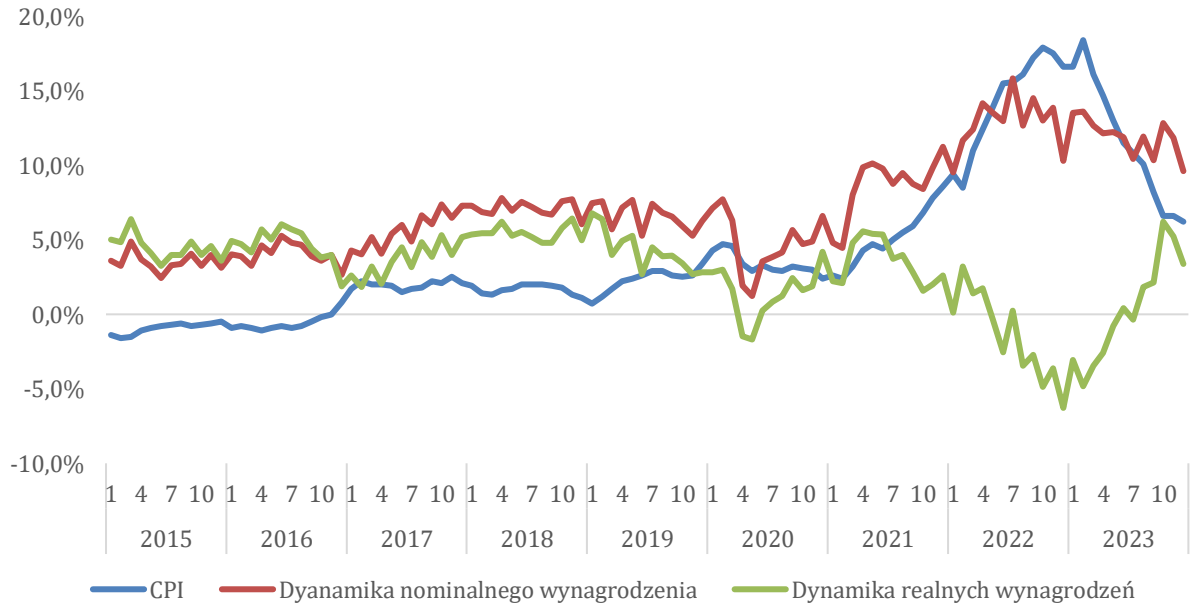
In the longer than annual perspective, the main factor having positive impact on the Polish exports is their diversity. Polish exports are not significantly dependent on a single commodity category. This can be confirmed by the concentration indices calculated and published annually by the United Nations. To minimise the negative impact of future potential shocks for the economy, companies sourcing intermediates have changed their purchasing practices. This means that double or single sourcing have been replaced by multisourcing. An additional opportunity for Poland will be two developing trends, i.e. nearshoring and friendshoring. These processes start with diversified sources of supply and becoming independent of a single supplier geographically and often culturally distant in favour of suppliers closer to the main markets.

In a post-pandemic and wartime realities, operators seek to minimise risks and thus also relocate potentially their place of business (to a country other than their country of origin). According to a Reuters Events' survey, Poland is most often indicated as the European country to which operations would relocate in 2022. Nearshoring and friendshoring are long-term processes, but their occurrence may be associated with an influx of foreign investment into Poland.

The investments in the Polish economy had a positive impact on the Gross Domestic Product growth rate. They went up in Q4 2023 by 7.7% compared on a year-on-year basis. On the other hand, when analysing the overall 2023, the capex were up by 8% compared to those in the previous year. According to the Statistics Poland, also in 2023 the investment rate in the national economy was 17.4%, while in 2022 it was 16.8%. The capex increase was driven by the implementation of projects related to the end of the EU financial perspective, which fell in Q4 2023, and the popularity of the 2% Secure Credit programme, fuelling household demand in the housing market. The challenge for the Polish economy will be the shortened timeframe for the implementation of funds to be paid to Poland under the National Reconstruction Plan (NRP). The European Commission has set a deadline of 2026 for the utilisation of NRP funds.

Consequently, some of the planned capex of a long-term nature may not be fully executed. Investment growth rate may also be positively influenced by the on-going campaign for the local government elections to be held on 7 April 2024, which is related to the so-called political business cycle. The capex growth may be driven in the years to come by a need to perform the energy transition, which entails high capital expenditure for the expansion of generation capacity. The scenario titled "Poland's Energy Policy until 2040," presented by the Ministry of Climate and Environment, shows that the total capex into RES will amount to PLN 726.4 billion (in 2020 prices), of which PLN 261.8 billion will fall in the 2023-2030 period, and PLN 464.5 billion in the 2031-2040 period.

In the first two quarters of 2023, consumption had adverse impact on GDP growth rate. According to the November 2023 Inflation Report published by the National Bank of Poland, consumer sentiment and uncertainty related to the military aggression against Ukraine had a negative impact on consumption. On the other hand, in Q3 and Q4 2023, there was a positive reading of the consumption impact on the Gross Domestic Product. GDP growth rate was positively influenced by the good labour market situation, i.e. environment with low unemployment rate and growth of wages and social benefits in nominal terms.

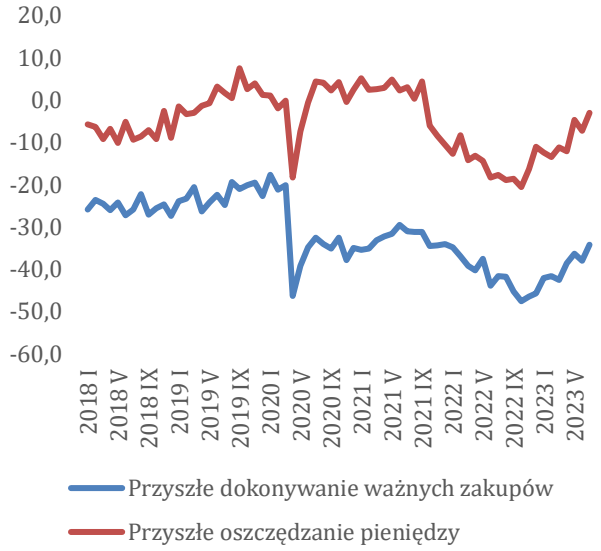


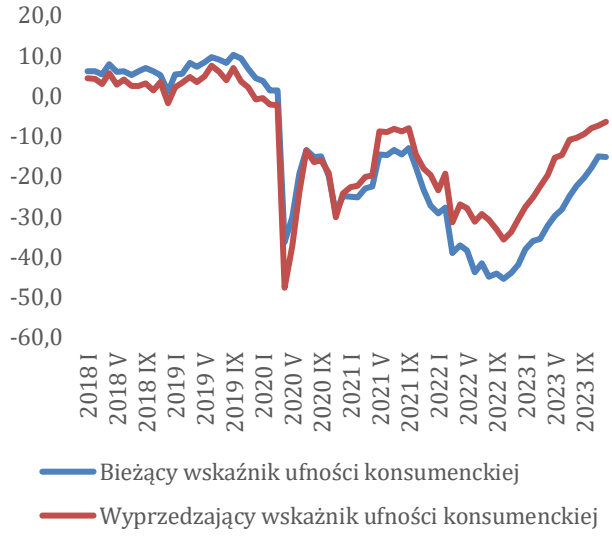
Key:

Polish (original)	*English (translation)*
CPI	*CPI*
Dynamika nominalnego wynagrodzenia	*Wage growth in nominal terms*
Dynamika realnych wynagrodzeń	*Wage growth in real terms*

Source: Statistics Poland, Monthly National Accounts.

Since the onset of 2023, we have seen wage growth in real terms in the business sector alongside wage growth in nominal terms. In addition, a decline in the growth rate of the consumer price index (CPI) has also been observed, which had a positive impact on the domestic level of consumption, as it means an increase in purchasing capacity.





Key:

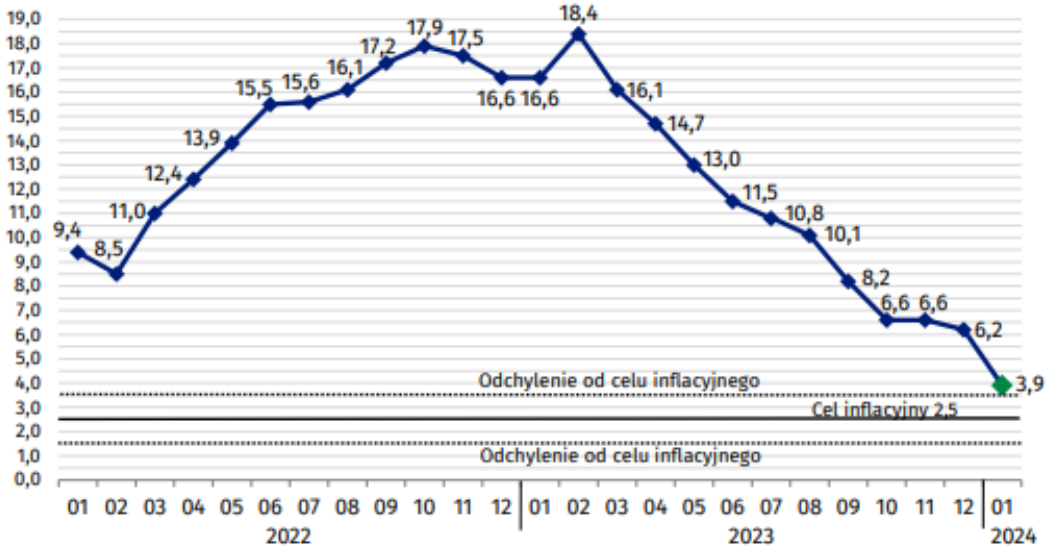
Polish (original)	*English (translation)*
I, V, IX …	*Jan., May, Sept. …*
Przyszłe dokonywanie ważnych zakupów	*Making important purchases in the future*
Przyszłe oszczędzanie pieniędzy	*Future money-saving*

Key:

Polish (original)	*English (translation)*
I, V, IX …	*Jan., May, Sept. …*
Bieżący wskaźnik ufności konsumenckiej	*Current consumer confidence indicator*
Wyprzedzający wskaźnik ufności konsumenckiej	*Leading consumer confidence indicator*

Source: Statistics Poland, Consumer economic indicators.

Additionally, as evidenced by consumer economic indicators calculated by the Statistics Poland, since the onset of the year there has been an increase in the propensity to save for the future, with consumers declaring that they will make important purchases in the future. An increase in consumer confidence has also been recorded. These factors point to an improvement in the growth rate of income generation in real terms. However, in the entire year 2023, GDP growth in real terms in Q4 was the level of 1.0%. Consumption growth also declined during this period, as reflected in retail sales during the period. The declining consumption growth rate combined with the simultaneous increase in wage growth rate in real terms gives grounds to conclude that in Q4 2023 households' propensity to save was up, and that the consumption fall was driven by a desire to rebuild savings levels that had been eroded in the period of high inflation.



Key:

Polish (original)	*English (translation)*
Odchylenie od celu inflacyjnego	*Deviation from inflationary target*
Cel inflacyjny	*Inflationary target*

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

According to the Statistics Poland, the average annual total consumer price index in 2023 compared to 2022 was 111.4 (a price hike by 11.4 %, while the average annual inflation in 2022 was 14.4%).

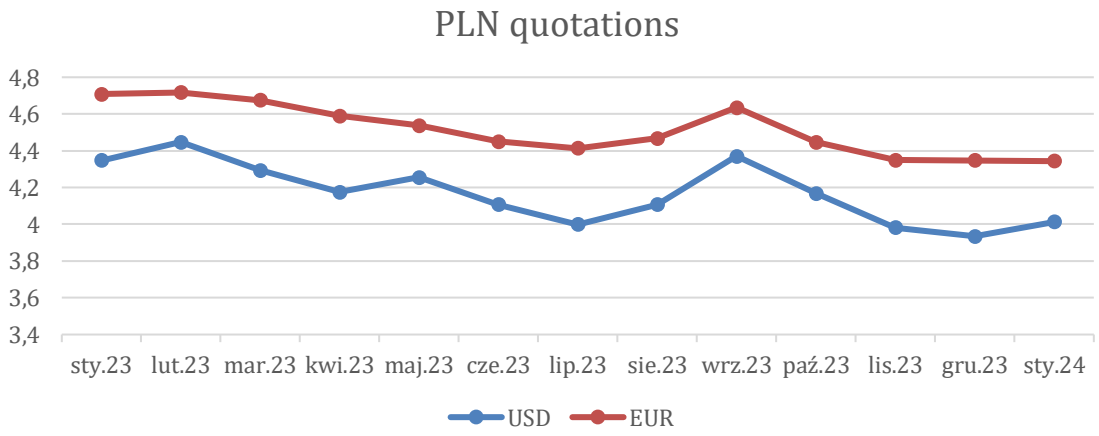
The main drivers of the Consumer Price Index in 2023 were the price hikes of products in the food and non-alcoholic beverages category, as well as housing-related goods and services. This product category saw an average annual price hikes by 13.4% compared to 2022. This increase consisted primarily of price hikes of heat, electricity and gas charges of 33.3%, 21.4% and 15.9% (y/y) respectively. However, the annual price growth rate of the indicated commodity categories declined in 2023.

Since April 2021, the consumer price index has invariably been above the upper limit of the inflation target set by the Monetary Policy Council, which is 2.5% (± 1 p.p.).

Since February 2023 onwards, the annual consumer price growth rates in Poland have been recorded to be declining. However, it should be noted that this is due to the so-called high statistical base effect. Price levels are rising, but the price increase is relatively slower. The decline in the consumer price growth rate was also due to the reduction in consumer demand in the H1 2023 and the easing of cost pressures driven by the fall in commodity prices below 2022 levels.

It was recorded that the CPI index in December 2023 was up by 6.2% compared to the same period in 2022.

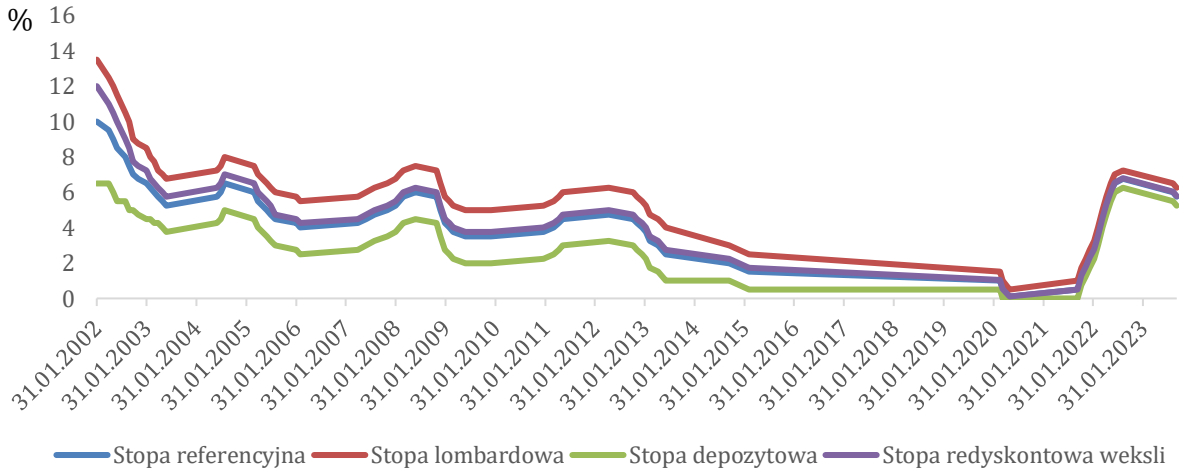
The disinflation process in Poland is driven significantly by global factors, including the reversal of the pandemic impact and the war situation, as well as relatively stable energy commodity prices. These phenomena contribute to a distinct slowdown of the growth rate of commercial commodity prices. Additionally the Polish currency appreciation will have a favourable impact on the decline of the inflation rate.



Key:

Polish (original)	*English (translation)*
Sty, lut, mar, kwi, maj, cze, lip, sie, wrz., lis., gru	*Jan., Feb., Mar., Apr., May, Jun., Jul., Aug., Sept., Nov., Dec.*

In September 2023, the Monetary Policy Council decided to cut interest rates by 75 basis points. As a result of this decision, the reference rate was reduced from 6.75% to 6%. Subsequently, on 4 October, the Monetary Policy Council (MPC) approved a further reduction in interest rates by 25 basis points. Over 28 days, rates fell by a total of 100 basis points. However, during the MPC meeting, held on 6-7 February 2024, the Council decided to keep the central bank interest rates unchanged. As a result of this decision, the reference rate, as of 5 October 2023, is 5.75%.

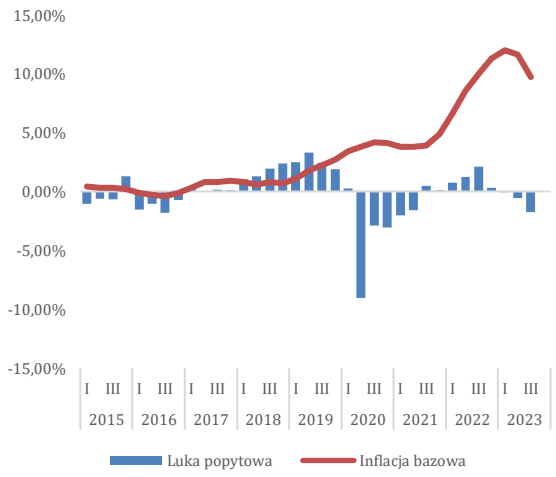


Key:

Polish (original)	*English (translation)*
Stopa referencyjna	*Reference rate*
Stopa lombardowa	*Lombard rate*
Stopa depozytowa	*Deposit rate*
Stopa redyskontowa weksli	*Bill of exchange rediscount rate*

Source: National Bank of Poland, interest rate levels

According to a press release from the National Bank of Poland (NBP) following the Monetary Policy Council's (MPC) meeting, held on 6-7 February 2024 in the context of the depressed economy and reduced inflationary pressures abroad, these factors can be expected to act to further reduce domestic inflation. Projections indicate that annual CPI growth is likely to decline significantly in Q1 2024, with a slower decline in core inflation.



Key:

Polish (original)	*English (translation)*
I, III	*Jan. Mar.*
Luka popytowa	*Output gap*
Inflacja bazowa	*Core inflation*

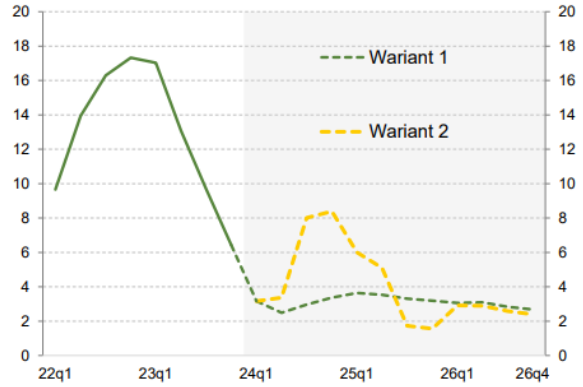
Source: Own calculations on the grounds of Statistics Poland and National Bank of Poland data, demand gap and core inflation



Source: Statistics Poland, Registered unemployment rate

Effective from 2023, negative values of the demand gap in the Polish economy were recorded, indicating that there was non-utilised production capacity in the economy. A negative demand gap indicates the

presence of low inflationary pressures. Companies under such circumstances have a limited ability to increase prices, which has a stabilising effect on price levels. However, economy cooling is often paralleled by an unemployment rate growth, whereas in Poland it reached a historic low level of around 5% in 2023. This gives the workforce a higher bargaining power on wages, which, with lower readings of inflation growth rate, increases their purchasing power, which in turn will keep cost pressures high and encourage price hikes of services, thus posing the risk of 'locking in' core inflation at relatively high levels (above the CPI).



Wariant 1 – przedłużenie działań osłonowych w zakresie cen żywności i energii do końca horyzontu projekcji.

Wariant 2 – przywrócenie 5% stawki podatku VAT na podstawowe produkty żywnościowe od kwietnia br. oraz całkowite odmrożenie cen energii elektrycznej i gazu dla gospodarstw domowych od III kw. br.

Key:

Polish (original)	*English (translation)*
Wariant 1	*Option 1*
Wariant 2	*Option 2*
Wariant 1 – przedłużenie działań osłonowych w zakresie cen żywności do końca horyzontu projekcji	*Option 1 - extension of food price shielding measures until the end of the projection horizon*
Wariant 2 – przywrócenia 5% stawki podatku VAT na podstawowe produkty żywnościowe od kwietnia br. oraz całkowite odmrożenie cen energii elektrycznej i gazu dla gospodarstw domowych od III kw. br,	*Option 2 - reinstating a 5% VAT rate on basic food products from April this year onwards, and completely unfreezing electricity and gas prices for households effective from Q3 this year,*

Source: NBP, CPI (y/y %), Inflation projections and GDP - March 2024

The Statistics Poland reported that the level of CPI inflation was 3.9% in January 2024. According to the latest Inflation and GDP Projection published on 11 March 2024 by the National Bank of Poland, the average annual inflation rate in Poland in 2024 will be (depending on the option) 3% or 5.7%, which in either case means getting closer to the inflation target set by the National Bank of Poland. However, the trajectory of annual price growth rate will be strongly driven by fiscal and regulatory factors.

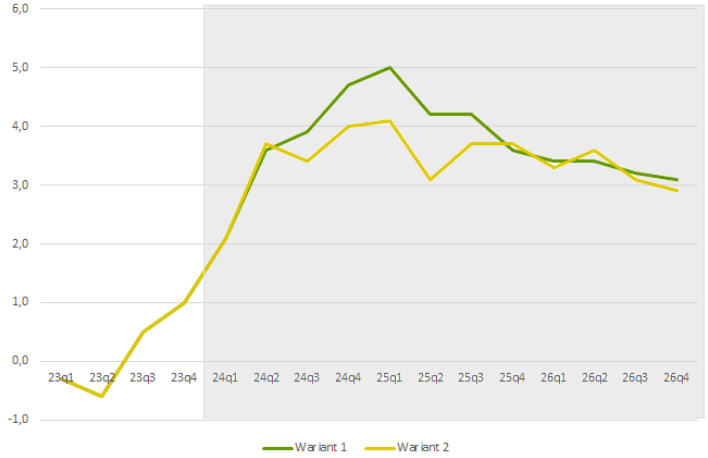
The inflation rate in Poland in H2 2024 is subject to upside risks, which is why the National Bank of Poland presented two alternative scenarios for its inflation trajectory in its March projection. This is due, inter alia, to the fact that the Minister of Finance has signed an ordinance extending the application of 0 per cent VAT rate on food, assuming that the reduced rate would apply until 31 March 2024. Failure to extend the ordinance to keep a zero VAT rate on foodstuffs could significantly increase inflation rate. The failure to extend the act, which aims to limit the impact of electricity, gas and heat price hikes on the most vulnerable consumers of these products, including those who are households, local government bodies and also public utilities, between 1 January 2024 and 30 June 2024, may also have a direct impact on the inflation rate increase in 2024.

The disinflation process can be significantly slowed down by growing demand pressures, which can be driven by, inter alia, high wage growth rate in nominal terms. An increase in average monthly nominal gross wages and salaries in the business sector was observed in 2023, which, paralleled by a fall of the consumer price index against 2022, led to an increase in consumer purchasing power. There has also been an increase in purchasing power among old-age and disability pension beneficiaries. The increase in demand pressure may also be driven by the significant increase in the minimum wage, which from 1 January 2024 is PLN 4242, the announced wage increases in the public sector, as well as the indexation of the 500+ benefit.

Wage regulations have also boosted the labour cost growth rates, which are above the values for Eurozone countries, which, combined with the increase in the annual growth of the average wage and the declining

number of economically active people in Poland, will lead to the continuation of the 'worker market' in the country.

Owing to the presentation by the National Bank of Poland of two alternative inflation trajectories in Poland, alternative growth paths for the Gross Domestic Product were also made available.



Wariant 1 - Scenariusz przedłużenia antyinflacyjnych działań osłonowych w zakresie cen żywności i energii

Wariant 2- Scenariusz wycofania antyinflacyjnych działań osłonowych w zakresie cen żywności i energii

Key:

Polish (original)	*English (translation)*
Wariant 1	*Option 1*
Wariant 2	*Option 2*
Wariant 1 – Scenariusz przedłużenia antyinflacyjnych działań osłonowych w zakresie cen żywności I energii	*Option 1 - Scenario providing for extension anti-inflationary shielding measures on food and energy prices*
Wariant 2 – Scenariusz wycofania antyinflacyjnych działań osłonowych w zakresie cen żywności i energii	*Option 2 - Scenario providing for withdrawal of anti-inflationary shielding measures on food and energy prices*

Source: NBP, GDP (y/y %), Inflation Projections and GDP - March 2024

If the anti-inflationary shielding measures on food and energy prices are extended, year-on-year GDP growth will be 2.1%, 3.6%, 3.9% and 4.7% in individual quarters of 2024 respectively. Meanwhile when the anti-inflationary measures on food and energy prices have been withdrawn, GDP will grow by 2.1%, 3.7%, 3.4% and 4.0%, respectively, in each quarter of 2024. Strong inflation trajectory divergences, depending on the scenario implementation, will also exist in 2025. If the anti-inflationary shielding measures on food and energy prices are extended, year-on-year GDP growth will be 5.0%, 4.2%, 4.2%, 3.6%, respectively, in each quarter of 2025, while the implication of Option 2 is that GDP growth by 4.1%, 3.1%, 3.7%, 3.7%, in each quarter respectively. In 2026, the projected differences are not as significant, as the multiplier effect of the impact of the shields on inflation rate and GDP fades.

Under the assumption of fully sustained anti-inflationary measures (Option one), higher economic growth rates are expected. This will be driven primarily by the receding of supply shocks in global markets and an increase in consumer purchasing power. According to the National Bank of Poland, economic growth in 2025 and 2026 will be positively influenced by the inflow of EU funds under the new funding perspective.

The entry into force of Option 2 leads to significantly lower year-on-year GDP growth. This deviation is driven by a weakening of consumers' real purchasing power compared to the previous option and a significant reduction in household disposable income. On the other hand, however, such scenario will imply lower demand pressures and a projected fall in core inflation.

Either way, it is forecast that consumption and accelerating investment will drive up the Gross Domestic Product growth. Household consumption will recover in 2024 thanks to higher wages in real terms, influenced by high nominal wage and pension growth rates, falling inflation and the indexation of social benefits. In contrast, investment will be most affected by the release of funds under the National Recovery Plan, as well as the need to carry out the energy transition and changing trends in global markets, i.e. near- and friendshoring.

1.1.2. Economic environment in the European Union

The economies of both the Eurozone and the European Union as a whole have been in stagnation for more than 1.5 years, influenced by the European Central Bank's restrictive monetary policy and the earlier rise in commodity prices. According to the National Bank of Poland's forecasts, the rate of economic growth in 2025 and 2026 will still be slightly faster than before, mainly due to the fading out of supply shocks and the anticipated easing of monetary policy.

In the countries where the ERBUD Capital Group operates, the GDP growth rate in Q2 2023 (y/y) was as follows:

– Germany (0.3) %,
– Belgium 1.5 %,
– France 0.9 %.

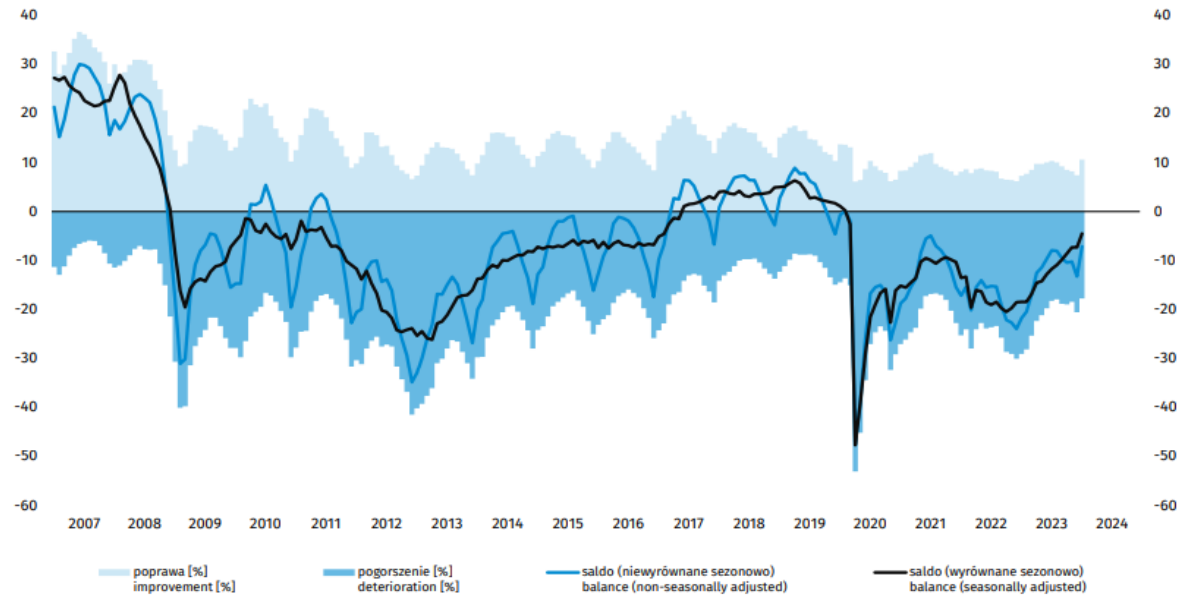
The German economy experienced a decline in Gross Domestic Product growth, due in part to high energy prices, high competition from Asian countries in the automotive sector and relatively high labour costs. Additionally the German economy is facing a severe recession in the construction sector, due to very high price levels that the market is not able to accept. The increase in the level of property prices is also linked to environmental restrictions, which put an obligation on the homeowners to incur high expenditures for upgrades that bring conditions in line with the EU requirements. In response to climate change, the European Commission has officially proposed a target of a 90% reduction in greenhouse gases by 2040. The path leading towards this target will have a significant impact on European economies, including Poland, whose energy sector is fuelled primarily by coal.

However, the Eurozone economy as a whole was facing a decline in international competitiveness in 2023 due to the cancellation of such energy imports from Russia.

1.2. Condition of the construction sector in Poland

The report titled Business Climate in Manufacturing, Construction, Trade and Services in 2000-2024), published by the Statistics Poland, shows that the general business climate indicator remains negative for most areas of the Polish economy. Entities in the financial and insurance sectors (plus 19.0) and information and communication (plus 11.6) sectors have a positive view of the economic climate.

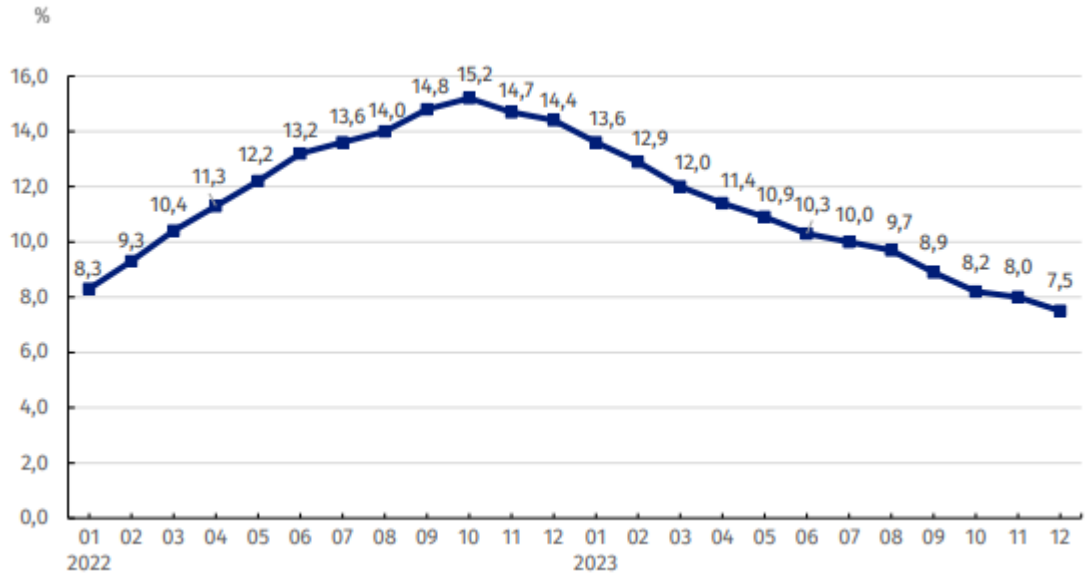
Wykres 4. Wskaźnik ogólnego klimatu koniunktury w sekcji budownictwo
Chart 4. General business climate indicator in construction section



Source: Statistics Poland, Business climate indicator in manufacturing, construction, trade and services 2000-2024, January 2024.

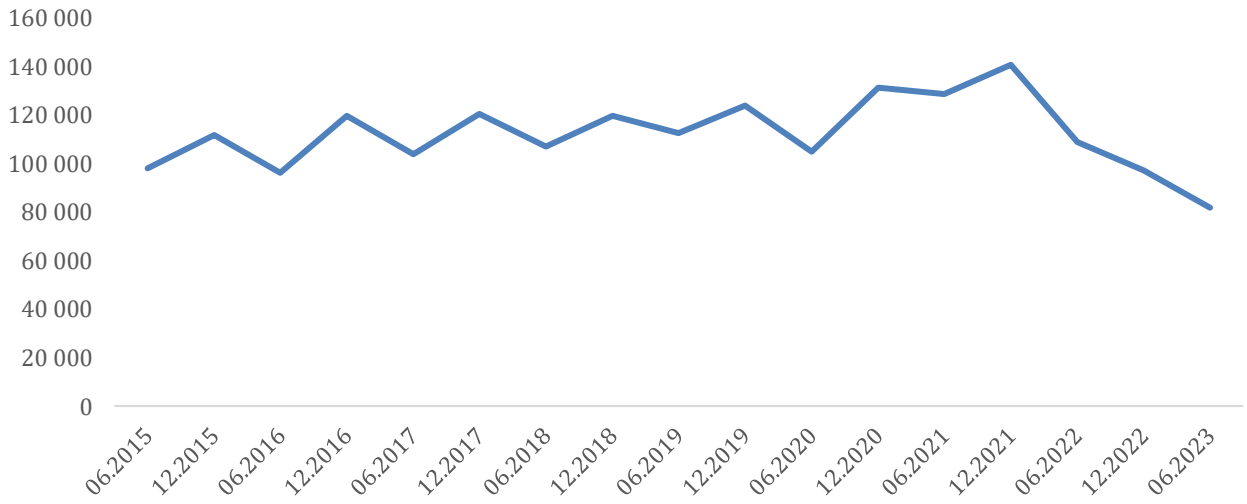
The most negative assessment of the business climate is for manufacturing sector (minus 10.5) and construction sector (minus 7.1). Companies in the manufacturing section reporting barriers most often point to employment costs, high budgetary burdens and uncertainty about the overall economic environment. Meanwhile in the construction business there cost anxiety, i.e. about the cost of labour and materials, is clearly dominant. However, there is an upward trend in satisfaction with economic situation in all branches of the economy.

According to preliminary data from the Statistics Poland, in January 2023, the prices of construction and assembly output were down by 7.5% compared to the same month of the previous year. Compared to December 2022, the prices of civil engineering construction (up 8.8%), specialty construction (up 6.8%) and building construction (up 6.4%) were raised. Since October 2022, there has been a declining trend in the annual price growth rate of construction and assembly output.



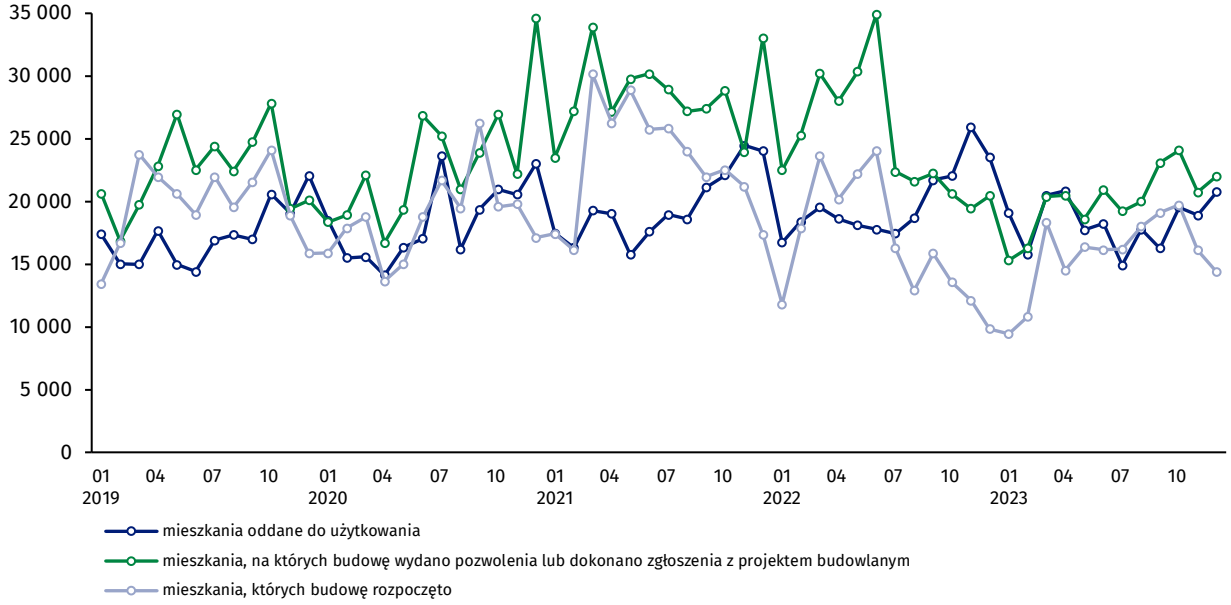
Source: Statistics Poland, Construction and assembly output price indices - changes in construction and assembly output prices in 2022-2023 compared to the same period in the previous year

According to data released by the General Office of Construction Supervision in its bi-annual reports, there has been a decline in the number of building permits granted since the onset of 2022.



Source: General Office of Construction Supervision, number of building structures for which building permits have been issued

A decline in the number of building permits is recorded in all reported categories through H1 2023. The number of building permits issued was down by 25% in H1 2023 compared to H1 2022, which saw a decline of almost 31%. The weakening in the construction sector is also being felt in the residential construction segment.

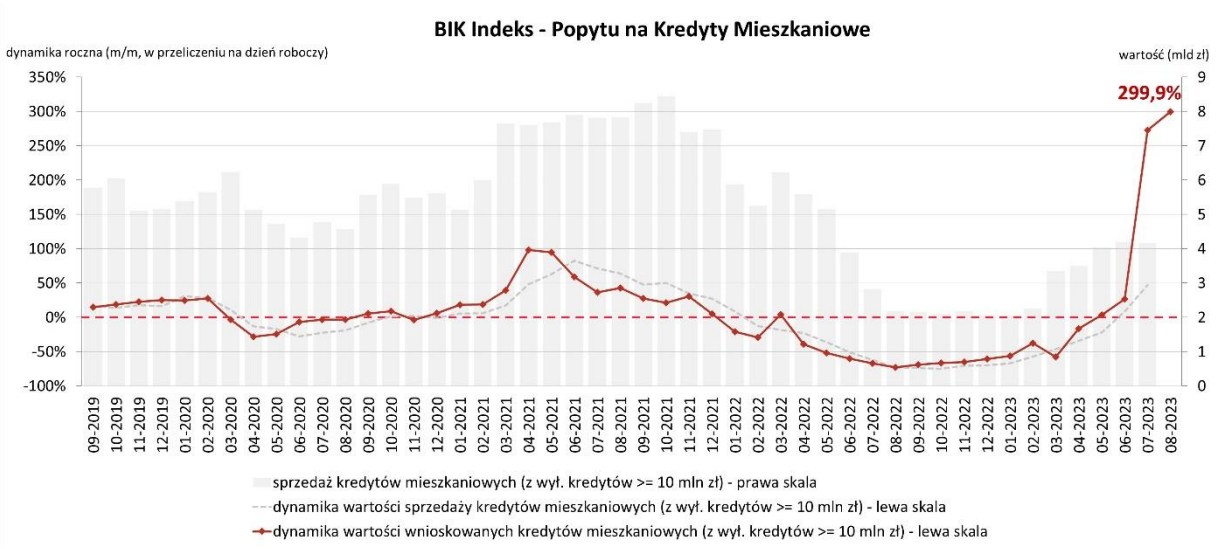


Key:

Polish (original)	*English (translation)*
Mieszkania oddane do użytkowania	*Housing units completed*
Mieszkania na których budowę wydano pozwolenia lub dokonano zgłoszenia z projektem budowlanym	*Housing units covered with permits issued or notified along with a construction project*
Mieszkania których budowę rozpoczęto	*Housing units whose construction was started*

Source: General Office of Construction Supervision, housing construction Jan. - Dec. 2023

The number of building permits granted for construction of multifamily buildings fell significantly on a year-on-year basis. According to the Statistics Poland, in Q3 2023, 15% less apartments were released for occupancy than in the previous year. The situation in the real estate market in Poland in Q3 2023 is presented in the National Bank of Poland's report titled "Information on housing prices and the situation on the residential and commercial real estate market in Poland in Q3 2023". Since the onset of 2023, we have noticed a growing interest in real estate, while access to real estate has been limited. The availability of apartments on the market has declined significantly, and the number of apartments under construction remains low, mainly due to higher sales compared to the replenishment of the offer by developers. Financing of housing purchases is largely based on own funds (about 76% of the total value), but in Q3 there is also a noticeable increase in demand funded with the bank loans. Meanwhile there was a strong rebound of demand for housing loans in Q3 2023.



Key:

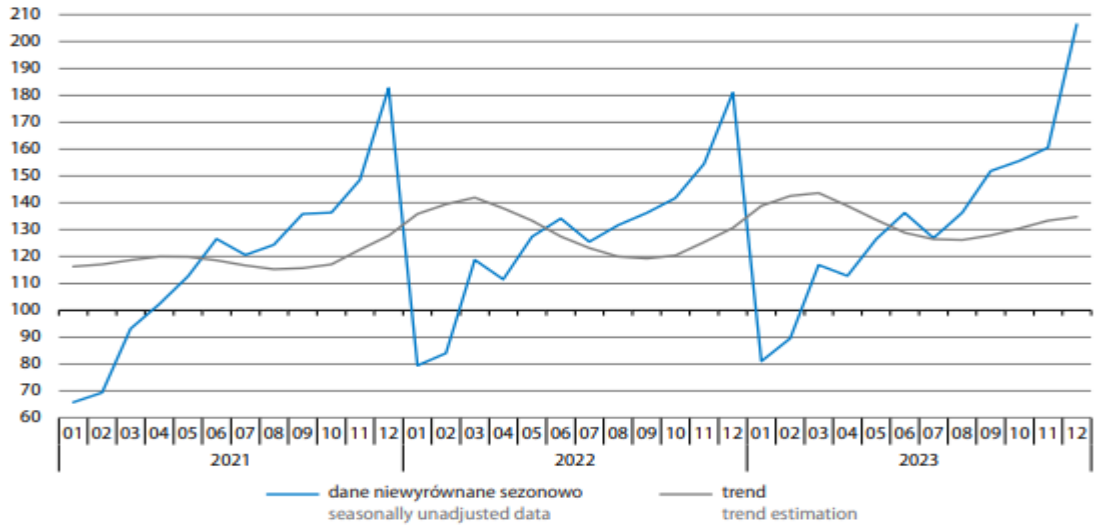
Polish (original)	*English (translation)*
BIK Indeks – Popytu na Kredyty mieszkaniowe	*BIK Index – Demand for housing loans*
Sprzedaż kredytów mieszkaniowych (z wył. kredytów >= 10 mln zł) prawa skala	*Sales of housing loans (excluding loans >= PLN 10 million) right scale*
Dynamika wartości sprzedaży kredytów mieszkaniowych (z wył. kredytów >= 10 mln zł) – lewa skala	*Dynamics of the value of sales of housing loans (excluding loans >= PLN 10 million) - left scale*
Dynamika wartości wnioskowanych kredytów mieszkaniowych (z wył. kredytów >= 10 mln zł) – lewa skala	*Dynamics of the value of housing loans applied for (excluding loans >= PLN 10 million) - left scale*

Source: BIK, demand for housing loans

The increase in home loan sales was driven primarily by the launch of the 2% Safe Loan government scheme. However, in 2023, such performance may also have been influenced by, inter alia, the Polish Financial Supervisory Authority's decision to allow a reduction in the prudential buffer, thus increasing the number of borrowers with creditworthiness. Another driver of the market situation was the reduction in the WIBOR index as a result of the reduction in the reference interest rate by the Monetary Policy Council. In addition, the situation was improved by an increase in real household income. However, an increase in demand for loans, and thus for housing units, and a simultaneous decrease on the supply side, have caused housing prices to rise again.

In addition, the situation of the supply side in the construction sector is adversely affected by the lack of skilled workers and the dependence of building contractors on foreign workforce. With the country's historically low unemployment rate and a very strong increase in the minimum wage, there will be an inevitable cost increase on the part of employers. The lack of availability of skilled workforce will be most acute for players in the construction sector at a time when private investment is projected to grow and central government investment projects take off, resulting from an influx of National Recovery Plan funds in Poland.

2023 saw an approximate 4% increase in the construction and assembly production activities compared to the previous year.

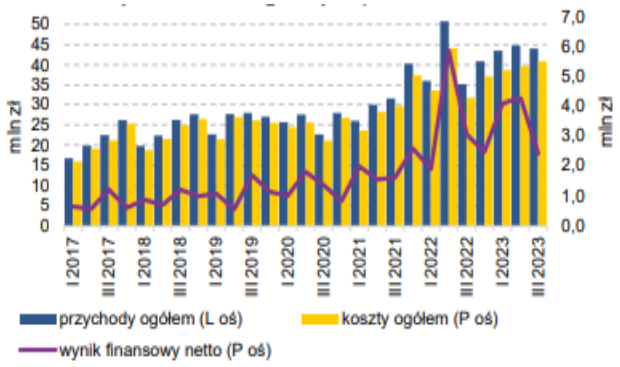


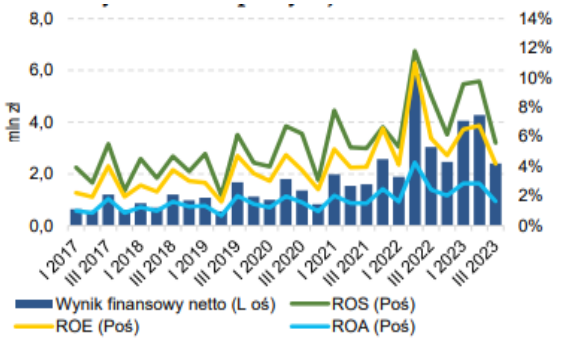
Source: Statistics Poland, Construction and assembly production activities (constant prices) monthly average 2015=100

The Statistics Poland 's report titled "Socio-Economic Situation in Poland in 2023" reported that sales of construction services were higher than in 2022 in entities specializing in the construction of civil engineering structures - up by 11.3%, and in units performing mainly specialized construction works - up by 2.7%. Meanwhile it was down, however, in entities mainly engaged in the building construction, by 1.3%. There was a large increase in sales of investment services (up by 30.0%), while sales of renovation works fell significantly (down by 28.3%).

According to a statement made by the Minister of Development and Technology, the 2% Loan will be replaced by an alternative government scheme, which will, however, affect both the demand and supply sides, but the details of the scheme have not yet been disclosed. What is known, however, is that the scheme will be introduced later this year, in the second half of the year, allowing the supply side to prepare for the next increase in demand.

In H1 2023, an improvement in the building construction segment was observed, following the prevailing negative KPIs in 2022. This improvement was fuelled by an increase in demand in the housing market, which created favourable conditions for the start of new developments and an improvement in the construction order backlog. The average revenue of the major companies recorded a year-on-year increase of 25%, with a relatively low benchmark. Nevertheless, there was a slight reduction during the quarter (2%). Mounting cost pressures, particularly related to wages and salaries (33% year-on-year) and third-party services (24% year-on-year), along with moderate growth in energy and material costs (5% year-on-year), resulted in the squeeze of sales margin at an average of 5.5%, compared with 9.9% in the previous year. This in turn translated into a lower net financial profit/loss, which was down by 21% on a year-on-year basis.





Key:

Polish (original)	*English (translation)*

Przychody ogółem (lewa oś)	*Total revenues (left axis)*
Koszty ogółem (Prawa oś)	*Total costs (right axis)*
Wynik finansowy netto (Prawa oś)	*Net financial result (right axis)*
Wynik finansowy netto (Lewa oś)	*Net financial result (left axis)*
ROE (Poś)	*ROE (right axis)*
ROS (Poś)	*ROS (right axis)*
ROA (Poś)	*ROA (right axis)*

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

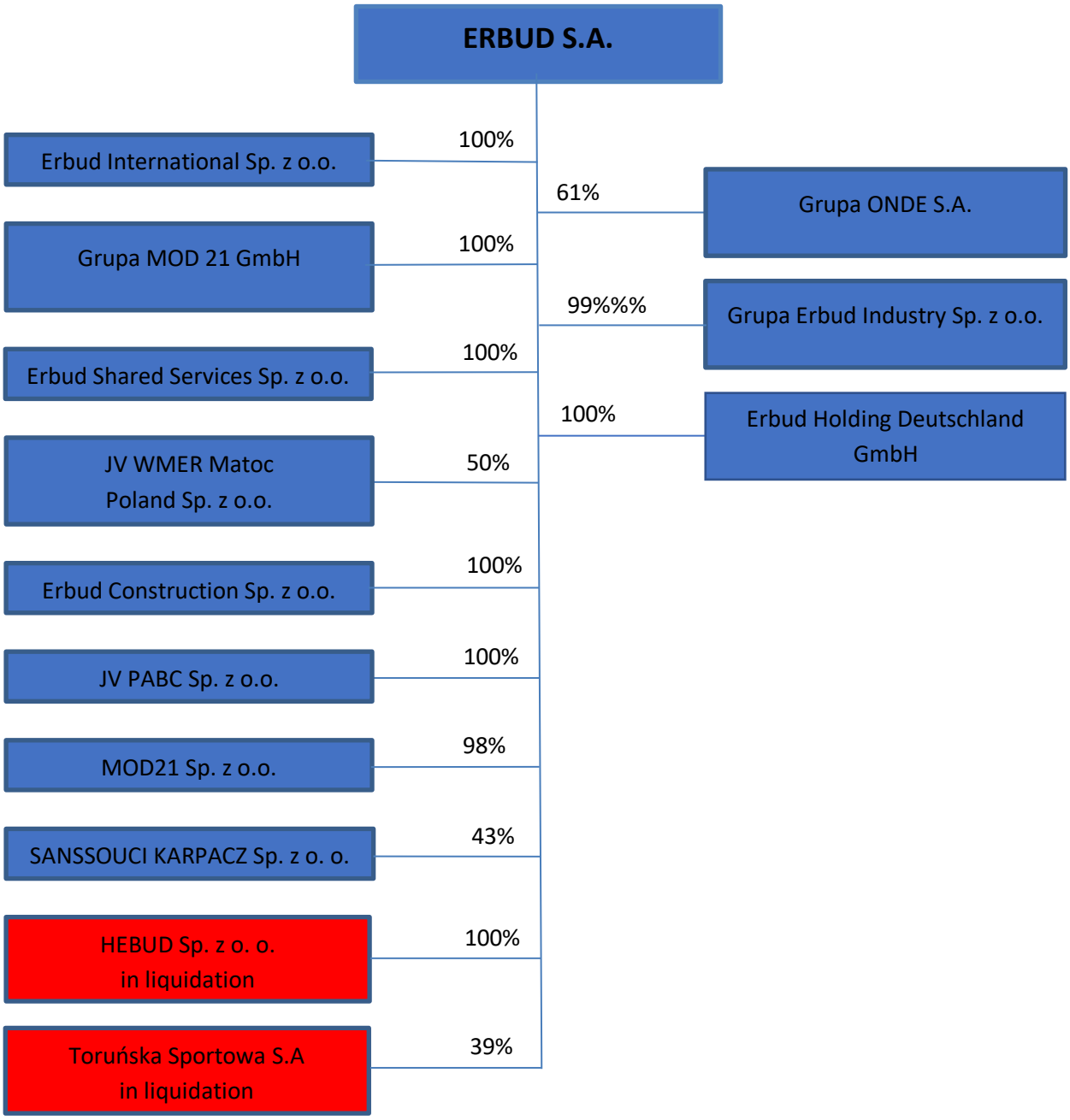
The averaged Return on Equity (ROE) ratios of 4.2% and Return on Assets (ROA) ratios of 1.6% showed declines in both annual and quarterly comparisons of their counterparts. Their values have reached levels close to the minimum recorded in the last two years.

2. ERBUD GROUP ACTIVITIES IN 2023

2.1. Capital Group Structure

As of 27 March 2024, i.e., the date of the Management Board's approval of this Report, the ERBUD Group organisational structure was as follows:

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



Changes that occurred in the ERBUD Group in 2023 and prior to the date of publication of the 2023 financial statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Art. 515, § 1 of the Code of Commercial Companies, the merger of the companies took place without an increase of Acquirer's share capital.

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

On 12 May 2023, the Extraordinary General Meeting of Shareholders of MOD 21 Sp. z o.o. adopted 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 its 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.

In Q3 2023, a merger process is taking place between two ERBUD Group companies - Erbud Industry Centrum Sp. z o.o. and Erbud Industry Południe Sp. z o.o. on the following terms:

ERBUD INDUSTRY CENTRUM SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ with its registered office in Łódź, at ul. Puszkina 78, 92-516 Łódź, entered into the Register of Entrepreneurs, kept by the District Court for Łódź Śródmieście District, 20th Economic Division of the National Court Register under the KRS No.: 0000067522, with Tax ID (NIP) No.: 7281003292, REGON Statistical No.: 470919880, with a share capital totalling: PLN 1,472,868.00, and as the Acquiree: **ERBUD INDUSTRY POŁUDNIE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ with its registered office in Rybnik**, at ul. Podmiejska 71, 44-207 Rybnik, entered into the Register of Entrepreneurs, kept by the District Court in Gliwice, 10th Economic Division of the National Court Register under the KRS No.: 0000048826, with Tax ID (NIP) No.: 6252032451, REGON Statistical No.: 276170053, with a share capital totalling: PLN 591,456.00.

The merger shall be effected by way of merger through acquisition, pursuant to Art. 492 § 1(1) of the Code of Commercial Companies, through the transfer to the Acquirer of all the assets of the Acquiree by universal succession, with an increase in the share capital of the Acquirer through the issue of new shares, which the Acquirer shall issue to the shareholders of the Acquiree according to the share exchange parity specified in the merger plan.

As a result of the merger registration by the Registry Court in the Register of Entrepreneurs of the National Court Register, the Acquiree will be deleted from the Register of Entrepreneurs of the National Court Register and dissolved without liquidation proceedings, pursuant to Art. 493, § 1 of the Code of Commercial Companies. The Merger Plan was audited by an auditor appointed by the Registry Court, and reports were prepared by the Management Boards of the merging companies. The Acquirer will operate under the name of: ERBUD INDUSTRY CENTRUM with its registered office in Łódź, at ul. Puszkina 78, 92-516 Łódź.

The merger will be carried out with an increase in the share capital of the Acquirer, from the current level of PLN 1,472,868.00 (one million four hundred seventy-two thousand eight hundred sixty-eight Polish zlotys), to the level of PLN 1,626,480.00 PLN (one million six hundred and twenty-six thousand four hundred and eighty Polish zlotys), i.e. by the amount of PLN 153,612.00 (one hundred and fifty-three thousand six hundred and twelve Polish zlotys) through the issue of 306 (three hundred and six) new shares with a par value of PLN 502.00 (five hundred and two Polish zlotys) per share. A resolution on the merger of the companies will be adopted by the General Meeting of Shareholders of the Acquirer and the General Meeting of Shareholders of the Acquiree, in accordance with the procedure set forth in Art. 506 of the Code of Commercial Companies (scheduled to be held on 14 November 2023).

Pursuant to Art. 500, § 1 of the Code of Commercial Companies, the Merger Plan was filed with the registry courts of the merging companies, along with a joint application by the merging companies for the appointment of an expert, in order to have it audited from in terms of correctness and reliability. The expert issued a positive opinion in terms of correctness and reliability.

The Merger Plan was announced pursuant to Art. 500, § 2 of the Code of Commercial Companies. Pursuant to Art. 500, § 21 of the Code of Commercial Companies, the Companies announced the Merger Plan on their websites, viz.: the Acquirer at: https://www.erbudindustry.pl/o,3,erbudindustry-centrum.html, whereas the Acquiree at: https://www.erbudindustry.pl/o,5,erbud-industry-poludnie.html

The Management Boards of the merging companies, shall notify the shareholders twice about their intention to merge, pursuant to Art. 504 of the Code of Commercial Companies, and the shareholders may get familiar themselves with the merger documents, pursuant to Art. 505 of the Code of Commercial Companies, at the registered offices of the merging companies.

The Acquirer will keep its books of accounts including financial statements following a going concern principle as specified in the latest annual balance sheet with the Acquiree assets. The assets of each of the merging Companies will be managed separately by the Acquirer for a period of at least 6 months from the merger announcement date, or until the date of satisfying or securing all creditors whose claims arose before the merger date and who, before the expiration of 6 months from the merger announcement date, demand payment in writing, pursuant to Art. 495, § 1 of the Code of Commercial Companies. As of the Merger Date, the Acquirer will, pursuant to Art. 494, § 1 of the Code of Commercial Companies, assume all the rights and obligations of the Acquiree.

on 19 December 2023, the District Court for Łódź Śródmieście registered the merger of ERBUD INDUSTRY CENTRUM SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ with its registered office in Łódź and ERBUD INDUSTRY POŁUDNIE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ with its registered office in Rybnik.

The Acquirer will operate under the name of: ERBUD INDUSTRY CENTRUM with its registered office in Łódź, at ul. Puszkina 78, 92-516 Łódź.

The Company Management Board consists invariably of: Paweł Zaorski – President of the Management board and Marcin Stasiak – Vice-President of the Management Board.

2.2. ERBUD S.A.

2.2.1. Scope of activities

ERBUD S.A. is a company with a 34-year history operating as a general contractor. ERBUD S.A. carries out projects primarily in the building construction segment, industrial structures, apartment buildings, offices, hotels, shopping malls, logistics centres, hospitals, schools or cultural facilities. Thanks to its extensive credentials, ERBUD offers almost all types of construction services for the public and private investor, including the most complex and specialised ones, such as facilities for power sector, chemical industry or waste treatment and management. It has been listed on the WSE since 2007.

Since the onset of 2023, ERBUD S.A. has been operating through three branches with technical offices:

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

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

In 2023 ERBUD S.A. was subject to an external audit carried out by the Quality Certification Centre to check the compliance with the standards effective at ERBUD S.A:

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

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

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

Once again, auditors found no inconsistencies. An area for improvement was identified - "Completeness of the list of environmental aspects in terms of future aspects (including indirect aspects) arising during the commissioning of construction or subsequent maintenance". The current list of aspects does not fully cover future aspects.

The Audit Report highlights 10 strengths driven by the operation of the Integrated Management System (IMS) in the organization:

1. Application for the digitalisation of management and supervision processes on construction sites and at branches.
2. Accident and emergency readiness process.
3. Documenting of management reviews.
4. The process of data acquisition to improve environmental performance.
5. Safeguarding workers on construction sites from incidents.
6. Resources for training to upgrade personnel skills and awareness.
7. The process of execution, documenting and accounting for construction activities.
8. Competence, professionalism and commitment of project personnel: The Skippers' Wharf and HBO at Lotos company, Warsaw School of Economics and the Small Alder Forest Housing Estate in Szaserów Street, Warsaw.
9. Overseeing the process of supplier and subcontractor acquisition.
10. The 'Safe Construction Site' competition 1/3 of the assessment criteria are environmental, a competition that mobilises construction sites to apply environmental measures.

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

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

In 2023 this group was joined by MOD21.

The TÜV NORD Polska certification body has confirmed compliance with the requirements of three basic standards, so that yet another ERBUD Group company holds the ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 certificates.

In addition, MOD21 Sp. z o.o. was granted two key certificates by the German certification body BMF Cert GmbH:

- **Übereinstimmungszertifikat** - Certificate of conformity with German building supervision regulations and standards in Germany, the so-called Ü Mark, and

- **Ral Gütezeichen - RAL-GZ 421** - Quality mark certified by the German Institute for Quality and Marking RAL

In 2023, we again successfully underwent verification of the EMAS eco-management and audit system at two of our companies, namely ERBUD S.A. and ONDE S.A. As a result of these audits, we published the third edition of environmental declarations available on the website of individual companies, but also published on the website of the General Directorate of Environmental Protection: https://www.gov.pl/web/gdos/rejestr-emas and on the European Commission website https://webgate.ec.europa.eu/emas2/public/registration/list.

2023 also saw further improvement on construction sites of the implementation of the 'vertical transport principles' and the creation of an e-learning platform for self-learning in the field of periodic safety training for administrative and office staff. The above regulations were adopted as part of the Polish Construction Safety Alliance.

The ERBUD Group, as every year, as an overriding objective in the field of health and safety has set 0 severe, fatal accidents. In 2023, this target was not achieved because of the fatal accident of our subcontractor.

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

In addition to the typical implementation activities, monitoring processes, we place a very high value on building awareness and culture among employees in the field of Health, Safety and Environment (HSE). On an on-going basis, we carry out a lot of training in relation to our legal obligations, but also dedicated under the specific scopes of work carried out on individual construction sites. Once again, like every year under the umbrella of the Polish Construction Safety Alliance, the entire ERBUD Group actively participated in the Safety Week between 15-29 May 2023. A total of 3968 employees (own personnel and subcontractors) took part in 236 activities on our construction sites. We also undertook a number of environmental initiatives. In 2023, the questions of the taxonomy survey for the assessment of construction sites in relation to the climate change adaptation objective were updated.

In 2023, the ERBUD Group held the first edition of the 'Safe Construction Site' competition, the winner was the 'Jaworska' construction site in Wrocław.

The next, Second Edition of the competition continues in 2024.

In 2024 we will be updating the existing ERBUD Group Climate Policy

2.2.2. Contracts signed in 2023

Major contracts signed by ERBUD S.A. in 2023

Contract Date	Investor	Subject Matter of the Contract	Contract net value
22 December 2023	NP 20 limited liability company, limited partnership with its registered office in Warsaw	Construction of two buildings - building "F" - multi-family apartment building with services on part of the ground floor and "G" building - multi-family apartment building - with underground garages, together with landscaping, retaining walls, elements of small architecture (fountain), technical and communication infrastructure	PLN 68.4 million
21 December 2023	Novaform Polska Sp. z o.o. with registered office in Poznań	Construction of a complex of apartment buildings with service functions in Poznań on a plot of land located in the 0039 Łazarz cadastral region	PLN 114.0 million

11 December 2023	YIT Development Sp. z o.o with registered office in Warsaw	General execution of an investment project called "Portowa Zabłocie" in Kraków involving the construction of a multi-family apartment building with services and underground garage, technical infrastructure, connections to the buildings and land development	PLN 63.1 million
21 November 2023	Independent Public Health Care Complex in Tomaszów Lubelski, Aleje Grunwaldzkie 1, 22-600 Tomaszów Lubelski	Construction of a hospital building for a central operating theatre and surgical wards with alterations to the existing buildings" following the “Design and Build” formula.	EUR 74.8 million
4 October 2023	CAMERIMAGE European Movie Centre, ul. Rynek Nowomiejski 28, 87-100 Toruń	Construction of the Studio building (recording studio)) in the first phase of the planned complex of buildings of the CAMERIMAGE European Movie Centre	PLN 89.8 million
26 September 2023	Josef Piłsudski Academy of Physical Education in Warsaw	Construction of an administrative and office building jointly with connections to the networks, land development including the construction of car park facilities, pavements, landscaping and the construction of the necessary on-site/buried technical infrastructure	PLN 40.9 million
25 September 2023	Proxin Świeradów Sp. z o.o. with its registered office in Poznań	Complex of tourist and leisure buildings in Świeradów Zdrój	PLN 83.8 million
12 September 2023	Port Popowice Limited Liability Company Limited Partnership with its registered office in Wrocław.	Execution of Phase 7A of the Popowice Harbour project, involving the construction of a complex of two multi-family apartment buildings with an underground car park facility and land development, designated in the design documentation as the "U" building and the "W" building, along with internal and external technical infrastructure as well as land development utilities, including street furniture and greenery, accompanying structures, as well as the traffic system in Białowieska Street in Wrocław.	PLN 97.6 million

13 July 2023	PFEIFER & LANGEN POLSKA SA , 60-837 POZNAŃ	Signing of Appendix No. 1 to the Contract dated 12 September 2022. - Supply and installation of two gas boilers and construction of a boiler house building at the Sugar Plant in Miejska Górka	PLN 96.6 million (total value of the contract after adding Appendix No. 1: PLN 142.0 million)
28.06.2023	PROJEKT CISZEWSKIEGO limited liability company, limited partnership at ul. Chocimska 14A, Apt. 8, 00-791 Warszawa;	Multi-family apartment building with services and underground car park facility. Contract execution site: Ciszewskiego Street	PLN 64.2 million
23 May 2023	Universal Scientific Industrial Poland Sp. z o.o, Biskupice Podgórne, Innowacyjna 4, 55-040 Kobierzyce, 55 - 040 Kobierzyce	Construction of a manufacturing and warehousing facility jointly with a social premises and the necessary infrastructure in Biskupice Podgórne	PLN 69.9 million
13 April 2023	State Treasury - District Court in Katowice	Construction of a building for the District Court Katowice – East in Katowice at 70a Francuska Street.	PLN 92.7 million.
24 March 2023	LINDE GmbH, Linde Engineering Dr.-Carl-von-Linde-Str. 6-14; 82049 Pullach	Civil works - oxygen and nitrogen generation station	PLN 59.3 million
24 March 2023	Facility of Schwäbisch Gmünd 1 GmbH, Doblerstraße 1, 72074 Tübingen	Conditional contract signed by a subsidiary of ERBUD S.A. - MOD 21 GmbH for the implementation of: "ECO Village" District consisting of 2 housing estates, approx. 8.100 m²	PLN 76.8 million
9 February 2023	Baltic Power Sp. z o.o.; ul. Bielańska 12, 00-085 Warszawa	Execution of the maintenance base for offshore wind far (The Operations and Maintenance Base)	Approx. PLN 50
6 February 2023	City of Munich	The contract signed by a subsidiary of ERBUD S.A. – MOD 21 GmbH Construction of accommodation quarters for people in refugee crisis using timber modular technology	PLN 44.4 million

2.2.3. Major executed projects

In 2023 the Company executed, *inter alia*, the following major investment projects:

- Retail facilities and distribution centres: Construction of the Lidl Oleśnica Distribution Centre; Construction of the Lidl Błonie Distribution Centre; Construction of the Panattoni Nadarzyn Facilities, MAXIMUS Distribution Centre;
- Housing construction: Construction of a housing complex "UW HARBOUR" FOR PORT POPOWICE SP. Z O.O. SPÓŁKA KOMANDYTOWA; Construction of a multi-family apartment building with services and underground garage in Warsaw in Ciszewskiego Street; Construction of multi-family buildings in Bydgoszcz for Budlex Naruszewicza Sp. z o.o.; Comprehensive construction of three apartment buildings (B1, B2, B7) and an office building BB for AMW Social Building Society KWATERA Sp. z o.o.; Construction of the "Wilanowska" apartment building for R4R WaVE 3 Sp. z o.o.; Construction of three apartment buildings with a shared underground garage together with the necessary technical infrastructure for OL2 Sp. z o.o. "PANORAMA 2"; Comprehensive construction of a complex of 3 multi-family apartment buildings with underground car park facility and the necessary infrastructure, together with the construction of a section of a public road for Polish Export Trade & Investment Sp. z o.o.; General Contractor for Phase 1 of the aforementioned project involving the construction of 4 four-storey buildings with mezzanine floors, boiler houses and 2 underground car park facilities, along with site development: roads, pavements, parking spaces, fencing. For Marina Dąbki Sp. z o.o. ; "Nowa Łacina" apartment buildings and "Anna Jantar" apartment building in Poznań for Vantage Development; construction of one multi-storey apartment building with underground garage under it ("Task 1") and construction of three multi-storey buildings with one underground garage under them ("Task 2") "APARTAMENTY NOVUM 3"; Construction of the "MARINA DĄBKI" residential and recreational complex with accompanying infrastructure; Construction of multi-family apartment buildings with underground, above-ground garage, with necessary technical infrastructure and land development - buildings BA2 - Coffee Plant and BA3 - Malt House , and shell of buildings BP5-6 for Archicom Sp. z o.o.; Execution of multi-family building at Piątkowska Street in Wrocław for VD; Execution of the POPOWICE HARBOUR apartment buildings - building D and E and Phase F; Execution of the collective apartment building for R4R "Jaworska"; Execution of the residential project POPOWICE HARBOUR - building F; A & B multi-family buildings with associated infrastructure "Myśliwska" for NP 20 Sp. z o.o. S.K.; construction of a complex of multi-family apartment buildings, with services, along with technical and communication infrastructure, underground garages and land development titled "FREDRY - PHASE 3" and "FREDRY - PHASE 4" at ul. Aleksandra Fredry 6 in Kraków for Spravia Sp. z o.o.
- Hotels:"; REDEVELOPMENT AND EXTENSION OF THE SERVICE AND RESIDENTIAL BUILDING HOTEL RESORT VITAL & SPA "SANSSOUCI";
- Public utility facilities:; Construction of facilities for the 109th MILITARY HOSPITAL WITH OUTPATIENT CLINIC - STAND-ALONG PUBLIC HEALTH CARE FACILITY; Construction of a building for the district court and prosecutor's office in Opole Lubelskie; Construction of a multifunctional building for the Air Force Academy in Dęblin ; Construction of a "Memorial Room" for the Air Force Academy in Dęblin; Construction of "Jaworska" Dormitory for 4R4 Jaworska Sp. z o. o; Grabiszyńska Hotel for HOTEL WROCŁAW GRABISZYŃSKA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ; Construction of Senior Citizen House in Gdańsk for OPERA Polska Sp. z o.o. Construction, extension and conversion of the SOFRA medical-hotel service building - completion of the SOFRA shell structure; execution of construction and installation works, land development with accompanying technical infrastructure, supply of equipment, performance of mechanical and technological start-up for the Independent Public Clinical Hospital No. 2 Pomeranian Medical University in Szczecin; Construction of a primary school at the Złocień housing estate in Kraków, Poland on the "Design and Build" basis for the Urban Municipality of Kraków, Kraków (31-004), Pl. Wszystkich Świętych 3-4, Construction of a training and administrative building called "Innovative Space Centre" at the Warsaw School of Economics; "Redevelopment of Puławy Community Centre "Chemist's House" Phase 2 - Construction of a Mediatheque"; Project involving the Research, Implementation and Teaching Centre of Innovative Technologies for the University of

Life Sciences in Lublin; Realization of the building of the District Court and the District Public Prosecutor's Office in Opole Lubelskie; Addition of a pavilion to the hospital building at the Independent Public Health Care Centre in Kraśnik to improve the availability and quality of services provided, secure services in the gynaecological, obstetrics and neonatology wards, and rearrange the functioning of the hospital, as well as the preceding design work; Reconstruction, renovation and change of use of the building at ul. Stefana Czarnieckiego 3 in Kraków - Institute of National Remembrance in Kraków; Penitentiary Complex in Chmielów - Part I; Construction of a sports and entertainment arena in Dęblin.

- Military facilities: construction of the Intermediate Staging Base (ISB) "Troop Staging Site" in the military complexes 8676 and 8706, Świętoszów - Task No. 22017; construction works related to the construction of troop staging sites in Trzebień - Task No. 25021; Construction of two camp sites for the Military Property Agency in Wojewodzin and Czartajewo. Construction of combat vehicle park in Mielno (Drawsko Pomorskie).
- Production rooms; industry: civil works , prefabrication, assembly of specialised equipment, electrical work for the fuel processing plant being built for KT - Kinetics Technology S.A. (LOTOS Group); Construction work for Siemens Energy Sp. z o.o. Veolia; Construction of an oxygen and nitrogen generation station for Linde GmbH; Construction of a rolling mill in Konin for GRÄNGES KONIN SPÓŁKA AKCYJNA; Construction of a sprinkler pumping station and fire water tank for LEROY-MERLIN INWESTYCJE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ; Upgrading of a steam boiler for Puławy Nitrogen Works; Construction of a peak-reserve boiler house for Tauron Ciepło Sp. z o.o.; Construction of a boiler house for Energa Kogeneracja Sp. z o.o. ; Delivery and installation of two gas-fired boilers and construction of a boiler house at the Sugar Plant in Miejska Górka for PFEIFER & LANGEN POLSKA SA , 60-837 POZNAŃ; Construction of a production building with a warehouse part with social and office facilities, with external installations: water, gas, sanitary sewage system, rainwater drainage system with a retention tank, fire water tank, electricity, cable line for site lighting, with site development equipment. Fire, electricity, cable line for site lighting, with landscaping equipment, gatehouse building, parking lot with internal communication system, pumping station building and fire water tank, three flagpoles, bicycle shed with smoking area, trash and pallet storage shed, foundations for nitrogen tank and generator, chemical substance storage for DGS Diagnostics Sp. z o.o.; Modernization of power supply to the "Aquanet" water treatment plant in Poznań; Comprehensive execution of construction and installation works, including the accompanying technical infrastructure for MOD21 GmbH (TZMO); Construction of a production and storage hall with a social area and the necessary infrastructure in Biskupice Podgórne for Universal Scientific Industrial Poland Sp. z o.o,

ERBUD S.A. also provides construction services abroad, mainly in the Belgium and Holland markets. The Company operates abroad as a subcontractor, mainly for building shells.

In 2023, the total revenues in value terms from foreign construction projects amounted to PLN 18.5 million. In 2022, the foreign revenues totalled PLN 34.4 million in value terms.

ERBUD S.A. projects in Belgium in 2023

Employer	Name of contract	Contract value in '000 EUR
Mourik nv IBS ERGON	Antwerp, Refinery, industrial buildings	3.073
THV Jan de Nul & Interbuild	Apartment Bldgs. Nos. 22 and 25, apartment buildings	6.158
GWI	Monheimer Rathaus Shopping Mall	135
Mourik nv	ELIA Aalst - High voltage station	399

2.2.4. 2024 Goals

In 2024 and 2025 we continue to pursue ERBUD Group policies - in some aspects initiated, in other aspects continued.

For the building construction segment, which accounts for more than 50% of the ERBUD Group's activities, 2023 was another very tough year following 2022. The proximity of war operations, persistently high interest rates causing not only a freeze on developments, but also high debt servicing costs for building contractors, swelling employment costs, lack of EU funds, high political uncertainty, falling demand caused great turbulence, particularly for building construction companies. The situation was slightly better in the infrastructure sector where, at least, demand did not plunge.

According to the latest report titled **'Polish Building Contractors 2023 - Major players, Key Growth Drivers and Prospects for the Sector'**, compiled by Deloitte: "the condition of the construction sector in 2023 has deteriorated. Already in first half of the year, as many as 331 insolvency and restructuring proceedings were pending, up by 159% compared to the same period in the previous year. Small businesses in particular, which are particularly vulnerable to negative market environment found themselves in the toughest position. A variety of factors shaped the market developments..

The construction sector players continue to suffer from a shortage of skilled construction workers, making the industry heavily dependent on foreign labour. According to data from the Polish Association of Construction Employers in 2022, the number of foreigners employed on construction sites was down from 480,800 in 2021 to 274,500 in 2022. A particularly significant decline was recorded in the category of Ukrainian workers, whose number fell by 246.1 thousand down to 126.9 thousand in 2022 as a result of the on-going armed conflict in the their country. Experts forecast that the shortage of labour in the construction sector could become particularly acute when the private investment market improves and large infrastructure investment project are launched. Another problematic issue are swelling employment costs."

Admittedly in 2023 the growth rate of building materials prices was not as drastic as in 2022. It is estimated in the range of 7%.

January's construction and assembly production performance were strongly disappointing for both market analysts and building contractor bosses. The construction and assembly production activities were down by 6.1% y/y. This is, inter alia, due to the completion of the disbursement of EU funds.

The fact that both ERBUD S.A. and Erbud International were still executing so-called "toxic contracts" priced and concluded before the outbreak of war in Ukraine did not help either. It was another year of negotiations with investors for extra money on these contracts. The majority of contracting authorities showed great understanding and, upon presentation of updated calculations, agreed to pay extra money to cover the direct costs of construction activities. However, there were contracts where it was not possible to negotiate extra money through dialogue. However, ERBUD S.A. Management Board has not laid down the arms and is trying to obtain extra money through mediation.

The building construction sector abroad was also not without its problems. Our western neighbours were also hit by the recession, which significantly undermined investment demand. In the ERBUD Group, the company with building construction projects until the end of 2022 - MOD 21 GmbH - was completing old orders and focusing on order acquisition in the field of modular timber construction. The year 2023 saw the birth of a new brand in the German market, which coincided with Germany's Green Deal policy and the strong support of public environmental projects - the construction of public buildings using modular timber technology. In April, manufacturing activities were launched to fulfil the first order acquired - a kindergarten.

The operations of RES-related business segment, represented in the ERBUD Group by ONDE subsidiary, were heavily dependent on the outcome of the parliamentary elections in Poland. The coming to power of parties favouring green energy has led to great optimism in this business segment. The ONDE has consistently pursued a two-tier strategy - delivering for third parties and building its own capacity and

developing it. In Q2 2023, the ONDE sold its first project, the 'Cyranka' PV farm, and immediately after the sale added two new projects to its portfolio.

The industrial services segments in Poland and abroad remained very stable. The resilience of this segment to market turbulence has created a strong appetite within the ERBUD Group for its development. This resulted in the acquisition of CKTiS company, whose shares were acquired by Erbud Industry Centrum Sp. z o.o.. The deal was closed on the onset of January 2024.

CKTiS offers a comprehensive array of mechanical and civil engineering services for the energy, chemical, refining and petrochemical sectors. It performs overhauls, modernisations and provides on-going maintenance. The CKTiS structures also include a laboratory that performs tests on technical equipment, steel structures or metallurgical materials. The company's headcount is 130 people.

Based on the 2023 developments, 2024 will belong to timber and renewable energy in the ERBUD Group. The fabrication segment of timber modular buildings requires a very high level of attention and focus in 2024. We did our homework that 2023 gave us in terms of new segment building. MOD 21 Ltd has been strengthened with good managers recruited from ERBUD S.A. and a head of production from external recruitment sources. 2024 is all about efforts taken to boost the economics of production. We already know that it will not be possible to achieve the break-even point (BEP) until 2025.

We will also be introducing a new technology based on CLT timber. A new manufacturing line was commissioned in February 2024. The advantage of CLT technology is the rigidity of the structure, which is superior to frame technology. CLT panels can be used to manufacture walls, ceilings and roofs. This will enable us to become more competitive in the field of modular timber construction, if only because we can build buildings with a higher number of floors than with KVH technology.

We are convinced that 2024 and beyond will also belong to the RES segment. Europe needs energy independence.

"The current government announces that PV capacity will go up to 37 GW by 2030. The forecasts show slower growth than in previous years. Solar energy output is expected to be close to 40 TWh.

At the same time, the energy generated from onshore wind turbines will reach 54 TWh in 2030 and the capacity of onshore wind farms will reach 22 GW. Offshore wind farms are expected to generate 23 TWh of energy by the end of the on-going decade.

Energy generated from biogas plants will also go up to 12 TWh by 2030. It should be noted, however, that issues related to limiting the use of forest biomass were raised in the ruling coalition agreement.

Even more records are expected in the Polish RES market in 2024. Even roadblocks such as higher raw material prices and investment costs or permit-related issues will not hamper significantly the industry's growth. ”[1]

The ERBUD Group Management Board has not changed its strategy in the building construction segment - we are not building revenues, but profit margins. We select contracts with the higher margin potential due to their complexity, size. The organisation, which was optimised on the onset of the year (seven branches were consolidated into three) under the leadership of top managers from the building construction segment, is designed to boost the operational efficiency of this segment.

The industrial services segment at home and abroad plans to grow at its current rate with the addition of revenue from the new company called CKTiS. Due to the fact that this segment is highly labour-intensive and staff acquisition is difficult, growth is only possible through acquisitions. We will keep a watchful eye on the market and on opportunities both at home and abroad. In 2024 we will also allocate the necessary amount of time on adapting CKTiS to the ERBUD Group's organisational culture.

2024 will be another year of ESG. It is already our constant priority on the agenda to be at the forefront of ESG leadership. Numerous initiatives are being taken to support ESG. This is undoubtedly reflected in the award of ERBUD S.A. by the Association of Stock Exchange Issuers

[1] https://farmy.pl/co-dalej-z-oze-perspektywy-sektora-energetycznego-2024/

The year 2024 is another year of ERBUD S.A.'s participation in the Polish Construction Safety Alliance. ERBUD Group's Management Board emphasises that there can be no compromise when it comes to safety on construction sites. Human life and health are the most treasured values.

For the ERBUD Group, 2023 is also a period of reviewing existing procedures and unifying them for rapid digitalisation. The turbulence that we suffered in recent years has shown that management by controlling carries a great deal of cognitive value and allows to respond quickly when deviations from plans are anticipated. We want all business-related processes to be digitalised by the end of 2025.

At the end of 2023, the Company, as far as the domestic order portfolio is concerned, was worth PLN 1,293 million , of which PLN 885 million was for 2024. For comparison sake, at the end of overall 2022 - it was worth PLN 1,068 million and in 2023 - PLN 1,018 million.

2.3. Erbud International Sp. z o.o.

2.3.1. Scope of activities

Erbud International has steadily built its position in the country as a General Contractor in the field of developments in the field of building construction, specialising in projects for healthcare facilities in the design, build and fit-out systems. In addition, the company is active in thermal efficiency improvement and renovation projects, particularly on premises with high technological complexity. The company uses innovative construction and material solutions that allow not only to achieve the thermal insulation parameters set out in the energy audit, but to improve them significantly, resulting in further improvements in energy and environmental efficiency. At the end of the day the Company generates additional tangible financial benefits for the Investor and a reduction in environmental impact by minimising the consumption of natural resources through reasonable electricity and heat management. Importantly enough, investment projects are often executed on active sites. To carry out these tasks, it has numerous partners and a database of permanent, proven subcontractors. The company - in addition to domestic developments - executes projects abroad, mainly in Belgium. ERBUD International Sp. z o.o. has a branch office in Düsseldorf, Germany. The company mainly relies on its own resources when executing contracts in the European Union countries. A suitably specialised workforce is one of the key drivers of company's competitive advantage.

In 2023, ERBUD International was awarded in the "Construction of the Year of Podkarpacie 2022" competition, which aims at identification of construction projects with outstanding execution performance. The company was awarded the First Degree Prize for the construction of a teaching building for the State Higher School of Technology and Economics in Jarosław (now, after the name change: Rev. Bronisław Markiewicz State Academy of Applied Sciences in Jarosław). The building performs educational and administrative/office functions. The company was also awarded a prize for the facility of the Tax Administration Chamber in Lublin, located at ul. Legionów 55 in Lubartów. The project involved activities using a set of complex geotechnical works in immediate vicinity to dense, urban, on-site/buried infrastructure.

Pursuant to a signed contract, the company has also become a technical and organisational partner of BioEnergie Wegscheid GmbH in Poland for the use of the innovative Holzgas-based technology in the execution of thermal efficiency improvement and energy efficiency improvement investment projects in existing facilities as well as newly constructed buildings.

ERBUD International has also signed an educational cooperation agreement with the Faculty of Civil Engineering at the Kraków University of Technology. The project is being carried out as part of the university's cooperation with business partners, the aim of which is to freely exchange knowledge and transfer experience in the area of the parties' activities related to the construction and building industry in the broadest sense, particularly cooperation in the area of education and joint scientific and research projects.

Additionally, the Company has obtained a new Contractor's Certificate for the execution of works in Belgium. With this document, ERBUD International has been admitted and qualified on the official list of companies that can compete for public contracts in Belgium in Class 7, Category D1.

2.3.2. Statutory governing bodies

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

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

2.3.3. Market environment

The Polish construction market is starting another year with the hope of releasing funds from the National Recovery Plan. The first advances under the National Recovery Plan are expected to be disbursed shortly. The fact that 2024 is an election year does not improve the situation in the construction sector. This significantly reduces propensity of local governments to announce tenders.

Still high inflation is hampering private investor activity from growth. Market analysts do not forecast significant price hikes for building materials. The construction techniques and costs consequently, are driven by changes in EU legislation concerning zero-emission construction. Energy-efficient designs, nowadays, are not an eco-friendly trend, but a requirement. Green construction is becoming the standard. The entire process of a new building, from the design stage, its erection, use and even its disposal, must comply with the concept of 'zero waste'. Smart buildings with central management systems for heating, lighting, ventilation, air conditioning or security are becoming an everyday reality rather than a luxury. Investors reach out to modern materials that are not only durable and aesthetically pleasing, but above all environmentally friendly - made from renewable raw materials or waste that is converted into higher-quality materials. Concrete is produced from renewable raw materials, using low-emission cement, with technology in line with the concept of sustainable construction. The investors see the need to upgrade and adapt buildings to satisfy current needs. Erbud International incorporates a circular economy into its construction processes.

2.3.4. Projects executed in 2023

Project highlights in 2023 in Poland:

- Construction of a Didactic Building with Student Service Centre for the State Higher School of Technology and Economics in Jarosław (contract value PLN 17 million, net),
- Execution of construction works related to the extension and rebuilding of the Lubartów Chamber of Fiscal Administration building located in Lubartów (contract net value: PLN 15 million),
- Execution of construction works involving thermal efficiency improvement of the Rector's Office building of the Warsaw Medical University (contract net value: PLN 34.3 million),
- Improving energy efficiency and adapting Pavilions I and VIIB of the Mazovian Specialist Health Centre Hospital in Pruszków (net value: PLN 50 million),
- Redevelopment of Student Dormitory No. 1 of Lublin University of Technology as part of adaptation to amended fire safety regulations and raising the standard in residential rooms (contract net value: PLN 17.5 million),

Project highlights in 2023 in Belgium:

- Construction of the shell of the Mechelen apartment building in Belgium (net value: PLN 7 million),
- Construction of the shell of Base Jean Offenberg - NATO Florennes airfield in Belgium (contract net value: PLN 8.5 million),
- Construction of the shell of a gymnasium attached to a school in Brussels, Belgium (contract net value: PLN 1.5 million),
- Construction of the shell of a hospital in Kortrijk, Belgium (contract net value: PLN 3.8 million),

2.4. MOD 21 Sp. z o.o.

2.4.1. Scope of activities

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

The refurbishment of the 'old' facility and the construction of a new facility were completed in 2022, along with the installation of the first KVH (Konstruktionsvollholz) timber production line, supplied by Weinmann. Fabrication activities on this line started in April 2023. In 2023, a second CLT (Cross Laminated Tmber) fabrication line, manufactured by the German company Hundegger, was purchased and started to be installed, along with central sawdust extraction system. The installation of the line was completed in February 2024. In addition, an investment project was initiated to build a 450 kWp photovoltaic farm on the roof of the new facility. The project is scheduled for completion in Q2 2024.

In 2023 MOD21 implemented integrated quality management systems:

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

In addition, the company has been awarded the RAL-GZ 421 quality mark for the production of prefabricated timber components, covering factory prefabrication of timber panel elements.

At the end of 2023 the headcount level at the Company was 115 people..

The company did not achieve the production level planned for 2023, as the factory efficiency target was not achieved, which had a direct negative impact on the operating profit/loss. The Company's Management Board has therefore decided to appoint a new board member with responsibility for production, to replace the people managing the plant and fabrication process, and to carry out further training among the production staff. Efficiency studies, that have been carried out since the end of 2023, have shown that the Company will reach its target output level in 2024.

2.4.2. Statutory governing bodies

From the date of incorporation until 31 December 2023, the company was represented by a one-man Management Board in the person of Theodor Kaczmarczyk, President of the Management Board. Since 1 January 2024, the Company's Management Board has consisted of two persons, which include:

- Theodor Kaczmarczyk – President of the Management Board,
- Bartosz Wiśniewski – Vice-President of the Management Board.

2.4.3. Projects executed in 2023

In 2023 the Company completed the following projects:

- a kindergarten for the Municipality of Eisingen with a floor area of 524 m2 and a net value of EUR 1046,000, with the Polish company carrying out work worth EUR 680,000;
- a house for people in refugee crisis for the City of Munich with a floor area of 3,636 m2 and a value of around EUR 9.4 million, with the Polish company carrying out work worth EUR 5.3 million.

The remaining work was carried out by a sister company MOD21 GmbH.

2.4.4. Major contracts signed in 2023

In 2023 the Company signed the following commercial contracts:

- a nursery school for the City of Reutlingen with a surface area of 891 m2, contract value EUR 2,225 thousand, order value on the Polish side EUR 1,161 thousand
- a nursery school for the Rüdersdorf Municipality with a floor area of 829 m2, contract value EUR 2,261 thousand, order value on the Polish side EUR 1.054 thousand
- after-school centre for the City of Stralsund with a floor area of 1.798 m2, contract value EUR 4,487 thousand, order value on the Polish side EUR 2.370 thousand
- Montessori school in Strausberg near Berlin with a floor area of 936 m2 , contract value EUR 2.3 million, order value on the Polish side EUR 1,197 thousand.

2.4.5. Opportunities and threats

The popularity of prefabrication technology and the development of the material offering, paralleled by rising raw material and labour prices, have led to an increase in the value of the modular construction market by almost 50%. International sales makes a significant contribution to the sector's growth, accounting for more than a third of manufacturers' revenues in recent years. Despite the temporary slowdown, the outlook for the modular construction sector for consecutive years until 2029 remains positive. The Spectis report 'Modular construction in Poland 2024-2029' shows that in 2022, the total revenues of the 100 largest prefabricated companies, including timber, will reach almost PLN 10 billion, of which 47% will be sales in the modular construction segment, corresponding to a market value of PLN 4.7 billion. According to preliminary data, Spectis analysts estimate that the market will grow by 4% to reach a record-high level of PLN 4.9 bn in 2023.

In 2024, market dynamics are expected to stabilise, first and foremost owing to the economic slowdown in Poland and foreign markets observed throughout 2023. The investors' cautious approach to making decisions about launching new projects has resulted in a declining number of orders for manufacturers in 2024. The above circumstances will temporarily dampen the growth rate of the modular construction market, which should be back on a fast growth path from 2025 onwards.

The growth prospects for the modular construction sector look very promising. There is a growing interest in modular structures, which is evident not only among private investors, mainly looking for single-family homes, but also among institutional investors, including hotel chains, housing developers or local authorities looking for buildings of larger sizes.

There will be investment projects in 2024, funded by the National Recovery Plan. Their impact on GDP in 2024 will not yet be high, but it is assumed that in 2025, capital expenditures, financed with NRP funds, will account for up to 50% of investment growth.

Pessimistic demographic forecasts for Poland, high levels of interest rates persisting in the market, significant prices for key raw materials and materials, including cement, steel and timber, price hikes for specialised construction services, and builders' concerns about modular construction technology, including its durability, sound insulation and challenges related to transport and assembly, could have adverse impact on the modular construction market.

2.5. MOD 21 GmbH (GWI BAUUNTERNEHMUNG GmbH)

2.5.1. Scope of activities

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

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

2.5.2. Statutory governing bodies

Until 28 February 2023, the Company's Management Board consisted of:

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

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

2.5.3. Market environment

During 2023, the construction sector faced a number of challenges that hampered growth rate. Total sales showed a real decline of 5.3%, which was mainly related to the residential construction sector. The sector experienced a significant decline of 11% compared to the previous year.

Generally speaking the construction business was down , which has impacted the employment rate. After a steady increase in employment to around 927,000 people in 2022, this figure drops slightly to 920,000 in 2023.

Of particular concern was the situation in housing construction, where future business development was expected to deteriorate even more. The findings of the autumn survey of building contractors showed that 60% of respondents considered a lack of orders to be the major roadblock to construction.

The overall situation was viewed more critically by businesses than in the previous years, with housing construction seen as the main 'culprit' for the overall sales drop.

According to 2024 forecasts a further deterioration in the construction sector is expected. Turnover is expected to fall by an additional 3%, with housing construction likely to see a significant drop of 13%. This could lead to a further reduction of around 30,000 jobs in the sector.

Lack of orders and the resulting uncertainty remain major concerns for the construction sector. The construction sector players are struggling to maintain headcount, but face the challenge of finding skilled labour at a time when there is a threat of redundancies or reduced working hours. In the face of these challenges, the construction sector calls for the government to establish planning certainty and promote investment in housing and infrastructure projects.

Changes in the housing segment are expected to play a key role in the construction sector as a whole in 2024 and could potentially have an impact thereafter.

The aggression against Ukraine has disrupted supply chains for raw materials, including one of the construction sector's major raw material, steel, as well as skyrocketing of electricity prices. This resulted in a drastic increase in the cost of on-going contracts, concluded before February 2022, with the inability to

renegotiate the value of contracts on the sales side, which translated into a loss on the company's volume business. Given the above the Company's Management Board decided to dissolve the building construction division and to focus on modular construction. In March 2023 37 persons were laid off. The Company's Management Board assumes that the building construction business will be shut down in 2024.

2.5.4. Expected Development

Housing construction will remain one of the major social issues in 2024. The German government's goal of building 400,000 new housing units per year has not been met, with around 270,000 units built in 2023. According to the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung), 265,000 new housing units will be completed in 2024, while the ifo Institute forecasts only 210,000 units, which means that the negative trend is expected to be followed. According to the Pestel Institute study, there will already be a shortage of more than 700,000 housing units on the onset of 2023. The Federal Association of German Housing and Real Estate Companies GdW warned in September that the number could be as high as one million by 2025. In particular, affordable housing is scarce. According to the WirtschaftsWoche magazine, more than seven million households now spend more than a third of their net income on rented accommodation - a growing percentage of the Germans are at risk of poverty. The main reason for shrinking housing construction activity in Germany are rising construction costs combined with higher lending rates. Since 2019, the construction costs have gone up by 40% owing to the disrupted supply chains, energy price hikes and a shortage of skilled labour. In the last year alone, the costs have gone up by 15 per cent. This has made the construction of new housing financially unviable in many regions: According to WirtschaftsWoche magazine, new rental apartments would have to be able to be rented at €18.10 per square metre (excluding operating costs) in current economic environment to be financially viable. However, most potential tenants cannot afford to do so, as high inflation rate restraints their monetary freedom.

This has material implications for the construction sector. The Central Association of the German Construction Industry (ZDB) expects a further decline of turnover in the housing sector by 13 per cent in 2024 (it was already 11 per cent in 2023). The ZDB seeks the solution to the problem of housing, as well as community construction, including schools, kindergartens, homes for people in refugee crisis, etc., in construction methods with a high degree of prefabrication (such as elementary construction, modular construction, timber construction), as construction time can be drastically reduced while improving the quality of workmanship.

The above forecasts confirm the correctness of the decision taken by the Company's Management Board to move away from conventional construction towards modular construction.

2.6. ONDE S.A.

2.6.1. Scope of activities

The ONDE Group operates following a diversified business model, with key components such as RES construction segment, complemented by the RES design segment and the road-engineering construction business.

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

The Group operates in the following business segments:

- the segment "Construction activities in the Renewable Energy Segment" (hereinafter "RES Construction"), which is divided into three areas:
  - execution of contracts for the wind farm sector,
  - execution of contracts for the photovoltaic farm sector,
  - service and maintenance of photovoltaic farms (O&M),
- "Road and Engineering Construction" segment,
- The 'Other' segment, which comprises other services provided by the Group (sales of aggregates, building materials and ancillary production).

In addition, the ONDE Group develops renewable energy projects on its own (hereafter referred to as the "Renewable Energy Projects" segment). However, as the ONDE Group does not generate revenue from the sale of energy at the date of publication of this Management Report 2023 (the "Report"), this segment has not been separated as an operating segment and is not separately presented in the financial statements of the ONDE Group and ONDE S.A.

The ONDE Group is looking for opportunities to diversify the business and increase revenues in new markets. In 2022, ONDE set up a special purpose vehicle, ONDE GmbH, in Germany, established to win contracts and carry out construction works and conduct acquisitions of companies operating in the RES segment in the German market. The overseas expansion will be supported by international experience of some members of the ONDE team, as well as of the ERBUD Group, which has been active in the German market, inter alia, for many years.

Foreign markets are an important growth direction for the ONDE. In 2023, the ONDE executed a total of three contracts for wind farm construction in Lithuania and participated in the bidding for further projects related to construction activities during RES project execution.

Additionally in 2023 the ONDE Group continued to develop RES projects executed on its own account The adopted strategy of ONDE Group provides for acquisition and development of photovoltaic and wind farm projects for resale (i.e. under the Develop, Build and Sell model) or to leave some of the on-going RES projects in the Group and sell the energy generated by them - which can provide the company with recurring revenues.

In 2023, the ONDE closed the deal involving the sale of 100% shareholding in the subsidiary Cyranka Sp. z o.o., which owns two (2) photovoltaic power plants with a total capacity of 18 MW. The sales proceeds were used to acquire further investment projects. On 7 July 2023, the ONDE Group expanded its business by adding 2 x SPVs (SPV Czerwona Woda sp. z o.o. and INVEST PV sp. z o.o.), that are the owners of projects of 2 photovoltaic power plants with a total capacity of 23 MW. In turn, after the balance sheet date, the ONDE concluded the following contracts concerning its own portfolio of RES projects: an contract for the sale of shares in Szybowice sp. z o.o. Wind Farm; a significant contract with Szybowice sp. z o.o. Wind Farm for the general and comprehensive construction of a wind farm; a contract for the sale of 100% shareholding in two subsidiaries: SPV Czerwona Woda Sp. z o.o. and Invest PV sp. z o.o.

In 2023, ONDE completed the construction of 11 wind farm projects and 70 solar farm projects for its customers, with a total generation capacity of almost 0.5 GW. In 2023, the Company started the development of 5 wind farms with a total capacity of approximately 289 MW and a total contract value of more than PLN 500 million and started the development of 12 photovoltaic farms with a total capacity of approximately 244 MW and a total contract value of more than PLN 373 million.

Staffing levels in the ONDE Group remain stable. At the end of December 2023, the Group's headcount was 627 people.

2.6.2. Statutory governing bodies

Supervisory Board

In the period from 1 January 2022 to 31 December 2023 the Supervisory Board of ONDE SA consisted of:

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

The current term of office of the Supervisory Board will expire at the date on which the General Meeting approves the financial statements for the financial year 2025.

Management Board

On 31 August 2023 the Supervisory Board adopted a resolution to appoint, effective from 1 September 2023 Mr Mark Marc to the position of Vice-President of the Management Board of ONDE S.A. Mr Marek Marzec joined the Company's Management Board for a joint term of office. This implies that the Management Board of ONDE S.A. in 2023 was composed of:

from 1 January 2023 to 31 August 2023:

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

from 1 January 2023 to 31 December 2023:

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

The current term of office of the Management Board will expire at the date on which the General Meeting of Shareholders approves the financial statements for the financial year 2025.

Audit Committee

The Audit Committee of ONDE S.A. in 2023 was composed of:

from 1 January 2023 to 31 December 2023:

- Michał Otto — Committee Chairman
- Jacek Socha — Committee Member
- Agnieszka Głowacka — Committee Member

The current term of office of the Audit Committee will expire at the date on which the General Meeting of Shareholders has approved the financial statements for the financial year 2025.

Remuneration Committee

The Remuneration Committee of the ONDE S.A. in 2023 was composed of:

from 1 January 2023 to 31 December 2023:

- Jacek Leczkowski Committee Chairman
- Agnieszka Głowacka Committee Member
- Mirosław Godlewski Committee Member

The current term of office of the Remuneration Committee will expire at the date on which the General Meeting of Shareholders has approved the financial statements for the financial year 2025.

2.6.3. Market environment

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

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

- Public Procurement Law

Some of the contracts concluded by the Company in the road-engineering construction segment are contracts to which the provisions of the Public Procurement Law (hereinafter the "PPL") apply, which define, inter alia, the contracting principles, procedure phases, specific instruments and procedures for procurement, legal remedies, out-of-court dispute resolution techniques and the scope of inspections and fines. The Public Procurement Law applies to projects procured by a public entity, usually by means of tenders. What is key to the ONDE Group's operations, contracts concluded under the Public Procurement Law are subject to the statutory regime, in particular with regard to amendments to provisions to concluded contracts, withdrawal conditions, duration, as well as permissible contract security (e.g. due performance, advance payment, defect liability).

- Construction Law

The Construction Law (hereinafter "CL") regulates the administrative and legal issues of carrying out construction work. The Construction Law sets out standards for the preparation and execution of the construction and investment process, for instance: those related to obtaining administrative decisions (building permits, use of the constructed facility, etc.). The Construction Law provisions also contain regulations for the design, construction, maintenance, demolition and renovation of buildings and set out the rules for public administration bodies in these areas. What is important for the Group is the fact that construction project is launched on the basis of a building permit, the validity of which expires if the construction work has not started before the expiry of three years (3) from the date of permit issue or if the work has been interrupted for more than three years (3). In addition, the completion of the construction process involves the need to comply with other activities provided for in the Construction Law, such as obtaining an occupancy permit for the building.

- Civil Code

The provisions of the Civil Code (hereinafter the "CC") regulate the basic issues concerning obligations under civil law, including building contracts and contracts for the rehabilitation of a building or structure. Importantly enough for the ONDE Group, the Civil Code lays down, inter alia, the principles of joint and several liability of the investor and the contractor for payment of the remuneration due to the subcontractor for the civil works performed by the latter, or the right to demand from the investor a guarantee of payment for the civil works, which may take the form of a bank guarantee, an insurance guarantee, as well as a bank letter of credit or a bank suretyship granted upon the investor's mandate.

The above rules also apply to contracts between the contractor (General Contractor) and further contractors (subcontractors).

- Energy Law and "Energy Policy of Poland until 2040".

The Act called Energy Law (hereinafter referred to as the "EL") and its implementing regulations define the principles for the development of the state's energy policy, the terms and conditions for the supply and use of fuels and energy (including heat), as well as the activities of energy enterprises, and indicate the authorities competent for fuel and energy management. The Energy Law also defines the principles for the development of the state's energy policy, and the binding document in this regard is the "Energy Policy of Poland until 2040" (hereinafter referred to as EPP 2040). The key elements of the Energy Policy of Poland until 2040 for the Group include targets for increasing the share of RES in all sectors and technologies, including an increase in the share of RES in gross final energy consumption to at least 23% and not less than 32% in the power sector (mainly through wind and photovoltaic energy) and an increase in installed photovoltaic capacity to approximately 5-7 GW in 2030 and approximately 10-16 GW in 2040.

In 2023, the Act of 28 July 2023 amending the Energy Law and certain other acts, which is an amendment to the Energy Law, entered into force. From the ONDE Group's operations' perspective, the key issues introduced by the Act include the rules for the construction and operation of direct lines. In addition, provisions have been introduced regarding the proper performance of the licensed activity as a prerequisite for the granting of a licence. In turn, the President of the Energy Regulatory Office (ERO) has been delegated power to set the direction of network development and the implementation of priority investments, which in the long term is also important for the ONDE Group operations.

- Act on Renewable Energy Sources

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

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

Announced on 31 August 2023 in the Journal of Laws of the Republic of Poland (Journal of Laws, 2023, item 1762), an amendment to the Act on Renewable Energy Sources and Certain Other Acts, implemented into Polish law a number of provisions from the EU Renewable Energy Sources Directive (RED II) - including those related to guarantees of origin, administrative procedures, and the application of RES in heating and cooling. The new legislation has introduced solutions into the Polish legal standards to support the development of renewable energy sources. This subject regulates, inter alia, the operation of energy clusters or energy cooperatives. In addition, a new definition of hybrid RES plants has been introduced, as well as provisions to provide additional support for the plants that reach the end of their 15-year support period (to cover the reasonable operating costs of such plants).

The key modifications also include the introduction of new rules governing the contracting for cable pooling or the regulation of Power Purchase Agreements (PPAs).

The Ministry of Climate and Environment has estimated that the modifications made in amendment will allow to boost RES capacity by approximately 5 GW in terms of grid connectivity.

- The Distance Act

The Distance Act specifies, *inter alia*, conditions and procedures of location and construction of wind power plants in the vicinity of existing or planned residential development.

In April 2023, an amendment to the aforementioned Act came into force, which stipulates that new wind turbines can only be located on the grounds of a Local Zoning Plan (hereinafter "LZP"). The grounds for determining the minimum distance of 700 m for apartment buildings - will be, inter alia, the results of the

Strategic Environmental Impact Assessment (hereinafter "SEIA") carried out as part of the LZP. The SEIA will analyse, inter alia, the impact of noise emissions on the surrounding area and the health of local population. The municipal authorities will not be able to waive the execution of an SEIA for a draft Local Zoning Plan that takes a wind power plant into consideration.

The amended Act upkeeps the ban on the construction of wind turbines in the national parks, nature reserves, landscape parks and on Natura 2000 sites. In addition, the amended Act stipulates that the investor must allocate at least 10 per cent of the wind power plant's installed capacity to the municipality population, who would use the electricity acting in the capacity of a virtual prosumer. Each resident of this municipality will be able to take a share of no more than 2 kW and offtake electric energy at a price based on a maximum construction cost calculation.

- Environmental Law

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

- The EIA Act

Pursuant to the Act on the Delivery of Information on the Environment and Environmental Protection, Public Participation in Environmental Protection and Environmental Impact Assessments (hereinafter the "EIA Act"), a decision on environmental conditions is required for the implementation of planned projects that may always have a significant impact on the environment or projects that may potentially have a significant impact on the environment. Most investments in electricity generation from RES (especially onshore wind farm projects) are considered as such. The provisions of the act influence the progress of investment project execution, because only after obtaining the decision on environmental constraints (specifying the environmental requirements for the project), the investor may apply for the building design permit.

- Spatial Planning and Land Development Act

The Act lays down the principles for the moulding of spatial policy by local government bodies and government administrative bodies, the scope and methods of conduct in matters of allocating land for specific purposes and determining the principles of its development and construction - taking spatial order and sustainable development as the basis for these activities.

From the ONDE Group's business perspective, this law is important insofar as it regulates the procedures for the location of investment projects, including, in particular, photovoltaic power plants. On 24 September 2023, an amendment to the Act on Planning and Spatial Development came into force, regulating, among other things, the rules of locating photovoltaic power plants on the basis of local zoning plans (hereinafter: LZP), the participation of local communities in the procedure of the LZP or the restriction of the option to locate photovoltaic power plants on class IV land pursuant to a decision on development conditions. In addition, all zoning decisions issued by authorities after the effective date of the amendment will be time-limited for a period of 2 years. Prior to the amendment, such decisions were issued for an unlimited period of time.

The comprehensive amendment introduced a number of important changes from the ONDE Group's perspective, which implement new rules for obtaining permits for photovoltaic power plant projects. In the Company's opinion, the changes made will extend the procedural time of certain procedures and further formalize the process of obtaining the necessary location documents.

2.6.4. Market prospects

The ONDE Group entered the year 2024 with an order book worth more than PLN 673 million, of which over PLN 537 million is to be executed in 2024. The difference in the value of the portfolio in the financial statements (PLN 713 million) is due to the addition of Czerwona Woda sp. z o.o. and Invest PV sp. z o.o. Special Purpose Vehicles (SPVs), which were sold after the balance sheet date.

According to a report titled "Energy Transformation in Poland. Edition 2022" prepared by the Energy Forum, The '2023 Edition' energy generated from RES in 2022 was a record-high volume of 36.8 TWh (compared to 30 TWh in the previous year). RES energy generation exceeded 20% share in the Poland's energy mix for the first time - reaching 20.6%. In 2022, the Polish photovoltaic power plants doubled their output, supplying almost 4 TWh more than the previous year. Wind power plants also supplied more energy by one-fifth (3 TWh).

At the end of 2022, RES installed capacity will reach almost 23 GW, up by 6 GW (+36% y/y). Photovoltaic capacity accounted for 53% of the achievable capacity of all renewables, while wind farms accounted for 36.4%.

Wind power engineering

The ONDE Group operates in the dynamically developing market of renewable energy sources, which is a key element of the energy transformation of Poland and Europe. According to Wind Europe's report 'Wind energy in Europe: 2023 Statistics and Projections for 2024-2030', approximately 260 GW of new wind generation capacity will be installed in Europe between 2024 and 2030 (including 200 GW in the EU), resulting in more than 500 GW of wind farm capacity in 2030 (including 393 GW in the EU).

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

At the end of 2022, the installed capacity of wind farms was 9.1 GW. Compared to the last year, it was up by 12%.

In 2023, the ONDE Group completed the construction of 11 wind farms.

Solar Energy

Solar energy (hereinafter referred to as: PV) develops the fastest of all RES sectors in Poland. According to the Institute of Renewable Energy's report titled 'Photovoltaic Market in Poland 2023', in 2022, the capacity of photovoltaic plants in Poland was up by 4.7 GW y/y, accounting a 61% increase in this market y/y. Poland has thus achieved a runner-up position in the EU (following Germany) in terms of growth in the generating capacity of photovoltaic plants.

Solar energy dominates the breakdown of installed RES capacity. According to the Renewable Energy Institute's projections, by the end of 2023, the capacity of all installed PV installations could exceed 18 GW, with approximately 6 GW of year-on-year capacity growth.

ONDE is also developing a PV segment for industry. The potential of this market is enormous. Electricity prices are rising, while at the same time there is a growing awareness and need to switch to green energy. In fact, there is no industry today that is not interested in its own photovoltaic plant. Additionally, the Company provides operation & maintenance services, through which it provides the investor with full support for the project, which is a great value for the customer.

Development

The business of building our own Renewable Energy Sources is based on the develop, build and sell model. As of 31 December 2023, the Group own projects totalled approximately 787 MW capacity, of which approximately 69 MW are wind projects. Another 267 MW (of which 69 MW are Wind Farm projects), are investments with building design and building design permits granted. Approximately 183 MW capacity is covered by the projects with connection conditions and about 337 MW capacity are projects with filed application for connection conditions.

In November 2021, the Company launched the construction of its first in-house 18 MW photovoltaic project "Cyranka" near Giżycko (which was commissioned and started to generate electric energy in late 2022). On 30 June 2023, ONDE sold 100% shareholding in the company that owns the aforementioned project, demonstrating the implementation of the established strategy in the area of own RES projects. In July 2023, the Group expanded through the acquisition of two SPVs, owning projects for two photovoltaic power plants with a total capacity of 23 MW: SPV Czerwona Woda sp. z o.o. and INVEST PV sp. z o.o.

In addition, after the balance sheet date, on 8 March 2024, the ONDE announced that it had concluded share sale agreement for a shareholding in Szybowice sp. z o.o. Wind Farm, which was the owner of a 37.4 MW wind farm, and that it had concluded a major contract for the general and comprehensive construction of the wind farm. In turn, on 15 March 2024, the company announced that it had entered into a contract to sell and transfer ownership of 100% shareholding in its subsidiaries viz. Czerwona Woda sp. z o.o. and Invest PV sp. z o.o. SPVs, which own photovoltaic farms with a total capacity of 23.1 MW.

Road engineering

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

Development of activities in foreign markets

The ONDE Group is looking for opportunities to boost revenues and diversify its business in foreign markets.

In 2023. ONDE executed three construction contracts for the construction of wind farms in Lithuania and participated in the bidding for the construction of Renewable Energy Projects.

Plans

The current situation faced by businessmen in Poland makes planning difficult. Poland's energy sector is currently undergoing strong turbulence, involving risks on the one hand, but enormous opportunities on the other.

The ONDE Group operates based on a flexible business model. Bearing this in mind, the Group will certainly continue to strengthen its position in the RES contracting segment in Poland, as well as safely implement plans to expand into the European markets, where regulatory framework allows for stable development and project implementation.

ONDE is working busily on the development of its own wind farm and photovoltaic projects and is constructs them. At the end of 2023, PV projects with a total installed capacity of more than 18.7 MW were under construction and further PV projects with a total installed capacity of 120 MW are planned to start in short-term. This business area represents a solid and secure business pillar for the Company in the long term.

Additionally the ONDE Group initiates and participates in R&D projects in the area of energy storage, specialised maintenance services or the management of renewable energy generation assets. To this extent, a SOFIA grant program has been launched under the ONDE FLOW project to find and support young scientists. In the first two editions, fourteen undergraduate students and doctoral students working on innovative solutions in the RES field were awarded. The grant programme's content partners are the AGH University of Science and Technology in Kraków, the Bydgoszcz University of Technology and the "With Energy About Law" Association.

2.6.5. Contracts signed

Contracts signed and contracts that became effective between 1 January 2023 and the Report Date (of unit value exceeding PLN 15,000 thousand):

Item	Investor	Contract date (date of contract signing)	Subject Matter of Contract	Net value (attributable to ONDE) in '000 PLN.
Contracts signed from 1 January 2023 to the Financial Statement Date:				
1	UAB “Energijos žara”	15 Feb. 2023	Construction of Kelme Wind Farm 1	25 763 euro
2	The Koszalin County	29 March 2023	Redevelopment of county roads No. 3506Z w the locality of Sarbinowo, 3504Z Sarbinowo – Gąski	19,488
3	Wielkopolskie Elektrownie Słoneczne Sp. z o.o., Elektrownia PV Strefa Sp. z o.o., RRSP 87 Sp. z o.o., Chors 5 Sp. z o.o.	18 April 2023	Supply, installation and commissioning of a PV system including 4 photovoltaic projects	98,894
4	IBC SE PL19 Sp. z o.o.	5 June 2023 (came into force on 20 June 2023)	Comprehensive construction work for two PV power plants under EPC formula (with module supply)	48,229
5	ENWIND Sp. z o.o.	6 July 2023	Construction of Głuchów 2 Wind Farm	19,134*
6	Invest PV Sp. z o.o.	29 Dec. 2023	Plant implementation Jelenia Góra 1 PV Farm	16,720
7	SPV Czerwona Woda Sp. z o.o.	29 Dec. 2023	Plant implementation Jawor PV Farm	30,064
8	FW Szybowice Sp. z o.o. (*Wind Farm*)	8 March 2024	Construction of Szybowice Wind Farm	104,516
Contracts signed in 2023 that came into force in 2023:				
9	Eviva Drzeżewo Sp. z o.o.	20 Nov. 2020 (came into force on 3 Oct. 2023)	Construction of Drzeżewo 1-3 Wind Farm	245,834
10	Eviva Lębork Sp. z o.o.	25.11.2020 (came into force on Q3 2023)	Construction of Drzeżewo 4 Wind Farm	111,316
11	QPV Golczewo Sp. z o.o., QPV Rokietnica Sp. z o.o.,	7 December 2022 (came into force 27 Jan.	Construction of 3 FV projects: PV Golczewo, PV Pakość and	PLN 129,932 5 472 euro

	QPV Pakość Sp. z o.o.	2023)	PV Rokietnica	

**Contract value attributable to ONDE, contract executed in consortium with P&Q Ltd.*

2.6.6. Projects executed in 2023

The key projects implemented by ONDE in 2023 include, but are not limited to:

- The construction of the S3 expressway, the Legnica (A4) – Lubawka section, Subproject IV.
- Construction of Drzeżewo 1-3 Wind Farm Drzeżewo 4 Wind Farm
- Construction of PV Farms commissioned by the member companies of R. Power Group,
- construction of three (3) Photovoltaic Farms: Golczewo PV Farm, Pakość PV Farm and Rokietnica PV Farm on behalf of companies owned by QAIR POLSKA S.A.,
- construction of Bąków 2 Wind Farm,
- construction of "Człuchów" Wind Farm,
- construction of four Photovoltaic Farm projects on behalf of the companies managed by the LORDS LB Asset Management Fund,
- construction of Kelme 1 Wind Farm in Lithuania,
- Redevelopment of Provincial Road No. 152 at the Świdwin - Połczyn-Zdrój section.

2.6.7. Opportunities and Threats

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

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

Also in the German market, where ONDE GmbH (a member company of the ONDE Group, established to acquire orders and deliver construction services and conduct acquisitions of companies operating in the RES segment) is active, growth prospects are visible. Germany aims to roughly double its onshore wind power capacity up to 115 gigawatts (GW) by 2030 (160 GW 2040), which means annual capacity additions will have to reach 10 GW from 2025.

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

The stagnation in the Polish wind construction market, driven by, inter alia, the Group's regulatory environment, including the shape of the Distance Act (the so-called 10H Act) in force until April 2023, has resulted in a lack of development of new projects in recent years, thus further projects may not be submitted to the auction. The amendment to the Distance Act, which came into force in April 2023, is a positive development for the ONDE Group's business prospects. The abandonment of the so-called 10H rule will allow new wind farm developments in the future.

Meanwhile, in terms of construction related to the generation of energy from the sun, the prospects are very good, including in terms of covering own energy requirements by the companies (so-called business prosumers). According to the estimates by the Institute of Renewable Energy presented in the report 'Photovoltaic Market in Poland 2023', at the end of 2023, the capacity of all installed photovoltaic plants could exceed 18 GW, with approximately 6 GW of year-on-year capacity growth.

The potential of the road construction market in Poland is also high. In 2020, the National Road Construction Programme (with an outlook to 2030) was launched. It assumes large expenditures on the construction of expressways, motorways, ring roads and maintenance of technical standards of the existing road network. The Company's strategic objective is to bid with an assumed satisfactory margin. A threat to long-term contracts is the originally established 5 per cent cap on indexation. A positive development in the road construction segment was the raising of the indexation threshold to 10% in February 2022 for contracts executed for the General Directorate for National Roads and Motorways, allowing greater scope for changes in contracts due to an extraordinary change in circumstances (through, inter alia, the "introduction of a indexation special law"), and increasing the favourable treatment of contract indexation by the public administration (through, inter alia, the issuance of recommendations by the General Prosecutor's Office of the Republic of Poland and the Public Procurement Office on the permissibility of changes to concluded contracts). In May 2022, the Council of Ministers also raised up to 10 per cent the indexation limits for contracts concluded by the National Roads and Motorways Directorate (GDDKiA) prior to February this year for the execution of national roads. The indexation covers 50% of the contract value.

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

2.6.8. Strategic priorities

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

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

The ONDE Group's strategy is based on the expected further development of the market for construction of renewable energy sources, particularly photovoltaic farms and onshore wind farms, which will allow to take advantage of the existing experience and leading market position in Poland in the implementation of projects for the construction of such plants. In addition, selective participation of the ONDE in the implementation of

projects in the road infrastructure sector in Poland as a general contractor under the National Road Construction Programme and road projects financed by local government funds is envisaged.

The Group's strategy also provided for an option of generating revenues in the long term from the sale of electricity from renewable energy plants, the ownership of which will remain in the hands of one of the ONDE Group member companies. At the Report date, the ONDE Group does not generate any revenues from the RES project segment.

The strategic goals are divided into two time horizons:

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

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

Short-term strategy

The ONDE Group's short-term strategy is to take advantage of the expected dynamic investment growth in connection with the implementation of energy and climate policy in Poland by further acquiring and developing photovoltaic farm projects for further resale or leaving some of the on-going RES projects within the ONDE Group and selling the energy generated in them, which can provide the Company with sustainable revenues.

The development strategy for the short-term horizon includes:

- continuation of the adopted business model based on providing construction services in the RES segment in the area of photovoltaic and wind energy as the core, prospectively developing activity, as well as continuation of the activity in the road and engineering construction segment through selective selection and implementation of projects. At the end of 2023. The Group is executing contracts for the construction of wind farms with a capacity of 697 MW and contracts for the construction of photovoltaic farms with a capacity of 402 MW. The Strategy provides for an option of increasing the share of the photovoltaic construction segment in the portfolio driven by an increase in the number of projects and their capacity. The ONDE Group's business prospects will be positively affected by the liberalisation of the Distance Act, which came into force in April 2023 - it will permit new investment projects involving the construction of wind power plants in the future;
- further business expansion in the RES segment to include the development of RES projects under the "Develop, Build and Sell" model, by purchasing and investing in further RES projects at various phases of their preparation. The Group envisages the further acquisition of projects belonging to two categories, i.e. the first type of projects that are at a very early preparatory phase (greenfield projects) in the acquisition phase, or projects that are at a more advanced phase of development. Given the current market and regulatory environment, the Group will first and foremost acquire projects in more advanced phases of development. As of 31 December 2023, the Group own projects totalled approximately 787 MW capacity, of which approximately 69 MW are wind projects. Another 267 MW (of which 69 MW are Wind Farm projects), are investments with building design and building design permits granted. Approximately 183 MW are projects with connection conditions issued and about 337 MW with an application to obtain them.
- development of operations in the RES construction segment and O&M services for photovoltaic and wind power plants. As part of this activity, the ONDE, based on its experience in the construction of wind and photovoltaic farms and its potential, human and engineering resources, provides operation and maintenance services for the farms it has built and sold, as well as other wind and photovoltaic farms already operational.

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

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

Long-term Strategy

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

- to engage in the business of generating and selling electricity from photovoltaic plants built by the Group.

  This business will depend on the possibility of contracting and conditions for the sale of electricity from photovoltaic farms in Poland, as well as labour costs and the cost of purchasing photovoltaic system components, which depends on technological progress in this area. The ONDE Group also intends to use the support elements available in the implementation of the European Green Deal policy and the Energy Policy of Poland until 2040;

- undertaking activities in the field of construction of electricity storage facilities and their operation based on experience and design-engineering competence of the ONDE Group gained while implementing other projects in the power sector infrastructure in Poland.

  The launch of such business is conditioned by the development of modern energy storage technologies and their availability and universality;

- applying for contracts for implementation of wind power and photovoltaic installations on foreign markets, in particular in countries belonging to the European Union, which implement the policy of the European Green Deal.

  The Group may compete for contracts outside Poland on the basis of its own experience and competence and using the support and competence in foreign markets of the ERBUD Group.

2.7. Erbud Industry Centrum Sp. z o.o.

2.7.1. Scope of activities

Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.) with its registered office in Łódź was established in 1994, it operates in the service sector and specialises in repairs of power, heating, electrical, control and measurement equipment (Control and Measurement Instruments and Automation) and industrial and municipal systems.

At the end of 2023 the headcount level at the Company was 508 people..

2.7.2. Statutory governing bodies

THE MANAGEMENT BOARD

In the period from 1 January 2023 to 31 December 2023 the Management Board consisted of:

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

SUPERVISORY BOARD

In the period from 1 January 2023 to 29 May 2023, the Company's Supervisory Board consisted of:

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

In the period from 30 May 2023 to 1 Dec. 2023, the Company's Supervisory Board consisted of:

- Mariusz Moczydłowski - The Supervisory Board Chairman
- Andrzej Łukasik - Deputy Chairman of the Supervisory Board
- Belinda Śliwińska - A Supervisory Board member
- Dagmara Sobolewska - A Supervisory Board member
- Joanna Piersa - A Supervisory Board Secretary

2.7.3. Projects executed in 2023

The company mainly executed repairs of basic equipment on sites of the Łódź combined heat and power plants, commissioned by Veolia Energia Łódź S.A. and on site of Karolin CHP Plant in Poznań commissioned by Veolia Energia Poznań S.A. During the summer shutdown of the plants, repairs were also carried out on the water supply and steam network fittings and auxiliary, electrical and control equipment.

As part of its district heating assignments, the Company carried out repairs and modernization of district heating networks throughout Poland. The major assignment was the redevelopment of the existing network in the area of Opolska and Popielskiego Streets in Wrocław of a 2xDN1000 ducted district heating network to a 2xDN800 pre-insulated district heating network for Fortum Network. This task was the next phase completed on this site. The second largest project was the overhaul of the boiler and steam and water pipelines of Units 11 & 12 at TAURON Generation S.A. - Łaziska Power Plant Branch in Łaziska Górne. The project was executed by Erbud Industry Południe before the merger of companies.

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

2.7.4. Development

In 2023, the company revisited plans to acquire other entities with the aim of broadening the scope of its operations, both in terms of competence and geographically. In June, through the acquisition of an integrated part of the enterprise, the company took over the maintenance contract on site of the "Polpharma" Pharmaceutical Plant in Starogard Gdański.

On 19 December 2023, Erbud Industry Centrum and Erbud Industry Południe merged.

In January 2024, Erbud Industry Centrum closed the acquisition transaction involving 100% shareholding in CKTiS S.A. a company delivering maintenance and repair services at the PKN Orlen site in Płock. CKTiS S.A. developed its current structure as a result of the transformation and changes that have been taking place since 1991. CKTiS S.A. derives from CPN MARINE SERVICE Sp. z o.o., a company based in Gdańsk, established back in 1991. Over the years, the company's main shareholder was PKN ORLEN S.A. In 2004, the company's name was changed to Centrum Komercjalizacji Technologii Sp. z o.o. (Technology Commercialisation Centre Ltd.), abbreviated as CKT Sp. z o.o.. In 2009, the company was reengineered as a result of ownership changes and changed its name from CKT Sp. z o.o. to CKTiS Sp. z o.o. The business profile was changed into the delivery of renovation, modernisation and investment services in the energy, chemical and construction sectors.

At present the company's headcount is approximately 130 workers and it generates stable revenues in the range of PLN 40-45 million per year. The major customer buying services from the company has remained PKN Orlen in Płock

2.8. Satchwell Polska Toruń Sp. z o.o.

2.8.1. Scope of activities

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

At the end of 2023 the headcount level at the Company was 29 people..

2.8.2. Statutory governing bodies

THE MANAGEMENT BOARD

In the period from 1 January 2023 to 31 December 2023 the Management Board consisted of:

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

2.8.3. Projects executed in 2023

The most important tasks performed by the Company include the assembly and maintenance of the heat substation systems for PGE in Toruń, the Company completed works within the Capital Group, for the total amount of almost PLN 2.5 million including but not limited the construction of LIDL Distribution Centre in Błonie.

2.8.4. Expected Development

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

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

At the end of December 2023, the Company's order book was worth more than PLN 3 million

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

2.9.1. Scope of activities

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

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

On 19 December 2023, Erbud Industry Południe was taken over by Erbud Industry Centrum Sp. z o.o.

2.9.2. Statutory governing bodies

SUPERVISORY BOARD

In the period from 1 January 2023 to 29 May 2023, the Company's Supervisory Board consisted of:

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

In the period from 30 May 2023 to 19 December 2022, the Company's Supervisory Board consisted of:

- Mariusz Moczydłowski – The Supervisory Board Chairman
- Andrzej Łukasik – Deputy Chairman of the Supervisory Board
- Belinda Śliwińska – A Supervisory Board member
- Dagmara Sobolewska – A Supervisory Board member
- Joanna Piersa – A Supervisory Board Secretary

THE MANAGEMENT BOARD

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

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

On 23 March, the Vice-President of the Management Board Mr Dariusz Badeja submitted his resignation from the Management Board position effective from 30 June 2023. From 1 July to the merger with Erbud Industry Centrum, the Management Board consisted of two members, viz.:

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

2.9.3. Projects executed in 2023

In 2023 ERBUD Industry Południe sp. z o.o. executed, inter alia, the following projects:

Systemic power engineering sector:

- TAURON Generation S.A. - the overhaul of the boiler as well as steam and water pipelines of Units 11 & 12 at TAURON Wytwarzanie S.A. - Łaziska Power Plant Branch in Łaziska Górne.
- TAURON Ciepło sp. z o.o. - Component - Overhaul of the CFB boiler at the Tychy Generation Plant
- PGE GiEK S.A. - Execution of current and emergency repairs on pressure equipment of K3-8 boilers at PGE GiEK S.A. The Rybnik Power Plant Branch

Petrochemistry and Chemistry:

- Assembly of bends and stubs for the OP230 K2 Ga boiler protection system of the Police Chemical Plant
- Replacement of fittings and water heater coils during the overhaul of the K2 boiler in Janikowo

Metallurgy:

- Eko-Energia - Assembly of pipelines and steel structures under the contract: "Upgrading of the Coking Side of Coking Battery No. 4 at JSW KOKS, The "Friendship" Coke Plant in Dąbrowa Górnicza".

District heating system:

- ENERGOTECHNIKA-ENERGOROZRUCH S.A. - Disassembly for the purposes of the project titled "Reconstruction of the heavy oil mill to adapt the equipment for unloading and transporting light oil for the PTWM-100 boiler at EC-3 Veolia Energia Łódź S.A.".
- ENERGOTECHNIKA-ENERGOROZRUCH S.A. - Upgrading of the PTWM-100 boiler at EC-3 Veolia Energia Łódź S.A.
- PEC Gliwice Heat Distribution Company - Overhaul of the pressure side of boilers WP-70 No. 5 and OP-140 Nos. 6 and 7
- Będzin CHP Plant - Overhaul of the pressure side of boilers WP-70 No. 5 and OP-140 Nos. 6 and 7
- Dalkia - maintenance services applied to fundamental pieces of power equipment in 2023
- PGNiG Termika - delivery of emergency services in 2023
- PGNiG Termika - Delivery of maintenance services to the Polish Oil & Gas Company (PGNiG) in 2023 - 2024

Foreign markets

- IKR GmbH - Assembly and welding assignments, BP Lingen TAR 2023 and in HR Hamburg
- ALLSVETS - Assembly assignments in Linkoping, Sweden

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

2.10.1. Scope of activities

In 2023 ERBUD Shared Services Sp. z o.o. acted as a back office service provider for the ERBUD GROUP (accounting, HR and payroll, fleet management, IT services). The Company's registered office is in Warsaw.

On 31 December 2022 the headcount level at the Company was 81 people. + 2 contractors (total 83).

There are two strategic boards in the Company: The Technical Board, to which services are currently provided by 9 people, and the Strategic Board, to which services are provided by 6 people. The company works on an outsourced basis with the consultants.

2.10.2. Statutory governing bodies

In the period from 1 January 2023 until the date of publication of this Report the Management Board of ERBUD Shared Services Sp. z o.o. consisted of two persons, represented by:

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

2.10.3. Plans for 2024 and beyond

ERBUD Shared Services Sp. z o.o. on the basis of agreements concerning the provision of business consulting services and accounting, HR and payroll, administrative, IT and office space rental services provided in 2023 and will continue this activity in the following years.

In August 2023, the Management Board of ERBUD Shared Services Sp. z o.o. adopted a resolution on 2023-2026 Strategy. The company's mission statement provides for the support to Erbud Group member companies in achieving the highest possible financial performance by process standardisation and resource and cost optimisation, using competences based on the latest knowledge, modern organisational skills and applicable rules and regulations. Thus, the company's key objective for the years to come is to develop and maintain the mechanisms of a learning organisation, which will allow the experience curve as well as organisational and cost synergies to be exploited across the Group in the long term.

The business relationship with Erbud S.A.'s Management Board Plenipotentiary for Process Management and Digitalisation, planned and implemented in 2023, is yielding the expected outcome and the process optimisation has further strengthened the company's position as a co-initiator of digital transformation.

2.11. IVT Weiner + Reimann GmbH

2.11.1. Scope of activities

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

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

IVT is a professionally managed company that celebrated its 41st anniversary in 2023. The company's advantage is its high renown and well-established business relations in the local market, achieved thanks to the high competence of its experienced and specialized personnel.

2.11.2. Company governing bodies

In 2023 the Company's Management Board consisted of:

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

2.11.3. Projects executed in 2023

In 2023, various projects for IVT's customers were once again implemented.

At this point it should be noted in particular that IVT is working with its customer ArcelorMittal to ensure that the Duisburg steel mill is equipped and redeveloped for the future. Once again IVT became a strategic partner of VivaWest in 2023, allowing additional apartment buildings to be converted to heat pumps as an energy source.

IVT was also active in the area of air-conditioning technology, so that Rudolf-Weber was equipped with new air-conditioning technology. It means that IVT contributes to making the industry even more greener.

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

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

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

2.11.4. Expected Growth

IVT fully implements ERBUD S.A.'s ESG strategy, which is a priority for the years ahead. So that the CO_2 balance is recorded according to the range CCF 1 to 3.

Moreover IVT invariably adheres to the 'German Sustainability Code'.

All of these are individual components that are key to IVT, but also to ERBUD S.A. IVT's management sees that these are key components in discussions with all business partners and come also useful in the recruitment of young talents. On these grounds IVT's management developed, jointly with HR services, a

programme to recruit new qualified labour for 2023, which was crowned with the "Employer of the Future" award.

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

2.12. IKR GmbH

2.12.1. Scope of activities

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

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

2.12.2. Company governing bodies

In 2023 the Company's Management Board consisted of:

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

2.12.3. Projects executed in 2023

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

IKR specializes in the following business areas:

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

In 2023 the Company completed, *inter alia*, the following projects:

- BP Lingen → Maintenance and repair work at BP refinery.
- Etching Next → Assembly project (Wacker Chemie)
- Holborn project → Pipe packages 1+2
- Framework contracts → Repairs, Mechanical works (Annual throughput approx. EUR 15 million).

2.12.4. Expected segment development: maintenance services to industry abroad (IVT and IKR companies)

2024 will be a challenge for both IKR and IVT. The on-going Ukrainian crisis, whose impact cannot be estimated accurately, has a very direct influence on customers' investment decisions. Inflation rate, which had been rising steadily in 2023, is starting to fall, and is now at 2.9%. Additionally, decisions are taken with great caution by customers in the steel and chemical sectors, as these sectors in particular are hit by huge energy costs and thus they contribute to uncertainty. On a positive note it should be stated that the value of order portfolio to date as of 31 December 2023 was very high, up by 30.0 per cent compared to the previous year. The large number of outstanding bids and their implementation have been safeguarded, so that 2024 was started with a good feeling of the German industrial section. Thanks to reasonable wage contracts, there is a high level of consistency in the workforce, so that no risks should be expected either. The turnover driven by employment contract termination is close to nil, so only the employee who leaves due to retirement remains to be replaced. This is guaranteed and safeguarded by the various programmes and successes in recent years, the fact that it has been possible to record a slight increase in headcount level shows that it is on the right track here too. The necessary external human resources and materials are sourced through long-term contracts, so unplanned cost increases should not be expected here either. To sum up, it may be concluded with dismay, the achieved targets for 2024: consolidated sales hovering around 76,000 T-Euro and EBIT > 5%. Funding for a wide range of projects has been secured.

2.13. JV MATOC POLAND Sp. z o.o.

2.13.1. Scope of activities

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

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

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

2.13.2. Company governing bodies

Until 4 December 2023 the Company's Management Board had consisted of:

- Jürgen Georg Hagner;
- Łukasz Świątkowski;
- Lukas Cäsar Czapla;

Since 5 December 2023 the Company's Management Board has consisted of:

- Jürgen Georg Hagner;
- Łukasz Świątkowski;
- Willuhn Georg;

2.13.3. Projects executed in 2023

In 2023, the Company implemented, *inter alia*, the following projects (on the "Design and Build" basis):

1. Implementation of various types of civil works as part of the framework contract for the operation of the NATO military base in Redzikowo. The value of the contracts carried out in 2023 totalled PLN 3.4 million.
2. Construction of combat vehicle parks in Drawsko Pomorskie. The value of the works is EUR 6.7 million.

2.13.4. Expected Growth

The Company plans to continue its activities, which have been significantly reduced at the moment due to the significantly lower number of orders placed directly by the US government in the territory of Poland.

At present projects that were to be carried out directly by US army structures are being carried out on its behalf by the Polish entities.

The experience gained by the company during its previous operations is successfully used in their acquisition and implementation by other ERBUD Group member companies.

The company will focus on acquiring strategic projects from the perspective of the US military presence in Poland, to be commissioned directly by the US government.

2.14. Development directions of ERBUD Group activities

Already at the end of 2022, the Management Board of ERBUD S.A. announced that it was preparing for two to three tough years. The first year is already behind us. It was indeed a tough year in the building construction at home and abroad. It was a challenging year, not only due to the tough market environment (lack of investment, high interest rates, lack of EU funding, political uncertainty). In 2023, ERBUD S.A. closed two long lasting disputes. One dispute was that with Millennium Bank S.A. dating back to its origins in 2008 (filing a lawsuit in 2010) and a dispute with the Modlin Airport (MPL). In the first dispute, ERBUD S.A. won the receivables claimed, along with interest. The total amount won in the dispute is PLN 112 million. In the latter case, the Management Board of ERBUD S.A. decided to sign a settlement and pay MPL PLN 21.7 million, of which PLN 5 million was covered by the HESTIA insurance company, where ERBUD S.A. had a third-party liability policy under which pure financial losses were insured.

The completion of the two court trials allows us to enter the new year without questions from external stakeholders about the further fate of these proceedings.

In 2023, ERBUD S.A. also completed all contracts calculated and signed before the war outbreak in Ukraine. We are already entering 2024 with non-loss contracts. In the field of building construction, the management of ERBUD S.A. focuses on the execution of contracts related to capex investment - we are very interested in industrial, military and public facility construction investment projects. We have the capacity to deliver complex facilities where competition is much smaller than in, for instance, housing construction. In 2024, we will continue to focus on profit margin rather than portfolio build-up. The Management Board of ERBUD S.A. sees great opportunities in the growing environmental awareness and drive towards sustainable construction across Europe. This is one of the reasons why, as early as in 2021, the ERBUD Group management focused on diversification and started investing in a modular timber fabrication plant. In March 2023, fabrication of the first order was launched - a kindergarten for the city of Eisingen. We will consistently develop this business segment as an engine of future growth in the building construction segment. The first year was certainly closed in the red. The entire Group is learning the new product. The strategy for the next few years in this segment is to approach the break-even point (BEP) in 2024, and in 2025 to generate profits and expand sales beyond Germany. The development of the modular timber construction segment in the ERBUD Group will be so dominant that management currently has no plans to enter new segments.

Sustainability is also about focusing on using more environmentally friendly building practices and running business in a socially responsible manner. The ERBUD Group is taking a number of measures in these directions - e.g. green energy on construction sites, dialogue with the local community living near our investment sites. In each of these developments, it is important to monitor changing market conditions, identify new trends and adapt the company's strategy to changing regulatory environment.

These assumptions are supported absolutely by the RES-related segment represented by ONDE in the Group. The political shift in the Polish government in 2023 and the coming to power of forces favouring green energy development is a good symptom for this activity. ONDE will continue to pursue a dual-track strategy - building wind and PV farms for external customers and developing its own projects.

The other two segments - services for industry at home and abroad - will follow the existing strategy: diversification of customer base by industry and growth through acquisition. This is reflected, inter alia, by closing of the deal involving the acquisition of CKTiS by Erbud Industry Centrum Sp. z o.o. in early 2024.

The ERBUD Group's overriding objective is to enhance operational efficiency - optimising internal processes, improving project management and more efficient utilisation of human and technical resources must generate real savings for the Group and boost its operating profitability.

The ERBUD Group's strategy will certainly depend to a certain extent on the macroeconomic environment. The ERBUD Group's Management Board analyses the available forecasts and studies for future periods. A report developed and published by the Macroeconomic Analysis Department of Bank Polska Kasa Opieki Spółka Akcyjna (hereafter referred to as 'Pekao S.A.') entitled MEGATRENDS - A Guide To The Future (8 February 2024) seemed to be very interesting. In the referenced report, the authors detailed nine (9) mega trends that will have a major impact on the economy.

1. Arms race - military and arms expenditure will represent a burden for the state budgets. This can lead to a slowdown in other investment categories, especially in poorer countries. Mutual animosities will hamper trade and cause disruption of supply chains known from the pandemic era. "Regional armed conflicts, or even the very risk of their outbreak, on the other hand, cause a lot of nervousness in the commodity markets. On the other hand, it is the colossal economic impact of new wars that may be the key argument to deter potential aggressors. A possible war over Taiwan would mean economic losses in the range of 10% of global GDP due to a global trade turmoil, a supply crisis in the semiconductor market and a collapse in financial markets," - reads the report.
2. Deglobalization.
3. The new migration of peoples - the authors of the reports mention, in addition to the causes of migration, their effects of migration movements on the economy. Thus:" In developing countries: enhanced political and economic instability, greater need for development and intergovernmental assistance. In developed countries: rising property prices, higher expenditure on the reception and integration of new residents, growing social discontent and anti-immigrant sentiment, higher fortification of national borders and blocs of states (like the EU)."
4. Populist turn in politics - in particular Donald Trump's victory in the forthcoming US election. Consequences - "a reduction in support for Ukraine and NATO Alliance commitments and a more confrontational position in trade relations with other countries, especially China, and the withdrawal of the US from climate policy".
5. Raw material fever - "The key raw material of the 21st century will be water".

   Since the 1960s, the planet's renewable water resources per capita have more than halved, and demand is set to grow by another 25 per cent by 2050. Already, 40 per cent of the global population is suffering from water shortages, including chronic droughts caused by climate change. The solution, for instance, could be desalination of seawater if the energy required for this purpose is generated by RES. The problem is that the energy transition requires huge amounts of metals, while water is needed to extract and produce them.

Lithium, nickel, copper, zinc - fuels for energy transition

Fossil fuels - coal, oil and gas are beginning to experience a gradual loss of popularity. Renewable energy sources and the increasing electrification of transport and industry notch up. In doing so, they generate a huge demand for metals. Over the next 25 years, demand for lithium will grow up sevenfold, for nickel by 128%, for copper by 58% and for zinc by 27%.

Western countries will need to accelerate investment in new mines

The extraction of the necessary volumes of the aforementioned metals is complicated by geopolitics. Europe and the United States produce little of it and the market is dominated by South American countries, Russia and China - countries that are either outright hostile or ambivalent towards the West. Armed and commercial conflicts therefore put the supplies in jeopardy. Europe and the US will have to invest in new mines as far as possible at home - but this is an expensive and time-consuming process (more than 10 years) faced by strong opposition on the part of environmentalists. If this does not happen, however, the subsequent megatrends we have described will slow down. We think, however, that even under unfavourable circumstances they will not slow down completely.

6. Energy transition - the war in Ukraine has shown how important energy security is in individual countries. There is a growing trend of reducing fossil fuel imports in favour of building renewable energy sources and developing a nuclear energy policy. The construction of new generation sources (nuclear) and support sources (RES) requires considerable capital expenditures. Spending on the above investment categories can compete with security spending. At this point, the report's authors also note that China will continue to be the largest supplier of components for the construction of alternative energy sources.
7. Life electrification - all the processes associated with decarbonisation, the development of artificial intelligence, the Internet of Things (IoT), Cloud Computing are creating a huge demand for electricity. This leads to a 'golden era' for companies, start-ups specialising in energy efficiency improvement.
8. Artificial Intelligence (AI).
9. Ultimate artificial intelligence.[2]

The ERBUD Group's Management Board and senior managers rely, inter alia, on macroeconomic studies when making decisions. Forecasts made by the chief economists of the banks the Group works with are used. This is particularly important when deciding on the Group's geographical focus.

Incoming data in recent weeks suggest that the global economy has improved slightly since the onset of the year. The macroeconomic indicators published in February generally turned out to be better than earlier forecasts. Particularly noteworthy are the positive trends shown by the European data, especially as this is a situation not seen since spring 2023. According to market analysts, this is a signal that Europe's economic activity has already reached a 'bottom' and the months to come should see the economic upturn.

The Group's Management Board is particularly keeping a watchful eye on the German market, where it is pursuing its activities in the segment of maintenance services rendered for the industry and the sale of timber modular buildings. Germany's GDP was down by 0.3% q/q in the Q4 of the previous year and down by 0.4% y/y for the whole year. Poor economic performance in Germany is primarily driven by economic lull in the industry and poor performance in the construction sector. The economic lull is particularly evident in housing construction. Forward-looking economic indicators indicate that our western neighbour's economy is already at the bottom, but there are no signs of a rebound. In the longer time horizon (6-12 months), GDP growth may be supported by decelerating inflation. According to BNP Paribas Markets 360 forecasts, Germany's GDP will grow by merely 0.2% in 2024. Higher acceleration is expected in 2025 - 1.3%.

[2] https://www.pekao.com.pl/analizy-makroekonomiczne/publikacja?id=28bec061-07a0-4429-b510-981d9993542a

3. ERBUD GROUP FINANCIAL PERFORMANCE IN 2023

3.1. Key drivers of financial performance

The ERBUD Group closed 2023 with a net profit from going concern operations of PLN 23,295 thousand, compared to a profit of PLN 10,994 thousand in 2022.

In 2023 major drivers of the Group's financial performance in going concern activities included:

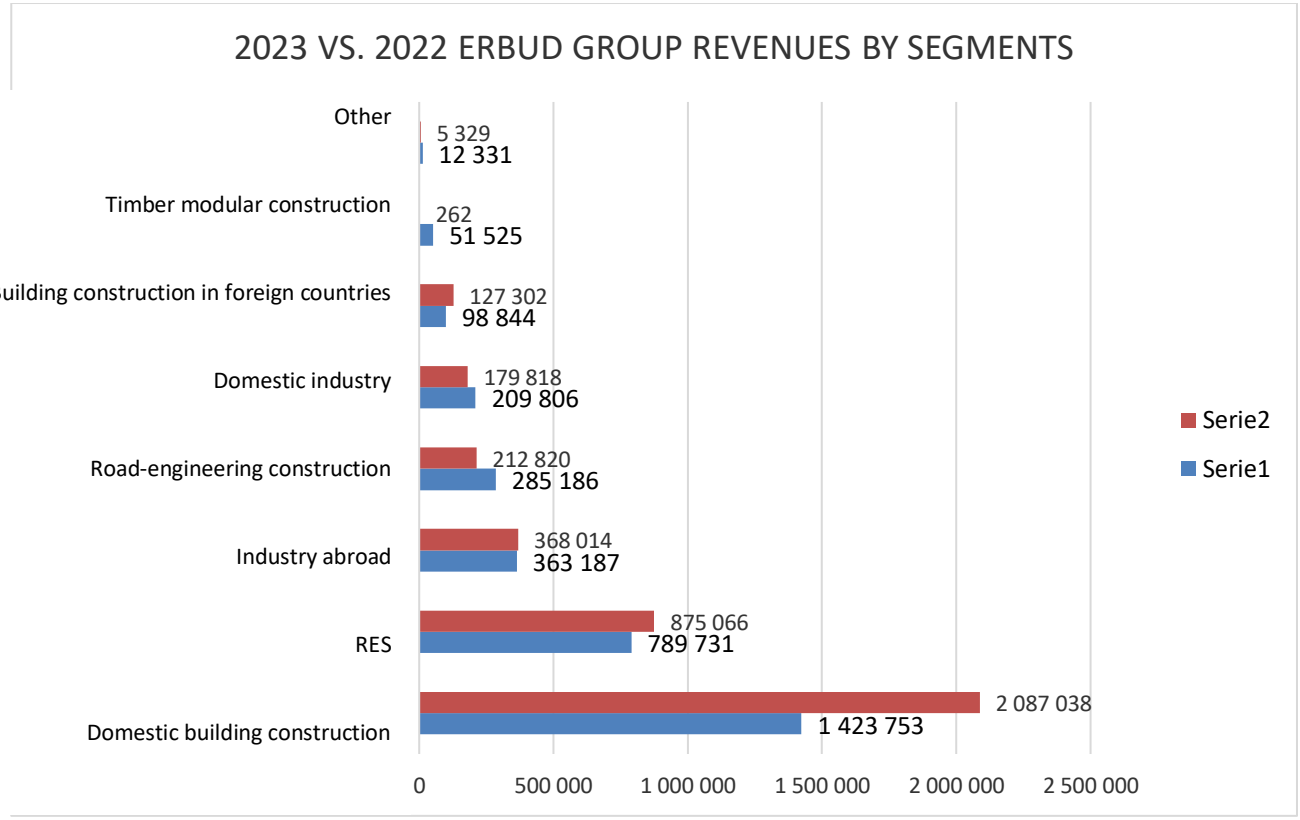
- Completion of contracts in the building construction and road engineering segments calculated and signed before the war outbreak in Ukraine, in Poland and Germany
- start-up of modular facilities segment - execution of first contracts
- one-off event - winning of a dispute with Millennium bank - positive impact on net financial income of the Group (PLN 99 million before tax)
- one-off event - signing of a settlement agreement with MPL Modlin Airport - negative impact on the net financial income - PLN 16.6 million.

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

Specification	2024	2023	Difference	% change
Revenues from sales of products, merchandise and services	3,234,363	3,855,649	-621,286	-16.11%
Net profit/loss on sales	209,111	222,149	-13,038	-5.87%
Net profit/loss on sales	6.47%	5.76%		
Operating profit (EBIT)	20,087	20,858	-771	-3.70%
% EBIT	0.62%	0.54%		
EBITDA	57,021	53,986	3,035	5.62%
% EBITDA	1.76%	1.40%		
Gross profit/loss	50,474	-1,616	52,090	-3223.39%
% Gross profit/loss	1.56%	-0.04%		
Net profit/loss	23,295	10,994	12,301	111.89%

3.2. Sales revenues

In 2023, the Group generated sales revenues from going concern operations at the level of PLN 3,234,363 thousand, i.e. down by 16.11% compared to the previous year (PLN 3,855,649 thousand). First and foremost, revenues in the domestic and international building construction segment were down by 31.24%, and in the RES-related segment were down by 8.48%



3.3. Costs

The main cost item of the ERBUD Group (58.31 % of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. This value was slightly up compared to 2022, where the costs of third party services accounted for 57.56%. In 2023, they totalled PLN 1,883 million, i.e. down by 16% compared to the previous year. In second place in terms of percentage share of costs are costs of materials and energy consumption - 23.87% vs. 28.11% in 2022. The third position is occupied by employee benefit costs - 15.26% vs. 12.39%. The increase in labour costs in the ERBUD Group is primarily the result of the development of a new business segment - the fabrication and sale of timber modular buildings - as well as wage pressure, particularly in the building construction and RES segments.

Operating costs of ERBUD Group ('000 PLN)

	For a 12-month period, ended on 31 Dec. 2023	For the period of 12 months, ended on 31 Dec. 2022	Change in %
Third party services	1,882,921	2,229,880	-16%
including third party services from subcontractors	1,580,854	1,874,017	-16%
Material and energy consumption	770,727	1,088,826	-29%
Employee benefit expenses	492,836	480,003	3%
Amortization and depreciation	36,934	33,128	11%
Taxes and charges	15,498	15,123	2%
Other cost categories	26,734	23,496	14%
Value of goods and materials sold	3,722	3,255	14%
Total Costs by type	**3,229,372**	**3,873,711**	-17%
Change in the balance of products, work in progress and accrued expenses under building contracts	6,657	(46,172)	-114%
Cost of sales (negative value)	(15,490)	(13,259)	17%
General management and administration costs (negative value)	(195,287)	(180,780)	8%
Manufacturing costs of products sold	**3,025,252**	**3,633,500**	-17%

3.4. Other operating and financial income and expenses

In 2023, the Group's Other operating net income totalled PLN 9,267 thousand, compared to PLN 3,856 thousand in the previous year, excluding the impact of the compensation paid by Bank Millennium and liability paid to MPL Airport.

The major item of Other operating expenses were Other expenses (PLN 3,470 thousand) and penalties, fines and damages paid - PLN 2,874 thousand.

In Other operating income, the largest two items are written-off liabilities (PLN 7,636 thousand) and fines, penalties and damages (PLN 3,102 thousand).

The Group's financial activity gains/losses were negative and totalled PLN (31,652) thousand, compared to PLN (21,023) thousand in 2022.

In 2023 the financial expense totalled PLN 48,395 thousand, of which the largest item was Interest on loans and borrowings, leases, bonds and other (PLN 33,085) thousand against PLN 21 412 thousand in 2022. In 2023, the financial expenses were up by 34.97% against the previous year.

3.5. Financial Statement

On 31 December 2023, the total assets of the ERBUD Capital Group amounted to PLN 1,973,833 thousand compared to PLN 2,016,268 thousand at the end of 2022 (down by 2.1%). Fixed assets were up by 7.76 % and reached PLN 476,900 thousand, whereas current assets were down by 4.88% and reached PLN 1,496,933 thousand.

Major items of the Group assets were as follows:

- Long- and short-term trade and other receivables totalled PLN 575,977 thousand, i.e. 29.52% of total assets. Their value was down by 24.40% compared to the end of 2022 (PLN 775,150 thousand).
- Receivables from the measurement of building contracts in the amount of PLN 455,336 thousand (23.07% of the balance sheet total) against PLN 431,013 thousand (21.38% of the balance sheet total) in 2022. Up by 5.642% against 31 December 2022.
- Cash and cash equivalents including cash on separated VAT accounts and restricted cash totalled PLN 307 305 thousand. 15.5 % of the total assets vs. PLN 199,299 thousand of 9.88% of total assets (up by 54.19% compared to the closing balance of 2022).

As of 31 December 2022, total shareholders' equity totalled PLN 674,946 thousand (34% of total liabilities) against PLN 665,478 thousand at the end of 2022.

Shareholders' equity of the parent company amounted to PLN 537,543 thousand at end of 2023 (79.64% of total equity) against PLN 540,881 thousand in 2022.

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

- Long- and short-term trade liabilities and other liabilities (including advances received and retained bid bonds) in the amount of PLN 585,385 thousand (29.49% of total liabilities). They were down by 18.76 % compared to the previous year (PLN 720,582 thousand). For purposes of this description, bid bonds to long-term subcontractors are included in short-term trade payables.
- Liabilities related to the measurement of building contracts in the amount of PLN 387,717 thousand (20 % of the balance sheet total) against PLN 245,957 thousand (12% of the balance sheet total) in 2022.

3.6. Cash flows

During 2023 the ERBUD Group posted negative cash flows of PLN (99,158) thousand compared to the negative cash flows of PLN (199,249) thousand in the previous year. In particular they consisted of:

- Positive gross result (PLN 50,474 thousand) compared to PLN (1,616) thousand in the previous year.
- Positive change in working capital in the amount of (PLN 185,291 thousand); - receivables down by 24%, valuation of building contracts up on the asset side by 10%; inventories down by 13%.
- Negative result on investment activities (PLN 33,212 thousand) caused primarily by purchases of assets, which was related to the construction of the production segment of modular wooden buildings ; and the purchase of projects related to RES by ONDE
- Negative cash flows from financial activities in the amount of PLN 63,813 thousand.

As of 31 December 2023, the Group's cash balance, including accumulated VAT accounts and cash equivalents totalled PLN 307,305 thousand, compared to PLN 199,299 thousand as of 31 December 2022.

3.7. Changes in equity

As of 31 December 2023, total equity amounted to PLN 674,946 thousand (34% of total liabilities) compared with PLN 665 478 thousand at the end of 2022. The increase in equity is mainly due to the positive result in the ERBUD Group for 2023.

At the end of 2023 shareholders' equity of the Parent Company amounted to PLN 537,543 thousand as opposed to PLN 540,881 thousand in 2022.

Financial ratios

In 2023, all profitability ratios at individual levels of sales profits were positive. The outlier was EBIT adjusted for one-off events, which was negative.

Key financial ratios of the ERBUD Group for continuing operations

	2023	2022
EBIT margin (in %)	0.62%	0.54%
EBITDA margin (in %)	1.76%	1.40%
Adjusted EBIT margin (in %)	-0.05%	0.54%
EBITDA margin, standardized (in %)	1.09%	1.40%
Sales profitability (in %)	6.47%	5.76%
Gross profitability (in %)	1.56%	-0.04%
Net profitability (in %)	0.72%	0.29%

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

The liquidity and total debt ratios calculated as of 31 December 2023 are virtually unchanged compared to those at the end of 2022. The liquidity status in the ERBUD Group is good and there are no indications that the liquidity could deteriorate.

ERBUD Group's key liquidity and debt ratios

	2023	2022
Current ratio	1.41	1.42
Quick ratio	1.28	1.28
Debt ratio (in %)	66.00%	66.99%
Debt-to-equity ratio	1.94	2.03

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

3.8. Interest debt

As of the end of December 2023, the ERBUD Group's total debt under loans, borrowings, bonds and finance leases amounted to PLN 239,437 thousand, including PLN 61,280 thousand of short-term debt and PLN 17,701 thousand of interest-bearing debt due to changes in the rules set forth in the IFRS 16 standard.

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

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

The following loan agreements were signed between the onset of 20223 and the date of this report:

On 28 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.

On 28 September 2023 Erbud S.A. jointly with ONDE signed appendices to the financial agreements with mBank S.A. Under Appendix No. 24 to the Framework Agreement No. 38/003/10/Z/GX, the Issuer may take advantage of a guarantee line of PLN 85 million. The line's maturity date is 27 September 2024. Pursuant to the Appendix No. 13 to the Multi-Product Umbrella Master Agreement No. 38/035/20/Z/UX, the Issuer, acting jointly with its subsidiary Onde SA, may take advantage of an overdraft limit, working capital loan and guarantee limit totalling PLN 112 million. The line's maturity date is 27 September 2024. The other conditions remained unchanged.

On 2 October 2023 Erbud S.A. signed, jointly with its subsidiaries (Erbud Industry Centrum sp. z o.o., Erbud Industry Południe sp. z o.o.) the Appendix No. 14 to the Credit Line Agreement No. KKW/NS/15/2015, dated 18 September 2015 with Credit Agricole Bank Polska S.A. Under this annex, the Issuer and its subsidiaries (Erbud Industry Centrum Sp. z o.o.; Erbud Industry Południe Sp. z o.o.) may take advantage of a multi-purpose line (overdraft, guarantee limit) in the amount of PLN 60 million. The line's maturity date is 30 September 2024.

On 30 October 2023 Erbud S.A. signed with Alior Bank S.A. the Appendix No. 17 to Credit Agreement No. U0002139462604 concerning Receivables Limit, dated 27 September 2012 and Annex No. 8 to Agreement U0002931236940 Guarantee Product Limit dated 20 August 2015. Under the Appendices, the Issuer can take advantage of an overdraft facility of up to PLN 10 million and guarantee products of up to PLN 80 million and €2 million. The above-mentioned banking products have been made available to the Issuer until 30 September 2024. The remaining key terms and conditions have not changed.

On 7 November 2023 Erbud S.A. along with its subsidiaries Onde SA, Erbud International sp. z o.o., Erbud Industry Centrum sp. z o.o. signed an appendix to the financing agreement with ING Bank Śląski S.A. with its registered office in Katowice. Under this Appendix, the Issuer, together with its subsidiaries, may use a multi-purpose line of up to PLN 175 million, split into an overdraft limit of PLN 64 million and a guarantee limit of PLN 175 million.

- the sub-limit for Erbud S.A. is PLN 175 million with an option of drawing a debt of maximum PLN 64 million;

- the sub-limit for Onde S.A. is PLN 50 million with an option of drawing a debt of maximum PLN 20 million;

- the sub-limit for Erbud Industry Centrum Sp. z o.o. is PLN 10 million with an option of drawing a debt of maximum PLN 4 million;

- the sub-limit for Erbud Industry International Sp. z o.o. is PLN 15 million with an option of drawing a debt of maximum PLN 5 million;

The line's maturity date is 31 January 2025. The other material conditions remained unchanged.

On 7 November 2023 Erbud S.A. along with its subsidiaries Onde SA and Erbud International sp. z o.o. signed an appendix to the financing agreement with BNP Paribas Bank Polska S.A. with its registered office in Warsaw. Under this Appendix, the Issuer, along with its subsidiaries, may use a multi-purpose line of up to PLN 140 million, split into an overdraft limit of PLN 11 million and a guarantee limit of PLN 140 million and letter of credit limit of PLN 70 million.

- the sub-limit for Erbud S.A. is PLN 140 million with an option of drawing a debt of maximum PLN 8 million;

- the sub-limit for Onde S.A. is PLN 140 million with an option of drawing a debt of maximum PLN 5 million;

- the sub-limit for Erbud Industry International Sp. z o.o. is PLN 16 million with an option of drawing a debt of maximum PLN 3 million;

On 22 January 2024, Erbud S.A. along with Onde S.A. signed an addendum (amendment letter) to the financing agreement with HSBC Continental Europe. Under this Agreement, the Parties extend an option for ERBUD S.A. and ONDE S.A. to use the limit for bank guarantees and letters of credit in the amount of PLN 74.000.000 until 31 October 2024.

The Limit consists of the following sublimits:

- Limit for guarantee products within the Sustainable Trade Support Service (implementation of Green Projects) - maximum PLN 74.000.000

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

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

Other conditions do not deviate from arm's length principle conditions.

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

- contractual and capped mortgages on the Group's assets,
- assignments of rights under building contracts,
- clauses with entitlement to deduct receivables from bank accounts
- blank promissory notes,
- transfer of ownership title to cash deposits representing the contractual percentage of secured receivables.
- a declaration of submission oneself to enforcement pursuant to Article 777 § 1, subpar. 5 of the Code of Civil Procedure.

Loan agreements signed by ERBUD Group member companies - as of the 2023 Financial Statements Date.

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	Overdraft facility	11,000	PLN	WIBOR 3M +1.50%	2024.06.07	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%	2024.09.27	one-off	ERBUD S.A. – 15 000; ONDE S.A. – 30,000
mBank S.A.	working capital facility	72,000	PLN	WIBOR 1M + 1,60%	2024.09.27	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%	2024.09.30	one-off	ERBUD S.A.
ING Bank Śląski S.A.	Overdraft facility	64,000	PLN	WIBOR 1M +1.65%	2025.01.31	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	4,468	EUR	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 +1.50%	2024.09.30	one-off	ERBUD S.A.
Credit Agricole Bank Polska S.A.	working capital facility	5,000	PLN	WIBOR 1M +1.50%	2024.09.30	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	14,000	PLN	WIBOR 1M +1.50%	2024.09.30	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.	2,228	PLN	WIBOR 3M+1.55%	2026.05.29	Quarterly instalments	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Working capital facility	1,000	PLN	WIBOR 1M +1.50%	2024.09.30	one-off	Satchwell Sp. z o.o.
mBank S.A.	Overdraft facility	3,000	PLN	WIBOR 1M +1.5%	2024.09.27	one-off	ERBUD International Sp. z o.o.
ING Bank Śląski S.A.	Investment loan	1,517	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 expansion of real estate	1,847	EUR	3.69%	2028.05.20	On instalment basis	MOD21 Sp. z o.o.
CommerzBank AG	Overdraft facilities	2,000	EUR	EURIBOR 3M+ 0.25%	2024.04.30	one-off	MOD21 GmbH
Deutsche Bank AG	Overdraft facilities	1,000	EUR	6.00%	2024.04.30	one-off	MOD21 GmbH

Commerzbank	Overdraft facilities	1,500	EUR	EURIBOR + 1.5%-2.0%	Valid indefinitely	one-off	IVT Weiner + Reimann GmbH
National Bank AG	Overdraft facilities	1,000	EUR	EURIBOR + 1.5%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santana Bank AG	Overdraft facilities	2,000	EUR	EURIBOR + 1.5%-2.5%	Valid indefinitely	one-off	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santana Bank AG	Investment loan	902	EUR	EURIBOR + 1.5%-2.5%	2025.12.31	instalments	IVT Weiner + Reimann GmbH
National Bank AG	Investment loan	160	EUR	1.50%	2027.05.31	instalments	IVT Weiner + Reimann GmbH
Santana Bank AG	Investment loan	1,700	EUR	3.99%	2027.06.30	instalments	IVT Weiner + Reimann GmbH
Santana Bank AG	Car loan	205	EUR	0.00%-3.92%	2024.07.31	instalments	IVT Weiner + Reimann GmbH
KIA Finance	Car loan	152	EUR	0.00%-3.92%	2026.06.30	instalments	IVT Weiner + Reimann GmbH
Skoda Finance	Car loan	116	EUR	0.00%-3.92%	2024.02.24	instalments	IVT Weiner + Reimann GmbH
Santana Bank AG	Car loan	29	EUR	3.29%	2024.10.01	instalments	IKR
Ford Bank AG	Car loan	30	EUR	5.99%	2024.09.30	instalments	IKR
	Total:	275,744	PLN				
	Total:	17,110	EUR				

Bank guarantee limits made available to the Group - as of Financial Statement Date.

Guarantor	Type of liability	Limit amount '000	Currency	Obligor
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	80,000	PLN	ERBUD S.A.
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	2,000	EUR	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	140,000	PLN	ERBUD S.A. (140,000); ONDE S.A. (140,000); ERBUD INTERNATIONAL (13,000);
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 (60 000) ONDE S.A. (60,000)
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bond	74,000	PLN	ERBUD S.A.; ONDE S.A. (50 000 - for green bonds)
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	60,000	PLN	ERBUD S.A. (60 000), ERBUD Industry Centrum Sp. z o.o. (5 000), ERBUD Industry Sp. z o.o. (10 000), ERBUD Industry Południe (12 000)
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:		**897,000**	**PLN**	
Total:		**30,460**	**EUR**	

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

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond, advance payment	315,000	PLN	ERBUD S.A.; ONDE S.A.
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	75,000	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), ERBUD S.A. and ERBUD International Sp. z o.o
ZURICH	Bid bonds, performance bond, retention bond	3,500	EUR	MOD 21 GmbH (former GWI GmbH)
R+V	Bid bonds, performance bond, retention bond	7,000	EUR	MOD 21 GmbH (former GWI GmbH)
AXA	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Bayerischer Versicherungverband	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH (former GWI GmbH)
Swiss RE	Bid bonds, performance bond, retention bond	2,000	EUR	MOD 21 GmbH (former GWI GmbH)
Credendo	Bid bonds, performance bond, retention bond	2,500	EUR	MOD 21 GmbH (former GWI GmbH)
VHV Versicherungen	Bid bonds, performance bond, retention bond	500	EUR	MOD 21 GmbH (former GWI GmbH)
Wuettembergische Versicherung	Bid bonds, performance bond, retention bond	750	EUR	MOD 21 GmbH (former GWI GmbH)
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.
Warta	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	7,500	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	8,000	PLN	ERBUD International Sp. z o.o.
TU Gothaer.	Bid bonds, performance bond, retention bond	644	PLN	ERBUD International Sp. z o.o.
KUKE S.A.	Bid bonds, performance bond, retention bond, advance payment	3,794	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:		699,456	PLN	
Total:		44,570	EUR	

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

Lender	Borrower	Loan date	Value in '000 PLN	Value in '000 EUR	Maturity date	Interest rate
ERBUD S.A.	MOD21 Sp. z o.o.	2021.04.22	3,100	713	2028.12.31	3M WIBOR +1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2021.06.11	17,517	4,029	2028.03.31	3M WIBOR +1.35%
ERBUD S.A.	JV PABC Sp. z o.o.	2021.06.16	50	11	2024.12.31	3M WIBOR +3.5%
ERBUD S.A.	Erbud Holding Deutschland GmbH	2021.07.27	7,392	1,700	upon demand within 10 days,	3M EURIBOR+2.2%
ERBUD S.A.	MOD21 Sp. z o.o.	2021.07.27	891	205	2028.07.23	3M EURIBOR+1.9%
ERBUD S.A.	JV PABC Sp. z o.o.	2021.09.22	250	57	2024.12.31	3M WIBOR +2.2%
ERBUD S.A.	Sanssouci	2021.02.26	4,314	992	2023.03.31	10% per annum
ERBUD S.A.	Sanssouci	2021.03.24	250	57	2023.03.31	10% per annum
ERBUD S.A.	MOD21 Sp. z o.o.	2022.01.13	43,300	9,959	2028.03.31	3M WIBOR +2.5%
ERBUD S.A.	MOD21 Sp. z o.o.	2022.01.19	3,304	760	2028.03.31	3M EURIBOR+1.9%
ERBUD S.A.	MOD21 Sp. z o.o.	2022.03.15	870	200	2028.03.31	3M EURIBOR+1.9%
ERBUD S.A.	MOD21 Sp. z o.o.	2022.05.06	3,478	800	2028.03.31	3M EURIBOR+1.9%
Erbud Shared Services	ERBUD S.A.	2019.01.30	3,500	805	2024.12.31	3M WIBOR +2.2%
IVT W&R GmbH.	Erbud Holding Deutchland GmbH	2021.12.06	14,131	3,250	Valid indefinitely	EURIBOR 2,2%
ERBUD S.A.	MOD21 GmbH	2022.07.07	5,769	1,327	2028.06.30	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 GmbH	2022.07.26	435	100	2028.06.30	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2022.09.06	3,478	800	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2022.12.16	3,478	800	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2023.04.27	1,000	230	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2023.06.07	2,609	600	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 Sp. z o.o.	2023.06.07	1,739	400	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 GmbH	2023.10.12	2,174	500	2028.12.31	3M EURIBOR+1.35%

ERBUD S.A.	MOD21 Sp. z o.o.	2023.10.25	6,522	1,500	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	MOD21 GmbH	2023.12.15	7,392	1,700	2028.12.31	3M EURIBOR+1.35%
ERBUD S.A.	Erbud Industry Centrum Sp. z o.o.	2023.12.20	7,500	1,725	2028.12.31	6M WIBOR+3.00%
			144,444	**33,221**		

3.9. Contingent receivables and liabilities

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

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ERBUD S.A.	MOD 21 GmbH	15,444	Line for financial guarantees of EUR 2,960	PKO BP S.A. (German Branch)	2034.12.31	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH	4,348	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherung sverband, 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	8,696	Overdraft facility of EUR 2 million	Commerzban k	2023.05.31	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	4,348	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.	65,220	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	39,567	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	43,480	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 - trade liability (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 - trade liability (trade credit)	Hydrosolar 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.	561	Surety - trade liability (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 - trade liability (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.	ERBUD INTERNATIONAL	8,000	Surety for an insurance guarantee line	Hestia	unlimited period of time	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
Total:		**318,802**				

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (subsidiary of ERBUD S.A.; ERBUD International Sp. z o.o. (subsidiary of ERBUD S.A.) – joint and several guarantee	ERBUD S.A.	70,000	multi-purpose credit– guarantee line (LKW)	PKO BP S.A.	2031.09.28	Civil surety, the Guarantor charges a surety fee of 1% of the value

Liabilities under guarantees granted to third parties ('000 PLN) as of 31 December 2021

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
ERBUD S.A.				
31 Dec. 2023	130,826	162,158	238,373	531,357
31 Dec. 2022	113,278	194,674	249,931	557,884
ONDE S.A.				
31 Dec. 2023	54,867	156,266	123,027	334,160
31 Dec. 2022	29,492	149,214	88,074	266,780
MOD 21 GmbH (GWI GmbH)				
31 Dec. 2023	34,170	21,758	34,180	90,108
31 Dec. 2022	11,131	22,048	37,155	70,334
Erbud International Sp. z o.o.				
31 Dec. 2023	4,181	3,775	7,049	15,006
31 Dec. 2022	340	9,285	6,846	16,471
ERBUD Industry Centrum Sp. z o.o.				
31 Dec. 2023	535	16,135	3,849	20,519
31 Dec. 2022	430	12,627	2,914	15,971
Satchwell Sp. z o.o.				
31 Dec. 2023	0	0	730	730
31 Dec. 2022	0	0	673	673
IVT Weiner & Reimann GmbH				
31 Dec. 2023	1,915	0	822	2,737

31 Dec. 2022	2,401	70	1,247	3,718
IVT Menzenbach GmbH				
31 Dec. 2023	43	0	0	43
31 Dec. 2022	755	0	0	755
IKR GmbH				
31 Dec. 2023	4,718	23,681	3,897	32,296
31 Dec. 2022	5,089	19,537	5,329	29,955
Total contingent liabilities as of 30 Dec. 2023	**Total**			1,026,957
Total contingent liabilities as of 30 Dec. 2022	**Total**			**988,136**

Contingent receivables under guarantees held

Item		As of 31 Dec. 2022	As of 31 Dec. 2022	Company
Performance bond, retention bond, payment guarantees		11	75,491	ERBUD S.A.
Performance bond, retention bond		54,101	56,677	ONDE S.A.
Performance bond, retention bond		2,508	2,545	Erbud International Sp. z o.o.
Performance bond, retention bond		25,455	33,784	MOD 21GmbH (former GmbH GWI)
Performance bond, retention bond		0	0	Satchwell sp. z o.o.
Performance bond, retention bond		259	25	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond		44	47	IVT Weiner + Reimann GmbH
Performance bond, retention bond		0	0	IVT Menzenbach GmbH
Performance bond, retention bond		0	0	IKR GmbH
Total:		**153,947**	**181,775**	

3.10. The Management Board's position on the 2023 performance forecasts

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

3.11. The Management Board's recommendation concerning the distribution of 2023 profit

The Management Board of ERBUD S.A., after a detailed analysis of the Consolidated Financial Statements, the 2024 plans and the investment plans, recommends paying a dividend of PLN 20 million.

4. FINANCIAL PERFORMANCE OF ERBUD S.A.

4.1. Drivers of financial performance in 2023

In 2023 ERBUD S.A. generated a net profit of PLN 28,347 thousand compared to a net profit of PLN 29,300 thousand in 2022 (down by 3.25%) When analysing the level of net profit 2023, it should be noted that the main driver of profit last year were extraordinary events - the winning of the dispute with Millennium Bank and the signing of the settlement agreement with MPL Modlin Airport.

In 2023 major drivers of the Group's financial performance included:

- Execution of contracts calculated and signed before the war outbreak date in Ukraine;
- High interest rates;
- Depreciation of the Polish currency (PLN) against the euro (EUR)
- Good relations with contracting authorities/employers, so that some of the cost increase could be passed on to them
- High commitment of senior and lower-level managers to negotiations with contracting authorities/employers and various optimizations on construction sites.
- The lawsuit won with Bank Millennium S.A.
- Signing of the settlement agreement with the Mazovian Airport (MPL) in Modlin.

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

- **Economic position triggered by armed conflict in Ukraine,**
- Economic situation in Poland and Europe
- Absorption of EU funds,
- Investment demand,
- Monetary policy
- Development of a new production segment in the ERBUD Group related to the fabrication and sale of modular facilities.

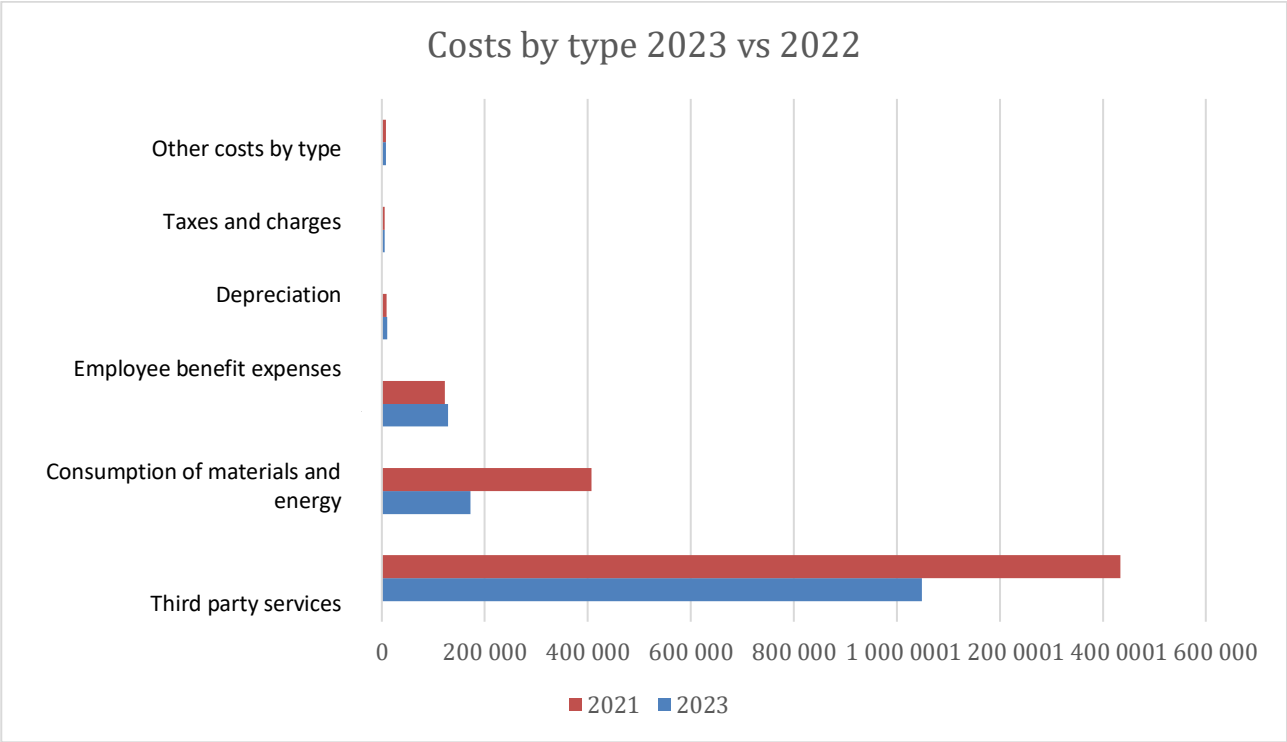
Profit and loss account of the ERBUD Group in analytical terms (in '000 PLN)

	2023	2022	Change in %
Revenues from sales of products, goods and services from continuing operations	1,351,260	1,955,585	-30.90%
Operating expenses	80,563	60,836	32.43%
Other operating profit/loss	7,287	3,552	105.15%
Net proceeds from the disposal of a subsidiary	0	18,627	-100.00%
(Loss)/Reversal of the value of financial assets and contract valuation assets	-13,347	-3,604	270.34%
Compensation received - Bank Millennium (as per account balance with costs directly related to obtaining compensation)	38,317	0	
Compensation liability paid to MPL Modlin Airport	16,698	0	
Operating profit/loss	-6,312	33,163	-119.03%
Financial activity gains/losses	-11,716	402	-3014.43%
Financial gains - Bank Millennium	60,929	0	
Gross profit /(loss) from continuing operations	42,901	33,565	-27.81%
Income tax	14,554	4,265	-241.24%
Net profit /(loss) of the continued business	28,347	29,300	3.25%

Main cost item of ERBUD S.A. (76% of total costs by type) were the costs of third party services, mainly the costs of work commissioned to subcontractors. In 2023, they totalled PLN 1,048,356 thousand in value terms, i.e. they were down by 27% compared to the previous year.

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

- Expenditure on materials and energy - it was at the level of PLN 171,792 thousand against PLN 407 595 thousand in 2022. They accounted for 13% of total costs in 2022 and 21% in 2021 respectively. Down by 58% compared to 2022.
- Employee benefits in the amount of PLN 128 098 thousand. They accounted for 9% of total costs. In 2022, this relationship was as follows: PLN 122,614 thousand - 6% of total costs by type. In 2023, the costs of employee benefits were up by 4% compared to the previous year.



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

Cost	2023	2022	% change
Third party services	1,048,356	1,434,079	-26.90%
Material and energy consumption	171,792	407,595	-57.85%
Employee benefit expenses	128,098	122,614	4.47%
Amortization and depreciation	10,895	9,654	12.85%
Taxes and charges	5,651	5,070	11.46%
Other cost categories	7,643	7,928	-3.59%
TOTAL	1,372,435	1,986,940	-30.93%

4.2. Financial Statement

On 31 December 2023, the total assets of ERBUD S.A. amounted to PLN 1,022,412 thousand and were down by 3% compared to the end of 2022 (PLN 1,055,996.4 thousand). The fall of assets is mainly driven by a fall of the following items: materials and services receivables and long- and short-term deposits (down by 29%); a fall of the value resulting from the valuation of building contracts - 5%. Overall, current assets in 2023 were down by 17% compared to 2022.

As of 31 December 2023, the Company's equity totalled PLN 350,205 thousand compared to PLN 338,924 thousand at the end of 2022 (up by 3%). The equity growth is primarily driven by the net profit generated in 2023.

The year 2023, compared to 2022, saw a significant decline in long-term liabilities (down to the amount of PLN 113,578). Current liabilities also declined by 6% against 2022 down to PLN 558,629 thousand.

The falls were mainly driven by a fall in revenues, which were down by 31% year-on-year.

4.3. Cash Flow Statement

During 2023, ERBUD S.A. posted positive cash flows totalling PLN 29,611 thousand. (negative cash flows of PLN 104,982 thousand in the previous year). In particular they consisted of:

- Negative operating cash flows in the amount of PLN 60,673 thousand, influenced by the change in working capital of PLN 91,770 thousand (receivables down by 29% and contract valuation on asset-side down by 5%)
- Negative cash flow from investment activities in the amount of PLN 58,990 thousand (loans granted mainly to MOD 21 Sp. z o.o. and GmbH)
- Positive financial cash flows of PLN 27,928 thousand (receipt of interest income from Millennium Bank)

As of 31 December 2023 the Company held cash and cash equivalents including on a separate VAT account totalling PLN 144 764 thousand compared to PLN 112 092 thousand as of 31 December 2022. Down by 48%.

4.4. Statement of Changes in Equity

On 31 December 2023, equity amounted to PLN 350,205 thousand (up by 3% compared to the end of 2022). The changes in equity were mainly driven by the performance generated in 2023 and the dividend paid by ERBUD S.A.

4.5. Basic financial ratios of ERBUD S.A.

Item	2023	2022
Return of Equity (ROE) (in %)	8.09%	8.65%
Return on Assets (ROA) (in %)	2.77%	2.77%
EBIT margin (in %)	-0.47%	1.70%
EBITDA margin (in %)	0.34%	2.19%
Sales profitability (in %)	3.38%	3.86%
Gross profitability (in %)	3.17%	1.72%
Net profitability (in %)	2.10%	1.50%

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

Basic liquidity and debt ratios for ERBUD S.A.

Item	2023	2022
Current ratio	1.14	1.28
Quick ratio	1.14	1.28
Debt ratio (in %)	66%	68%
Debt-to-equity ratio	192%	212%

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

The debt ratios are superior than those in 2022. This is primarily due to the company's cash injection as a result of the dispute won with Millennium Bank.

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

5. RISK MANAGEMENT

Risk management is a very important aspect of the ERBUD Group. Because the VUCA world has turned out to be BANI world, ERBUD Group Management Board is flexibly changing its approach to risk. The pandemic, the on-going war in Ukraine, the fighting in the Middle East have shaken all foundations and previous frameworks. The speed of changes experienced by us causes constant chaos, anxiety and an extremely strong need to define ourselves and the world in the new realities.

What was volatile i.e. unstable, ceased to be reliable.

• People no longer feel insecure, they are anxious.

• Things are no longer complex, instead they are subject to non-linear logical systems.

• What was once ambiguous now seems incomprehensible to us.

BANI, an acronym coined by Jamais Cascio as a new development model, can be decoded as follows:

"B" stands for Brittle: this refers to systems that are fragile and susceptible to breaking or failing when faced with unexpected stresses or disruptions.

"A" stands for Anxious: this pertains to the heightened state of uncertainty, worry, and anxiety that can arise in complex and interconnected systems.

„N" stands for Nonlinear: Nonlinearity indicates that cause-and-effect relationships in these systems are not always straightforward or proportional. Small changes can lead to disproportionately large and unpredictable outcomes.

„I" stands for Incomprehensible - the non-linear effects of any cause, event or decision often seem devoid of any logic

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

We talk less and less today about bringing the war in Ukraine to the end. It is still everyone's wish. However, we must bear in mind that for the economy and especially for the construction sector, the reconstruction of Ukraine will pose many risks: price hikes of construction materials, labour drainage, a lack of availability of construction materials. We have to bear the same risks in mind in view of the absorption of EU funds. The release of funds under the National Recovery Plan and their allocation to investment projects will also have the effect of growing demand for construction services and building materials. This was the effect in 2011 and 2012 when building contractors declared bankruptcy after EURO 2012-related investments. Another example was the year 2018 when, perhaps already to a lesser extent than in 2011/2012, building contractors faced the problem of skyrocketing prices of construction materials and raw materials, which was related to the launch of the EU perspective and the increase in investment rate. We had a repeat of the 'curse of abundance' in 2016, with the impact involving financial problems for the construction sector players coming to the surface in 2018. We have to remember about the issue of a certain inertia existing in the construction sector, which is related to the period between bid price calculation and implementation. To a small extent, mechanisms related to hedging the price of materials, e.g., steel, are able to protect the company against loss of profits from a contract. The answer to this risk is again modular construction. Here, the time savings between calculation and execution reach 70%. The ERBUD Group management is today taking a close look at long-term contracts under the 'Design & Build' formula. Any bid for a contract exceeding 18 months is required to have a Management Board approval.

The ERBUD Group Management Board approaches the problem of risk management systemically, taking into account all possible potential risks such as: The market environment volatility changes the weights attached to individual risks. The risks considered by the Management Board can be catalogued as follows:

Internal risks	External risks
Strategy • **lack of fast adaptation to ever changing market environment** • **low flexibility strategy** • **failure to keep abreast with changing technology** • **selection of wrong technology** • **incorrect selection of a business partner/employee** • **erroneous strategy tying up resources** **Organisation** • **poor communication between operational units** • **misappropriations** • **breaches of guidelines and internal procedures** • **inadequate organizational structure for fast responses** • **bad work organisation**	Economics • drastic fluctuation of raw material prices • currency and interest rate fluctuations • inflation rate growth • payroll cost growth • recession • supply chain disruption • workforce migratory movements • investment pile-up Politics • regulatory changes • entry barriers • trade embargoes • unstable global political situation
Personnel • **occupational diseases** • **labour strikes** • **lack of competencies** • **loss of workers** • **accidents at work** • **frauds** **Processes and assets** • **improper communication** • **fire / failures** • **defective product quality and pollution / contamination** • **too lengthy, complicated processes** • **cyberattacks** • **restricted access to third party financing**	Market • customer pressure on price reduction - customer consolidation • failure to comply with contractual terms by key suppliers/subcontractors • labour force deficiency in the marketplace • loss of intellectual property • competition growth Nature • flood • hurricane wind • epidemic/pandemic • running out of natural resources; • potable water deficiencies Social • crimes • increase of damages awareness • demonstrations, strikes, roadblocks

Types of risks specifically monitored in the ERBUD Group

The events of the last couple of years have shown that the risks referred to as "black swans" are impossible for us to predict and difficult to hedge against in 100%. The war conflict behind the eastern border has shown that one man's decision can destabilize the economy almost on a global scale. Following the Russia's invasion of

Ukraine, the whole world faced a fuel crisis, stock markets and currencies of neighbouring countries, including Poland, were weakening. The political risk caused by the fact that the armed conflict is taking place across our border has caused a sharp decline in foreign investment, capital outflows from funds, and a freeze in private domestic investment. Raw material prices and their availability have become a much bigger issue in the construction business than COVID 19 hazards.

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

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

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

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

5.1. Financial Risk

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

5.1.1. Currency risk

As part of their core business, the Group member companies enter into construction contracts, which are denominated in foreign currencies (primarily in Euros). The currency risk management policy adopted by the Management Board consists in adjusting the contract currency to the currency of expenses connected with such contract. An important element of this policy is the strife for safe hedging of potential currency exposures that will not expose companies to losses in the event of turbulence in the foreign exchange market.

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

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

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

- Type of hedged risk: cash flow risk related to highly probable future cash flows in foreign currencies under the building contracts. This risk is related to the strengthening of the Polish zloty - the expected cash flows from the contract in the currency will be lower in PLN.
- Type of hedging instrument: currency forward contracts for the sale of foreign currency in quantities and at dates corresponding to expected flows from the building contract. For the purpose of testing the effectiveness of the hedge, the interest rate (swap points) and spot exchange rate (*spot rate*) components are not separated, but the fair value changes when the entire *forward* transaction are analysed.

- Prospective hedge effectiveness testing: tests are performed at inception of the hedging instrument and at every balance sheet date. A hedging relationship is regarded to be effective, if the expected changes in the fair value or cash flows of the hedged item will be offset by changes in the fair value or cash flows of the hedging instrument.

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

- Type of effectiveness testing method: by comparing the cumulative change in the fair value of the hedging instrument with the cumulative change in the fair value of the hedged item (the so called dollar offset method) using the so called hypothetical derivative.
- Hypothetical derivative: for the purpose of testing the effectiveness of a financial instrument, a hypothetical derivative was separated from the construction contract as a *forward* contract for the purchase of specific amounts of foreign currencies at specific dates, corresponding to the amounts and dates under the building contract. Thus separated hypothetical derivative is subject to the same risks as the construction contract - i.e. its value decreases with the appreciation of the Polish currency (the expected cash flows under the contract in the currency will have lower value in the Polish zlotys).
- The fair value of a hedging instrument and a hypothetical derivative at a certain measurement date is understood as the sum of discounted net cash flows to be received/payable at future dates agreed upon in the term sheet of the instrument. Net cash flows for a given future date are calculated as the difference between the amount in PLN under the forward contract and the amount in a foreign currency under the forward contract multiplied by the forward exchange forward and the amount in a foreign currency resulting from the forward contract multiplied by the forward price valid at the measurement date in the future. Discounting of the net cash flows received in this manner is carried out by means of zero-coupon rates implied by the interest swap curve in PLN, valid as of the measurement date.
- For the purpose of the prospective test, historical market exchange rates and interest rates at 12 monthly dates prior to the planned transaction date or, in the case of a test carried out during the course of a transaction, at 12 monthly dates prior to the balance sheet date shall be used.
- For each of the 12 historical dates described above, the cumulative change in the fair value of the hypothetical derivative is calculated and compared with the cumulative change in the fair value of the hedging instrument. The relationship of the changes calculated in this manner at each date should be between 80-125%.

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

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

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

5.1.2. Interest rate risk

The interest rate risk occurs mainly in connection with the utilization of debt financing i.e. bank credits and loans, issued bonds and financial lease products and bond issue by the Group member companies. These financial instruments are based on variable interest rates and expose the Group to the risk of changes in cash flows. The year 2022 saw a significant increase in interest rates. ERBUD S.A.'s Management Board held a debate on

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

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

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

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

The Group monitors its exposure to interest rate risk and interest rate projections and allows for hedging of material interest rate risk through interest rate swaps.

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

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

5.1.3. Credit risk

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

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

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

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

5.1.4. Liquidity risk

In order to reduce the risk of liquidity loss, the Group member companies maintain an appropriate amount of cash and transferable securities as well as enter into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Group uses its own funds to the extent necessary, required for its own contribution and long-term finance lease agreements, ensuring that the financing structure for this type of assets is sufficiently sustainable, long-term loans.

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

As of 31 December 2022 the ERBUD Group had the capacity to meet its short-term liabilities. All Group member companies paid their interest and trade payables on time.

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

5.1.5. Price risk

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

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

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

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

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

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

5.2. Operational risk

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

- Risk of underestimation of contract execution costs. If the value of all works necessary to perform the contract, specified in the tender offer, is underestimated, the Group may incur a loss or generate a lower profit on a certain contract. As previous years and especially 2022 have shown, the problem for the construction sector are not high prices of building materials and raw materials only their surges. Although it is possible to predict that, for instance, the forthcoming new EU financial perspective will generate new investments, and thus prices of materials and services will go up, however, the time inertia of the construction process makes it very difficult to manage such risks. This is because by including a provision for price hikes in the price calculation today, the company would not win any tenders. However, to mitigate this risk, contracts with a short time horizon should be signed.
- Risk of failure to recognise extra costs of works by the Employer. The proper performance of the subject matter of the contract sometimes requires the performance of extra works not specified in the contract, and thus incurring costs higher than accepted. Additional work may also result in the contract execution deadline being exceeded. The Group's request for additional fee may be considered groundless by the Employer.
- Risk of suspension of contracts by the investor.
- Protests by residents or ecologists in the case of road investments, delaying construction work.
- Risk of poor quality of delivered materials.
- Risk related to liability under the warranty for physical defects and guarantee of the quality of performed works.
- Risk related to the responsibility for the improper performance of construction works by subcontractors.
- Risk of loss of managerial and engineering staff. Decisions to reassign some of these staff and the no possibility to replace them with suitable staff may have a negative impact on the performance of certain contracts.

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

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

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

5.3. Macroeconomic Risk

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish and global economy and the construction industry. The 2022-2023 period was a tough for the construction sector due to the high price hikes we had already experienced in 2021, which were exacerbated by the war outbreak in Ukraine. In addition, the slowdown in investment due to high interest rates, political risks, the lack of funds under the National Recovery Plan, the blocking of the development of capex into wind and PV farms mean that the macroeconomic situation risks have exceeded other risks depicted here. General contractors and subcontractors clashed with changes that occurred overnight. A decrease of margins in the building construction sector was offset by the ERBUD Group in other market segments. This is another piece of evidence for the success of the business diversification policy.

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

5.4. Legal Risk

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

- New environmental protection requirements which may make it necessary to obtain further permits and delay the implementation of the investment.
- Changes in the regulation of licences and public procurement (e.g. introduction of additional innovation and social security requirements).
- Tightening of requirements concerning guarantee, warranty and subcontracting contracts in bidding procedures.
- Risks related to the rigour of the Group whose parent company is an entity listed on the Warsaw Stock Exchange (WSE).
- High variability in tax regulations

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

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

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

5.5. Tax Risk

As business entities, the Group member companies are also exposed to the risk related to the tax systems in force effective in the countries where they run their business activities. In the last couple of years in Poland there have been a series of changes in all taxes. Additionally, the Group member companies upkeep business relations with one another, which requires pursuing a very restrictive transfer pricing policy. The Group works jointly tax counselling companies on a permanent basis. In addition, the Group hired a tax advisor on the onset of 2024 to support the Group's Management Board in determining tax policy and to address any tax-related issues on an on-going basis. Members of the financial units attend in numerous training courses and sessions. Periodic audits are also carried out with the focus on tax security issues.

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

5.6. Environmental Risk

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

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

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

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

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

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

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

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

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

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

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

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

5.7. Climate risks and their materiality

Determined following the methodology outlined in the European Commission's Communication providing guidelines for reporting non-financial information: Supplement on reporting of climate-related information (C/2019/4490), as well as in the Directive of the European Parliament and of the Council (2022/2464/EU) (...) with regard to sustainability reporting) and the European Sustainability Reporting Standards (ESRS) prepared on its grounds, including mainly the ESRS 1 standards: General Guidelines, ESRS 2: Background information, strategy, governance and materiality assessment and ESSZR Ś1: Climate Change that the materiality described is financial materiality (outside in) and environmental and social materiality (the inside out).

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

Financial materiality		Environmental and social significance (Impact 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	-	Readiness and actual capabilities to join the energy transition in Poland by having competence in the construction of RES plants (hydrogen production facilities + photovoltaics + wind farms + biogas plants + hydroengineering) and the development of modular construction with a negative	+
Occurrence of weather anomalies (hurricanes, storms, tornadoes, hailstorms, torrential rain) that may adversely affect 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	+	carbon footprint, as well as passive construction (BREEAM and LEED)	
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 + hydropower plants) and the conversion of high-carbon fuels to zero-carbon fuels (electric, hydrogen, human-powered) and low-carbon GHG (including hybrid and co-generation solutions)	+		
The Group's on-going investment activities in industries considered to have high GHG emissions	-		
Running construction activities in the areas potentially threatened by climate change, mainly in terms of weather changes	-	Knowledge of technology and running of construction sites with the aim of climate change adaptation (hydro systems, drainage, panels)	+

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 (transferred to Poland as part of the Klimada 2 portal and the Information System for National Coverage (ISOK)). Based on these, as shown above, ERBUD Group made a detailed analysis of its climate change resilience in November 2022. The analysis in each scenario was carried out in four phases: laying out the company-climate impact model, calculating the associated hedging costs, analysing the security of the Group's current portfolio of products and processes, and identifying and introducing additional safeguards for the Group's products and processes against all identified physical risks (this last stage was continued in 2023, thus expanding the wording of the ERBUD Group's climate policy in December of the same year). On the basis of the above analysis, it has been concluded that the ERBUD Group will increase the number of its climate-related activities between 2020 and 2030, which was added to the Group's objectives, without significant changes in its business model required.

The identified climate risks for the ERBUD Group will be described in the ERBUD Group's 2023 Non-financial information.

5.8. Cyberattack Risk

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

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

5.9. Risks associated with the impact of coronavirus and the war in Ukraine.

The ERBUD Group management is keeping abreast of the situation related to the two major risks we have faced from 2021 onwards. Currently, we do not see any impact related to pandemic risks. Impact exerted by war in Ukraine on our business - this risk is monitored continuously.

5.10. Insurance

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

5.10.1. Insurance contracts

As of the 2023 financial statement date, all insurance contracts were extended.

Given the above the most important contracts are as follows:

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

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

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

6. Litigations

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

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

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)

6.1. Material proceedings to which the Issuer is the plaintiff

6.1.1.

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 and 88/100) 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 was established. A response to the appeal was filed.

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.

6.1.2.

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: current: PLN 1.295.652,37

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 Defendant paid the amount of PLN 6,155,612.55 and the amount of PLN 5,799,646.04, which were first credited by the Plaintiff as interest on the specified principal amounts.

The Court of First Instance, in its judgment issued on 27 October 2023, granted the Plaintiff's remaining claims in full and awarded ERBUD S.A. the amount of PLN 1,295,652.37 in particular. This judgment is not law-binding yet as of the date of this information.

The Defendant has executed the judgment, however, it has nevertheless, filed an appeal.

6.1.3.

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.

The District Court in Szczecin referred the Parties to mediation for a period of 3 months. No consensus has been reached.

The value of other litigations where ERBUD S.A. is the Plaintiff totals PLN 22.088.304,30.

6.2. Material proceedings to which the Issuer is the defendant

6.2.1.

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 Appeals 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 Appeals dismissed in a legally binding manner 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 the amount of PLN 13,516,629.86, consisting of PLN 5,455,851.09 as an alleged contractual penalty calculated by the Defendant and the amount of 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 .

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.

At the hearing held on 13 September and 25 October 2023 and 8 January 2024, the expert

was questioned regarding the verbal supplementary opinion.

The parties sent information to the court about the Settlement Agreement, along with a request for its approval and discontinuance of the court proceedings.

Total value of other proceedings where ERBUD S.A. is the defendant: PLN 13.678.457,47

7. ERBUD S.A. IN CAPITAL MARKET

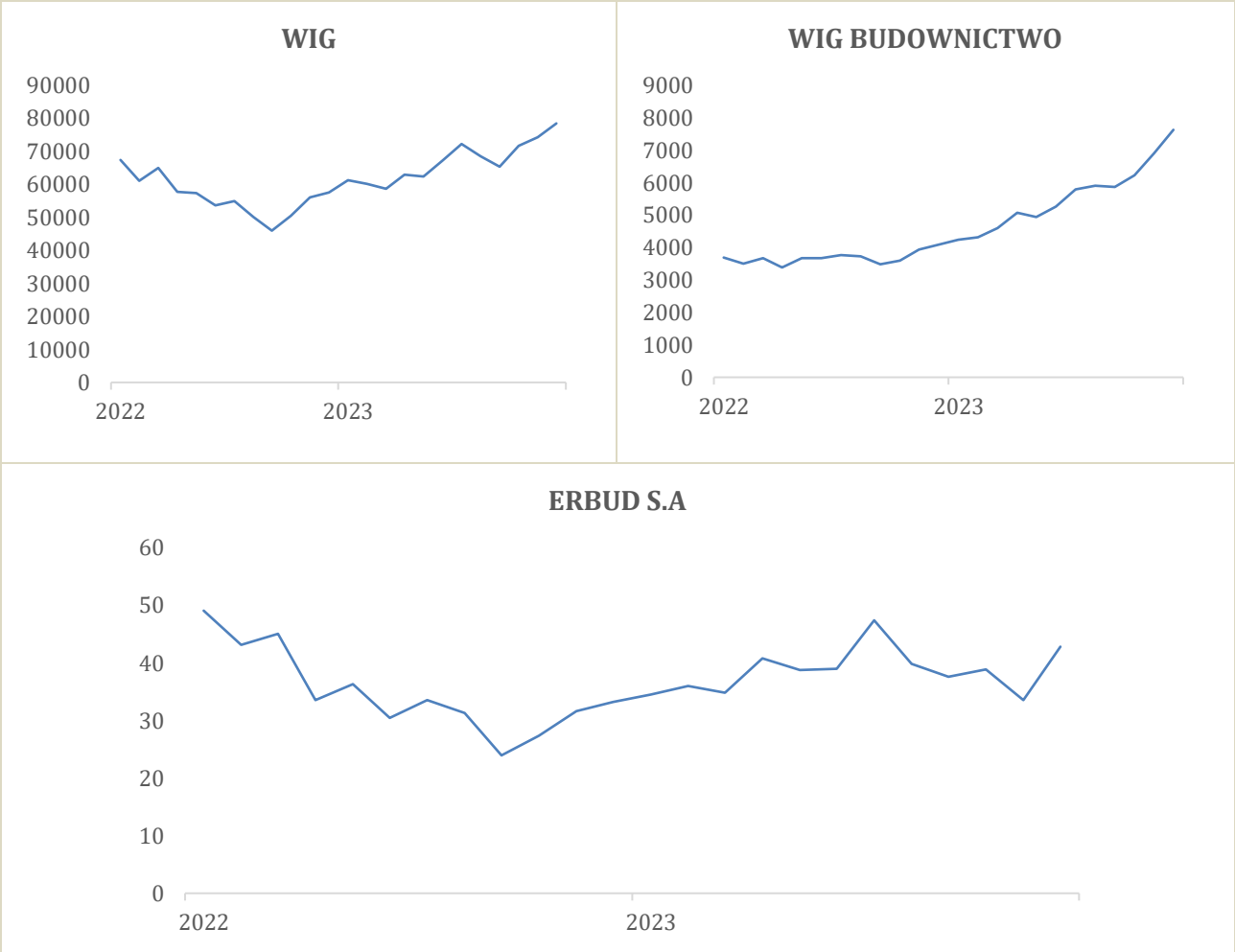
During 2023, despite the global rise in inflation and increasing armed conflicts internationally, the equity market has surprised with an exceptionally positive performance. Most of the indices recorded increases, and some even reached their historical peaks in value.



Source: stooq.pl portal data

Strong index increases were mostly seen in the US equity market. Both the NASDAQ and S&P 500 indices recorded strong gains of 42.1% and 23.8% respectively. Meanwhile the rise of the Dow Jones index hovered around 13.7%. The Asian equity market was characterised both by declines, for instance, in the Chinese stock exchange, where the Shanghai Composite index was down by 3.6 per cent, and by growth, since the Japan's Nikkei 225 index was up by 29.5 per cent. In 2023 the Western European stock market indices such as the German DAX and the French CAC40 generated returns of 19.7% and 15.5% respectively. Moreover, by the end of the year they had reached their historical maximums, indicating that the echoes of the crisis caused by the COVID-19 pandemic outbreak are slowly fading out. Analysing Central and Eastern European (CEE) countries, the Hungarian BUX Index achieved the highest returns, which also reached all-time highs.

In the Polish market, the WIG index was up by approximately 36%, which is also a historic high. Quotations in the Polish capital market were driven by both the parliamentary elections of October 2023 and expectations of Poland receiving funds from the National Recovery Plan.



In addition, the positive ending of the year on the Polish capital market was very much determined by the positive economic data published by the Statistics Poland. Clearly the bull market was evident in the case of the construction and banking sectors. The rise in the WIG Construction index was driven by the introduction of the 2% Safe Loan, which resulted in the highest demand for home loans since 2008.

7.1. Dividend

In 2020, the Company's Management Board decided to suspend the dividend policy. The decision was prompted by the COVID-19 pandemic outbreak.

On 3 April 2023, the Management Board decided to revert to the profit distribution principles set forth in the ERBUD S.A.'s dividend policy.

In 2023, the Management Board recommended to the ERBUD S.A. General Meeting of Shareholders that a dividend be paid to the shareholders in the amount of PLN 10,021,062.24 (i.e. PLN 0.84 per share) for the accounting year 2022.

The Management Board is currently recommending the payment of a 2023 dividend in the amount of PLN 20,042,124.48, i.e. PLN 1.68 per share.

7.2. Investor relations

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

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

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

8. CORPORATE GOVERNANCE

8.1. Rules and Scope of Corporate Governance

The Issuer applies the rules of corporate governance provided in the "Best Practice of WSE Listed Companies 2021", which were adopted by virtue of the Resolution of the Supervisory Board of the Warsaw Stock Exchange S.A. on 29 March 2021.

The content of the "Best Practice of WSE Listed Companies 2021", as well as the content of the currently applicable Best Practice of ERBUD S.A. can be found on the Company's website at the following address: http://www.erbud.pl/dobre_praktyki.php.

In accordance with the guidelines of the 2021 Code of Best Practice for WSE Listed Companies, the Company does not apply the following five (5) principles:

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

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

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

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

The consolidated financial statements of the ERBUD Group are prepared by trained and experienced employees of the ERBUD Group, particularly the services hired by Erbud Shared Services Sp. z o.o. . Both separate and consolidated statements are subject to internal control carried out by the Company's Management Board, Audit and Internal Control Division (prior to and during audit), Audit Committee of the Supervisory Board (during the audit) and by statutory auditors appointed by the Supervisory Board.

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

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

8.3. Shares and shareholders of ERBUD S.A.

As of 31 December 2023 and as of the date of publication of the Financial Statements, the registered share capital amounted to PLN 1,192,983.60 and was divided into 11,929,836 shares with a par value of PLN 0.10 per share.

In 2020 there were no changes in the share capital of the Company in 2023.

On 12 June 2023, the Management Board of ERBUD S.A. 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 of 22 May 2023 on the reduction of share capital and amendment to the Company's Articles of Association ("Resolutions"). 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 and 20/100) 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 (10/100) 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 60/100) and is divided into 11,929,836 (eleven million nine hundred and twenty-nine thousand eight hundred and thirty-six) A-series ordinary bearer shares with a par value of PLN 0.10 (10/100) 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. Thus the current amount of share capital totals PLN 1.192.983,60, and the share capital is divided into 11,929,836 A-series ordinary bearer shares with a par value of PLN 0.10 each. The total number of votes attached to all issued Company shares is 11.929.836.

As of the date of publication of the financial statements i.e. 27 March 2024 compared to the date of publication of the 2022 Financial Statements (30 April 2023), the changes described below have occurred:

- On 5 April 2022 the Company, at its registered office, received a notice on the sale of 600.000 shares by the shareholder ERBUD S.A. on 4 April 2023 (Issuer) pursuant to Article 19(3) of the MAR Regulation from DGI Closed Investment Fund of Non-Public Assets, a person closely related to a person performing managerial responsibilities: Mr Dariusz Grzeszczak, the President of the Company's Management Board.

  On 5 April 2023 OPTI Towarzystwo Funduszy Inwestycyjnych S.A. (*Investment Fund Company S.A.*), headquartered in Warsaw (hereinafter referred to as the "Society"), acting for and on behalf of the managed investment funds (the "Funds") pursuant to Article 69 (1) (2) and Article 69 (2) 1), letter a) in conjunction with Article 87 para 1, point 2, letter a) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies of 29 July 2005 (uniform text in Journal of Laws of 2021, item 1983; "the Act") notified of a decrease by the Funds of their participation in the total number of votes at the General Meeting of Shareholders of Erbud S.A. with its seat in Warsaw (the "Company") below the threshold of 10% and also of a change in the previously held share by more than 2% of the total number of votes.
  The decrease in the ownership of the total number of votes in the Company below 10% and by more than 2% of the total number of votes occurred as a result of the disposal transaction (the "Transaction") of

600,000 (in words: six hundred thousand) shares in the Company made in OTC market on 7 April 2022 by the DGI FIZAN fund managed by the Society ("DGI FIZAN").

Before the Transaction, the DGI FIZAN fund:

1) directly held 1,321,553 (in words: one million eight hundred and sixty-one thousand seven hundred and thirty-one) shares in the Company, representing 10.93% of the Company's share capital, entitling him to exercise 1,321,731 votes at the Company's General Meeting of Shareholders, which accounted for 10.93% of the total number of votes in the Company;
2) indirectly did not hold shares in the Company.

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

1) holds directly 721,553 (in words: seven hundred and twenty-one thousand five hundred and fifty-three) shares in the Company, accounting approximately for 5.96% of the Company's shareholders' equity, giving him the right to exercise 721,553 votes at the Company's General Meeting of Shareholders, which account approximately for 5.96% of the total number of votes in the Company;

- On 5 April 2023, the Company's registered office received a notice about the acquisition on 4 April 2022 of 600.000 shares by a shareholder of ERBUD S.A. (the Issuer) pursuant to Art. 19, par. 3 of the MAR Regulation i.e. Dariusz Grzeszczak, performing managerial duties (President of the Company's Management Board)

  On 5 April 2023, the Company's registered office received a notification about the acquisition of 600,000 shares in ERBUD S.A. **(the "Company") (the "Transaction")**, on 4 April 2023 by Dariusz Grzeszczak from DGI Closed Investment Fund of Non-Public Assets (**"DGI")** together with previous transactions in the Company's shares (including the cancellation of the Company's shares) that did not require notification, resulted in a change in Dariusz Grzeszczak's shareholding in the Company.
  Before the Transaction, he held 2,590,518 shares in the Company, accounting for 21.42% of the Company's share capital, with 2,590,518 votes attached, which accounted for 21.42% of the total number of votes in the Company, including:

  1) directly held 1,249,787 shares in the Company, accounting for 10.33% of the Company's share capital, with 1,249,787 votes attached, which accounted for 10.33% of the total number of votes in the Company;
  2) held indirectly - through DGI - 1,340,731 shares in the Company, accounting for 11.08% of the Company's share capital, with 1,340,731 votes attached, which accounted for 11.08% of the total number of votes in the Company.

After the Transaction, he held 2,553,460 shares in the Company, accounting for 21.1% of the Company's share capital, with 2.553.460 votes attached, which accounted for 21.1% of the total number of votes in the Company, including:

1) directly held 1.831.907 shares in the Company, accounting for 15.14% of the Company's share capital, with 1.831.907 votes attached, which accounted for 15.14% of the total number of votes in the Company;
2) held indirectly - through DGI - 721.553 shares in the Company, accounting for 5.96% of the Company's share capital, with 721.553 votes attached, which accounted for 5.96% of the total number of votes in the Company.

Dariusz Grzeszczak holds 100% of the DGI investment certificates, entitling him to 100% of the votes at the DGI Investors' Meeting.

He is not in the possession of any other subsidiary than DGI holding shares in the Company. There are no persons referred to in Art. 87, para, subpara 3, letter c) of the Public Offer Act.

None of the entities referred to hereinabove holds the financial instruments referred to in Article 69b, para 1 of the Public Offer Act.

The total number of votes specified pursuant to Article 69, para 4, subparas 3, 7 and 8 of the Public Offer Act and its percentage share in the total number of votes are indicated above and amount to 2,553,460 votes, accounting for 21.1% of the total number of votes in the Company.

As of the publication date of this Report, Dariusz Grzeszczak holds directly and indirectly 2,553,460 shares, accounting for 21.4% of the total number of votes in the Company. The difference between the percentages presented at the publication date of this Report is due to the redemption of own shares by the Company and the reduction of share capital on 7 June 2023.

- On 16 May 2023, the Company was notified by Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (*Universal Pension Fund Allianz Polska S.A.*) managing Allianz Polska Otwarty Fundusz Emerytalny (*Allianz Polska Open Pension Fund*), that pursuant to Article 69, para 1 of the Act of 28 August 1997 on the organisation and operation of pension funds (uniform text Journal of Laws 2022, item 2342, as amended) on 12.05.2023, as a result of the liquidation of the Second Allianz Polska Open 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%.

1) 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.
2) 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 764935 votes from shares accounting for 6.32% of the total number of votes at the Company's General Meeting of Shareholders.

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.

The Company's share capital structure is as follows:

- 11,929,836 (eleven million nine hundred and twenty-nine thousand eight hundred and thirty-six) A-series ordinary, bearer shares, with a par value of PLN 0.10 (ten cents) each, designated with ISIN code PLERBUD00012.

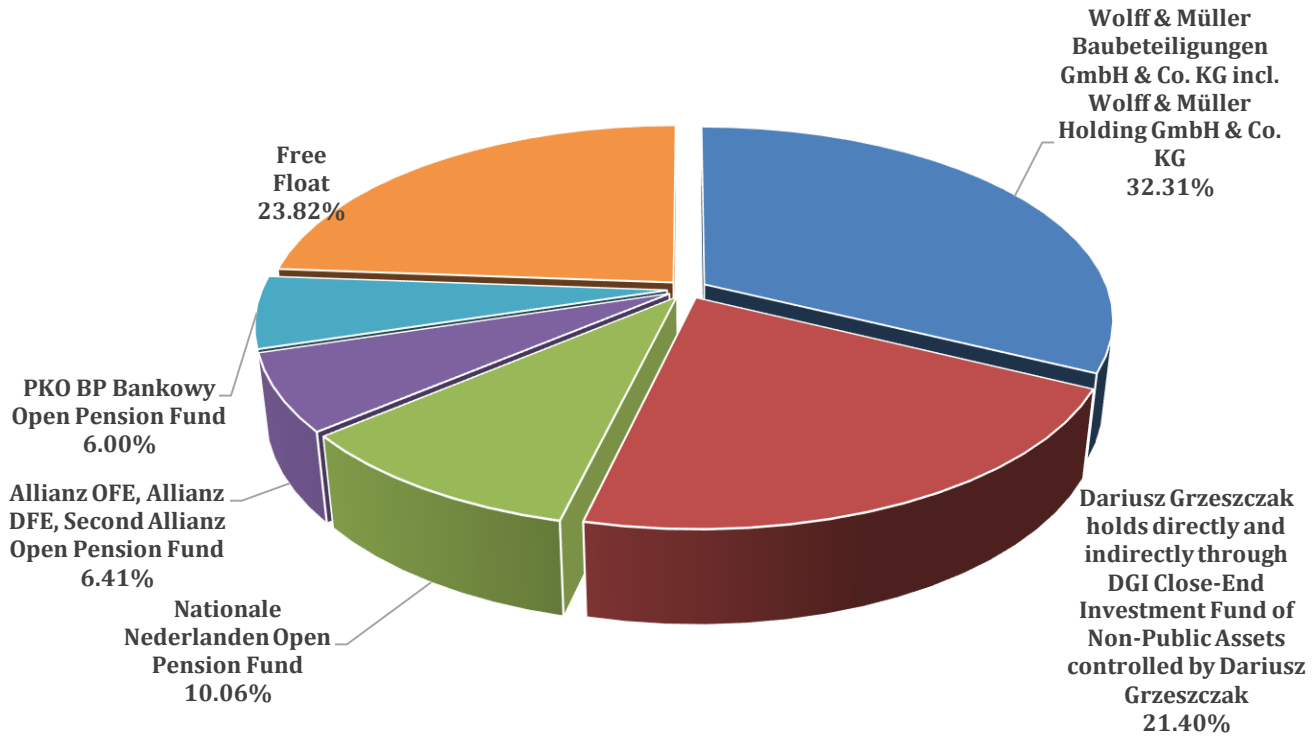
Series	No.	Price in nominal terms (in PLN)	Value (in PLN)
A	11,929,836	0.10	1,192,983.60
Total:	**11,929836**	**0.10**	**1,192,983.60**

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

As of 31 December 2023 and the date of publication of the 2023 Financial Statements, the list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total votes at the General Meeting of Shareholders of ERBUD S.A. was as follows:

Name of shareholder	As of 27 Mar. 2024		As of 31 Dec. 2023		As of 14 Nov. 2023	
	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG including Wolff & Müller Holding GmbH	3,854,837	32.31%	3,854,837	32.31%	3,854,837	32.31%
Dariusz Grzeszczak holds directly and indirectly. (DGI FIZAN - 721 553 shares, 6.05%, Dariusz Grzeszczak 1,831,907 shares, 15.36%)	2,553,460	21.40%	2,553,460	21.40%	2,553,460	21.40%
Nationale Nederlanden OFE	1,200,000	10.06%	1,200,000	10.06%	1,200,000	10.06%
Allianz OFE, Allianz DFE, Second Allianz OFE	764,935	6.41%	764,935	6.41%	764,935	6.41%
PKO BP OFE	715,279	6.00%	715,279	6.00%	715,279	6.00%
Other shareholders	2,841,325	23.82%	2,841,325	23.82%	2,841,325	23.82%
Total:	**11,929,836**	**100.00%**	**11,929,836**	**100.00%**	**11,929,836**	**100.00%**

Shareholding structure of ERBUD S.A. as of 31 December 2023 and the publication date of this Report.



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

Share of managing and supervising persons in the Issuer's share capital	Capital ties 2023	As of 27 Mar. 2024		As of 31 Dec. 2023	
		Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Dariusz Grzeszczak holds directly and indirectly. (DGI FIZAN - 721 553 shares, 6.05%, Dariusz Grzeszczak 1,831,907 shares, 15.36%)	President of the Management Board	2,553,460	21.40%	2,553,460	21.40%
Albert Dürr	A Supervisory Board Member	26,172	0.22%	26,172	0.22%
Roland Bosch	The Chairman of the Supervisory Board	10,000	0.08%	10,000	0.08%
Agnieszka Głowacka***	Vice-President of the Management Board	3,938	0.03%	3,938	0.03%
Jacek Leczkowski****	Vice-President of the Management Board	5,112	0.04%	5,112	0.04%

** Moreover Dariusz Grzeszczak holds 0.5% shareholding in ONDE SA (a subsidiary company of the Issuer).*

** Mr Albert Dürr holds 85% shareholding in Wolff & Müller Holding GmbH & Co. KG, which*

holds: (i) 2,20% shareholding 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. (32.54% of the total number of votes).
**** Ms Agnieszka Głowacka holds additionally 0.25% shareholding in ONDE S.A. (the Issuer's subsidiary company).*
***** Mr Jacek Leczkowski holds additionally 6,48% shareholding in ONDE S.A. (the Issuer's subsidiary company).*

8.4. Articles of Association and General Meeting of Shareholders

8.4.1. Amending the Articles of Shareholders

In 2023 the content of the Company's Articles of Association was amended.

On 22 May 2023, the Ordinary General Meeting of Shareholders of ERBUD S.A., in connection with the adoption of Resolution No. 20/2023 on the redemption of own shares acquired by the Company and Resolution No. 21/2023 on the reduction of share capital and amending the Company's Articles of Association (the "Resolutions"), amended § 5.1 of the Company's Articles of Association.

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 and 20/100) 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 (10/100) 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 60/100) and is divided into 11,929,836 (eleven million nine hundred and twenty-nine thousand eight hundred and thirty-six) A-series ordinary bearer shares with a par value of PLN 0.10 (10/100) each, marked with ISIN code PLERBUD00012."

Following the registration of the amendments to the Articles of Association covered by the above 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.

Thus the current amount of share capital totals PLN 1.192.983,60, and the share capital is divided into 11,929,836 A- series ordinary bearer shares with a par value of PLN 0.10 each.

The total number of votes attached to all issued Company shares is 11.929.836.

8.4.2. General Meeting of Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7) dissolution and liquidation of the Company,

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

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

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

11) deciding on any other business that in accordance with provisions of the Commercial Companies' Code or the wording of the Articles of Association fall into the competence of the General Meeting.

Draft resolutions of the General Meeting of Shareholders submitted by the Management Board are previously submitted to the Supervisory Board for its opinion. Resolutions of the General Meeting are adopted by a simple majority of votes unless the provisions of the Commercial Companies Code or the Articles of Association provide otherwise.

In 2023, three (3) General Meetings of Shareholders of ERBUD S.A. were held :

- Extraordinary General Meeting of Shareholders (24 Feb. 2023)
- Ordinary General Meeting of Shareholders (22 May 2023)
- Extraordinary General Meeting of Shareholders (14 Jul. 2023)

8.5. Activities of the Supervisory Board

8.5.1. Composition

In the period from 1 January 2023 to 31 December 2023 the Supervisory Board of ERBUD SA consisted 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 31 Dec. 2023 and at 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.

As of the date of the Ordinary General Meeting of Shareholders of ERBUD SA approving the 2023 Financial Statements, Mr Michał Otto will cease to be independent, having reached 12 years of service on the Supervisory Board of ERBUD SA.

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

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

Audit Committee, between 1 January 2023 and 31 December 2023, operated with the following composition:

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

As of 31 December 2023 and as of the date of this Report Messrs. Michał Otto, Janusz Reiter, Michał Wosik sitting on the Audit Committee of the Supervisory Board of ERBUD S.A fulfil the independence criteria in the understanding of Art. 129, par. 3 of the Act on Statutory Auditors.

In addition, Mr Gabriel Główka fulfils the requirements of the Act on Statutory Auditors concerning knowledge and skills in the field of accounting or auditing of financial statements. Gabriel Główka graduated from the Warsaw School of Economics, the Faculty of Production Economics, where he majored at the Construction and Investment Economics. His knowledge of business operations and financing is further evidenced by the award of a postdoctoral degree in economic sciences, in the discipline of finance. Meanwhile, his practical knowledge in terms of financial verification of companies, assessment of their financial health, etc. Gabriel Główka's acquired competencies are testified by his experience gained, *inter alia*, at: (i) the Loan Department, ING Bank Śląski, (ii) ING Bank Śląski, where he was the chairman of the Loan Committee of the Warsaw Region of ING Bank Śląski. The most important objective of the Loan Committee was to assess and verify the financial standing of enterprises to incur loan liabilities and make decisions on granting them revolving and investment loans, (iii) while serving as the President of the Management Board of Śląski Bank Hipoteczny - later ING Bank Hipoteczny (ING Mortgage Bank), where he managed the finances of this business entity - in the position of Chief Financial Officer (CFO), (iv) while in office in the National Qualification Commission for the Property Appraisal he acquired knowledge and skills regarding the valuation of business assets.

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

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

In 2023, the Audit Committee held 4 meetings convened by the Chairman of the Audit Committee, (meetings were held at: 1 Mar. 2023, 23 May 2023, 4 September 2023, 30 November 2023) that could be attended by the remaining Supervisory Board members as well as heads of: Legal Division as well as Audit and Internal Control Department of ERBUD SA.

The meetings were held in accordance with the 2023 Audit Committee's Work Plan, which defined the dates of the meetings and the major items on the agenda, including meetings with the auditor.

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

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

By virtue of Resolution No. 2/2021 of 7 January 2021, the Supervisory Board of ERBUD S.A. agreed to extend the agreement with PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. on reviewing interim financial statements and auditing annual financial statements of the Company and the Company's Capital Group in 2021-2023, following the recommendation of the Audit Committee of ERBUD S.A.

On 22 May 2023, the Audit Committee of ERBUD S.A. adopted Resolution No. 9/2023 on the assessment of the auditor's independence and approval for the auditor to provide permitted non-audit services to the Company, i.e. review services of the Company's financial statements for H1 2022.

The Remuneration Committee, from 1 January 2023 to 31 December 2023 and as of the this Report Date, was operated with the following composition:

- Roland Bosch - The Remuneration Committee Chairman,
- Michał Otto - A Remuneration Committee Member,
- Janusz Reiter - A Remuneration Committee Member.

8.5.2. Competencies

The powers of the Supervisory Board include:

1) to approve the strategic long-term plans of the Company,
2) to approve annual schedules of works and expenditures of the Company and its Capital Group,
3) to approve the investment plans of the Company and its Capital Group,
4) to give consent to: acquisition, disposal and encumbering of real estate, perpetual usufruct, or share in real estate or perpetual usufruct,
5) to give to consent to setting up and dissolution of manufacturing plants and branch offices.
6) granting consent to the Company to issue guarantees, property sureties, issue bills of exchange and incur other off-balance sheet liabilities with a unit value exceeding EUR 2,000,000.00 (in words: two million euros) save for: (i) guarantees issued at the request of the Company by financial institutions in the ordinary course of business, (ii) guarantees, sureties of property, issuance of bills of exchange and assumption of other off-balance sheet commitments with a unit value exceeding EUR 2,000,000.00 (in words: two million euros) for the benefit of member entities of the capital group (save for item 11) below),
7) to give consent to equity investments exceeding the equivalent of EUR 100.000,00 (in words: one hundred thousand) except for capital investments, Treasury bills and Treasury bonds issued in Poland or in the countries where the Company runs its business activities,
8) to approve the acquisition, disposal, encumber shares or interest in other entities,
9) to determine the voting procedure for the Company representatives sitting on the bodies of subsidiaries and affiliated entities with reference to the following matters: appointment and dismissal of the members of the bodies of subsidiaries and affiliated entities, dissolution or liquidation of such subsidiaries and entities, change of the company profile, split or merger of subsidiaries or affiliated entities,
10) to grant consent to take all measures not related to the Company profile and extraordinary measures with the value exceeding the equivalent of EUR 200.000,00 (in words: one hundred thousand),
11) granting consent to enter into material transactions with related parties, pursuant to the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trade, and Public Companies of 29 July 2005,
12) to grant consent to the investments exceeding the equivalent of the value of EUR 200.000,00 (in words: one hundred thousand), unless such investments are included in the investment plan, approved by the Supervisory Board,
13) give consent to submit proposals and to enter into civil works contracts with the net value exceeding the equivalent of the amount of EUR 30.000.000,00 (in words: thirty million Euros), in case of joint proposals, the reliable measure is the net sum of the proposal rather than Company share in the proposal,
14) to give consent to dispose of the right or to take an obligation by the Company, within a single or higher number of legal transactions with the same entity, with the value exceeding the equivalent of EUR 5,000,000.00 (in words: five million Euros) during the financial year.
15) to grant permission to employ an employee with an annual remuneration exceeding the equivalent of 150,000.00 (in words: one hundred fifty thousand) Euro,
16) to grant consent to the appointment of the members of Company's Management Board to the management or supervisory boards of non-member companies from of the Company's capital group and in cases specified in Art. 380 § 1 of the Commercial Companies' Code,
17) Other matters reserved for the powers of the Supervisory Board by law, provisions of this Statute, forwarded upon the request of the Management Board or delegated by virtue of a resolution of the General Meeting.

The Audit Committee powers include:

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

On 20 March 2024 the Supervisory Board submitted a statement on the appointment and operation of the Audit Committee of ERBUD S.A., declaring that the legislation concerning the appointment, composition and operation of the Audit Committee, are complied with, including the fulfilment by its members of the independence criteria and requirements regarding having adequate knowledge and skills in the industry in which the Company operates and in the field of accounting or auditing of financial statements. The Supervisory Board also declares that the Audit Committee of ERBUD S.A. performed its responsibilities provided for in the applicable regulations.

The Audit Committee powers include::

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

8.6. Entity authorized to audit the financial statements

The Company has a procedure in place for the appointment of the audit firm, a policy for the appointment of the audit firm to carry out the audit and a policy for delivery by the audit firm carrying out the audit, by entities related to the audit firm and by a member of the audit firm's network of permitted non-audit services. The main principles of the policy developed for the appointment of an audit firm to carry out statutory audit and the policy for the delivery of non-audit services by the audit firm carrying out the audit are in compliance with the rules related to: (i) maintaining the statutory auditor's independence, (ii) avoiding conflicts of interest, (iii) proper preparation of the documentation in the bidding process, (iv) a non-discriminatory audit firm appointment process during the bidding process, (v) a fair assessment of the experience of the audit firm and the audit team and the key statutory auditor, (vi) determining the appropriate remuneration of the audit firm for the services provided, (vii) ensuring appropriate rotation of audit firms. In 2021, ERBUD S.A. appointed an audit firm to carry out the audit on the basis of the adopted procedures related thereto. The appointment of the audit firm for the statutory audit for the accounting year 2021, which related to the renewal of the contract, was based on a resolution passed by the Audit Committee on 14 December 2020, which made a recommendation to the Supervisory Board regarding the appointment of the audit firm. The Audit Committee's Recommendation fulfilled the effective requirements i.e.: (i) indicated the audit firm that was a candidate for the appointment to act as auditor performing statutory audit, (ii) included a statement that the recommendation is free from third-party influence, and (iii) stated that ERBUD S.A. did not conclude agreements containing clauses referred to in Article 66.5a of the Accounting Act of 29 September 1994 (Journal of Laws of 2021, item 217). Subsequently on 7 January 2021, the Supervisory Board adopted a resolution on the renewal of the agreement with the audit firm Pricewaterhousecoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k. for statutory audit services for the 2021 - 2023 period, i.e. for auditing the annual separate financial statements of ERBUD S.A. and the annual consolidated financial statements of the ERBUD Group, as well as reviewing the interim separate financial statements of ERBUD S.A. and the interim consolidated financial statements of the ERBUD Group.

On 12 March 2024, the Audit Committee **made a recommendation to the Supervisory Board on the appointment to the position of an auditor to review the interim financial statements and audit the annual financial statements of the Company and the Company Capital Group in 2024-2025.** As recommended, the Audit Committee proposed to entrust the review of the interim financial statements and the audit of the annual financial statements of the Company and the Company's Group for the years 2024-2025 to the audit firm PricewaterhouseCoopers Polska sp. z o.o. Audyt sp. k. with its registered office in Warsaw.

In addition, the Audit Committee, acting pursuant to Article 130, par. 1, subpar. 4 of the Act on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2020, item 1415), adopted a resolution on the assessment of the auditor's independence and consent to the delivery by the auditor of permitted non-audit services in the Company, i.e., the services of the Company's financial statement review for H1 2019.

- Review services of the financial statements of ERBUD S.A. for H1 2023 and the consolidated financial statements of the ERBUD Group for H1 2023;
- assurance services on selected non-financial indicators for the year 2023
- evaluation services for the 2023 Report on the Remuneration of Company Governing Bodies;
- Services to prepare an audit report on the compliance of the 2023 financial statements in XBRL format with ESMA standards.

On 20 March 2024, following the recommendation of the Audit Committee, the Supervisory Board adopted a resolution to extend the contract with the audit firm PricewaterhouseCoopers Polska sp. z o.o. Audyt sp. k. with its registered office in Warsaw in 2024-2025.

On 20 March 2024, the Supervisory Board of ERBUD S.A. submitted a statement on the appointment of an audit firm to audit the annual financial statements in compliance with the regulations, including the short-listing and audit firm appointment procedure, along with an indication that:

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

Before the publication of the Financial Statement the Supervisory Board assessed the compliance of the Operations Report of ERBUD S.A. and the Annual Financial Statement with the books, documents and the actual state of affairs. The assessment of the Supervisory Board along with its rationale is a separate part of the Financial Statements.

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

Remuneration of the entity authorised to audit financial statements (in '000 PLN)	2023	2022	2021
Audit of the annual financial statements and consolidated financial statements	403	343	300
Review of the interim financial statements/consolidated financial statements	190	190	190
Other services (annual audit of financial statements of subsidiaries), review of bi-annual financial statements of ONDE SA, review of bi-annual consolidated financial statements of ONDE SA	669	614	480
Other services - attestation service concerning XBRL and report on remuneration of members of the Management Board and Supervisory Board (Erbud S.A. and ONDE S.A.)	138	133	100
Other services - attestation of other non-financial indicators (Erbud S.A. and ONDE S.A.)	169	160	130
TOTAL PLN	1,567	1,440	1200

8.7. Management Board Activities

8.7.1. Composition

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

In the period from 1 January 2023 to 31 December 2023 the Management Board of ERBUD S.A. was represented by:

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

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

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

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

8.7.2. Powers as of 27 March 2024

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

Agnieszka Głowacka – Vice-President of the Management Board	**With regard to ERBUD S.A.:** a) Receiving of anonymous reports on the infringements of the law, procedures and ethical standards at ERBUD S.A. **With regard to ERBUD Group** • Supervision over the operations of the Finance Division. • Supervision over the operations of Controlling Division • Supervision over the operations of the Treasury Division. • Supervision over the activities of the Audit and Internal Control Division • Cooperation with financial institutions, banks, insurance companies, brokers. • Coordination of information policy on the MAR MAD Directive. • Supervision over financial and non-financial reporting. • Funds raising. • Supervision over the implementation of the financial policy of the ERBUD Group • Supervision over the activities of ERBUD Shared Services Sp. z o. o.
Jacek Leczkowski – Vice-President of the Management Board	**With regard to ERBUD S.A.:** a) Supervision of the operation of the Production Division in Poland (building construction, hydraulic engineering, defence-related facilities) b) Supervision over the operations of the Legal Division. c) Supervision over the Purchasing and Central Procurement Division d) Supervision over the operations of the Contracting Conditions Division e) Supervision over the operations of the Business Development Division **With regard to ERBUD Group** • Supervision over the operations of HSE Division. • Supervision over ONDE S.A. • Supervision over MOD21 Sp. z o.o. and MOD21 GmbH companies • Supervision over ERBUD International Sp. z o.o. • Supervision over JV WMER Matoc Sp. z o. o. • Supervision over JV PABC Sp. z o. o. • Supervision over operations of HEBUD Sp. z o. o. in liquidation

8.7.3. Management Board

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

Name and surname	Remuneration paid by the Issuer in 2023	Remuneration paid by the Issuer's subsidiaries in 2023	Total
Dariusz Grzeszczak	5,049,577	380,383	5,429,760
Agnieszka Głowacka	1,492,632	272,000	1,764,632
Jacek Leczkowski	1,344,392	344,000	1,688,392
TOTAL	**7,886,401**	**996,383**	**8,882,784**

Name and surname	Remuneration paid by the Issuer in 2022	Remuneration paid by the Issuer's subsidiaries in 2022	Total
Dariusz Grzeszczak	7,319,327	394,000	7,713,327
Agnieszka Głowacka	2,052,000	248,000	2,299,000
Jacek Leczkowski	4,693,784	320,000	5,013,784
Radosław Górski	1,965,485	0	1,965,485
TOTAL	**16,030,611**	**962,000**	**16,992,611**

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

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

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

In the event that a Management Board member has violated his obligation to refrain from competitive activities during the effective term of the Competition Ban Clause or to keep the Company's secrets confidential, then such Management Board member shall pay to the Company a contractual penalty equivalent to double monthly salary.

With reference to Mr Jacek Leczkowski, a Management Board member

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

The obligation to refrain from competitive activities shall remain in effect for 12 months from the Contract termination date. During the period when the Management Board member refrains from competitive activity after termination of the Agreement, the Company undertakes to pay to the Member of the Management Board, each

month after termination of the Contract, for the period corresponding to the effective term of competition ban- the amount of monthly compensation being the equivalent of 50% of monthly salary.

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

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

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

The obligation to refrain from competitive activities shall remain in effect for 12 months from the Contract termination date. During the period when the Management Board member refrains from competitive activity after termination of the Agreement, the Company undertakes to pay to the Member of the Management Board, each month after termination of the Contract, for the period corresponding to the effective term of competition ban- the amount of monthly compensation being the equivalent of 50% of monthly salary.

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

8.7.4. Supervisory Board

In 2023, the remuneration of the Supervisory Board paid by the Issuer was as follows:

Remuneration of the Supervisory Board members ('000 PLN)	2023	2022
Roland Bosch**	166.5	108.4
Albert Dürr**	108.6	73.1
Gabriel Główka	120.0	86.4
Michał Otto*	203.0	158.0
Janusz Reiter	107.0	72.0
Michał Wosik	107.0	72.0
Beata Jarosz	107.0	72.0
TOTAL	**919.1**	**554.4**

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

Diversity Policy

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

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

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

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

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

9. MANAGEMENT BOARD STATEMENTS

True and fair view of the report

According to the best knowledge of the Management Board of ERBUD S.A., the financial figures for 2023 and the comparable reporting period included in the Management Board's Report on the activities of the ERBUD S.A. Capital Group, including the Report on the Activities of ERBUD S.A., have been prepared in line with the applicable accounting principles and give a true, fair and clear view of the assets and the financial position of ERBUD S.A. and ERBUD Capital Group.

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

Impartiality and independence of the entity authorized to audit financial statements

The Management Board of the parent company ERBUD S.A., hereby declares that:

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

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

Signatures of all Management Board members:

Dariusz Grzeszczak

President of the Management Board

Agnieszka Głowacka

Vice-President of the Management Board

Jacek Leczkowski

Vice-President of the Management Board

Warsaw, 26 March 2024