Directors' Report on ERBUD Capital Group Operations in H1 2024

9 September 2024

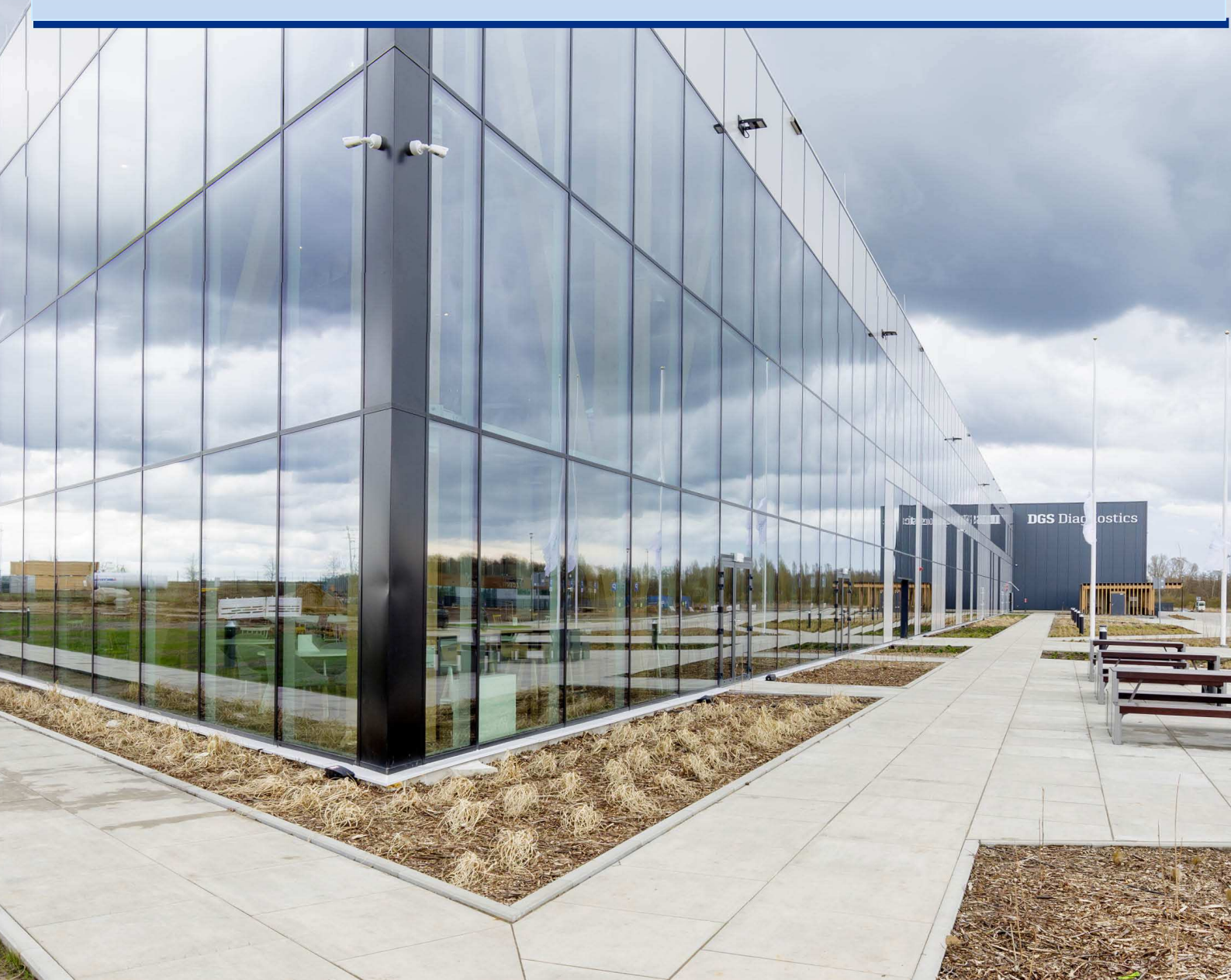


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1. MACROECONOMIC ENVIRONMENT

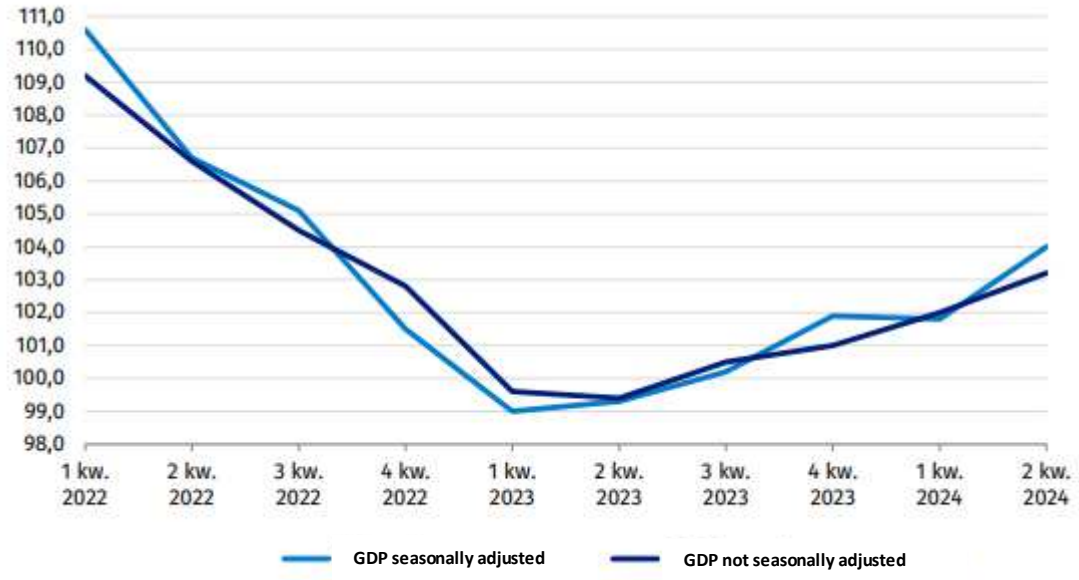
1.1. Economic situation

1.1.1. Poland

Situation in Poland and macroeconomic forecasts:

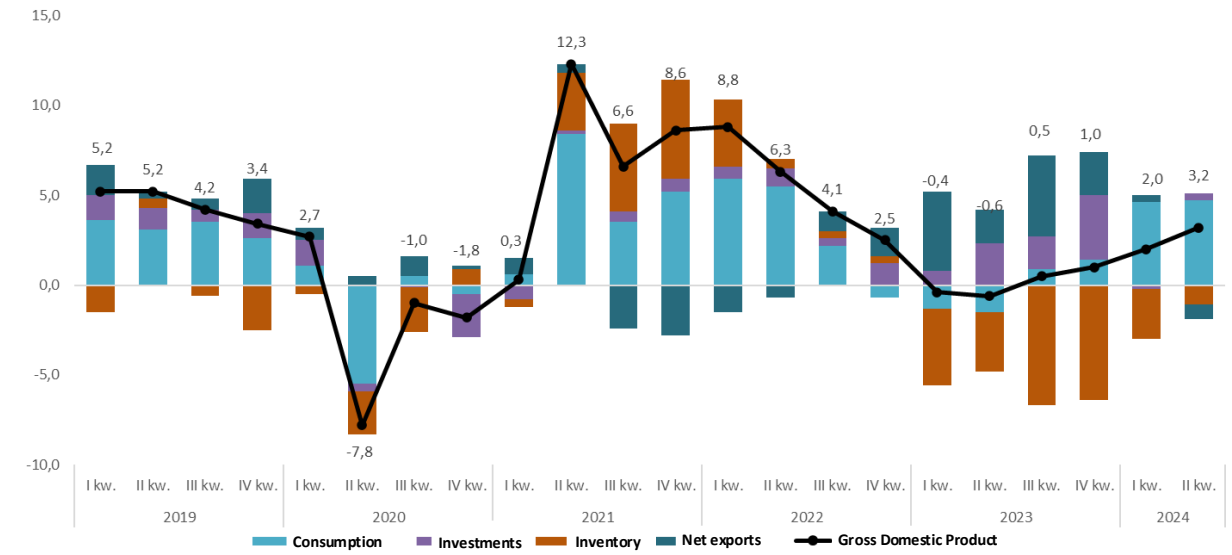
According to an estimate by the Statistics Poland (former Polish Central Statistical Office), the Gross Domestic Product (GDP) was up by 0.2% in real terms in 2023, compared to the 5.3% growth recorded in 2022. In 2023, domestic demand was down by 4.1%, consumption shrank by 0.1%, and household consumption was down by 1%. There was also a significant reduction in inventories, which had adverse impact on GDP growth rate. On the other hand, there was a positive impact exerted by an 8.0% increase in capex on fixed assets and strong growth in net exports. Meanwhile, according to the Statistics Poland's (former Polish Central Statistical Office) quick estimate, GDP in real terms in Q1 2024 was up by 2% compared to the same period of 2023. Domestic demand was up by 1.7% compared to the performance in Q1 2023, while household consumption was up by 4.6%. Stronger growth was recorded in public consumption, and totalled 10.9% on a year-on-year basis. Net exports also had a positive impact on the dynamics of Gross Domestic Product. In contrast, a decline in gross capex on fixed assets and a reduction in inventories had the opposite impact.

According to a quick estimate presented by the Statistics Poland's (former Polish Central Statistical Office), in Q2 2024 the Gross Domestic Product was up by 3.2% on a year-on-year basis.



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

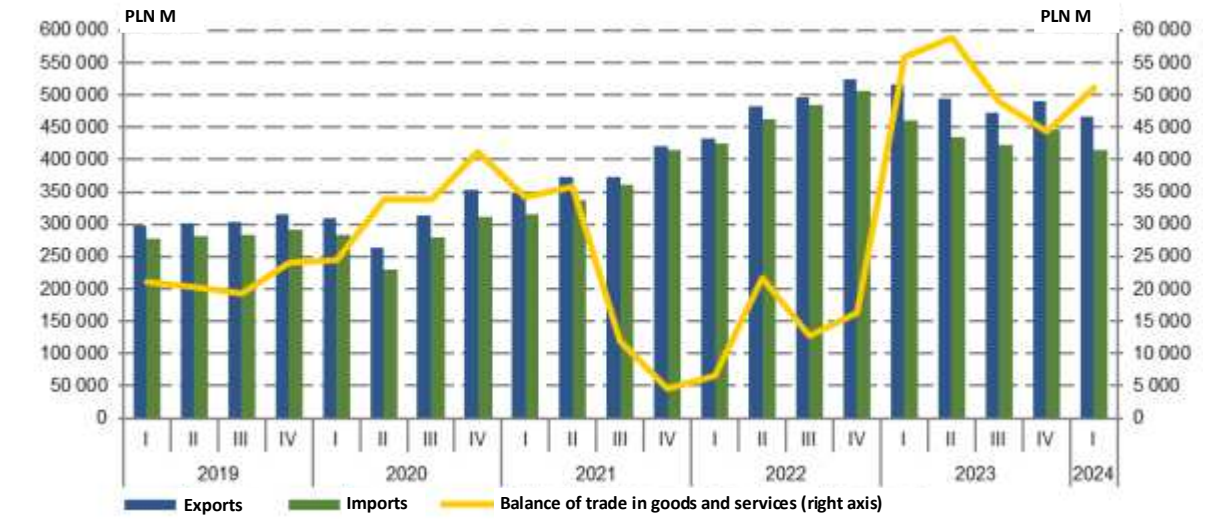
The GDP growth rates in real terms in individual quarters of Q1, Q2, Q3 and Q4 2023 were (0.3%), (0.6%) as well as 0.5% and 1.0% respectively. This indicates the slowdown of Polish economy in the first two quarters of 2023 last year. This was driven by a reduction in consumption and domestic demand visible after year-on-year comparison, which is the result of a high base that was directly related to the increase in household spending that occurred in response to the influx of refugees from Ukraine. In 2023 the annual growth rate of the Gross Domestic Product was 0.2 per cent, the worst performance ever, not taking into account the pandemic year of 2020. Despite this, in the last quarters of last year, the Polish economy stood out as one of the best performers among EU countries. The year 2024 started with Gross Domestic Product growth of 2.0% in Q1, while GDP growth rate reached 3.2 per cent in Q2.



Key:
I kw. = Q1; II kw. = Q2; III kw. = Q3; IV kw. = Q4

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 not seasonally adjusted; fixed average prices of the previous year (%)

In 2023, the shrinking inventories had a strong negative impact on economic growth rate, while in late 2021 and early 2022, inventories were the main driver of GDP growth due to uncertainties related to pandemics and problems in supply chains. In 2023, with the decline of the uncertainty, there was a significant reduction in accumulated inventories. In H1 2024, the trend of mitigating the negative impact of inventory change on Gross Domestic Product continues. In 2023, net exports had a strong positive impact on GDP growth rate. In Q1 2024, this impact remained positive, but its intensity declined. In contrast, Q2 was characterised by a negative impact of net exports on GDP growth rate.



Source: National Bank of Poland (NBP), Performance in foreign trade in goods and services, Balance of payments of the Republic of Poland in Q1 2024.

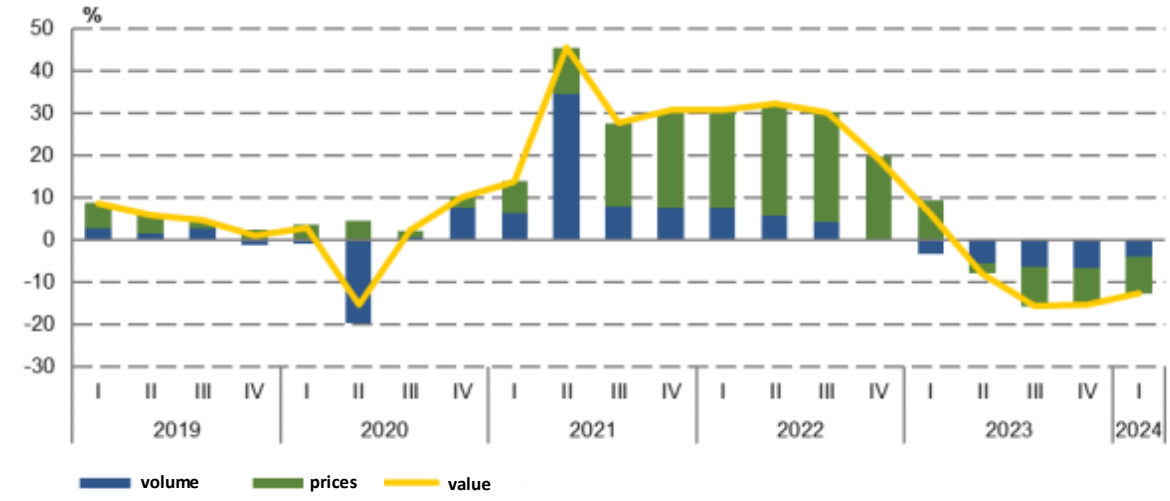
Since 2019 the Polish exports has been significantly hit by the UK's exit from the European Union. Subsequently, trade was partially paralysed by the outbreak of a pandemic. Another event having adverse impact on the turnover in international trade in goods and services was Russia's aggression against Ukraine.

Both the UK and Ukraine are among the top 10 Polish export markets. Nevertheless, the value of Polish exports has significantly gone up since 2019, and Germany remains Poland's major export partner.



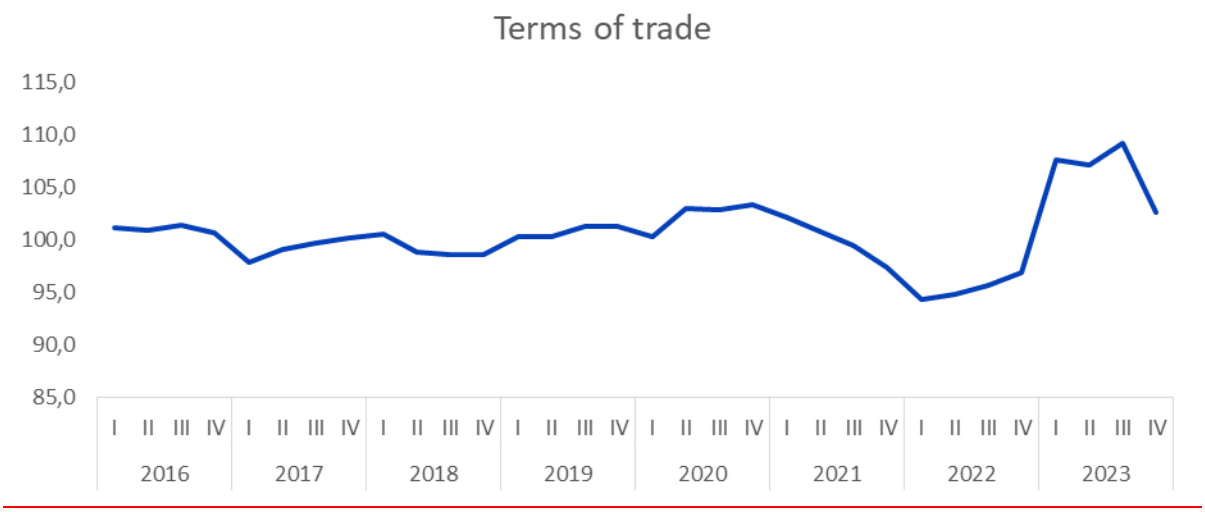
Source: National Bank of Poland (NBP), Changes in volume, prices and value of exports (% y/y), Balance of Payments of the Republic of Poland in Q1 2024.

The National Bank of Poland, in its Balance of Payments for Q3 2023, indicated a global decline in export volumes and prices, due to the weakening of major economies. During this period, 24 EU countries recorded a nominal decline in exports, while the prices of fuels, intermediate and finished goods also went down. Only the value of transport equipment was up. The onset of 2024 exacerbated the downward trend in exports by 11.3% compared to the same period last year, due to the decline in transaction prices and volumes. Transaction prices were positively affected by the strengthening of the Polish currency in Q1 of this year. The transaction volume was driven by a decline in the economic activity of Poland's trading partners. The strongest decline in exports was caused by a drop in sales of means of transport in Q1 2024. Declining exports trend can be seen in almost all member countries of the Community. This is driven by the weakening of European economies. Q1 2024 was the fourth consecutive quarter in which a decline in the value of imports of goods was recorded. During this period, imports declined to PLN 351.1 billion, down by 11.4% compared to the previous year. However, the decline rate was less than those in Q3 and Q4 2023, which were 15.1% and 14.2% respectively.



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 Q1 2024.

In Q1 2024, the decline in import volumes was smaller compared to Q4 2023, as a result of the stabilisation of global market prices and improved domestic demand. Import prices expressed in Polish currency were down by 8.7%, and were mainly influenced by the appreciation of the Polish currency rather than global prices. In the European Union, the average decline in import volumes was 6.5%, with Poland recording one of the lowest declines, at 4.0%. Meanwhile the balance of commodity trade has remained positive since the onset of 2023. However, in Q1 2024, a shrinking surplus compared to the previous year by PLN 0.9 billion is noticeable. Previous year by PLN 0.9 billion is noticeable. Such balance of payments in value terms is driven by a change in the relationship between export and import prices. According to data presented in the Balance of Payments of the Republic of Poland for Q1 2024, the Terms of Trade (ToT) index reached a negative level for the first time in five quarters (99.8), which was due to a stronger decline in the level of export prices compared to the level of import prices. The negative ToT result also contributes to the decline in the balance of trade in goods.



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.

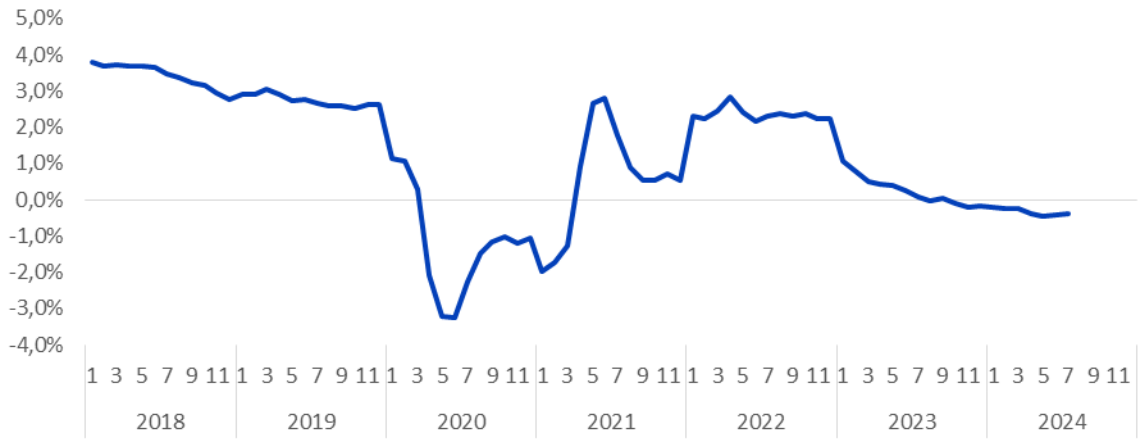
In Q4 2023 investment in Poland was up by 7.7% year-on-year and by 8% for the overall 2023. This growth had a positive impact on the dynamics of the Gross Domestic Product. The investment rate was 17.4%, compared to 16.8% in 2022. The increase in investment was linked to the implementation of projects within the framework of the ending EU financial perspective and the popularity of the 2% Safe Loan programme. However, the shortened timeframe for the use of National Recovery and Resilience Plan's funds until 2026 may affect long-term investments. The campaign that took place before the 2024 local elections could further fuel investment, which is related to the so-called political business cycle.

Meanwhile Q1 2024 was characterised by a negative impact of investments on Gross Domestic Product (GDP), which was related to the lower use of EU funds after the end of the 2014-2020 financial perspective, which translated, inter alia, into a reduction in production in the infrastructure construction sector. However, it is forecast that in the mid-term, investments will become one of the major engines of economic growth, which will

be facilitated by the inflow of funds obtained under the National Recovery and Resilience Plan. In contrast, Q2 2024 was characterised by an increase in investment compared to the same period last year. This increase is most likely driven by public defence spending. The increase in investment is likely to be fuelled in the years to come by the need to boost labour productivity, as well as the partial automation of processes in the face of strongly rising labour costs and the 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.

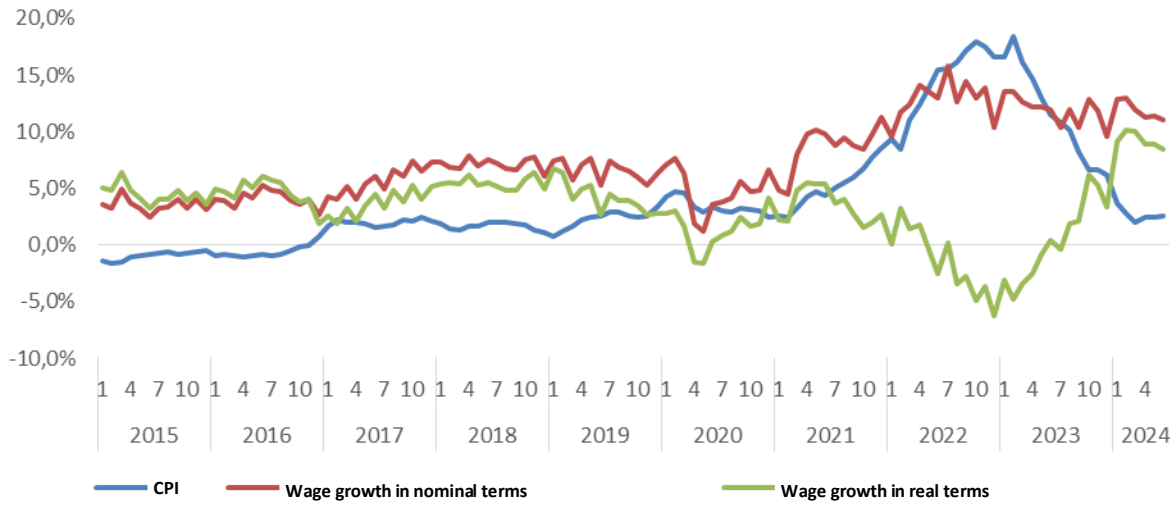
In the first two quarters of 2023, consumption had adverse impact on GDP growth rate. According to the November 2023 Inflation Report published by the National Bank of Poland, consumer sentiment and uncertainty related to the military aggression against Ukraine had a negative impact on consumption. On the other hand, in Q3 and Q4 2023, there was a positive reading of the consumption impact on the Gross Domestic Product. This is also the case in 2024, both in Q1 and Q2 quarters. An increase in both private and public consumption exerted positive consumption impact on Poland's GDP. The increase in consumption demand was directly driven by the favourable situation in the labour market, i.e. persistently low unemployment, historically high real wage growth rate and a shrinking inflation rate.

Despite the gradual increase in economic recovery, a decline in labour demand is visible, which is the result of the earlier nominal slowdown in the economy and attempts by the companies to cut costs in the face of rising labour costs. This is evident in the average employment growth rate in the business sector, which has remained negative since October 2023.



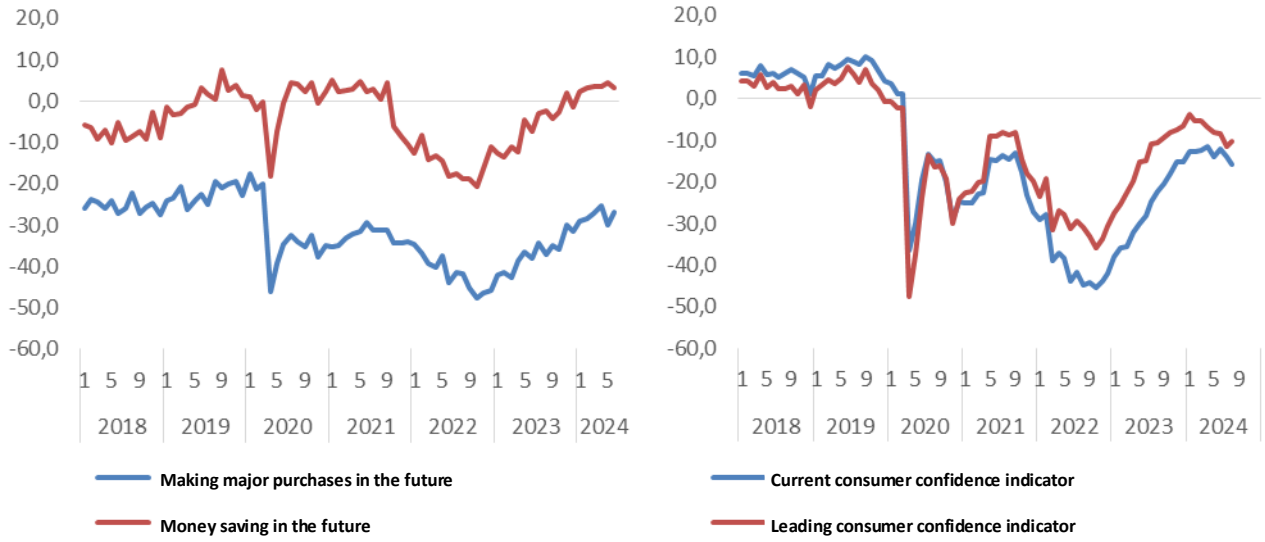
Source: Statistics Poland, Average employment in the business sector, monthly national accounts

The decline in employment is paralleled by a very low level of unemployment (the registered unemployment rate at the end of June 2024 was 4.9%). The low level of unemployment is mainly due to demographic changes - a decrease in the number of people of working age and a deteriorating migration balance.



Source: Statistics Poland, Monthly National Accounts.

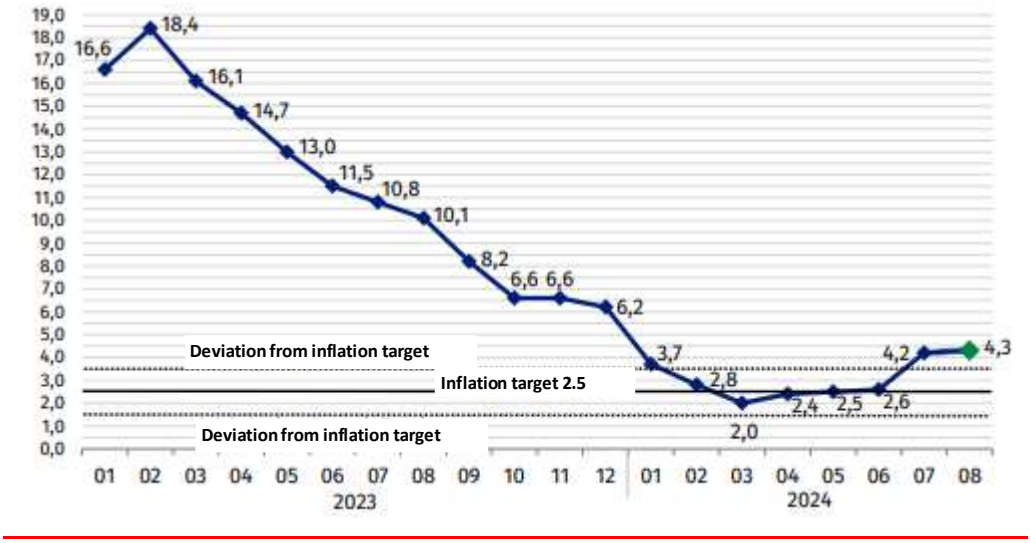
Since the onset of 2023, we have seen wage growth in real terms in the business sector in parallel to wage growth in nominal terms. In addition, a decline in the growth rate of the consumer price index (CPI) has also been noticeable, which had a positive impact on the domestic level of consumption, as it means an increase in purchasing capacity. The onset of 2024 will be remembered for a record high real wage growth, driven by increases in the minimum wage and wages in the public sector. The consecutive months of Q2, however, showed a slowdown in the already high growth of real wages and benefits. This allows us to conclude that the government's planned restraint on public sector wage growth and the minimum wage is aimed at stabilising the labour market, which will be beneficial for macroeconomic stability.



Source: Statistics Poland, Consumer economic indicators.

Consumption is forecast to remain one of the major drivers of the Polish economy in the coming quarters. This is due to a marked improvement in the financial situation of households resulting from an increase in wages and benefits in real terms. This, in turn, translates into consumer sentiment (at the turn of the year an increase in consumer confidence was visible), which in turn has a direct impact on private consumption. In addition, as can be seen from the consumer sentiment indices calculated by the Poland Statistics, since the beginning of the year there has been an increase in the willingness to make future savings, as these were depleted in previous

years. Although the recovery in consumer demand is a positive situation, it can make the fight against inflation more difficult.



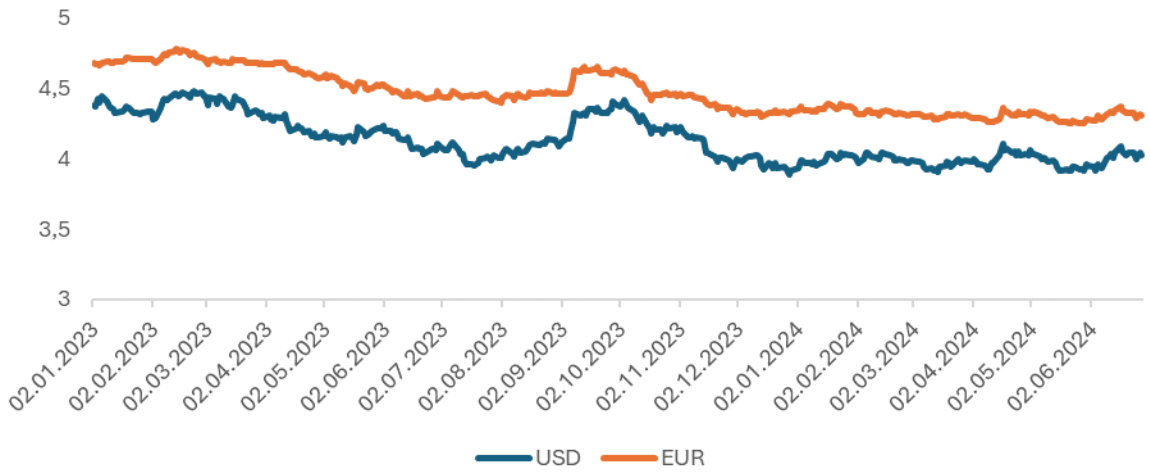
Source: Statistics Poland, changes in prices of consumer goods and services compared to the same period of the previous year (%)

According to the Statistics Poland, the prices of goods and services in June 2024 went up by 2.6% compared to those in June 2023 (the prices of services were up by 6.1%, while the prices of goods were up by 1.3%). However, when analysing monthly increases, the change was 0.1%. The major drivers of the level of the consumer price index in June 2024 comprised the increase of prices in the food and non-alcoholic beverages category (2.2% y/y), housing (1.7% y/y) and restaurants and hotels (7.7%).

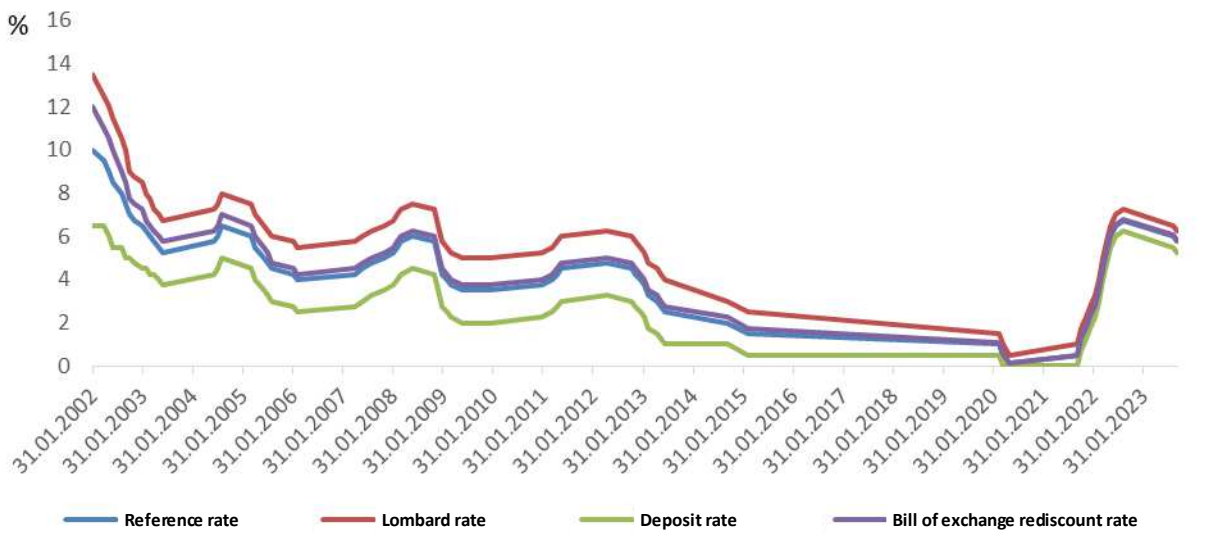
In January 2024, the consumer price index has slightly above the upper limit of the inflation target set by the Monetary Policy Council, which is 2.5% (± 1%). However, in the following months of Q1 of this year, the CPI was already within the inflation target with a quarterly level of 2.8%. A similar level was reached in Q2 2024 at 2.5%.The disinflation process proceeded at a relatively fast pace, influenced by several factors, i.e. the reversal of supply shocks in the food and fuel markets, the price war of major retail chains and the fall in the price level of imported goods. From the data presented by the Statistics Poland, it can be seen that the reintroduction of the 5% VAT rate on food has been spread over time.

In contrast, the price level in July was up by 4.2% and the performance in August shows an increase of 4.3% year-on-year compared to the same period in the previous year. The reinstatement of the VAT rate on staple foods is a driver inhibiting the disinflation process. The inhibition of disinflation in the case of food may also be influenced by the prevailing drought in the country, which could lead to food price hikes. Another inflation driver in the months to come is the unfreezing of prices of energy carriers, which will undoubtedly increase the price level above the inflation target set by the Monetary Policy Council.

The economic situation in Poland is also influenced by the appreciation of the Polish currency against major foreign currencies. This is influenced, inter alia, by the improving economic environment, the influx of EU funds and the maintenance of interest rate levels by the Monetary Polish Council.



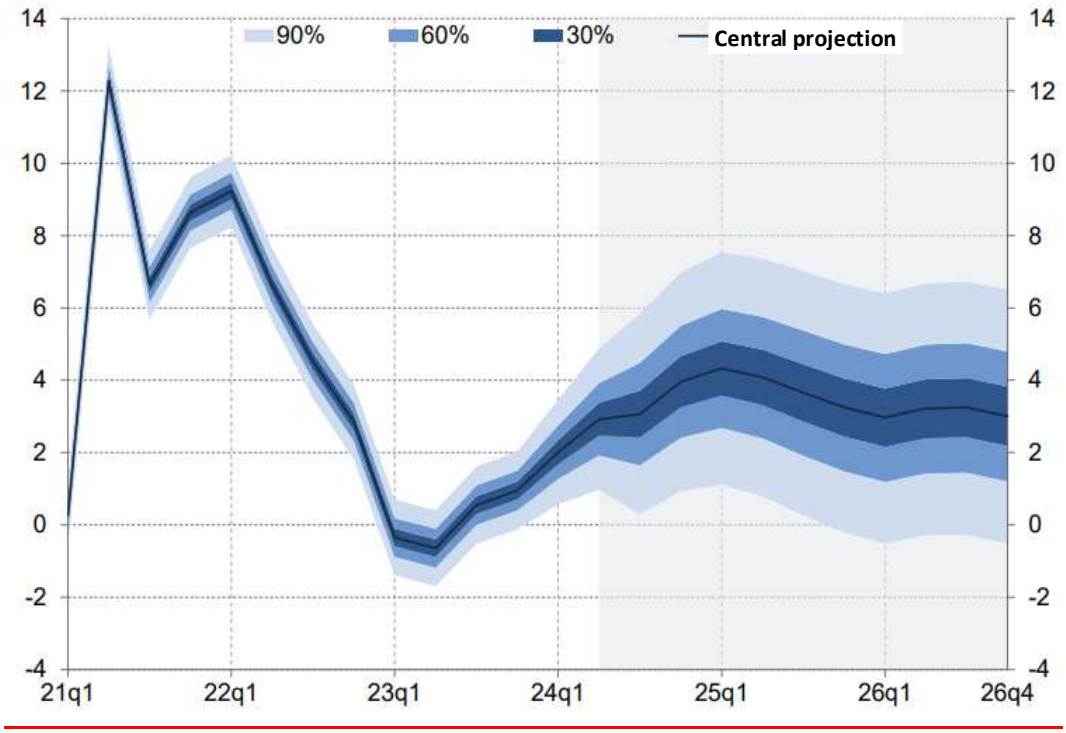
In September 2023, the Monetary Policy Council decided to cut interest rates by 75 basis points. As a result of this decision, the reference rate was reduced from 6.75% to 6%. Subsequently, on 4 October, the Monetary Policy Council (MPC) approved a further reduction in interest rates by 25 basis points. 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%.



Source: National Bank of Poland, interest rate levels

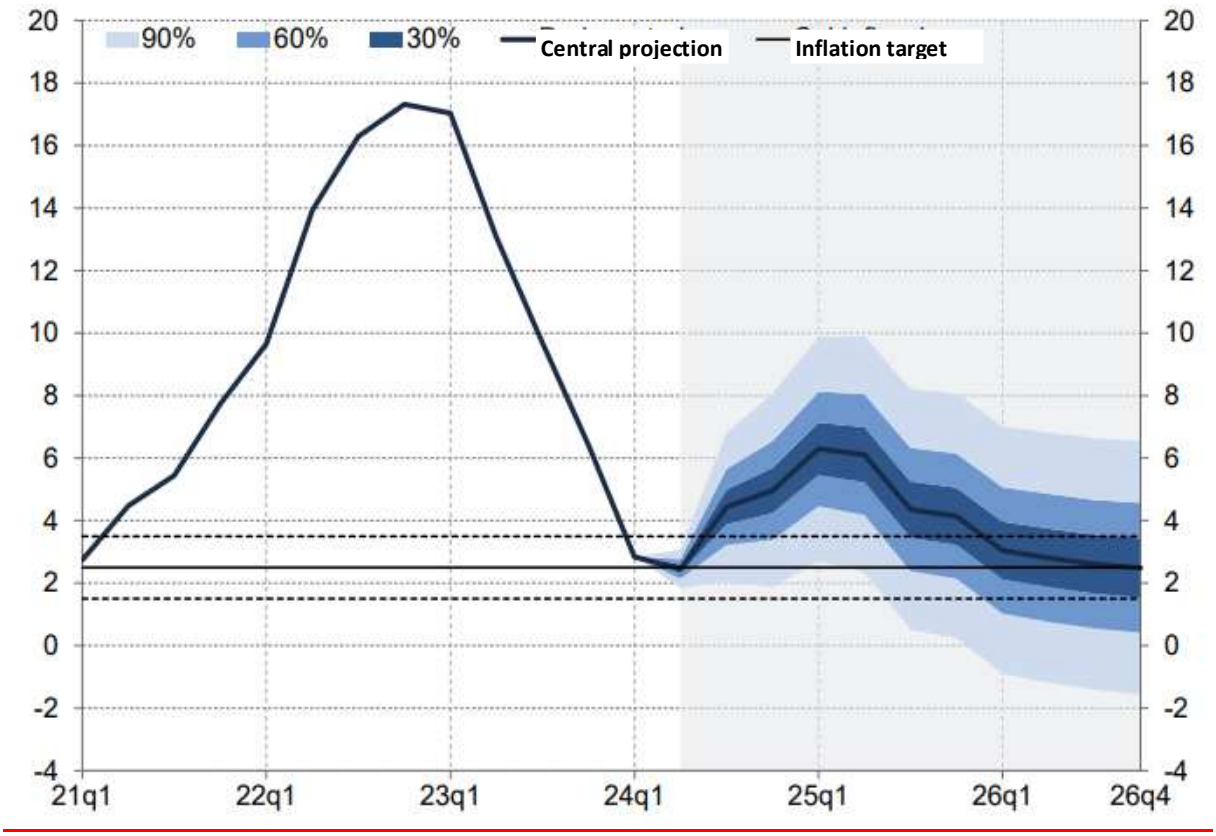
The Monetary Policy Council, taking into account the deteriorated economic position in Poland's surroundings and current inflation and economic growth data, decided to keep the interest rates of central bank (NBP) unchanged. The reference rate remains at 5.75%. The Monetary Policy Council assessed that current economic conditions are conducive to meeting the inflation target in the medium term. Additionally, the Monetary Policy Council anticipates that consumer price dynamics will increase in the coming months, contributing to a temporary increase in inflation above the central bank (NBP) target, mainly due to increases in energy prices. Further decisions will depend on incoming information on inflation and economic activity.

The Monetary Policy Council's decision was also driven by the fact that the level of core inflation remains above the inflation target. In the case of core inflation, the disinflation process is taking place at a slower pace than in the case of the CPI. Disinflation can be adversely affected by the situation in the labour market, high wage growth rate and bouncing demand.



Source: GDP projection (y/y %), The Inflation Report - July 2024, NBP.

The Gross Domestic Product projection published by the National Bank of Poland shows that the Polish economy is experiencing an economic upturn as a result of the receding supply shocks in the commodity markets, which in turn translates into a recovery of the domestic economy. According to data presented by the Statistics Poland, the primary driver of the Polish economy in the first half of the year was the strengthening of consumer demand, which resulted from an increase in household consumption. According to forecasts presented by the NBP, from 2025 onwards, the major drivers of Poland's economic growth will be consumption and investment. The increase in investment growth rate will be supported by the inflow of EU funds from the National Recovery and Resilience Plan and the launch of the new financing perspective. As the economic recovery in the European Union is not clear, a negligible impact of foreign trade on the country's economic growth is expected. In addition, a fading out of the inventory reduction trend, which has had a strong negative impact on GDP growth rate since the beginning of 2023, can be observed. Poland's projected GDP growth is constrained by the assumption that interest rates, including the reference rate of 5.75 per cent, will remain unchanged and by a reduction in the scale of shielding measures on food and energy prices for households. According to the assumptions of the Act of 23 May 2024 on the energy voucher and on the amendment of certain acts to limit the prices of electricity, natural gas and system heat, it is assumed that the shielding measures against the level of charges for energy carriers for households will be gradually phased out, which will affect disposable income and thus weaken the GDP growth rate in subsequent years.



Source: CPI projection (y/y %), Inflation Report - July 2024, NBP.

The CPI inflation projection published by the National Bank of Poland shows that the first two quarters of 2024 were characterised by a decline in CPI performance compared to the high values achieved last year. However, in the coming quarters, a temporary increase in the dynamics of the index is forecast (as seen in the July and August performance). The major reasons for this phenomenon are mainly attributed to the withdrawal of protective measures that have been in force to date, i.e. the protection of households against the impact of a swelling raw material prices in global markets. In addition, the price hikes will be supported by unfavourable weather conditions and the prevailing drought, which has a direct impact on food prices. Also when analysing the course of changes in core inflation, it is forecast that the downward trend will be halted as a result of the current recovery in consumer demand and swelling labour costs. In time perspective longer than one year, it is forecast that the drivers of price hikes will be extinguished and CPI inflation rate will return to the limits of the inflation target set by the Monetary Policy Council. The National Bank of Poland claims that the highest risks accompanying the inflation trajectory include the evolution of commodity prices in global markets, the lack of disruption in the supply chain in the face of the war in Ukraine and mounting tensions in the Middle East, as well as the uncertainty of trade relations between China, the European Union and the United States. Internal risk factors include the price hikes of energy carriers and their direct impact on consumption and household consumption. The forward-looking size of wage growth in real terms and its translation into consumption is also not without significance.

1.1.2. Global Economic Environment

In Q1 2024, it was noticeable that the major central banks are becoming less restrictive in their monetary policies. A distinctive decline in global price levels is also evident, driven by improvements in the global supply chain, as well as deflation taking place in China. One of Europe's major economies, Germany, remains stagnant with no clear economic growth in Q1 2024, which poses a challenge for the Eurozone. Data coming from the Eurozone in Q2 2024 shows an entry into a phase of slow economic recovery in contrast to the evident slowdown in the US economy. The European Central Bank decided in June 2024 to cut interest rates by 25 basis points. This is the first rate change after nine months of stability. Other central banks in such countries as

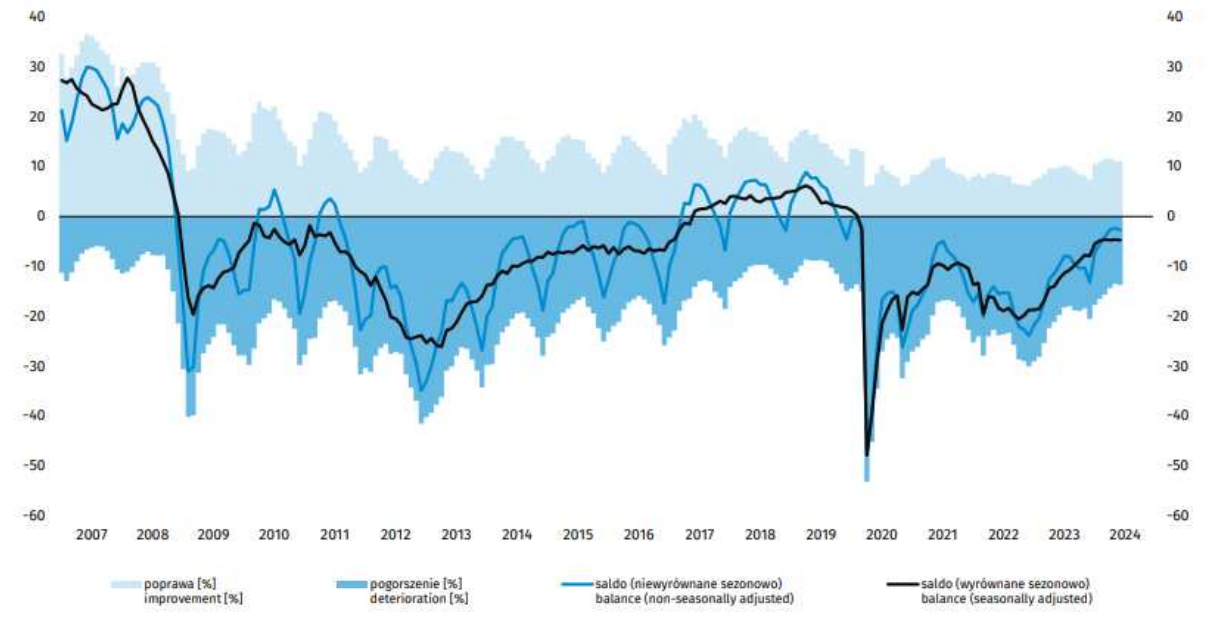
Canada, Sweden, Switzerland, the Czech Republic and Hungary, have also started to cut rates, while the Fed and the Bank of England remain cautious due to slightly higher-than-expected inflation data.

Energy commodity prices on global markets are now lower than at their peak in 2022, but still higher than before the pandemic. They are sustained by means of supply constraints, including those resulting from geopolitical tensions in the Middle East. Compared to earlier forecasts, natural gas prices have gone up due to higher transport costs to Europe, as well as coal prices, which are replacing gas in power generation facilities. Energy commodity prices are forecast to remain stable. Increased oil production in non-OPEC+ countries, such as the USA, is expected to offset rising demand resulting from the global economic recovery. Gas price hikes in Europe are constrained by large inventories and efforts to reduce gas consumption and diversify supply. The agri-food price hikes are due to uncertainty about future production and exports caused by adverse weather conditions.

The inflation decline in Poland's environment has slowed down in recent months, as a result of the stabilisation of energy commodity prices after their earlier declines. In the short-term, inflation rate in Poland's main trading partners will remain low, but in developed countries the disinflation process may be slowed by high service price inflation.

1.2. Condition of the construction sector in Poland

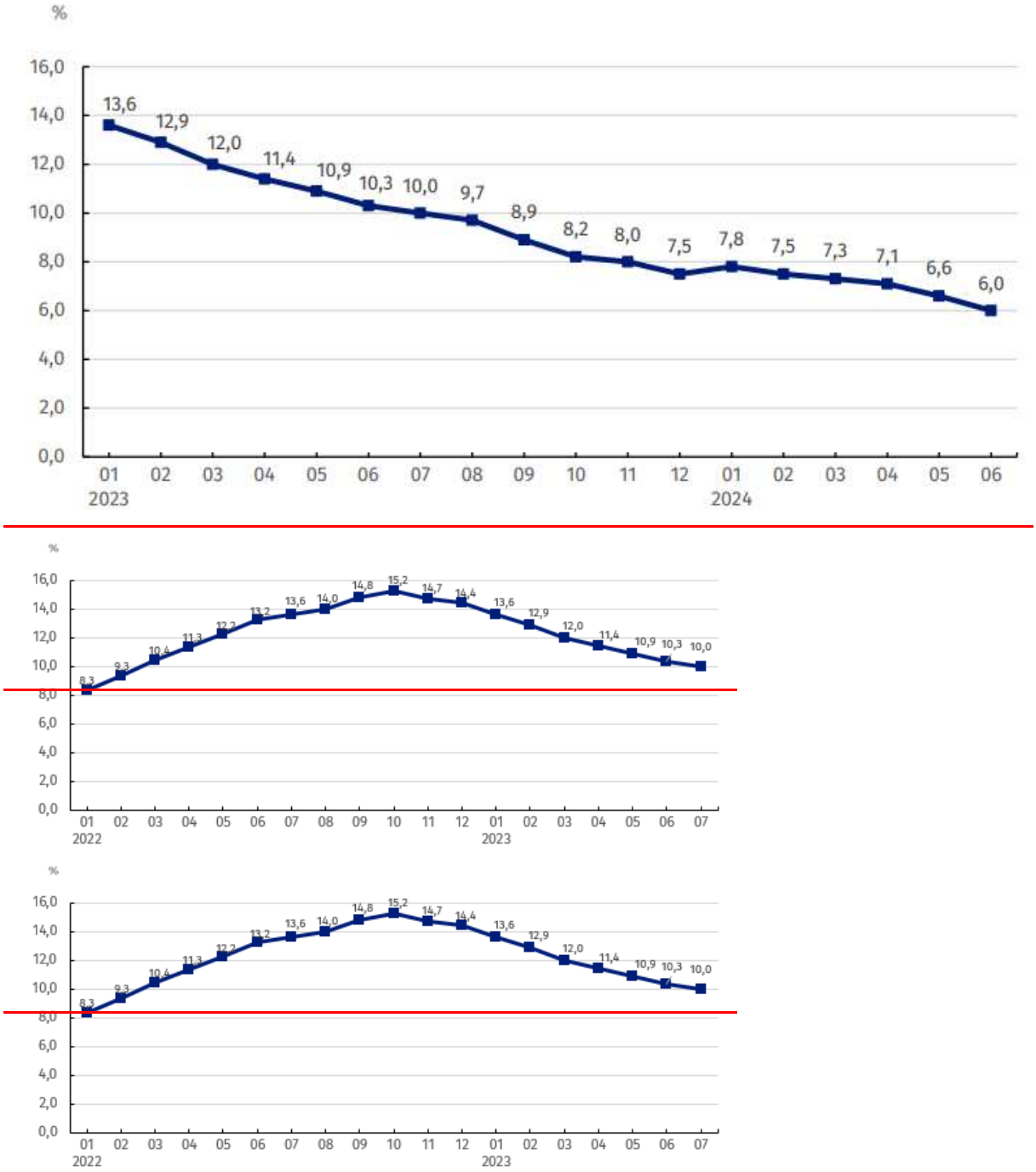
The report titled Business Climate in Manufacturing, Construction, Trade and Services in 2000-2024, published by the Statistics Poland, shows that the general business climate indicator remains negative for most areas of the Polish economy. Entities operating in the accommodation and catering, information and communication, as well as finance and insurance segments of the economy have a positive view of the situation.



Source: Statistics Poland, Business cycle in manufacturing, construction, trade and services in 2000-2024, June 2024.

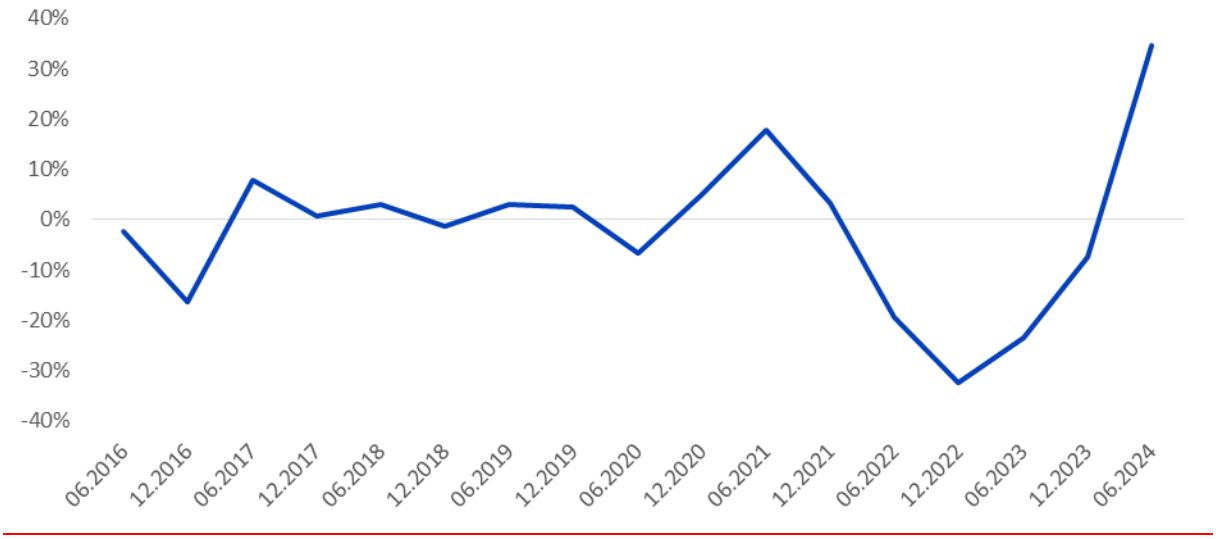
The most negative assessment of the business climate is for manufacturing sector (minus 11.9) and construction sector (minus 9.7). Companies in the manufacturing segment reporting barriers most often point to employment costs, high budgetary burdens and uncertainty about the overall economic environment. Meanwhile in the construction business there cost anxiety, i.e. about the cost of labour and materials, is clearly dominant. According to preliminary data from the Statistics Poland, in June 2024, the prices of construction and assembly activities were up by 6% compared to the same month of the previous year. Compared to June 2023, the prices of civil engineering construction (up 6.4%), specialty construction (up 5.7%) and building construction (up 5.6%)

were raised. Since October 2022, there has been a declining trend in the annual price growth rate of construction and assembly output.



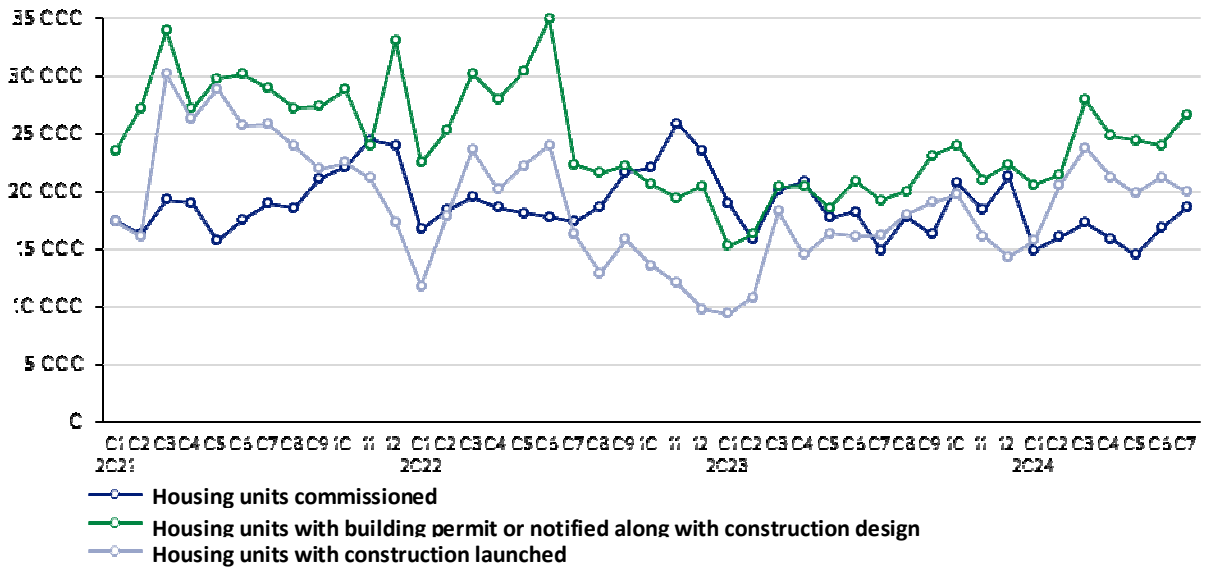
Source: Statistics Poland, Construction and assembly output price indices - changes in construction and assembly output prices in 2023-2024 compared to the same period in the previous year

According to data made available by the General Office of Construction Supervision in its semi-annual reports, a significant decrease in the dynamics of the number of building permits issued was visible in 2022, while in H1 2024 the trend has changed (data analysis on year-on-year basis). The number of permits issued is significantly lower than in the record-high period of 2020 - 2021.



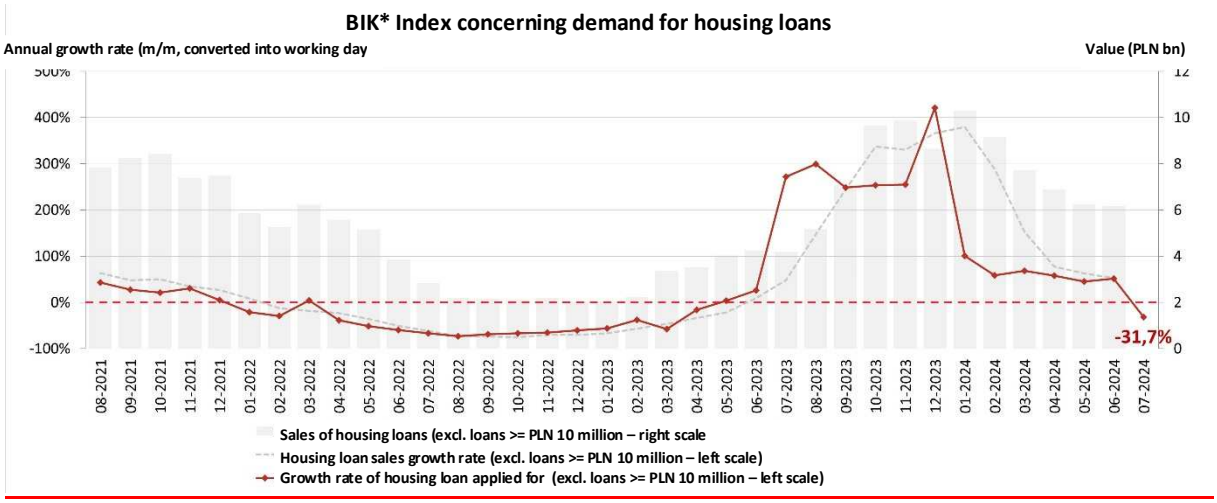
Source: General Office of Construction Supervision, number of building structures for which building permits have been issued (q/q%)

A decrease in the number of building permits was recorded in all reported categories from Q1 2021, and this trend continued until the end of 2022. Meanwhile Q1 2024 saw a 35% (+22,500) increase in building permits compared to the same period of the previous year (however, the low base effect that applies here should be borne in mind). The largest increase was evident in the number of building permits issued for the construction of multi-family housing and collective housing, hotels and tourist accommodation buildings. However, the number of building permits issued has not yet translated into the number of buildings commissioned. According to data presented by the Statistics Poland, the number of housing units commissioned in January-July 2024 is down by 9.9% compared to the same period of the previous year. However, the number of building permits and new construction projects is up compared to January-July 2023.



Source: General Office of Construction Supervision, housing construction in January - December 2023

Since the onset of 2023, there has been a clear growing interest in real property in parallel to the limited access to it. The availability of housing units in the market has declined significantly, and the number of apartments under construction remains low, mainly due to higher sales compared to the commercial offer replenishment 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 demand for housing loans rebound strongly in Q3 2023.

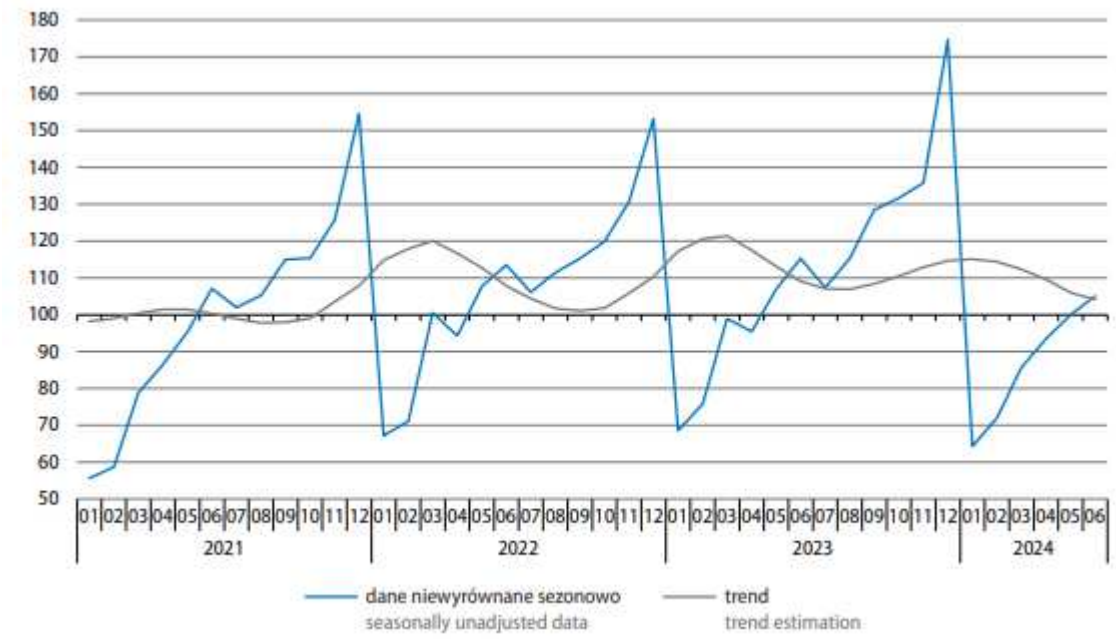


Source: Credit Information Bureau (Polish acronym *BIK), demand for housing loans

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 and Resilience Plan funds in Poland.

However, as soon as 2024 started, was a sharp decline in the growth rate of demand for home loans was recorded by the Credit Information Bureau. Again, this is due to the effect of the high base from the previous year, when the Polish Financial Supervision Authority (PFSA) decided to reduce the prudential buffer and to launch of the “2% Safe Loan” government scheme. Meanwhile the analysis of the monthly data increments, shows that the demand for housing loans is stable and the average loan value is increasing. The government has announced the introduction of another “Make a Start” assistance program, which is expected to take effect in 2025. The increase in building permits and the planning for the introduction of the new assistance program may have a positive impact on Gross Domestic Product in 2025- 2026.

In June 2024, an approximate 9% year-on-year decline was recorded in the construction and assembly activities in all construction segments.

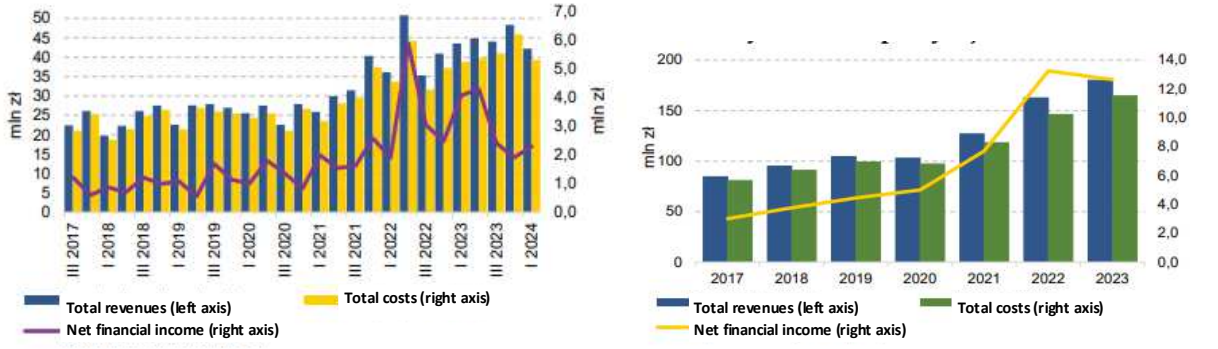


Statistics Poland, Construction and assembly production activities (fixed prices) monthly average 2015=100

The Statistics Poland in its report titled "Socio-Economic Situation in Poland in H1 2024" reported that production fell in June compared to the same period in the previous year in all segments of construction business. The largest plunge was recorded in companies primarily dealing with the construction of buildings (down by 17.9%), while the smallest decline recorded in the companies specializing in civil engineering construction (down by 0.9%). Sales of renovation services declined more than the sales of investment services, by 10.9% and 7.8%, respectively. Construction companies operating in Poland report inconvenience due to the

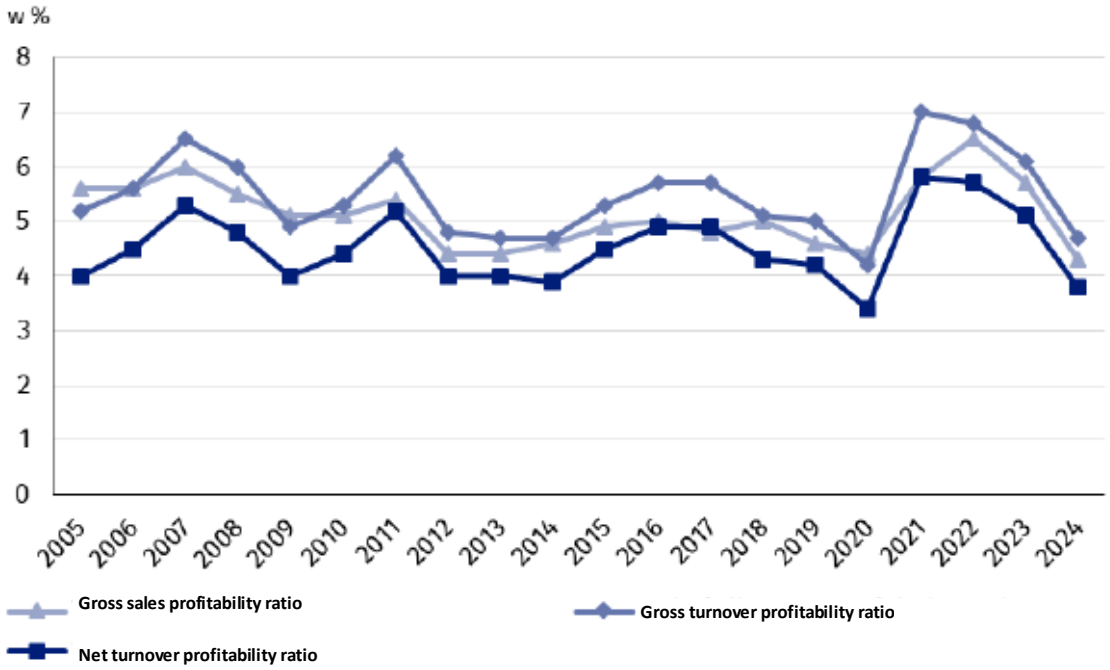
lack of new orders. There are three main aspects that affect the bad situation of the construction industry, inter alia, the delay in the receipt of EU funds from the National Recovery and Resilience Plan. Another reason is that the government coalition is reviewing all infrastructure programs, which has led to the stalling of many investments projects. A third reason is that numerous infrastructure projects have not yet been implemented because they are in the phase of lengthy negotiations, such as in the power sector.

Between January 2023 and March 2024, major construction companies in Poland struggled with the housing market volatility, which affected their decisions on new projects. In 2023, these revenues of these companies were up by 11% compared to the previous year, but their net income was down by 5%, which reduced the margin on sales from 8.3% to 7.2%. Q1 2024 saw further deterioration in liquidity, debt and profitability ratios. The share of accounts receivable in assets was up to 39%, and debt collection time was up to 117 days, forcing companies to use outside capital and delay payment of liabilities. Such measures, while allowing companies to maintain liquidity, resulted in a decline in the profitability of assets and equity. Return on assets (ROA) was down to 8.9% at the end of 2023, and Return on Equity (ROE) was down from 25.6% in 2022 to 11% at the end of 2023. Despite such hardships, debt ratios remained at safe levels. In Q1 2024, both revenues (down by 3% y/y) and net income (down by as much as 44% y/y) were down, confirming the continuation of tough market environment.



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

Meanwhile according to a report on the financial performance of non-financial companies published by the Statistics Poland, in H1 2024, the financial performance of surveyed non-financial companies deteriorated significantly compared to the same period last year. Most economic and financial indicators declined. Total revenues were down by 5.4%, while costs were up. The net financial result amounted to PLN 96.3 billion, down by 28.2% compared to 2023. Net profit totalled PLN 131.1 billion, down by PLN 32.5 billion, while net loss was up by PLN 5.2 billion to reach PLN 34.7 billion. Profitability and liquidity ratios also deteriorated. Capex were down by 5.5 per cent and expenditure on buildings and structures fell by 12.6 per cent.



Source: Statistics Poland, Profitability ratios in H1 in the 2005-2024 period

1.3. Drivers of the Group's operations in the quarters to come

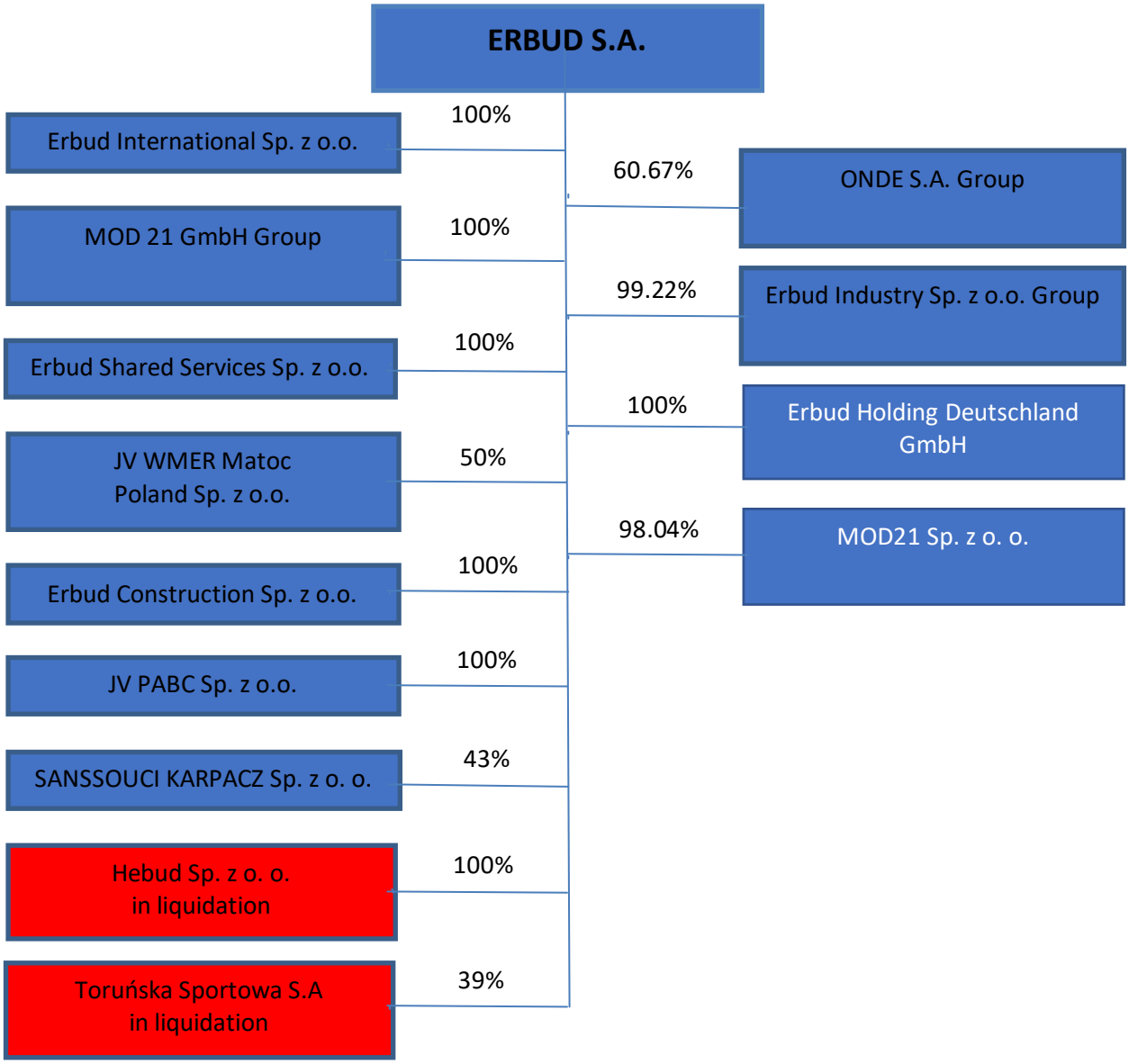
In addition to the factors described above, the ERBUD Group's operations will be affected by such factors such as:

- New loan to support housing purchase - impact on housing development;
- the end of the war in Ukraine and entering its reconstruction phase;
- release of funds under the Recovery and Resilience Facility (RRF);
- scale of public investment;
- macroeconomic environment in Europe and globally;
- Election results in USA and related consequences - embargoes, impact of the election on the developments in Ukraine;
- Monetary policy in Europe and the USA;
- Developments in the Middle East (oil price).

2. ERBUD GROUP ACTIVITIES IN H1 2024

2.1. Capital Group Structure

At of the date of Financial Statements drawn up on 30 June 2024, the structure of the ERBUD GROUP was as follows:



Since 8 May 2024 (the date of publication of the separate financial statements of ERBUD S.A. and the consolidated financial statements of the ERBUD Group), there have been no changes in the Group's structure. As a post-balance sheet event in the 2023 Report, the Management Board of the ERBUD Group described in its report the acquisition of an entity reporting to CKTiS S.A., viz. by the subsidiary Erbud Industry Centrum Sp. z o.o..

In January 2024, Erbud Industry Centrum closed the acquisition transaction involving 100% shareholding in CKTiS S.A. a company delivering maintenance and repair services on 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.

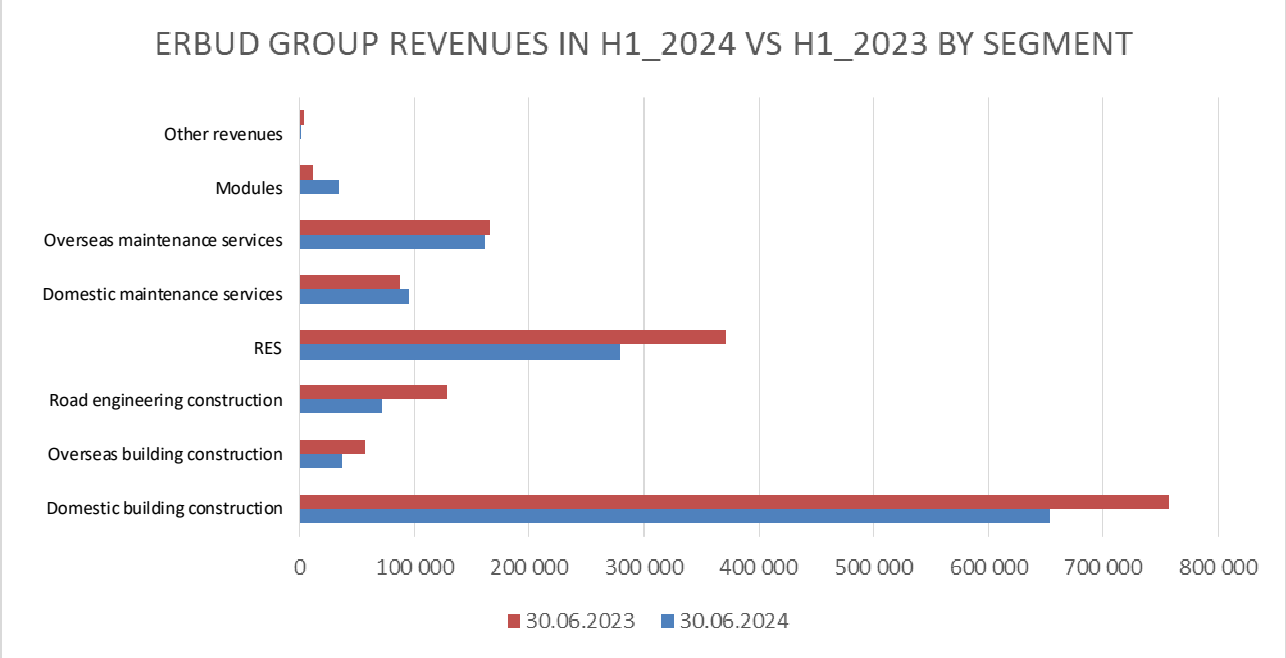
Efforts are currently underway to change the legal status of CKTiS. The change of legal status will involve the conversion of the joint-stock company into a limited liability company.

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.

2.2. Breakdown of activities

The ERBUD Group is in top five leading construction groups in Poland. However, the Group's business is highly diversified in terms of its activities. The scope of its activities covers a wide range of construction and erection services, performed both in the capacity of a general contractor and sub-contractor, construction of RES systems including both wind power stations and photovoltaic systems; road-engineering services, maintenance services for a wide range of industries, construction of denitrification and desulphurization plants, construction of modern, environmentally friendly boiler plants as well as small-scale hydro-engineering works.

Since March 2023, another segment in the ERBUD Group has been in operation - the production and sale of modular timber buildings carried out by the subsidiaries MOD 21 Sp. z o.o. (production) and MOD 21 GmbH (sales). The Group executes orders at home and abroad (mainly in Germany and Belgium). In the first half of this year, operations in Poland accounted for 82.50% of the total revenues. In the comparable period, this share accounted for 85.1% of the Group's sales revenues.



2.3. Building construction in Poland

Building construction projects in Poland are carried out by ERBUD S.A., Erbud International Sp. z o.o. and by JV WMER Matoc Poland Sp. z o.o. ERBUD S.A. activities are carried out by its three branches and three technical offices: the Warsaw Branch with technical offices in Szczecin and Rzeszów; the Toruń Branch with a technical office in Gdańsk specialising in hydraulic engineering; and the Wrocław Branch with a technical office in Kraków. In H1 2024, the Group's net revenues from domestic building construction totalled PLN 652 922 thousand, down by 13.74% compared to the same period of the previous year. At the end of June 2024, the order portfolio in the domestic building construction segment was worth PLN 1.6 billion compared to PLN 1.1 billion at the end of H1 2023, of which PLN 0.72 billion was in H2 2024.

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

- **29 January 2024** - Signing of a major contract with a net value of approximately PLN 56.3 million for the execution of an investment project called “New Promenades Phase IA”, involving the construction of a complex of two multi-family residential buildings with ground floor services and an underground multi car park facility and the necessary technical infrastructure in the City of Wrocław.
- **22 February 2024** - Signing of a significant contract worth approximately PLN 358.4 million net for the design and construction of a tower manufacturing facility for offshore wind power (OWE) on Ostrów Island in Gdańsk.
- **26 March 2024** - Signing of a significant agreement worth approximately PLN 118 million for the construction of two multi-family residential buildings with commercial units on the ground floor, with two-storey underground built-in garages, landscaping and technical infrastructure in the City of Wrocław.
- **27 March 2024** – Signing of a major contract worth approximately PLN 93.8 million for the construction of a laboratory and teaching facility with technical back-up facilities, associated infrastructure, connections, traffic routes and landscaping for the Innovative Centre for Nutritional Sciences of the Warsaw University of Life Sciences.
- **21 May 2024** - Signing of a significant contract worth approximately PLN 47.9 million for the construction of a residential building and a hotel building at 48 Siennicka Street in Warsaw.
- 7 June 2024 - Signing of a major contract worth approximately PLN 73 million for the execution of an investment task entitled ‘Construction of a new building of the Branch Office of the Institute of National Remembrance in the City of Kraków following the design and build procedure.
- **29 May 2024** - termination of a major General Contractor Contract for the Investment Project, dated 22.09.2023, involving the construction of a complex of tourism and leisure buildings in Świeradów Zdrój, about which the Issuer informed in the Current Report No. 35/2023. Entering into the Agreement is a result of the Investor's decision to suspend the execution of the aforementioned investment project. Under the Agreement, the parties agreed on the procedure and conditions of termination of the Contract, as well as the conditions of settlement of the Issuer's remuneration in connection with the termination of joint activities. Under the Agreement, the Issuer and the Investor waived their mutual claims concerning the performance of the Contract.

2.4. Building construction in foreign countries

Building construction projects abroad are primarily carried out by Erbud International Sp. z o.o. and ERBUD S.A. and MOD 21 GmbH, which is winding up this activities (in the Belgian, Dutch, Luxembourg and German markets).
In the first six months of 2024, the building construction in foreign countries business segment generated revenues of PLN 37.7 million for the ERBUD Group, down by 33.71% compared to the same period in the previous year. The decline in sales was generated due to the phasing out of the building construction business at MOD21 GmbH.
In June 2024, the foreign order portfolio totalled PLN 0.2 billion in value terms. compared to PLN 0.6 billion in the corresponding period of 2023, with PLN 0.3 billion to be generated in H2 2024.

2.5. Road engineering construction services

ONDE S.A., a subsidiary of ERBUD S.A., operates in the road engineering service segment. In H1 2024, this segment's revenues totalled PLN 71.4 million. Compared to the same period in 2023, sales was up by 44.67%.

At the end of June 2024, the order portfolio for this segment was worth PLN 0.67 billion, of which PLN 0.62 billion was for 2024. In the comparable period of 2023, the portfolio for this segment was worth PLN 0.23 billion.

2.6. Renewable Energy Sources (RES)

In the first six months of 2024, the RES business generated PLN 280 million in revenues, down by 24.66% compared to the same period in the previous year (PLN 371 million).

At the end of June 2024, the order portfolio for RES segment was worth PLN 0.53 billion, of which PLN 0.37 billion was for 2024.

In the comparable period of 2023, the order portfolio for this segment was worth PLN 0.56 billion.

Q1 2024 ended with the sale of four of ONDE's own projects - 37 MW Szybowice (wind farm) and 23 MW (Jawor, Jawor II and Jelenia Góra photovoltaic (PV) farms).

2.7. Maintenance services for the domestic industry

Projects in the industrial services segment in Poland fall into the scope of business activities of three subsidiaries: Erbud Industry Centrum, Satchwell Polska Sp. z o.o. and CKTiS S.A., which was acquired on the onset of 2024.

In H1 2024, the revenues generated in the construction and maintenance services for the industry totalled PLN 95 million, compared to PLN 87 million in the same period of the previous year, which was up by 9.06%. The sale of CKTiS, which was not present in the same period last year, should be included in the analysis. The newly acquired company added PLN 17 million to the segment sales.

At the end of June 2024, the order portfolio for this segment was worth PLN 0.2 billion, of which PLN 0.12 billion was for 2024. In the comparable period of 2023, the order portfolio for this segment was worth PLN 0.10 billion.

2.8. Maintenance services for the industry in foreign countries

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

In 2024, sales of IVT and IKR companies totalled PLN 161 million vs. PLN 166 million last year (down by 2.65%).

At the end of June 2024, the order portfolio for this segment was worth PLN 0.25 billion, of which PLN 0.14 billion was for 2024. In the comparable period of 2023, the order portfolio for this segment was worth PLN 0.23 billion.

2.9. Fabrication and sale of timber modular buildings.

In H1 2024, the revenues of the modular segment totalled PLN 34 million. Compared to the previous year, when the fabrication and sale of timber modular buildings was launched, sales was up by 205% on a year-on-year basis (PLN 11.2 million).

At the end of June 2024, the order portfolio for this segment was worth PLN 0.15 billion, of which PLN 0.1 billion was for 2024. In the comparable period of 2023, the order portfolio for this segment was worth PLN 0.12 billion.

H1 2024 is the first six months of fabrication and sales activities. Last year, the modular timber facility segment launched its business operations at the end of March.

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

There were no significant achievements or setbacks in the Issuer Group during the first half of 2024 that could have a significant impact on the financial position. Both the Issuer and its subsidiaries run their statutory activities.

Due to the tough position in building construction segment caused by the decline in investment in buildings and structures (approximately down by 17% y/y), the segment players started to compete fiercely on price in order to supplement their shrinking portfolios, ERBUD S.A.'s management decided to freeze margins on the contracts on offer. In line with the assumptions made, the focus is put on margins rather than on boosting sales volumes, which under the current circumstances would be at the expense of margins.

H1 2024 in the ERBUD Group is also a period of major restructuring efforts in the segment of modular timber buildings. H1 2024 will primarily see major personnel changes at MOD 21 Sp. z o.o. Competence strengthening, improved communication between MOD21 GmbH and MOD 21 Sp. z o.o., as well as constant supervision and active participation in operational activities by the representatives of the ERBUD S.A. Management Board are already yielding positive results. However, 2024 should be seen as another ‘run-up’ period after 2023 without a positive margin. After the 2023 experience and the current period, MOD 21's management ensures that the years to come will generate satisfactory performance.

Positive developments include the sale of four (4) own projects with a total installed capacity of 60 MW by the ONDE Group.

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

In H2 2024, the ERBUD Group will continue its efforts targeted primarily at hedging margins on contracts underway and building its order portfolio for 2024-2026. One of the priorities of the ERBUD Group in 2024 will be measures securing positive margins in the segment of the production and sale of timber modular buildings in subsequent periods, i.e. from 2025 onwards.

The ONDE Group will develop and monetise further RES projects in future periods and, at the same time, will continue building its new order portfolio of projects in various phases of development using generated cash flows. The degree of development of this activity will depend on the satisfactory prices that can be obtained for the projects.

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

Another equally important task facing the ERBUD GROUP is to take care of its cash position and secure access to third party capital. The financial position of the ERBUD Group is stable. As of 30 June 2024, the Group was in the possession of PLN 205.4m of available cash. Interest liabilities totalled PLN 257.02 million, including PLN 33 million from reclassification of tenancy and lease contracts pursuant to the IFRS 16 standard. Long-term debt totalled PLN 195 million, with the largest item being bond liabilities maturing in September 2025; short-term debt: PLN 62 million. The net debt, excluding the debt under IFRS 16 standard, totalled PLN 224 million.

The Erbud Group entered H2 2024 with a very stable order portfolio worth approximately PLN 2.80 billion. Meanwhile the value of the portfolio falling into 2024 is worth approximately PLN 1.5 billion. For comparison sake in the corresponding period of the previous year a portfolio value of PLN 2.8 billion as of 30 June 2023, of which PLN 1.6 billion was due in 2023.

Between January and August 2024, the Group signed contracts worth approximately PLN 2,246 million.

The Management Board of Parent Company, at the date of the financial statements, drawn up as of 30 June 2024, has identified the following event occurring after the date of 30 June 2024 that will have an impact on the Group's operations in 2024:

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

The Management Board of Parent Company, at the date of the financial statements, drawn up as of 30 June 2024, has identified the following event occurring after the date of 30 June 2024 that will have an impact on the Group's operations in 2024.

3. ERBUD GROUP FINANCIAL PERFORMANCE IN H1 2024

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

3.1. Key drivers of financial performance

The ERBUD Group closed H1 2024 with a net profit from going concern operations of PLN 581 thousand, compared to a loss of PLN 4,659 thousand in H1 2023.

The performance in H1 2024 are burdened by negative segment results - fabrication and sale of modular timber buildings (PLN 12.5 million) negative results in the foreign building construction segment (PLN 7 million) and negative performance in the road engineering construction segment (PLN 8.2 million).

The net loss in the first half of 2024 was generated mainly by:

- Continuous development and improvement of the activities of the segment for the fabrication and sale of modular timber buildings.
- Phasing out of the building construction business carried out by MOD21 GmbH (former GWI GmbH) - operating loss of PLN 7.9 million;
- Write-down of receivables in ERBUD S.A. as a result of non-enforceability - PLN 6.3 million

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

Specification	2024	2023	Difference	% change
Revenues from sales of products, merchandise and services	1 333 467	1 582 190	(248 723)	(15.72%)
Net profit/loss on sales	101 588	120 480	(20 476)	(17.00%)
Net profit/loss on sales	7.61%	7.61%		
Operating profit (EBIT)	11 723	10 220	2 610	25.54%
% EBIT	0.88	0.65%		
EBITDA	32 347	28 166	5 288	18.77%
% EBITDA	2.46%	1.78%		
Gross profit/loss	6 486	(8 690)	16 283	(187.38%)
% Gross profit/loss	0.49%	(0.55%)		
Net profit/loss	581	(4 659)	(3 865)	82.96%

3.2. Sales revenues

In H1 2024, the Group generated sales revenues down by PLN 1,333,467 thousand, i.e. 15.72% compared to the same period of the previous year.

In H1 2024, sales declined in all segments except for the modular segment, which posted a 205% increase in sales, and the domestic industrial services segment where growth was 9%.

In the same period last year, the modular segment launched its business operations in March.

The increase in sales in the maintenance service segment for the domestic industry is a result of the acquisition of CKTiS, whose sales added PLN 17 million to the segment performance.

3.3. Costs

The main cost item of the ERBUD Group (52.49% of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. In H1 2024, they totalled PLN 669 million, i.e. they were down by 27.62 % compared to the same period of the previous year.

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

- Expenses on materials and energy - they totalled PLN 296.6 million (24.38% of operating expenses) and were down by 23.23 % compared to H1 2023.
- Employee benefit costs - closed at PLN 256.2 million (20.05% of operating expenses), up by 6.21% in this cost category compared to that in H1 2023. Excluding CKTiS personnel, the wage increase would be 2.31%.

Total costs by type in H1 2024 were down by 19.93% compared to the same period in 2023.

Operating costs ('000 PLN)

	2024	2023	Difference	% change
Total costs by type	**1 276 285**	**1 595 945**	**(318 075)**	(19.93%)
Third party services	**669 446**	924 926	**(254 174)**	(27.48%)
Material and energy consumption	**296 577**	389 093	**(92 516)**	(23.78%)
Employee benefit expenses	**256 201**	241 224	**14 977**	6.21%
Amortization and depreciation	**20 624**	17 946	**2 678**	14.92%
Taxes and charges	**9530**	7 314	**909**	12.43%
Other cost categories	**23 177**	13 730	**11 033**	80.36%
Value of materials sold	**730**	1 712	**(982)**	(57.36%)

3.4. Other income

Other operating income and expenses

In H1 2024, the Group's Other net operating income including impairment of financial assets and contract valuation assets totalled to PLN 3,237 thousand, compared to PLN (4,993) thousand in the same period of the previous year. Among other operating income, the largest item was the release of a provision for warranty repairs - PLN 1,811 thousand. Other operating expenses were down by 47.15%, with the largest items being costs related to fines and penalties paid - PLN 1,099 thousand and costs of donations - PLN 1,038 thousand.

A significant P&L item in H1 2024 was the result from the sale of shares in jointly controlled entities related to the sale of RES projects - PLN 190,881 thousand.

Financial activity gains/losses

The Group's financial activity gains/losses were negative and totalled PLN (4,190) thousand, compared to a loss of PLN (18.51) thousand in H1 of the previous year. In the period under study, the financial costs were down by 45.09% on a year-on-year basis. On the cost side, the major items included interest expenses on bonds, loans, leases and others of PLN 11.6 million, and foreign exchange losses of PLN 1.5 million.

In the Financial income line in H1 2024, the largest items were Interest on loans extended - PLN 4.7 million, and foreign exchange gains - PLN 2.0 million.

As of 30 June 2024 the financial income was up by 19.05% compared to that on 30 June 2023.

3.5. Statement of Financial Position

On 30 June 2024, the total assets of ERBUD S.A. Capital Group amounted to PLN 1,973 million and were up by 0.02% compared to the end of 2023.

Major items of the Group assets were as follows:

- Short-term trade receivables and other receivables including deposits. They totalled PLN 613 million i.e. they accounted for 31.07% of the total assets. Their value was down by 5.49% compared to the end of 2023.
- Another significant asset are receivables from the valuation of construction contracts - PLN 395 million - accounting for 20 % of total assets (down by 13.32% compared to that on 31 December 2023).
- Cash and cash equivalents in the amount of PLN 205.4 million, including cash accumulated in the VAT account (down by 33.15% compared to the 2023 closing balance).
- Fixed assets were priced at PLN 505 million that accounted for 25.57% of assets. Their value was down by 25.57% compared to the end of 2023. They consisted primarily of tangible fixed assets (PLN 258 million), deferred tax assets (PLN 121 million), investments accounted for using the equity method (PLN 48 million).
- Current assets of PLN 1,469 million accounted for 74.43% of the value of assets and their value was down by 1.88% compared to the closing balance of 2023.

As of 30 June 2024, shareholders' equity totalled PLN 646 million, (including non-controlling shareholders' equity of PLN 137 million) compared to PLN 675 million at the end of 2023 (down by 4.23%).

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

- Total current liabilities of PLN 1,062m (accounting for 53.8% of liabilities) were down by 0.4% compared to that on 31 December 2023;
- Interest-bearing debt amounted to PLN 266 million (13.48% of liabilities), including PLN 42 million from the IFRS 16 amendment and the PLN 24 million capex loan for the Lewałd PV farm, and was up by PLN 18 million (11.14%) compared to the closing balance of 2023.

3.6. Cash flows

In H1 2024 the ERBUD Group posted positive cash flows of PLN 84.1 million (PLN 15.7 million in the same period of the previous year). In particular they consisted of:

- Negative cash flows from operating activities in the amount of PLN 24.9 million.
- Negative cash flows from investment activities in the amount of PLN 34.3 million.
- Negative cash flows from financial activities in the amount of PLN 24.8 million.
- As of 30 June 2024 the Group held cash and cash equivalents in the amount of PLN 205.4 million, including cash accumulated in the VAT account (down by 33.15% compared to the 2023 closing balance).

3.7. Changes in equity

As of 30 June 2024, shareholders' equity totalled PLN 646 million, (including non-controlling shareholders' equity of PLN 137 million) compared to PLN 675 million at the end of 2023 (down by 4.23%).

Changes in the value of shareholders' equity were caused by the performance in the reporting period and the 2023 dividend paid.

3.8. Interest debt

At the end of June 2024, ERBUD Group's total interest-bearing debt (loans, borrowings, bonds, leases) totalled PLN 266 million, including PLN 62 million of short-term debt.

The increase in interest on liabilities compared to the closing balance of 2023 (PLN 239 million; 7.34%) is mainly due to the higher IFRS 16 value and the launch of the investment loan for the construction of the Lewald PV farm. Long-term loan utilisation up by 9.34%; short-term loan utilisation by 1.54%

Specification	30 Jun. 2024	31 Dec. 2023	30 Jun. 2023
cash assets	205 444	307 305	193 647
interest liabilities	266 112	239 437	349 938
IFRS 16	41 921	17 701	19 891
interest debt in real terms	24 459		
Net debt	199 732	221 736	330 047

Key financial contracts signed prior to the date of the financial statements in H1 2024.

On **25 June 2024 ERBUD S.A.** signed an appendix to the Multi-Purpose Credit Limit Agreement with PKO Bank Polska S.A. Pursuant to the Appendix, PKO BP S.A. extended the term of the credit limit in the amount of PLN 70 million for another 12 months. The Issuer may use an overdraft facility of up to PLN 20 million and a bank guarantee limit of up to PLN 50 million. The line's maturity date is 28 June 2025. Other conditions follow arm's length principle.

On 5 July 2024 ERBUD S.A. jointly with ONDE S.A. signed with Santander Bank Polska S. A. an appendix to the MultiLine Agreement No. K01393/15 of 20 November 2015, as amended. Under the Appendix signed Erbud S.A. may take advantage of a multi-purpose line (overdraft and line for bank guarantees and letters of credit) for the maximum amount of PLN 185,000,000.00. Erbud S.A. may use a limit for bank guarantees of up to PLN 85,000,000 and/or an overdraft facility of up to PLN 5,000,000. The total value of utilisation of the line may not exceed PLN 85 million. The line's maturity date is 7 July 2025. Other conditions follow the arm's length principle.

On **9 August 2024** Erbud S.A. and its subsidiary Erbud Industry Centrum sp. z o.o. signed Appendix No. 15 to the Credit Line Agreement No. KKW/NS/15/2015 dated 18 September 2015 with Credit Agricole Bank Polska S.A. By virtue of the Appendix, Erbud S.A. and its subsidiary Erbud Industry Centrum Sp. z o.o. may enjoy a multi-purpose line (overdraft, limit for guarantees) of up to PLN 60 million. Erbud S.A. may use an overdraft

facility of up to PLN 10 million and/or a guarantee limit of up to PLN 60 million. The line maturity date is 30 September 2025. The other terms and conditions follow the arm's length principle.

On **09 August 2024** Erbud S.A, along with its subsidiaries (ONDE S.A., Erbud International sp. z o.o.) signed Appendix No. 27 to the Multi-Purpose Credit Line Agreement No. WAR/4120/05/221/RB1 of 7 July 2005 with BNP Paribas Bank Polska S.A. Under the Appendix, the Issuer, along with its subsidiaries, may enjoy 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 line maturity date is 7 June 2025. The other terms and conditions follow the arm's length principle.

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

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

Loan agreements and multi-purpose financial agreements (a loan with a guarantee facility) as of the date of publication of the condensed financial statements contain financial ratios that the borrower has undertaken to maintain during the term of the loan.

As of 30 June 2024 the Group had not breached any financial ratios (covenants) set forth in the applicable agreements with financial institutions.

As of the balance sheet date of 30 June 2024, the ERBUD Group had access to bank and multi-purpose insurance lines with the total value of PLN 2,169,181 thousand, which may be used mainly for bank loans or guarantees or for insurance guarantees.

Loan agreements signed by ERBUD Group member companies - as of 9 September 2022.

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date (YYYY-MM-DD)	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	overdraft facility	11,000	PLN	WIBOR 3M +1.50%	2023.10.30	one-off	ERBUD S.A. 3 000; ONDE S.A. 5 000; ERBUD INTERNATIONAL 3 000;
mBank S.A.	overdraft facility	40,000	PLN	WIBOR 1M +1.60%	2023.09.28	one-off	ERBUD S.A. – 15 000; ONDE S.A. – 30 000
mBank S.A.	working capital facility	23,721	PLN	WIBOR 1M + 1.60%	2023.09.28	one-off	ONDE S.A.
mBank S.A.	loan for financing and refinancing of RES projects	20,000	EUR	EURIBOR 1M + 2.6%	2027.03.26	one-off	ONDE S.A.
PKO Bank Polski S.A.	overdraft facility	20,000	PLN	WIBOR 3M 1.60%	2025.06.28	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%	2025.07.07	one-off	ERBUD S.A.
BNP Paribas Bank Polska S.A.	non-revolving loan for real property acquisition	3,943	EUR	3.69%	2028.04.27	On instalment basis	ERBUD S.A.
Credit Agricole Bank Polska S.A.	working capital facility	10,000	PLN	WIBOR 1M+1.50%	2025.09.30	one-off	ERBUD S.A.
Credit Agricole Bank Polska S.A.	working capital facility	5,000	PLN	WIBOR 1M+1.50%	2025.09.30	one-off	Erbud Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	15,000	PLN	WIBOR 1M+1.50%	2025.09.30	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.	1,782	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%	2025.09.30	one-off	ERBUD Industry Południe Sp. z o.o.
PEKAO SA	working capital facility	2,000	PLN	WIBOR 1M + 1.15%	2024.06.12	one-off	CKTiS S.A.
Credit Agricole Bank Polska S.A.	working capital facility	2,000	PLN	WIBOR 1M + 1.50%	2025.09.30	2 000	Satchwell Sp. z o.o.
mBank S.A.	overdraft facility	3,000	PLN	WIBOR 1M +1.5%	2024.09.27	3 000	ERBUD International Sp. z o.o.
ING Bank Śląski S.A.	investment loan	1,121	PLN	WIBOR 1M + 2.15%	2025.11.30	1 121	ONDE S.A.
Santander Bank Polska S.A.	overdraft facility	20,000	PLN	WIBOR 1M + 2.0%	2024.07.07	20 000	ONDE S.A.

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date (YYYY-MM-DD)	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	non-revolving loan for renovation and expansion of real estate	1,555	EUR	3.69%	2028.05.20	1 555	MOD21 Sp. z o.o.
CommerzBank AG	overdraft facilities	2,000	EUR	EURIBOR 3M+ 0.25%	2024.04.30	2 000	MOD21 GmbH
Deutsche Bank AG	overdraft facilities	1,000	EUR	6.00%	2024.04.30	1 000	MOD21 GmbH
Commerzbank	overdraft facilities	1,500	EUR	EURIBOR + 1.5%-2.0%	No time limit	1 500	IVT Weiner + Reimann GmbH
National Bank AG	overdraft facilities	1,000	EUR	EURIBOR + 1.5%-2.5%	No time limit	1 000	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santander Bank AG	overdraft facilities	2,000	EUR	EURIBOR + 1.5%-2.5%	No time limit	2 000	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Santander Bank AG	investment loan	736	EUR	EURIBOR + 1.5%-2.5%	2025.12.31	736	IVT Weiner + Reimann GmbH
National Bank AG	investment loan	143	EUR	1.50%	2027.05.31	143	IVT Weiner + Reimann GmbH
Santander Bank AG	investment loan	1,500	EUR	3.99%	2027.06.30	1 500	IVT Weiner + Reimann GmbH
Santander Bank AG	car loan	115	EUR	0.00%-3.92%	2024.07.31	115	IVT Weiner + Reimann GmbH
KIA Finance	car loan	119	EUR	0.00%-3.92%	2026.06.30	119	IVT Weiner + Reimann GmbH
Skoda Finance	car loan	91	EUR	0.00%-3.92%	2024.02.24	91	IVT Weiner + Reimann GmbH
Santander Bank AG	car loan	113	EUR	3.29%	2024.10.01	113	IKR
Ford Bank AG	car loan	93	EUR	5.99%	2024.09.30	93	IKR
	Total:	282,903	PLN			282 903	
	Total:	35,909	EUR			35 909	

3.9. Contingent receivables and liabilities

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

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date (YYYY-MM-DD)	Type of surety and financial terms
ERBUD S.A.	MOD 21 GmbH	15,320	Line for financial guarantees of EUR 3 060	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	4,313	insurance guarantee lines of EUR 1 million	Euler Hermes, Zürich, AXA, Bayerische Versicherungsverband, R+V ; Swiss RE	2024.12.31	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH	8,626	Overdraft facility of EUR 2 million	Commerzbank	2025.05.31	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	4,313	Overdraft facility of EUR 1 million	Deutsche Bank AG	2025.04.30	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.	64,695	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	39,248	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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date (YYYY-MM-DD)	Type of surety and financial terms
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	107,825	Surety Agreement - line of guarantee	CHUBB European Group SE	unlimited	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	1 500	Surety - see commercial (trade credit)	SIG sp. z o.o.	2024.12.31	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	600	Surety - see commercial (trade credit)	Hydrosolar sp. z o.o.	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.	8,000	Surety - see commercial surety (trade credit) guarantee insurance line	Hestia	no time limit	Surety on a promissory note, the Guarantor charges a fee for the surety accounting for 1% of the value
Total:		380,767				

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (a subsidiary of ERBUD S.A.)	ERBUD S.A.	70,000	multi-purpose credit– guarantee line (LKW)	PKO BP S.A.	28 Sept. 2032.	Civil surety, the Guarantor charges a surety fee of 1% of the value

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

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
30 Jun. 2024	99,476	197,988	261,597	559,061
30 Jun. 2023	105,593	173,426	278,660	557,679
31 Dec. 2023	130,826	162,158	238,373	531,357
ONDES.A.				
30 Jun. 2024	47,267	154,588	147,029	348,884
30 Jun. 2023	75,585	171,658	107,987	355,230
31 Dec. 2023	54,867	156,266	123,027	334,160
MOD 21 GmbH (GWI GmbH)				
30 Jun. 2024	33,136	33,646	33,905	100,688
30 Jun. 2023	9,486	22,270	34,985	66,741
31 Dec. 2023	34,170	21,758	34,180	90,108
ERBUD International Sp. z o.o.				
30 Jun. 2024	5,051	3,780	6,414	15,245
30 Jun. 2023	340	6,317	6,345	13,002
31 Dec. 2023	4,181	3,775	7,049	15,006
ERBUD Industry Centrum Sp. z o.o.				
30 Jun. 2024	412	15,014	1,488	16,915
30 Jun. 2023	3,500	12,875	2,346	18,721
31 Dec. 2023	535	16,135	3,849	20,519
30 Jun. 2024	99,476	197,988	261,597	559,061
Satchwell Sp. z o.o.				
30 Jun. 2024	120	0	688	808
30 Jun. 2023	0	0	679	679
31 Dec. 2023	0	0	730	730

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
CKTiS Sp. z o.o.				
30 Jun. 2024	0	1,206	863	2,069
30 Jun. 2023	n/a	n/a	n/a	n/a
31 Dec. 2023	n/a	n/a	n/a	n/a
IVT Weiner+Reimann GmbH				
30 Jun. 2024	2,723	0	2,325	5,048
30 Jun. 2023	2,063	0	842	2,905
31.03.2023	1,915	0	822	2,737
IVT Menzenbach GmbH				
30 Jun. 2024	43	0	0	43
30 Jun. 2023	716	0	0	716
31 Dec. 2023	43	0	0	43
IKR GmbH				
30 Jun. 2024	5,176	21,964	3,661	30,800
30 Jun. 2023	4,829	20,810	6,292	31,930
31 Dec. 2023	4,718	23,681	3,897	32,296
30 Jun. 2024	**Total**			1,079,562
30 Jun. 2023	**Total**			**1 057 223**
31.12.2021	**Total**			1 026 957

Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	31 Jun. 2024 (in PLN M)	31 Dec. 2023 (in PLN M)
Contingent liabilities under lawsuits brought against ERBUD S.A.	18.69	46.88

In the category of contingent liabilities, the highest amount equals to PLN 5.1 million and concerns the dispute with Solny Invest Sp. z o.o.

As of 30 June 2024, the Group had the following contingent receivables under guarantees where the ERBUD Group companies are beneficiaries.

Contingent receivables under guarantees held

Item	As of 30 Jun. 2024 in '000 PLN	As of 30 Jun. 2023 in '000 PLN	As of 31 Dec. 2023 in '000 PLN	Company
Performance bond, retention bond, payment guarantees	82,915	82,259	71,581	ERBUD S.A.
Performance bond, retention bond	52,686	52,822	54,101	ONDE S.A.
Performance bond, retention bond	2,852	2,608	2,508	ERBUD International Sp. z o.o.
Performance bond, retention bond	26,232	29,805	25,455	MOD 21 GmbH (GWI GmbH)
Performance bond, retention bond	259	25	259	ERBUD Industry Centrum Sp. z o.o.
Performance bond, retention bond	0	0	0	Satchwell Sp. z o.o
Performance bond, retention bond	0	n/a	n/a	CKTiS Sp. z o.o.
Performance bond, retention bond	43	45	46	IVT Weiner+Reimann GmbH
Performance bond, retention bond	0	0	0	IVT Menzenbach GmbH
Performance bond, retention bond	0	0	0	IKR GmbH
Total:	**164,987**	**168,480**	**153,950**	

Bank guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2024 (in '000 PLN)

Guarantor	Type of liability	Limit amount '000	Currency	Obligor
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	80,000	PLN	ERBUD S.A.
Alior Bank S.A. Group	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	2,000	1,000	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bond, retention bond, advance payment, re-guarantees	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	185,000	PLN	ERBUD S.A (85 000) ONDE S.A. (100 000)
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bond	74,000	PLN	ERBUD S.A.; ONDE S.A. (24 000 – 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. (30 000)
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.
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bond	1,000	PLN	Satchwell
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
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:		**963,000**	**PLN**	
Total:		**30,460**	**EUR**	

Insurance guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2024 (in '000 PLN)

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond, advance payment	360,000	PLN	ERBUD S.A.; ONDE S.A.
PZU S.A.	Bid bonds, performance bond, retention bond, advance payment	30,000	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.
ZURICH	Bid bonds, performance bond, retention bond	3,500	EUR	MOD 21 GmbH
R+V	Bid bonds, performance bond, retention bond	7,000	EUR	MOD 21 GmbH
AXA	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH
Bayerischer Versicherungverband	Bid bonds, performance bond, retention bond	1,500	EUR	MOD 21 GmbH
Swiss RE	Bid bonds, performance bond, retention bond	2,000	EUR	MOD 21 GmbH
Credendo	Bid bonds, performance bond, retention bond	2,500	EUR	MOD 21 GmbH
VHV Versicherungen	Bid bonds, performance bond, retention bond	500	EUR	MOD 21 GmbH
Wuettembergische Versicherung	Bid bonds, performance bond, retention bond	750	EUR	MOD 21 GmbH
Chubb	Bid bonds, performance bond, retention bond	15,000	EUR	MOD 21 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	PLN	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	25,000	PLN	ONDE S.A
Interrisk	Bid bonds, performance bond, retention bond, advance payment	20,000	PLN	ONDE S.A

TU Europa S.A..	Bid bonds, performance bond, retention bond	850	PLN	Satchwell Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	7,000	PLN	ERBUD Industry Centrum Sp. z o.o
WARTA S.A.	Bid bonds, performance bond, retention bond	222	PLN	ERBUD Industry Centrum Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	11,000	PLN	ERBUD International Sp. z o.o.
TU Gothaer	Bid bonds, performance bond, retention bond	488	PLN	ERBUD International Sp. z o.o.
KUKE S.A.	Bid bonds, performance bond, retention bond	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.
STU Ergo Hestia S.A.	Bid bonds, performance bond, retention bond	2,000	PLN	CKTiS S.A.
PZU	Bid bonds, performance bond, retention bond	3,000	PLN	CKTiS S.A.
Warta	Bid bonds, performance bond, retention bond	1,200	PLN	CKTiS S.A.
R+V	Bid bonds, performance bond, retention bond	EUR		
Total:		772,711	PLN	
Total:		37,250	EUR	

3.10. The Management Board's stance on the performance forecasts for a given year in light of the performance presented as of 30 June 2024.

The Issuer's Management Board did not publish financial forecasts for 2024.

4. RISK MANAGEMENT

Effective risk management is a fundamental aspect of the ERBUD Group's strategy for achieving operational stability and sustainable financial performance.

The risk management process in the ERBUD Group can be divided into several phases.

1. **Identification of external risk factors –** The ERBUD Group maintains a continuous monitoring process to identify potential risk factors that may affect its operations. The following risk areas are of particular importance: regulatory changes, such as the current change in the definition of buildings and structures when determining property tax; fluctuations in raw material prices; economic crises; exchange rate risks; and interest rate risk. In order to gain an in-depth understanding of possible external risks, the Group works with advisors and has set up a special board of advisors whose members keep abreast of the aforementioned trends. Cooperation with financial institutions is also very helpful, where chief economists provide detailed macro studies.
2. **2. Identification of internal risks -** risks related to errors in bid calculations, irregularities in project management, risks related to contractors, image risks, risks related to violations of internal policies and good practices. In order to minimise the aforementioned risks as much as possible, the Group has two Audit and Internal Control committees (one at ERBUD S.A. the other at ONDE S.A.). The task of the committees is to analyse the risk charts developed for the bidding process and to analyse ongoing projects from a technical and financial perspectives, with a special focus on cash flow, the possibility of penalties being charged by principals and deviations on planned margins. The Group also has authorisation limits for consents required to submit a proposal. In the event that the Issuer wishes to submit an offer whose value exceeds EUR 30 million, the consent of the Supervisory Board of ERBUD S.A. must be obtained. Similarly, the Issuer's subsidiaries must obtain approval from the General Meeting of Shareholders in order to submit bids above certain thresholds. These thresholds are as follows: EUR 8 million for IVT GmbH and IKR GmbH; PLN 7.5 million for Erbud Industry Centrum; and EUR 7.5 million for MOD 21 GmbH. Furthermore, a business partner has been appointed in each branch, who is independent of the audit unit and reports directly to the Group CFO. Another safeguard is the customer solvency assessment procedure. The management team analyses the performance of the entire Group by segment, company and project on a monthly basis.
3. In the event of any potential breaches of procedures or good practices, there are channels for reporting them.
4. **Risk assessment –** Once potential risks have been identified, the relevant units carry out a detailed risk assessment. This determines the likelihood of occurrence and the potential impact on operational and financial objectives. The risk assessment also includes an analysis of possible strategies to manage the risk in question.
5. **Risk management –** The ERBUD Group takes measures to manage risks effectively. These include:
    a. Internal control systems are implemented to minimise operational risks;
    b. Digitisation of business processes to protect the organisation from potential fraud;
    c. Insurance is taken out against key risks such as e.g. project time extension risk, counterparty insolvency risk;
    d. Diversification of the business and, within a segment, diversification of the project portfolio is undertaken to reduce the risks associated with the weaknesses of individual industries;
    e. Regular monitoring and reporting of risks at all management levels.
6. **Black swans -** ERBUD Group is aware of the possibility of a ‘black swan’ - i.e. an unforeseen and extremely rare event with a huge impact. Therefore, the company also develops contingency strategies and crisis scenarios to be prepared for the consequences of extreme events. Among these are:

a. **Financial provisions -** The ERBUD Group keeps financial provisions that can be used in crisis situations to safeguard liquidity and continue operations in circumstances characterised by uncertainty;

b. **Rolling forecasting** of performance and cash flow;

c. **Communication and image management -** an effective communication strategy both internally and externally in the event of a crisis to ensure the internal stability of the team and to maintain the trust of customers, investors and the business community.

d. **Education -** ongoing training of employees in both hard and soft skills. Workshops to discuss best and worst practices - learning from our own mistakes;

e. **Sensitising employees to business realities -** learning business awareness.

Effective risk management is an integral part of the ERBUD Group's strategy to minimise uncertainty and optimise business decisions. By systematically identifying, assessing and managing risks, the ERBUD Group aims to achieve operational stability and long-term financial success.

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

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

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

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

4.1. Financial Risk

4.1.1 Currency risk

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

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

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

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

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

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

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

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

In order to mitigate effectively currency risk and the interest rate risk described below, ERBUD Group member companies seek to maintain treasury limits that allow for treasury hedging transactions.

4.1.2 Interest rate risk

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

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

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

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

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

4.1.3 Price risk

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

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

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

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

4.1.4 Credit risk

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

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

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

4.1.5 Liquidity risk

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

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

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

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

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

As of 30 June 2024 the ERBUD Group had the capacity to meet its short-term liabilities. All Group member companies paid their interest and trade payables on time.

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

4.2. Operational risk

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

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

4.3. Macroeconomic Risk

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish and global economies. For the development of the sectors in which the ERBUD Group operates, investment is a key driver of economic growth. However, it is important to consider the global context. According to preliminary estimates published by Eurostat, in Q2 2024 seasonally adjusted GDP was up by 0.3 per cent in the Eurozone and remained unchanged in the EU compared to the previous quarter. In quarterly terms, Poland's GDP fell was the highest of all EU countries.

As opposed to the same quarter of the previous year, seasonally adjusted GDP was up by 0.6 per cent in the Eurozone and up by 0.5 per cent in the European Union as a whole in Q2 2024.

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

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

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

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

4.4. Legal Risk

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

4.5. Tax Risk

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

4.6. Environmental Risk

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

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

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

For the purposes of our operations and processes, we identify and evaluate environmental aspects. We do this already in the bidding and design phases (for "Design and Build" projects), as part of the estimation of other risks and opportunities. These activities are aimed at transferring knowledge to the Site Supervisor thus

facilitating the planning of environmental measures already in the contract execution phase. Records in the form of opportunity and threat sheet are kept by the Project Manager responsible for design and the production preparation department.

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

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

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

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

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

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

4.7. Climate risks and their materiality

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

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

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

<table>
<tr><th colspan="2">Financial significance</th><th colspan="2">Environmental and social significance</th></tr>
<tr><th>Factor</th><th>Type of impact on the ERBUD Group</th><th>Factor</th><th>Type of impact on the ERBUD Group</th></tr>
<tr><td>Conditions allowing to run construction activities in winter season</td><td>+</td><td>Being a GHG emitter, although not primarily in the direct system (in this aspect, the Group recognizes itself as a low-carbon leader), but mainly by using the products of industries that significantly affect the climate (concrete production, asphalt and fuel production, cement production, steelmaking)</td><td>-</td></tr>
<tr><td>Occurrence of too warm and dry summer periods</td><td>-</td><td rowspan="6">Willingness to join the energy transition in Poland by having competence in the construction of RES installations (photovoltaics + wind farms + biogas plants) and the development of modular construction with a negative carbon footprint, as well as passive construction (BREEAM and LEED)</td><td rowspan="6">+</td></tr>
<tr><td>Occurrence of weather anomalies that may have adverse impact on the project implementation process</td><td>-</td></tr>
<tr><td>Meeting the goal of minimizing own direct construction assets</td><td>+</td></tr>
<tr><td>The Group's activities in the field of thermal efficiency improvement projects</td><td>+</td></tr>
<tr><td>The Group's activities in the field of investments for environment-friendly energy sources, including the construction of RES system (photovoltaics + wind farms + biogas plants) and the conversion of high-carbon fuels to zero-carbon fuels (electric, hydrogen, human-powered) and low-carbon GHG (including hybrid and co-generation solutions)</td><td>+</td></tr>
<tr><td>The Group's on-going investment activities in industries considered to have high GHG emissions</td><td>-</td></tr>
<tr><td>Running construction activities in the areas potentially threatened by climate change, mainly in terms of weather changes</td><td>-</td><td>Knowledge of technology and running of construction sites with the aim of climate change adaptation.</td><td>+</td></tr>
</table>

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

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

4.8. Double materiality test

In 2024, ERBUD Group conducted a multi-stage dual materiality study to identify key impacts, risks and opportunities. The completeness of the approach and multiple perspectives were ensured through the use of a variety of tools and stakeholder engagement. A dual materiality test was conducted to identify material topics in accordance with the guidance set forth in the European Sustainability Reporting Standards (ESSZR 1 'General Requirements') and additional EFRAG publications. The process included detailed analyses and discussions, including two workshops attended by representatives of key business units and the Board of Directors. ERBUD Group's business areas, business model, value chain and business relationships were subjected to rigorous analysis.

As a result of the workshops, the dialogue with stakeholders, the assessment of the Board of Directors and the supervisory authorities, a comprehensive list of relevant topics was identified, including the identification of sustainability risks for the Group.

ENVIRONMENTAL RISKS

Risks caused by physical climate hazards (detailed in the table above), which can put construction activities on halt and/or break supply chains.

- Transformation/transition risks that may involve additional expenditures related to decarbonisation.
- Risk of swelling insurance costs due to enhanced likelihood of sudden weather events.
- Risk of increased emission reduction requirements and/or introduction of emission levies.
- Risk of higher costs of funding sources due to high emissions.
- Risk of high costs associated with the use of fossil energy (lack of sufficient RES to fully meet the needs of the unit).
- Risks related to access to water resources (restrictions on water consumption).
- Risk of penalties due to the destruction of habitats (contributing to the extinction of species) of certain animal organisms, or plants as part of projects carried out in the buffer zones of protected areas.
- Risk of costs for habitat restoration and subsequent possible rehabilitation.
- Risks related to the availability of investment sites and the risk of significant land price hikes due to the EU Biodiversity Strategy 2030 and other regulations in the area of biodiversity (especially for the development of photovoltaic farms and wind farms).

- Risk of disruption to supply chains due to climate factors.
- Risk of incurring higher costs for the purchase of less carbon-intensive and renewable materials, less choice of such materials and the suppliers who offer them.
- Risk of an increase in the price of materials burdened by emissions trading fees.
- Risk of increased costs for waste collection.
- Risk of hazardous waste management and increased costs for waste collection and disposal.
- Risk of not being able to reuse waste due to regulations hindering the process of implementing circular solutions during the investment process and the specificity of materials.

SOCIAL RISKS

- Risks related to demographics (demographic decline and expectations of younger generations, high costs of induction of new employees).
- Risks associated with frequent employee turnover due to the nature of the work and resulting from failure to meet employee expectations, lack of work-life balance, working time and job security.
- Risk of staff gap due to e.g. the labour force drainage to rebuild Ukraine, lack of educated workers in technical fields, decline in attractiveness of performing basic work due to rising living standards.
- Risk of severe and fatal accidents.
- Risk of disruption of supply chains due to socio-political issues.
- Risks associated with turnover or lack of qualified staff in the subcontracting force.
- Reputational risks associated with forced or child labour in the subcontracting labour force.

MANAGEMENT RISKS

- Reputational risks related to corrupt activities or other irregularities and violations (fraud, mobbing, non-compliance with antitrust rules, conflict of interest)
- Risk of termination of business relationships due to non-compliance with requirements regarding the management of environmental issues and human rights.

4.9. Cyberattack Risk

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

4.10. Coronavirus Risk

The Group does not currently identify any threats associated with this risk.

4.11. Risks related to Russia's attack on Ukraine

Following the highly turbulent 2022-2023 period, 2024 is a much calmer year in terms of the impact of the war in Ukraine on the Issuer Group's operations. As regards contracts concluded before 2022, the valuations of which, following a jump in the prices of materials, raw materials and energy, resulted in significant losses, they have all been terminated. The Issuer covered the losses to a large extent with surcharges obtained from the ordering parties. At the moment, proceedings are still underway for the implementation of construction works for the University Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin, which will probably be completed in the current year. The Issuer and its legal advisers estimate that the conclusion of the case will not affect the Issuer's financial result. Currently, the only effect of the war cannons on the territory of our eastern

neighbour that the Issuer perceives is the reluctance of some overseas investors to carry out construction investment activities in Poland for fear that the conflict will spill over to our country.

4.12. Insurance

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

Additionally, the Group uses motor insurance.

Insurance contracts

Insurer	Valid from (YYYY-MM-DD)	Valid to (YYYY-MM-DD)	Subject of insurance	Value of insurance
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2024-02-01	2025-01-31	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2024-02-01	2025-01-31	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2024-02-01	2025-01-31	Construction and erection all risks insurance	Open
Chubb European Group Limited Sp. z o.o. Polish Branch	2023-06-22	2024-06-23	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	2024-06-22	2025-06-21	D&O Insurance	PLN 40 million
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	2024-07-01	2025-06-30	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million, including foregone profits PLN 2 million

5. DISPUTES

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)

Defendant: BEST Deweloper Sp. z o.o.

Court: District Court in Szczecin

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

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

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

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

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

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

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

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

At the hearing held on 13 September and 25 October 2023 and 8 January 2024, the expert was heard for a supplementary verbal opinion.

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 (PUM) 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 Regional Court in Szczecin referred the Parties to mediation for a period of 3 months. No consensus was reached.

The value of other litigations where ERBUD S.A. is the Plaintiff totals PLN 24,578,236.46

5.1. Material proceedings to which the Issuer acts in the capacity of the Defendant

5.2.

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

Value of the dispute: PLN 16.301.236,97

Counterclaim

Defendant: ERBUD S.A.

Value of the dispute: 13,516,629.86

Date of filing a lawsuit: 27 April 2019

ERBUD filed a request with the District Court in Szczecin to secure a cash claim in the amount of PLN 5,455,851.09 in relation to the contractual penalty for withdrawal from the Construction Works Contract of 26 January 2017 for the execution of the project titled "Construction of a four-star hotel complex consisting of:

Three hotel buildings with land development in Żeromskiego Street in the City of Świnoujście" by encumbering the properties belonging to Platinum Resort Sp. z o.o. with a joint compulsory mortgage. By virtue of its Decision of 19 November 2018

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

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

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

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

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

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

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

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

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.

On 17 April 2024, the Court awarded Erbud S.A. the following:

- PLN 14,600,577.00 with statutory default interest on the amounts of PLN 5,455,851.09 since 1 June 2018 and on the amount of PLN 9,144,725.89 since 25 October 2018 and the amount of PLN 19,311.00 for the costs of the proceedings to secure claim;
- dismissed the claim in the remaining scope.
- dismissed Platinum Resort's counterclaim.

A request for providing grounds for the judgment of the court of first instance was filed.

The total value of the remaining disputes in which ERBUD S.A. is the Defendant totals PLN 12,654,672.72.

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

In H1 2024 and until the date of publication, neither the Issuer nor its subsidiaries entered into any transactions other than those related to the regular activities of the aforementioned entities. All transactions are concluded following the arms' length principle.

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

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

6. CORPORATE GOVERNANCE - SELECTED INFORMATION

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

6.1.1. The Management Board of ERBUD S.A.

From 8 May 2024 to 9 September 2024, the Management Board of ERBUD S.A. is composed of:

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

On 16 May 2024, the Company's Supervisory Board appointed the following persons to the Management Board, for a new joint three-year term of office commencing on the date of the General Meeting of the Company approving the Company's financial statements for the financial year ended 31 December 2024:

- Mr Dariusz Grzeszczak, who will also be appointed to the position of President of the Management Board,
- Ms Agnieszka Głowacka, who will simultaneously be appointed to the position of Vice-President of the Management Board,
- Mr Jacek Leczkowski, who shall simultaneously be appointed to the position of Vice-President of the Management Board,

6.1.2. The Supervisory Board of ERBUD S.A.

From 8 May 2024 to 16 May 2024, the Supervisory Board of ERBUD S.A. was composed of:

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

On 8 April 2024, the Company received a statement from Mr Gabriel Główka, Vice-Chairman of the Company's Supervisory Board, in which he submitted his resignation from the Company's Supervisory Board with effect from the date of adoption of a resolution by the Annual General Meeting of Shareholders of ERBUD SA on the discharge of Mr Gabriel Główka's duties in 2023, i.e. on 16 May 2024.

On 16 May 2024, the Company's Annual General Meeting of Shareholders appointed the following persons to the Supervisory Board, for a joint three-year term of office starting on 11 May 2021:

1. Ms Sylwia Hałas-Dej, and

2. Mr Seweryn Kubicki.

In accordance with the wording of the resolution on the appointment of Mr Seweryn Kubicki to the Company's Supervisory Board of the current term of office, the appointment of Mr Seweryn Kubicki to the Company's Supervisory Board becomes effective as of the date of registration of the amendment to § 11.1 of the Company's Statutes in the National Court Register, which happened on 7 June 2024.

On 16 May 2024, the Company's Annual General Meeting of Shareholders further appointed the following persons to the Supervisory Board, for a new joint three-year term of office commencing on the date of the general meeting approving the Company's financial statements for the financial year ended 31 December 2024:

1. Mr Roland Bosch, who will also be appointed to the position of Chairman of the Supervisory Board,
2. Mr Michael Otto, who will also be appointed to the position of Deputy Chairman of the Supervisory Board,
3. Ms Beata Jarosz,
4. Mr Albert Dürr,
5. Mr Janusz Reiter,
6. Ms Sylvia Hałas-Dej,
7. Mr Michał Wosik, and
8. Mr Seweryn Kubicki.

In addition, on 16 May 2024, the Annual General Meeting of Shareholders of ERBUD S.A., in connection with the resignation from the Supervisory Board of Mr Gabriel Główka - Vice-Chairman of the Supervisory Board, appointed Mr Michał Otto to act as Vice-Chairman of the Supervisory Board of ERBUD S.A.

In the period from 16 May 2024 to 6 June 2024, the Supervisory Board of ERBUD S.A. consisted of:

Roland Bosch	– the Supervisory Board Chairman,
Michał Otto	– a Deputy Chairman of Supervisory Board,
Albert Dürr	– a Supervisory Board Member,
Janusz Reiter	– a Supervisory Board Member,
Beata Jarosz	– a Supervisory Board Member,
Michał Wosik	– a Supervisory Board Member,
Sylwia Hałas – Dej	- a Supervisory Board Member.

In the period from 7 June 2024 to the date of publication of this report, the Supervisory Board of ERBUD S.A. has consisted of:

Roland Bosch	– the Supervisory Board Chairman,
Michał Otto	– a Deputy Chairman of Supervisory Board,
Albert Dürr	– a Supervisory Board Member,
Janusz Reiter	– a Supervisory Board Member,
Beata Jarosz	– a Supervisory Board Member,
Michał Wosik	– a Supervisory Board Member,
Sylwia Hałas – Dej	- a Supervisory Board Member,
Seweryn Kubicki	- a Supervisory Board Member.

As of 30 June 2024 and as of this Report Date, the dependent Members of the Supervisory Board of ERBUD SA are:

Mr Roland Bosch and Pan Albert Dürr (representing a shareholder of Wolff & Müller Baubeteiligungen GmbH & Co. KG and Wolff & Müller Holding GmbH & Co. KG) and Mr Michał Otto (has been sitting on the Supervisory Board of ERBUD SA since 31 May 2012).

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, Ms Sylwia Hałas-Dej, Mr Janusz Reiter, Mr Michał Wosik, Mr Seweryn Kubicki.

In addition, the following Members of the Supervisory Board of ERBUD S.A. have no actual and significant ties with a shareholder holding at least 5% of the total number of votes in ERBUD S.A:

Ms Beata Jarosz, Ms Sylwia Hałas-Dej, Mr Michał Otto, Mr Janusz Reiter, Mr Michał Wosik, Mr Seweryn Kubicki.

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

Audit Committee

From the date of publication of the report for Q1 2024, i.e. from 8 May 2024 to 16 May 2024, the Audit Committee of ERBUD S.A. operated with the following composition:

Michał Otto - the Audit Committee Chairman,

Roland Bosch - an Audit Committee Member,

Janusz Reiter - a Remuneration Committee Member,

Gabriel Główka - an Audit Committee Member,

Michał Wosik - an Audit Committee Member,

In connection with the resignation of Mr Gabriel Główka from his position on the Supervisory Board, who is also a member of the Audit Committee, on 8 April 2024, with effect from the date of receipt of the discharge of his duties in 2023 (at the Ordinary General Meeting of Shareholders held on 16 May 2024) and in connection with the dismissal by the Supervisory Board on 16 May 2024 of Mr Michal Otto from the position of Chairman of the Audit Committee due to the loss of independence by Mr Michal Otto (serving as a Member of the Company's Supervisory Board for more than 12 years) - Mr Otto remains in the Audit Committee of the current term of office as an Audit Committee Member and in connection with the appointment by the Supervisory Board of ERBUD S.A. on 16 May 2024.

Ms Beata Jarosz as a member of the Audit Committee with the appointment to the position of Chairperson of the Audit Committee, for the period from 16 May 2024 to the publication date of this Report, the Audit Committee of ERBUD S.A. consisted of:

Beata Jarosz - the Audit Committee Chairperson

Roland Bosch - an Audit Committee Member,

Michał Otto - an Audit Committee Member,

Janusz Reiter - an Audit Committee Member,

Michał Wosik - an Audit Committee Member.

At the same time, on 16 May 2024 the Supervisory Board of ERBUD S.A. appointed the Audit Committee for a new joint three-year term of office commencing on the date of the Company's General Meeting of Shareholders approving the Company's financial statements for the financial year ended 31 December 2024, with the following persons:

Beata Jarosz - the Audit Committee Chairperson,

Roland Bosch - an Audit Committee Member,

Michał Otto - an Audit Committee Member,

Janusz Reiter - a Remuneration Committee Member,

Michał Wosik - an Audit Committee Member.

Remuneration Committee

From the date of publication of the report for Q1 2024, i.e. from 8 May 2024 to 16 May 2024, the Remuneration Committee of ERBUD S.A. operated with the following composition:

Roland Bosch - the Remuneration Committee Chairman,

Michał Otto - a Remuneration Committee Member,

Janusz Reiter - a Remuneration Committee Member.

At the same time, on 16 May 2024 the Supervisory Board of ERBUD S.A. appointed the Audit Committee for a new joint three-year term of office commencing on the date of the Company's General Meeting of Shareholders approving the Company's financial statements for the financial year ended 31 December 2024, with the following persons:

Roland Bosch - Remuneration Committee Chairman,

Michał Otto - a Remuneration Committee Member,

Janusz Reiter - a Remuneration Committee Member.

6.2. Share capital

As of 30 June 2024 and at the date of Condensed Consolidated Financial Statements for H1 2023, the share capital of ERBUD S.A. amounts to PLN 1,192,983.60 and is divided into 11,929,836 ordinary shares with a par value of PLN 0.1 per share

Since 8 May 2024, i.e. the date of publication of the Q1 2024 financial statements, the following changes took place:

On 17 May 2024, the Issuer received notification of the donation of 710,907 shares in ERBUD S.A. by Mr Dariusz Grzeszczak to the DGI Family Foundation.

On 5 September 2024, the Issuer received notification of the donation of 513,546 shares in ERBUD S.A. by Mr Dariusz Grzeszczak to the DGI Family Foundation.

6.3. ERBUD S.A.'s shareholders

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

Name of shareholder	As of 9 Sept. 2024		As of 8 May 2024	
	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG including Wolff & Müller Holding GmbH & Co. KG	3 854 837	32.31%	3 854 837	32.31%
Dariusz Grzeszczak holds directly and indirectly (DGI Family Foundation - 2,546,006 shares, 21,34%; Dariusz Grzeszczak 7,454 shares, 0.06%)	2 553 460	21.40%	2 553 460	21.40%
Nationale Nederlanden OFE	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%
PKO BP OFE	715 279	6.00%	715 279	6.00%
Other shareholders	2 841 325	23.82%	2 841 325	23.82%
Total:	**11 929 836**	**100.00%**	**11 929 836**	**100.00%**

6.4. Transactions involving ERBUD SA shares between 8 May 2024 and 9 September 2024.

Between 8 May 2024 and the publication date of the Report for H1 2024 (9 September 2024), the following transactions involving ERBUD S.A. shares were made.

On 17 May 2024, the Issuer received notification of the donation of 710,907 shares in ERBUD S.A. by Mr Dariusz Grzeszczak to the DGI Family Foundation.

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

As at the date of the financial statements the list of managers and supervisors holding shares in the Issuer directly or indirectly through subsidiaries is as follows:

Related person	Type of relation	As of 9 Sept. 2024		As of 8 May 2024	
		No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM	No. of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Dariusz Grzeszczak* holds shares directly and indirectly (DGI Family Foundation - 2,546,006 shares, 21,34%; Dariusz Grzeszczak 7,454 shares, 0.06%)	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%
Jacek Leczkowski****	Vice-President of the Management Board	5 112	0.04%	5 112	0.04%
Agnieszka Głowacka	Vice-President of the Management Board	3 938	0.03%	3 938	0.03%

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

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

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

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

Compared to the date of Q1 2024 Financial Statements, the shareholdings of the Issuer's management and supervisory personnel have changed as a result of the transactions described above.

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

STATEMENT OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

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

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

and

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

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

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

Warsaw, 9 September 2024