



## Independent Auditor's Report

For the General Meeting and the Supervisory Board of Erbud S.A.

### Audit Report on the Annual Consolidated Financial Statements

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#### Our Opinion

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Erbud S.A. Group (the "Group"), of which Erbud S.A. is the parent company (the "Parent Company") as of 31 December 2022 and the consolidated financial result and consolidated cash flows of the Group for the year then ended in accordance with the applicable International Financial Reporting Standards as approved by the European Union and the adopted accounting principles (policy);
- comply in form and content with the legal regulations applicable to the Group and the Parent Company's Statutes.

This opinion is consistent with our additional report to the Audit Committee, which we issued as of the date of this report.

#### Subject of our Audit

We have audited the annual consolidated financial statements of the Erbud S.A. Group, which comprise:

- consolidated statement of financial position as of 31 December 2022;
- and drawn up for the financial year from 1 January to 31 December 2022:
- consolidated statement of profit or loss and other comprehensive income;
  - consolidated statement of changes in capital;
  - consolidated cash flow statement, and
  - notes, including a description of significant accounting policies adopted and other explanatory information.

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#### Basis for Opinion

##### Basis for Opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing adopted by resolution by the National Council of Statutory Auditors (the "KSB") and in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision (the "Act on Statutory Auditors") and EU Regulation No. 537/2014 of 16 April 2014 on detailed requirements for the statutory audit of public-interest entities (the "EU Regulation"). Our responsibility under the KSB is further described in the section Auditor's responsibility for the audit of the consolidated financial statements.

We consider that the audit evidence we have obtained is sufficient and appropriate to form the basis of our opinion.

## Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”) adopted by resolution of the National Council of Statutory Auditors and with other ethical requirements that are applicable to our audit of consolidated financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements of the Act on Statutory Auditors and the EU Regulation.

## Our Approach to Audit

### Summary



- The overall materiality assumed for the audit was determined at PLN 28.8 million, representing 0.75% of the Group's sales revenue.
- We audited the Parent Company and 1 subsidiary in Poland.
- The audit team visited subsidiary ONDE S.A.
- Our audit scope covered 79% of the Group's revenue and 74% of the total assets of all consolidated Group companies after consolidation exclusions.
- Accounting treatment of construction contracts

We designed our audit by determining materiality and assessing the risk of material misstatement of the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements, for example, in relation to significant accounting estimates that required assumptions and consideration of the occurrence of future events that are inherently uncertain. We also addressed the risk of Management Board overriding internal controls including, among other matters, considering whether there was evidence of Management Board's bias that would constitute a risk of material misstatement due to fraud.

We adjusted the scope of our audit to perform sufficient work to enable us to express an opinion on the consolidated financial statements as a whole, taking into account the Group's structure, accounting processes and controls and the industry in which the Group operates.

### Materiality

The scope of our audit was affected by the level of materiality adopted. An audit is designed to provide reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Distortions may arise from fraud or error. Misstatements are considered material if they could reasonably be expected to influence, either individually or in the aggregate, the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we have established quantitative thresholds for materiality, including overall materiality in relation to the consolidated financial statements as a whole, which are set out below.



These thresholds, together with qualitative factors, enabled us to determine the scope of our audit and the nature, timing and extent of audit procedures and to assess the impact of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

**Overall materiality for the Group**

PLN 28.8 million

**Basis for determination**

0.75% of the Group's sales revenue

**Justification of the basis used**

We have adopted sales revenue as the basis for determining materiality because it is a measure monitored and analysed by both the owners of the Parent Company and users of the financial statements. We have adopted materiality at 0.75% because, based on our professional judgement, it is within the range of acceptable quantitative thresholds for materiality.

We agreed with the Parent Company's Audit Committee that we would report misstatements of more than PLN 1.4 million in the consolidated financial statements identified during the audit, as well as misstatements below that amount, if, in our opinion, this would be justified based on qualitative factors.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were most significant during our audit of the consolidated financial statements for the current period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have referred to these matters in the context of our audit of the consolidated financial statements as a whole and in forming our opinion. We do not express a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<p><b>Accounting treatment of construction contracts</b></p> <p>2022, the Group recognised revenue from carried out construction contracts in the amount of PLN 3,341.9 million, which it reported under “Revenue from sale of goods and services” in the consolidated statement of profit or loss and other comprehensive income. As of 31 December 2022, the results of the valuation of construction contracts were presented in the consolidated financial statements in assets in the amount of PLN 431.0 million and in liabilities in the amount of PLN 246.0 million, respectively, in the items of the consolidated statement of financial position “Valuation of construction contracts – assets” and “Valuation of construction contracts – liabilities”.</p> <p>Revenue from construction contracts is recognised over time as the stage of completion of the work progresses. The Group companies measure the degree of contract completion by determining revenue over the course of the contract using the performance-based method and the input-based method. When applying the performance-based method, revenues and costs from the performance</p>	<p>Our audit procedures included, in particular:</p> <ul style="list-style-type: none"> <li>• understanding of the internal control system in the area of valuation of construction contracts and determination of the result for the period due to these contracts;</li> <li>• testing a sample of selected controls, relevant to establishing the proper valuation of construction contracts, in particular concerning (a) the preparation and regular analysis of project budgets and, where appropriate, their updating; (b) the verification and appropriate allocation of projected costs; these tests included confirmation of the allocation of a cost invoice to the relevant construction project;</li> <li>• testing of a selected sample for verification of conformity of provisions of the contract with the customer, the work acceptance protocol approved by the customer, the sales invoice issued and the customer's payment;</li> <li>• conducting retail tests on a sample of contracts selected using quantitative and qualitative</li> </ul>

of construction contracts in the period from the date of concluding the contract to the balance sheet date, including revenues and costs which influenced the financial result in previous years, are determined in proportion to the degree of completion of a given contract by assessing the results achieved and the stages of work. When applying the input-based method, revenues from the performance of construction contracts in the period from the date of concluding the contract to the balance sheet date, taking into account the revenues that influenced the financial result in previous years, are determined proportionally to the degree of performance of a given contract by comparing the costs incurred on a given contract according to the cost inventory as of the balance sheet date to the total cost budget of a given contract.

Given the specific nature of the Group's operations, the determination of the amount of revenue due in a given financial year involves estimations and is based on forecast (budgeted) total costs and revenue for each contract. The estimates relate to the previously unplanned costs emerging in the course of the contract works.

The Parent Company's Management Board regularly analyses all cases of contracts where there is a risk of additional significant costs not initially included in the budget and assesses the extent to which they give rise to the possibility of establishing reliable variable remuneration. The value of projected total revenues from the execution of a given construction contract is updated only in the situation of annexing a construction contract.

Disclosures on the accounting policy adopted by the Group and the settlement of construction contracts are set out in note 2. to the consolidated financial statements. Given the inherent risk of uncertainty associated with significant estimates made by the Parent Company's Management Board and the volume of revenue from construction contracts in the Group, we considered this to be a key issue for our audit.

criteria, including

- reconciliation of contract revenue to contract;
- recalculation of revenue according to the project execution rate adopted by the Group companies, reconciliation of costs incurred, recalculation of the planned margin ;
- understanding, through discussions with management and document analysis, the reasons for variances in actual margin against budgeted margin and, where we considered it necessary, verifying these variances to source documentation;
- reconciliation of a selected sample of issued revenue invoices to customer payments;
- verification of transfers between costs allocated to individual projects in order to address the risk of incorrect allocation of contract costs;
- testing the correct recognition in the relevant period of cost invoices received after the balance sheet date;
- assessment of source evidence on disputed issues for ongoing and completed projects and potential penalties and claims;
- assessment of the completeness and correctness of construction contract disclosures in the consolidated financial statements.

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## Responsibility of the Management Board and the Supervisory Board for the Consolidated Financial Statements

The Management Board of the Parent Company is responsible for the preparation of the annual consolidated financial statements that give a true and fair view of the financial position and performance of the Group in accordance with International Financial Reporting Standards as endorsed by the European Union, the accounting principles (policies) adopted and the laws and regulations applicable to the Group and the Parent Company's Statutes, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Parent Company's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting, except when management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Parent Company's Management Board and members of the Supervisory Board are responsible for ensuring that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act"). The members of the Supervisory Board are responsible for supervising the financial reporting process.

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## Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit performed in accordance with the KSB will always detect an existing material misstatement. Misstatements may arise from fraud or error and are considered material if they could reasonably be expected to influence, either individually or in the aggregate, the economic decisions of users taken on the basis of the consolidated financial statements.

The scope of the audit does not include assurance as to the future profitability of the Group or the efficiency or effectiveness of the conduct of its affairs by the Parent Company's Management Board now or in the future.

We use professional judgement and maintain professional scepticism when investigating in line with KSB, and:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures appropriate to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failing to detect a material misstatement resulting from fraud is greater than that resulting from error because fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- we obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Parent Company's Management Board;
- we reach a conclusion on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report, however, future events or conditions may cause the Group to cease to operate as a going concern;
- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves a fair presentation;
- we obtain sufficient appropriate audit evidence about the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the audit of the Group and are solely responsible for our audit opinion.



We communicate with the Parent Company's Audit Committee regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant internal control weaknesses that we identify during the audit.

We make a statement to the Audit Committee that we have complied with the relevant ethical requirements for independence and communicate all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, report on the steps taken to address these threats and the safeguards in place.

Of the matters communicated to the Audit Committee, we have identified those matters that were most significant in the audit of the consolidated financial statements for the current period and therefore considered them to be key audit matters. We describe these matters in our auditor's report unless a law or regulation prohibits public disclosure about them or if, in exceptional circumstances, we determine that the matter should not be communicated in our report because the adverse consequences could reasonably be expected to outweigh the benefits to the public interest of such disclosure.

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## Other Information, Including Report on Operations

### Other Information

Other information consists of:

- the Combined Report of the Parent Company and the Group for the financial year ended 31 December 2022 (the "Combined Report on Operations") together with the Corporate Governance Statement, which is a separate part of this Combined Report
- a separate report on non-financial information prepared under the name "Integrated Annual Report"

(together "Other Information"). Other Information does not include the consolidated financial statements or the auditor's report thereon.

### Responsibility of the Management Board and the Supervisory Board

The Management Board of the Parent Company is responsible for the preparation of Other Information in accordance with the law.

The Management Board of the Parent Company and the members of the Supervisory Board are required to ensure that the Combined Report on Operations, together with the separate parts, as well as the separate report on non-financial information meet the requirements provided for in the Accounting Act.

### Auditor's Responsibility

Our audit opinion on the consolidated financial statements does not include Other Information.

In connection with our audit of the consolidated financial statements, our responsibility resulting from National Standards on Auditing is to read the Other Information and, in doing so, to consider whether it is materially inconsistent with the consolidated financial statements, with our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If, on the basis of the work performed, we conclude that the Other Information is materially misstated, we are required to state this in our audit report. Our responsibility under the requirements of the Act on Statutory Auditors is also to express an opinion as to whether the Combined Report on Operations is prepared in accordance with the regulations and whether it is consistent with the information contained in the annual consolidated financial statements.

In addition, we are required to give an opinion on whether the Parent Company and the Group have included the required information in the corporate governance statement and to inform whether the Parent Company and the Group have prepared a separate report on non-financial information.



### **Statement on Other Information**

We declare that, in the light of our knowledge of the Group and its environment obtained during our audit, we have not identified any material misstatements in the Combined Report on Operations or the further Other Information.

### **Opinion on the Report on Operations**

Based on the work performed in the course of the audit, in our opinion, the Combined Report on Operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and paragraphs 70 and 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (the “Current Information Regulation”);
- is consistent with the information contained in the separate financial statements of the Parent Company and the consolidated financial statements of the Group.

### **Opinion on the Corporate Governance Statement**

In our opinion, the Parent Company and the Group have included the information specified in paragraph 70 section 6 point 5 of the Current Information Regulation in its corporate governance statement. Furthermore, in our opinion, the information indicated in paragraph 70 section 6 point 5 letters c-f, h and i of the Regulation contained in the corporate governance statement is consistent with the applicable regulations and the information contained in the separate financial statements of the Parent Company and the consolidated financial statements of the Group.

### **Information on Non-Financial Information**

In accordance with the requirements of the Act on Statutory Auditors, we confirm that the Company and the Group have included in the Combined Report on Operations information about the preparation of a separate report on non-financial information as referred to in Articles 49b section 9 and 55 section 2c of the Accounting Act and that the Company and the Group have prepared such a separate report.

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## **Report on Other Legal and Regulatory Requirements**

### **Opinion on the conformity of the labelling of the consolidated financial statements with the requirements of the Single European Electronic Format (“ESEF”)**

In connection with the audit of the consolidated financial statements, we have been engaged by the Management Board of the Parent Company under the audit contract for the consolidated financial statements to perform an assurance service that provides reasonable assurance to express an opinion as to whether the consolidated financial statements of the Group as of and for the year ended 31 December 2022 prepared in a single electronic reporting format contained in a file named 2594006DOIYZFLCUVQ09-31-12-2022-PL.zip (“consolidated financial statements in ESEF format”) has been labelled in accordance with the requirements set out in Article 4 of Commission Delegated Regulation (EU) No 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“ESEF Regulation”).

### **Description of subject matter and applicable criteria**

The consolidated financial statements in ESEF format have been prepared by the Management Board of the Parent Company in order to comply with the technical requirements for the specification of the single electronic reporting format and labelling that are set out in the ESEF Regulation.



The object of our assurance service is the compliance of the consolidated financial statements in ESEF format with the requirements of the ESEF Regulation, and the requirements set out therein are, in our opinion, appropriate criteria for our opinion.

### **Responsibility of the Management Board of the Parent Company and the Supervisory Board**

The Parent Company's Management Board is responsible for preparing the consolidated financial statements in ESEF format in accordance with the technical requirements for the specification of a single electronic reporting format that are set out in the ESEF Regulation. This responsibility includes the selection and application of appropriate XBRL tags using the taxonomy set out in the ESEF Regulation. The Management Board's responsibility also includes designing, implementing and maintaining a system of internal control to ensure that the consolidated financial statements are prepared in ESEF format free from material non-compliance with the requirements of the ESEF Regulation and are labelled in accordance with those requirements.

The members of the Parent Company's Supervisory Board are responsible for overseeing the financial reporting process, which includes the preparation of the consolidated financial statements in accordance with the format prescribed by law.

### **Auditor's Responsibility**

Our objective was to express an opinion, on the basis of the assurance service performed, that provides reasonable assurance whether the consolidated financial statements in ESEF format have been labelled, in all material respects, in accordance with the requirements of the ESEF Regulation.

We performed our service in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3001pl - Audit of Financial Statements Prepared in Single Electronic Reporting Format ("KSUA 3001pl") and where applicable the National Standard on Assurance Engagements Other than Audit and Review 3000 (Z) as set out in the International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements Other than Audits and Reviews of Historical Financial Information" issued by the National Council of Certified Public Accountants ("KSUA 3000 (Z)"). These standards require us to comply with ethical requirements, plan and perform procedures to obtain reasonable assurance about whether the consolidated financial statements in ESEF format have been labelled, in all material respects, in accordance with specified criteria.

Reasonable assurance is a high level of assurance but does not guarantee that a service conducted in accordance with KSUA 3001pl and where applicable with KSUA 3000 (Z) will always detect a material misstatement (material non-compliance).

The procedures selected depend on the auditor's judgment, including their assessment of the risks of material misstatement due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements in ESEF format and their labelling, in order to design appropriate procedures to provide the auditor with sufficient and appropriate evidence. An assessment of the operation of the internal control system has not been carried out for the purpose of expressing an opinion on its effectiveness.

### **Quality Control and Ethical Requirements**

We apply the provisions of the Resolution of the National Council of Statutory Auditors on the Principles of Internal Quality Control as set out in International Quality Control Standard 1 and in accordance with this we maintain a comprehensive quality control system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the Council for International Ethical Standards for Accountants and adopted by resolution of the National Council of





Statutory Auditors, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

### **Summary of Work Performed**

The procedures we planned and performed were designed to provide reasonable assurance that the consolidated financial statements in ESEF format were labelled, in all material respects, in accordance with the applicable requirements. Our procedures included, but were not limited to:

- reaching an understanding of the process of preparing the consolidated financial statements in ESEF format including the Group's process for selecting and applying XBRL tags and ensuring compliance with the ESEF Regulation, including an understanding of the internal control system mechanisms associated with this process;
- reconciliation, on a sample basis, of the labelled information contained in the consolidated financial statements in ESEF format to the audited consolidated financial statements;
- assessment of the fulfilment of technical standards concerning the specification of a single electronic reporting format, including the use of XHTML format, using a specialised IT tool and with the support of an IT expert;
- assessment of the completeness of tagging information in the consolidated financial statements in ESEF format with XBRL tags;
- assessment whether XBRL tags from the taxonomy specified in the ESEF Regulation have been applied appropriately and whether taxonomy extensions have been used appropriately in situations where no relevant elements have been identified in the basic taxonomy specified in the ESEF Regulation;
- assessment of the correct anchoring of the applied taxonomy extensions to the basic taxonomy defined in the ESEF Regulation.

We consider that the evidence we have obtained is sufficient and appropriate to form the basis of our opinion.

### **Opinion**

In our opinion, based on the procedures performed, the consolidated financial statements in ESEF format have been labelled, in all material respects, in accordance with the requirements of the ESEF Regulation.

### **Statement on the Provision of Non-Audit Services**

To the best of our knowledge and belief, we represent that the non-audit services that we have provided to the Parent Company and its subsidiaries comply with the laws and regulations applicable in Poland and that we have not provided non-audit services that are prohibited under Article 5 section 1 of the EU Regulation and Article 136 of the Act on Statutory Auditors.

The non-audit services that we provided to the Parent Company and its subsidiaries during the period under review are listed in the Combined Report on Operations in section 8.6.

### **Choice of the Audit Firm**

We were first appointed to audit the Group's annual consolidated financial statements by resolution of the Supervisory Board of the Parent Company dated 9 May 2016 and again by resolution dated 22 March 2019 and 7 January 2021. We have audited the consolidated financial statements of the Group continuously from the financial year ended 31 December 2016, i.e. for 7 consecutive years.

The key statutory auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered in the list of audit companies under number 144, which resulted in this Independent Auditor's Report, is Jakub Waszkiewicz.



Jakub Waszkiewicz

Key Auditor

Registration number 13836

Warsaw, 29 March 2023