



## Independent Auditor's Report

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

### Audit Report on the Annual Separate Financial Statements

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#### Our Opinion

In our opinion, the accompanying annual separate financial statements:

- give a true and fair view of the separate financial position of the Erbud S.A. (the "Company") as of 31 December 2022 and the separate financial result and separate cash flows of the Company 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 Company and its Statutes;
- have been prepared on the basis of properly maintained accounting records in accordance with the provisions of chapter 2 of the Accounting Act dated 29 September 1994 (the "Accounting Act").

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 separate financial statements of Erbud S.A., which comprise:

- separate statement of financial position as of 31 December 2022;

and drawn up for the financial year from 1 January to 31 December 2022:

- separate statement of profit or loss and other comprehensive income;
- separate statement of changes in equity;
- separate 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 separate 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 Company 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 separate 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 Company in accordance with the independence requirements of the Act on Statutory Auditors and the EU Regulation.

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## Our Approach to Audit

### Summary



- The overall materiality assumed for the audit was determined at PLN 14.6 million, representing 0.75% of the Company's sales revenue.
- We audited the annual separate financial statements of the Company for the period ended on 31 December 2022.
- Accounting treatment of construction contracts

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We designed our audit by determining materiality and assessing the risk of material misstatement of the separate financial statements. In particular, we considered where the 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.

### 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 separate 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 separate financial statements.

Based on our professional judgement, we have established quantitative thresholds for materiality, including overall materiality in relation to the separate 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 separate financial statements as a whole.



<b>Overall materiality</b>	PLN 14.6 million
<b>Basis for determination</b>	0.75% of the Company's revenue
<b>Justification of the basis used</b>	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 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 Company's Audit Committee that we would report misstatements of more than PLN 0.7 million in the separate 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 separate 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 separate 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 Company recognised revenue from carried out construction contracts in the amount of PLN 1,946.4 million, which it reported under “Revenue from sale of goods and services” in the statement of profit or loss. As of 31 December 2022, the results of the valuation of construction contracts were presented in the separate financial statements in assets in the amount of PLN 164.0 million and in liabilities in the amount of PLN 147.0 million, respectively, in the items of the 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 Company measures the degree of contract completion by determining revenue over the course of the contract using the performance-based method. Revenues and costs from the performance of construction contracts in the period from the date of concluding the contract to the balance sheet date, including revenues 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.</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 criteria, including <ul style="list-style-type: none"> <li>- reconciliation of contract revenue to contract;</li> <li>- recalculation of revenue according to the</li> </ul> </li> </ul>

Given the specific nature of the Company'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 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. If such situations arise, the budget is updated. 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 Company and the settlement of construction contracts are set out in note 2. to the separate financial statements.

Given the inherent risk of uncertainty associated with significant estimates made by the Company's Management Board and the volume of revenue from construction contracts in the Company, we considered this to be a key issue for our audit.

project execution rate adopted by the Company, reconciliation of costs incurred, recalculation of the planned margin and analytical verification of the stage of project performance;

- 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 separate financial statements.
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## Responsibility of the Management Board and the Supervisory Board for the Separate Financial Statements

The Management Board of the Company is responsible for the preparation – on the basis of correctly kept accounting records - of the annual separate financial statements that give a true and fair view of the financial position and performance of the Company 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 Company and the Statutes, and for such internal control as the Management Board determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Company's Management Board is responsible for assessing the Company'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 Company or to cease operations or has no realistic alternative but to do so.

The Company's Management Board and members of the Supervisory Board are responsible for ensuring that the separate financial statements meet the requirements of 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance whether the separate 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 separate financial statements.

The scope of the audit does not include assurance as to the future profitability of the Company or the efficiency or effectiveness of the conduct of its affairs by the 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 separate 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 Company'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 Company's Management Board;
- we reach a conclusion on the appropriateness of the 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 Company'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 separate 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 Company to cease to operate as a going concern;
- we assess the overall presentation, structure and content of the separate financial statements, including disclosures, and whether the separate financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with the 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 separate 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 Company and the Group Erbud S.A. (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 separate financial statements or the auditor’s report thereon.

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

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

The Management Board of the 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 separate financial statements does not include Other Information.

In connection with our audit of the separate 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 separate 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 Report on Operations is prepared in accordance with the regulations and whether it is consistent with the information contained in the annual separate financial statements.

In addition, we are required to give an opinion on whether the Company and the Group have included the required information in the corporate governance statement and to inform whether the 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 Company 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 Combined 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 and the consolidated financial statements of the Group.

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

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

In our opinion, the 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 l of the Regulation contained in the corporate governance statement is consistent with the applicable regulations and the



information contained in the separate financial statements 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 has 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 has prepared such a separate report.

We have not performed any assurance work on the separate report on non-financial information and do not express any assurance on it.

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

#### **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 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 Company and its subsidiaries during the period under review are listed in the Combined Report on Operations of the Company in section 8.6.

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

We were first appointed to audit the Company's annual separate financial statements by resolution of the Supervisory Board dated 9 May 2016 and again by resolution dated 22 March 2019 and 7 January 2021. We have audited the financial statements of the Company 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