ERBUD S.A.

Condensed Separate Financial Statement

For the accounting period ended on 31 March 2023

Drawn up in compliance with the International Accounting Standard No 34

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
		Unaudited data	Unaudited data
	CONTINUING OPERATIONS		
Note 4.2.	Revenues from sales of products and services	377,613	416,229
Note 4.2-4.3	Cost of products and services sold	361,060	399,543
	Gross sales profit/(loss)	**16,553**	**16,686**
Note 4.3.	Cost of sales	1,728	1,454
Note 4.3.	General and administrative (G&A) costs	14,274	14,579
	Other operating income	693	1,097
	Other operating expenses	593	503
Note 4.2.	**Operating profit**	**651**	**1,247**
	Financial income	3,124	1,926
	Financial expenses	6,259	2,881
Note 4.2.	**Gross profit/loss**	**(2,484)**	**292**
Note 4.4.	Income tax	(483)	60
	Net profit/loss	**(2,001)**	**232**
	Comprehensive income	**(2,001)**	**232**
	Basic and diluted earnings per share (in PLN)	**(0.17)**	**0.02**

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF FINANCIAL POSITION

		31 Dec. 2023	31 Dec. 2022
		Unaudited data	
	ASSETS	**1,031,375**	**1,055,964**
	Investment properties	33,111	33,909
	Intangible assets	2,537	2,590
	Tangible fixed assets	30,390	31,103
	Financial assets	80,924	70,062
	Other financial assets	114,898	110,220
Note 4.4.	Deferred tax assets	38,702	35,770
	Receivables under building contracts - bid bonds	9,589	7,495
	Fixed assets	**310,151**	**291,149**
	Inventory	1,415	1,415
	Receivables under building contracts - bid bonds	18,804	20,551
Note 2.2.	Pricing of building contracts - assets	156,145	163,982
Note 5.1.	Trade receivables	383,615	397,454
Note 5.1.	Other receivables	28,362	34,215
	Financial assets	31,277	32,565
	Cash and cash equivalents	95,779	93,949
	Cash assets in VAT account	3,539	18,143
	Short-term prepayments	2,288	2,541
	Current assets	**721,224**	**764,815**
	LIABILITIES	**1,031,375**	**1,055,964**
Note 3.1.	Share capital	1,210	1,210
Note 3.1.	Own shares	(20,000)	(20,000)
	Supplementary capital	240,639	252,836
	Reserve capital	114,808	102,611
	Retained earnings	266	2,267
	Equity	**336,923**	**338,924**
Note 3.2-3.4	Debt	115,368	119,963
	Provisions	24,818	696
	Long-term liabilities	**140,186**	**120,659**
Note 3.2-3.4	Debt	77,503	16,702
	Provisions	1,525	26,029
	Liabilities vis-à-vis subcontractors - bid bonds	128,950	129,862
Note 2.2.	Pricing of building contracts - liabilities	174,091	147,016
Note 5.2.	Trade payables	136,816	243,010
Note 5.2.	Other liabilities	35,381	33,762
	Short-term liabilities	**554,266**	**596,381**

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For a 3-month-period ended on 31 March 2022 and for a 3-month-period ended on 31 March 2023 - Unaudited data

	Share capital	Own shares	Supplementary capital	Reserve capital	Retained losses/earnings	Equity
As of 1 Jan. 2022	**1,240**	**(70,000)**	**205,140**	**42,540**	**150,703**	**329,623**
Net result in the accounting period	-	-	-	-	232	**232**
Total comprehensive income	**-**	**-**	**-**	**-**	**232**	**232**
Other	-	-	(45,000)	45,000	-	**-**
As of 31 Mar. 2022	**1,240**	**(70,000)**	**160,140**	**87,540**	**150,935**	**329,855**

	Share capital	Own shares	Supplementary capital	Reserve capital	Retained losses/earnings	Equity
As of 1 Jan. 2023	**1,210**	**(20,000)**	**252,836**	**102,611**	**2,267**	**338,924**
Net result in the accounting period	-	-	-	-	(2,001)	**(2,001)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(2,001)**	**(2,001)**
Capital increase pursuant to the resolution	-	-	(12,197)	12,197	-	**-**
As of 31 Mar. 2023	**1,210**	**(20,000)**	**240,639**	**114,808**	**266**	**336,923**

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

SEPARATE CASH FLOW STATEMENT

		For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
		Unaudited data	Unaudited data
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	(2,484)	292
Note 4.2.	Amortization and depreciation	2,523	2,873
	Foreign exchange gains/losses	(280)	(508)
	Dividends and interests	3,449	293
	Other non-cash adjustments	(289)	(30)
	Income tax (paid)/reimbursed	(215)	(174)
Note 5.3.	Change of working capital balance	(39,862)	(18,262)
	Operational cash flows, net	**(37,158)**	**(15,516)**
	INVESTMENT ACTIVITY CASH FLOWS		
	Inflows from credits/loans extended	1,930	9,112
	Other inflows	406	39
	Expenditures on the acquisition of tangible fixed assets	(142)	(3,443)
	Loans extended expense	(9,500)	(25,163)
	Expenditures on the acquisition of shares in companies	(4,682)	-
	Investment activity cash flows, net	**(11,988)**	**(19,455)**
	FINANCIAL ACTIVITY CASH FLOWS		
	Income from credits and loans taken	84,931	11,251
	Debt (principal) repayment expense - principal	(27,695)	-
	Lease debt repayment expense - principal	(769)	(662)
	Debt (interest) repayment expense	(5,491)	(418)
	Financial activity cash flows, net	**50,976**	**10,171**
	NET CASH FLOWS	**1,830**	**(24,800)**
	Opening cash balance	**93,949**	**198,931**
	Closing cash balance	**95,779**	**174,131**

The Financial Statement comprises icons that represent:

Accounting Policy

Estimates

BACKGROUND INFORMATION

1.1. INTRODUCTION

Erbud S.A. is a joint-stock company established following the transformation from Erbud limited liability company, registered on 29 November 2006 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under No. 0000268667, with its registered office at ul. Franciszka Klimczaka 1.

Erbud Spółka z o.o. was established on 28 August 1990 and entered into the National Court Register on 8 August 2001, under entry No. 0000034299.

The Company's core business are general civil engineering services concerning building construction (PKD 4521A)

As of 31 March 2023 and as of the date of the Condensed Separate Financial Statements the Parent Company's Management Board consisted of:

Dariusz Grzeszczak – President of the Management Board

Agnieszka Głowacka - Vice-President of the Management Board

Jacek Leczkowski – Vice-President of the Management Board

As of 31 March 2023 and as of the date of the Condensed Separate Financial Statements the Parent Company's Management Board consisted of:

Gabriel Główka

Albert Dürr

Michał Otto

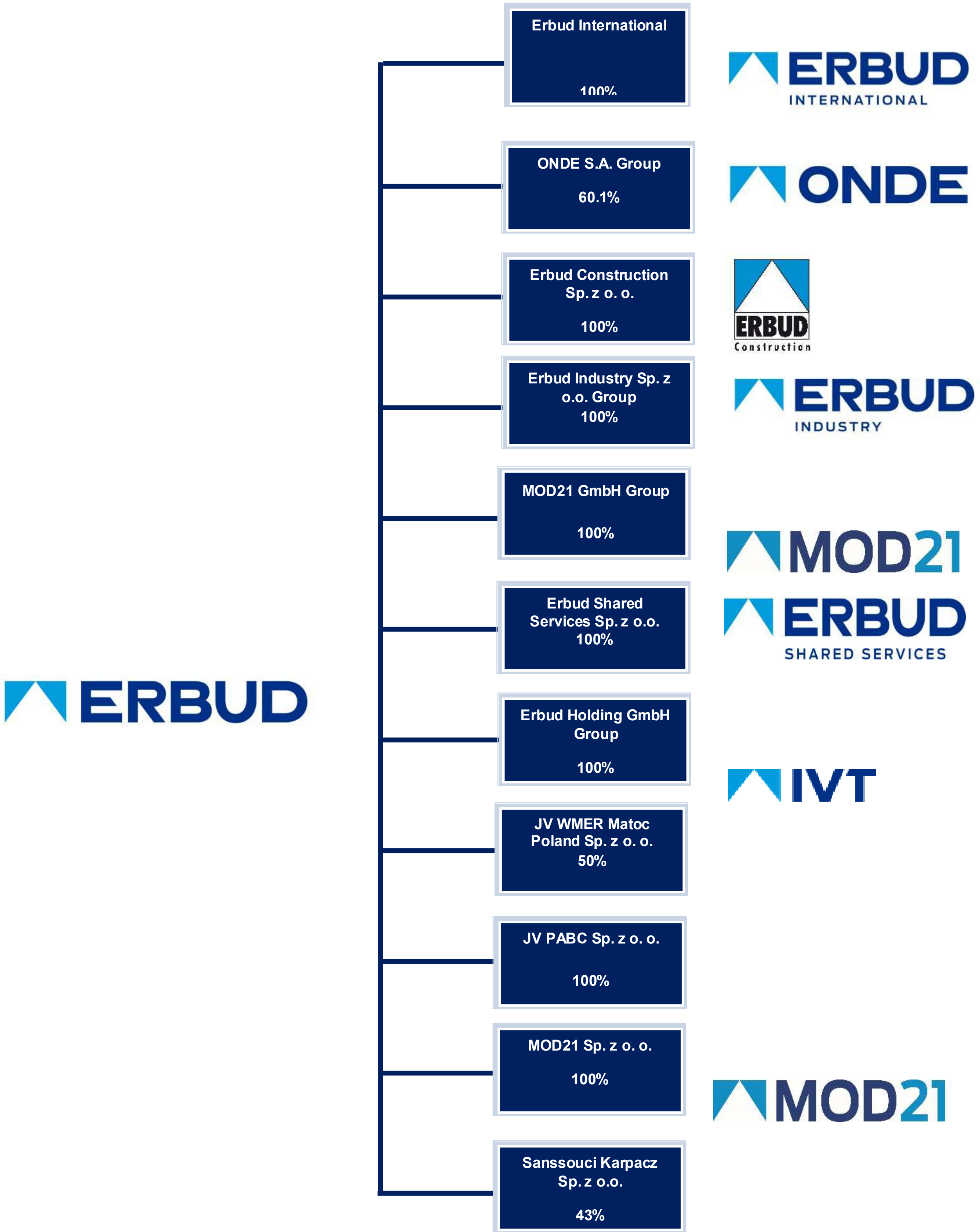
Janusz Reiter

Michał Wosik

Roland Bosch

Beata Jarosz

The Company is the Parent Company in the Erbud S.A. Capital Group and draws up consolidated financial statements of the Erbud S.A. Group published on the Stock Exchange website under ESPI/EBI Company Reports.



Detailed organisational structure of the Group is presented in the Note 5.4. The above figure shows the share of Erbud S.A. in the individual member companies of the Erbud S.A. Capital Group as of 31 March 2023.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The financial statements of the Company closed on 31 March 2023 were drawn up in compliance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union and as applicable as of 31 March 2023.

The Condensed Separate Financial Statement is presented in Polish currency (Polish zloty, "PLN"), and all values are specified in thousands of Polish zlotys.

The Condensed Separate Financial Statement has been drawn up on historical cost basis, except for financial derivatives that were priced at fair value.

This Condensed Separate Financial Statement was approved for publication by the Management Board on 9 May 2023.

Going concern

This Condensed Separate Financial Statement has been drawn up following going concern principle applicable to the Company in the foreseeable future. As of the date of approval of this Condensed Separate Financial Statement, no signs prevailed indicating a risk to the continuation of Company operations following a going concern principle.

Impact of armed conflict in Ukraine

Following the Russia's invasion of Ukraine, both the world and Poland faced a fuel crisis and the weakening stock markets and currencies of neighbouring countries. Raw material prices and their availability have become a much bigger issue in the construction business than COVID 19 hazards.

The Management Board monitors on an on-going basis the impact of the political and economic situation in Ukraine, Russia and Belarus on the ERBUD Group's operations. For more than a year we have been dealing with price hikes of building materials and labour in the Polish market. The company takes the risk of rising material and labour prices into account in the calculations it makes on an on-going basis. The Management Board is taking measures to reduce the impact of the price shock caused by the conflict in Ukraine, by means of diversification of the business by segment, while negotiating contract terms with the employers.

Pricing at fair value

The measure of fair value of an asset or liability the Company takes into consideration the properties of a certain asset or liability, if the market players take into consideration these characteristics when measuring the assets or liabilities at the measurement date. The Company classifies fair value measurement principles using the fair value hierarchy, reflecting the weight of source data used for measurement, pursuant to IFRS 13. As of the individual balance sheet dates, the Company has no items measured at fair value but discloses fair value for items measured at amortized cost.

Conversion of items into foreign currencies

The items specified in the Separate Financial Statements are measured in the currency of the core business environment where the entity carries out its operations ("functional currency"). The functional currency of the Company and the currency used for the presentation of the financial statement is the Polish zloty (PLN)

Transactions in foreign currencies are recorded in the books at the time of initial recognition in the value converted into PLN at the average NBP rate prevailing at the transaction date.

At the balancing date cash assets and liabilities denominated in currencies other than Polish zloty are converted into Polish zlotys using the appropriate average exchange rate, effective at the end of the accounting period, determined for a certain currency by the National Bank of Poland. The foreign exchange gains/losses are posted respectively into the line "financial gains (losses)" or in cases defined by accounting principles (policy), are capitalised in the assets value.

The non-cash assets and liabilities recognised at historic cost expressed in foreign currency are posted at historical exchange rate prevailing at the transaction date. Non-cash assets and liabilities are carried at fair value expressed in foreign currency are converted using the exchange rate prevailing at the date of fair value measurement.

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

Standards and amendments to existing standards have been applied in these Condensed Separate Financial Statement:

a) Amendments to IFRS 3 "Business Combinations"

The amendments to the standard published in May 2020 are intended to update the relevant references to the Conceptual Assumptions in IFRS, without making material changes to business combinations accounting.

b) Amendments to IAS 16 "Property, Plant and Equipment"

The amendments to IAS 16 'Property, plant and equipment' regulate the cost of property, plant and equipment and amounts received from the sale of items manufactured during their testing. The amended standard requires that revenue from the sale of test production and the related costs be recognised in the statement of gain or losses eliminating an option of adjusting the value of manufactured fixed assets by these amounts.

c) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"

The amendments to IAS 37 provide clarification on which costs should be taken into account when assessing whether a contract will be loss-making and represents an onerous contract.

d) Annual Amendments to IFRS 2018 - 2020

"The annual revision of IFRS 2018-2020" introduces changes to the standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples for IFRS 16 "Lease".

The amendments contain clarifications and describe more precisely the guidelines for standards on recognition and measurement.

In these Condensed Separate Financial Statements the Company has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date:

a) IFRS 17 "Insurance Contracts" and amendments to IFRS 17

The IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017 and amendments to IFRS 17 were published on 25 June 2020. The new amended standard is effective for annual periods beginning on or after 1 January 2023.

The new IFRS 17 "Insurance Contracts" will replace the current IFRS 4, which permits a variety of practices in the settlement of insurance contracts. The new standard will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies only, and contracts entered into by entities other than insurance companies may also contain an element that complies with the definition of an insurance contract (as defined in IFRS 17).

The above amendment does not have a material impact on the Group.

b) Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Board Guidance on accounting policy disclosures in practice

The amendment to IAS 1 requires disclosure of material information about accounting policies, which are defined in the Standard. The amendment clarifies that information about accounting policies is material if, in its absence, users of the financial statements would not be able to understand other relevant information in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been revised to provide guidance on the application of the concept of materiality to accounting policy disclosures. The amendment comes into force on 1 January 2023.

The above amendments do not have a material impact on the Group.

c) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021 the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting . The amendment to IAS 8 clarifies, how entities should distinguish between changes in accounting policies and changes in accounting estimates. The amendment comes into force on 1 January 2023.

The above amendments do not have a material impact on the Group.

d) Amendments to IAS 12 "Income Taxes"

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning liabilities. Prior to the amendment to the standard, there was ambiguity as to whether the recognition of equal amounts of an asset and a liability for accounting purposes (e.g. the initial recognition of a lease) that has no impact on current tax settlements triggers the recognition of deferred tax balances, or whether the so-called initial recognition exemption applies, which states that deferred tax balances are not recognised, if the recognition of an asset or liability has no impact on the accounting or tax outcome at the time of that recognition. The amended IAS 12 addresses this issue by requiring deferred tax to be recognised in the above situation by additionally stating that the exemption from initial recognition does not apply if an entity simultaneously recognises an asset and an equivalent liability and each creates temporary differences.

The amendment shall apply to financial statements for periods beginning on or after 1 January 2023.

The above amendments do not have a material impact on the Group.

e) Amendment to IFRS 17 "Insurance Contracts"

This amendment relates to the transitional requirements in connection with the first-time application of IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'. The purpose of the amendment is to ensure the usefulness of financial information for investors in the period of initial application of the new standard by introducing certain simplifications with regard to the presentation of comparative information.

The amendment applies only to the application of new standard IFRS 17 and does not affect any other requirements set forth in IFRS 17.

The above amendments do not have a material impact on the Group.

f) Amendments to IFRS 16 "Lease"

In September 2022, the Board amended IFRS 16 'Leases' by supplementing the requirements for subsequent measurement of the lease liability for sale and leaseback transactions, where the criteria of IFRS 15 are met and the transaction should be accounted for as a sale.

The amendment requires the seller-lessee to subsequently measure the lease liabilities arising from a sale-leaseback in such a manner that no gain or loss on retained right-of-use is recognised. The new requirement is particularly relevant where sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from 'lease payments' under IFRS 16. The amended standard includes a new example that illustrates the application of the new requirement to this extent.

The amendment comes into force on 1 January 2024.

At the date of preparation of these separate financial statements, the amendment in question had not yet been endorsed by the European Union.

g) Amendments to IAS 1 "Presentation of Financial Statements"

In 2020, the Board published amendments to IAS 1 that clarify the presentation of liabilities as long- and short-term. In October 2022 the Board issued further amendments to IAS 1, which address the classification of liabilities as long-term and short-term , for which an entity is required to comply with certain contractual requirements known as covenants. The amended IAS 1 standard states that liabilities are classified as either short-term or long-term depending on the rights that exist at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for instance, a waiver or breach of covenant) affect the classification.

The published amendments shall apply to financial statements for periods beginning on or after 1 January 2023.

At the date of preparation of these separate financial statements, the amendments in question had not yet been endorsed by the European Union.

h) IFRS 14 "Regulatory Deferral Accounts"

This standard allows entities that drawn up financial statements for the first time (on or after 1 January 2016) pursuant to IFRS to recognize amounts resulting from operations with regulated prices, in compliance with the previously applied accounting principles. To enhance comparability with entities that already apply IFRS and do not post such amounts, under published IFRS 14, amounts resulting from operations with regulated prices should be presented separately in both the statement of financial position, in the profit and loss account and the statement of other comprehensive income.

IFRS 14 will not be endorsed by virtue of the European Union's decision.

i) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its associates or joint ventures

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. Accounting recognition depends on whether non-monetary assets sold or contributed to an associate or joint venture are businesses or not.

Where a non-monetary asset is a 'business', the investor will show a full gain or loss from the transaction. If the assets do not meet the business definition criteria, the investor recognises a gain or loss excluding the portion that represents the interest of other investors.

The amendments were published on 11 September 2014.

As of the date of drawing up these separate financial statements, the endorsement of this amendment is deferred by the European Union.

2. BUILDING CONTRACTS

The Company signs fixed-price contracts for the execution of construction contracts, mainly in the areas of apartment construction (including entire housing estates), hotels, SPA facilities, shopping malls, wind farms, power plants, production rooms, and highways. Certain contracts with the Customers also contain a variable pay in the form of penalties that may be imposed on the Company, for example, in the event of delays in contract performance.

The variable pay component adjusts the transaction price and the amount of revenue recognized. i.e., the Company recognizes some or all of the amount of variable pay in the transaction price only to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue recognized when the uncertainty related to volatility has been resolved. To estimate variable pay, the Company uses the expected value method to estimate variable pay. Historically, the Company has not suffered penalties incurred by its customers and there was no indication of penalties being recognized on ongoing contracts at any of the balance sheet dates. Any modifications of the contract (changes in contract scope, price, or both) are recognized as a cumulative revenue adjustment.

Due to the specific nature of building contracts and services provided by the Company, in all building contracts the Company identifies only one performance obligation to which the entire value of the compensation is allocated.

Revenues and expenses on account of performed construction contracts are recognized by the Company in time as the progress of works is made. The Company measures contract performance progress rate using the performance-based method, i.e. it determines the value of revenues and expenses under the performance of construction contracts in the period from the Contract Date to the balancing date proportionally to the progress rate of of a certain contract performance by way of evaluation of the achieved results and milestones. From thus determined figures the Company deducts revenues and expenses, which affected the financial result in previous years, generating revenues and costs under building contracts executed in the current period. A change of the estimated progress rate of contract execution is treated as a change in estimate and affects the amount of revenues recognized in the period in which the change in estimate was made. If it is not possible to determine progress rate of non-finished service (including construction service) or expected total cost of service delivery in a reliable manner, then the revenues are determined at the level of costs born in a certain accounting period, however, not higher than costs, which are expected to be covered by the employer in the future.

On the other site the results of pricing (i.e., the determination of revenues and expenses using the progress rate method) are recorded as "Pricing of building contracts - assets (or liabilities)." The balances of assets under building contracts resulting from the excess of revenue recognized using the performance-based method over the invoiced revenues are subject to an impairment charge calculated similarly to the non-past due trade receivables. All above mentioned building contract assets at the Level 2 of the impairment model and a simplified matrix approach (similar to trade receivables) are used to calculate the impairment loss on these assets. Due to the manner in which balances on construction contract assets are recognized, they are not subject to aging and are treated entirely as current, not past due.

The works performed under building contracts are invoiced in adherence to the schedule set forth in the contract. The Company recognizes invoiced revenues in the line "Trade and other receivables" (Note 5.1) The Contractors under building contracts signed with the Group retain part of the payments as contract performance bond. These figures are recognized as "Building contract receivables - bid bonds" and are refundable most often after project completion after the end of the guarantee period.

The Company engages subcontractors to carry out work related to the implementation of building contracts. The invoiced costs related to subcontractors' employment are recognized in the line "Trade payables" (Note 5.2) The Group retains a portion of payments to subcontractors in relation to the performance bond, and recognizes it the line "Building contract liabilities - bid bonds". The breakdown of revenues into revenues recognized in time and items recognized at point of time is presented in Note 4.2.

In connection with the execution of building contracts and the difference in time of revenues and expenses recognition for accounting and tax purposes, the deferred income tax assets and liabilities are recognized in the statement of financial position - see Note 4.4.

The Company sets up provisions for contracts with negative margins when it has found out grounds to claim that a given building contract in progress will end with a loss. Provisions are charged into the costs of a given period at the full value of the expected loss on a given contract and are disclosed in the balance sheet under "Provisions".

The Company provides only basic guarantees to its customers, which do not represent a separate duty to perform obligation. The warranty period varies depending on the contract under implementation and the components covered.

The Company engages subcontractors to carry out work related to the execution of building contracts. The Company acts as principal with respect to work performed by subcontractors. The invoiced costs related to subcontractors' employment are recognized as "Trade payables" (Note 5.2) The Company retains a portion of payments to subcontractors in relation to contract performance bond, and recognizes it in the line "Liabilities vis-à-vis subcontractors - bid bonds"

For certain building contracts executed under joint contractual arrangements in which the Company is the consortium or assignment leader, the Company has assessed that it acts as an intermediary with respect to the work performed by the other partner and which the Company as leader invoices the Employer. The Company defines its role as that of an intermediary under a certain order where it identifies specific goods and services to be delivered and the Company has no control over them before they have been transferred to the customer. When the Company acts as an intermediary, it recognizes revenue upon the fulfillment of its obligation in the contractual amount of the fee or commission to which it will be entitled, in exchange for being commissioned by another party to provide specific services or goods. Due to the nature of the concluded consortia and orders, in which the Company acts as a leader, there are no fees and commissions as described above, hence no revenues are generated in the Company from commissions for invoicing to a customer work performed by another consortium member. The Company recognizes as revenues only the amount of remuneration due for the execution of its scope of work for the customer in adherence to the policy described above.

Payment terms for building contracts provided by the Company, range from 30 to 180 days from the invoice date and for other sales transactions are typically 30 days from the invoice date. Accordingly, the contracts underway do not contain a significant financing component except for the amounts invoiced for building contracts, which are repaid at a later date as they represent deposits retained by the customer. The amounts retained under individual invoices represent a maximum of 10% of the remuneration for the contract execution and are subject to release for a period of up to 5 years once the contract has been completed. Revenues under the building contracts for the portion that is retained as a bid bond is recognized at a discounted amount.

The application of the performance-based method to the recognition of revenue and expenses under construction contracts requires estimation of the progress rate of works performed under a certain contract, i.e. the quantity survey of work performed as of the balancing date.

The physical quantity survey, used to determine the progress in contract performance, is taken by the construction site personnel. The quantity survey is carried out separately for each scope of works, i.e. elements or stages of the contract underway, according to the measures assigned to them (mainly m^2, kg and pcs.).

The Company has adequate control processes in place to ensure that the calculation of actual project outcome is based on current and reliable estimates of the quantity survey, subject to verification and approval by designated persons. The quantity survey made by construction site personnel is subject to verification by the branch manager responsible for the construction site, and then additionally by the Company's internal audit department.

The Company keeps track of projects being implemented - construction contracts in the internal system used for project management. Information concerning certain contract, its progress rate, is entered into the system by the Contract/Site Manager and then approved by the Branch Manager responsible for the construction site. The budgets of individual contracts are subject to the formalized updating process during the year, based on current information, and are approved by the Management Board. If between official budget revisions there are events that have material impact on contract performance, the value of total revenues or contract costs is updated on an ongoing basis, i.e. changes in the scope of the contract are reflected in the Company's internal system immediately after they are negotiated by the Company with the customer.

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

The income and expenses figures under building contracts for the accounting period and on YTD basis are presented in the table below.

	For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
	Contracts in the period	Contracts in the period
Figures recognised in the period		
Income under building contracts, YTD	376,243	415,683
Costs under building contracts,	359,346	398,871
Net income before recognition and settlement of provisions for the contracts generating liabilities	**16,897**	**16,812**
Setting up provisions for the contracts generating liabilities	1,526	593
Gross profit/loss	**15,371**	**16,219**
Gross profit margin		
excluding provisions for the contracts generating liabilities	4%	4%
including provisions for the contracts generating liabilities	4%	4%

Gross profit margin is defined as gross profit on sales divided by sales revenues.

2.2. RECONCILLIATION OF FIGURES RELATED TO NON-COMPLETED BUILDING CONTRACTS

	31 Mar. 2023	31 Dec. 2022
Revenues under non-completed building contracts YTD	3,359,350	2,928,943
Invoiced receivables from customers, YTD (excl. advances)	3,343,695	2,938,646
Balance of payments under non-completed building contracts	**15,655**	**(9,703)**
of which:		
(1) Assets for completed, non-invoiced construction works, gross	77,418	68,314
Asset impairment write-off under building contracts	(1,879)	(1,879)
(1a) Assets for completed, non-invoiced construction works, net	75,539	66,435
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	59,884	76,138
Costs related to building contracts, YTD	3,158,140	2,765,776
Subcontractor expense and own expenses on a YTD basis.	3,174,709	2,820,324
Balance of payments under building contracts	**16,569**	**54,548**
of which:		
(3) Assets for non-completed, invoiced construction works of the subcontractors	80,606	97,547
(4) Liabilities for due and payable non-completed, invoiced construction works of the subcontractors	64,037	42,999
Balance of payments under building contracts	**32,224**	**44,845**
of which:		
Pricing of building contracts - assets	**156,145**	**163,982**
Pricing of building contracts - balance settlement (2)+(4)	123,921	119,137
Building contract liabilities - advanced paid	50,170	27,879
Pricing of building contracts - liabilities - TOTAL	**174,091**	**147,016**

At all dates that are initial dates of the periods indicated in the table above, the total opening balances were recognized as revenues in the period. The remaining portion of changes in the balance of building contract payables is due to the excess of revenue invoiced in a given period over revenue recognized in the statements of profit/loss. Due to the specific nature of its business, i.e., building contracts, the Company is unable to segregate cumulative changes in the amount of revenues recognized that would result from changes in the estimate of the profess rate of works or changes in the estimate of the transaction price to the extent that estimated penalties occur.

Impairment losses on contractual assets are calculated using the same write-off matrix as for trade receivables. The entire balance of contract assets in all periods presented is not past due. The write-down ratio calculated according to the ECL method for contractual assets was 2.75% as of 31 March 2023, 2.43% as of 31 March 2022. The write-down amounts and movements on the impairment allowance for building contract assets in the financial statements presented are marginal, hence not presented.

Changes in the value of assets and liabilities arising from contract pricing result from the specific nature of settlement of building contracts and the invoicing schedules under individual contracts, i.e. there are contracts with different payment schedules, hence there is no typical relation between the payment deadline and the service performance obligation.

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3. CAPITAL AND DEBT MANAGEMENT

3.1. CAPITAL MANAGEMENT

Share capital comprises common stock and is carried at the nominal value (in adherence to the Company's Articles of Association and an entry made into the National Court Register).

Other supplementary capitals are set up mainly from retained earnings including amounts obligatorily appropriated to the reserve capital in accordance with the requirements of the Commercial Companies Code.

Reserve capitals are set up from retained earnings for the purposes of Company further development.

The Company's supplementary capital is set up in accordance with the provisions of the Polish Commercial Companies Code and the decisions of the shareholders. Pursuant to the Commercial Companies Code, a supplementary capital should be set up to cover losses, that should account for at least 8% of the profit for a certain accounting year, until the supplementary capital reaches at least one third of the share capital. the supplementary capital set up in this manner is not subject to distribution. The General Meeting of Shareholders decides on the use of the supplementary and reserve capital, however, a part of the supplementary capital may be used only to cover the loss reported in the financial statements and is not subject to distribution into other purposes.

The Company manages its capital structure and in parallel to the changes in economic environment, it modifies its capital structure.
In order to maintain or adjust the capital structure, the Company may manage appropriately the dividend payment to shareholders or issue to new shares.

The main objective of the Company's capital management is to maintain a good credit rating and safe equity ratios in order to support the Company's operations and increase shareholders' value.

Share capital

As of 30 September 2022, the share capital consisted of 12 096 502 shares with a total value of PLN 1,209,650.20, and the structure of shareholders holding over 5% of the share capital and members of the Management Board, Supervisory Boards and entities controlled by them was as follows:

Shareholder	**No. of shares**	**% shareholding in share capital**
Wolff & Muller Holding GmbH & Co.KG	3,592,950	29.70%
Wolff & Müller Holding GmbH & Co. KG	261,887	2.16%
Durr Holding GmbH	12,712	0.11%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	1,321,553	10.93%
NATIONALE - NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A (Nationale-Nederlanden Universal Pension Society) (former ING PTE)	1,200,000	9.92%
Allianz OFE, Allianz DFE, Second Allianz OFE	764,935	6.32%
Dariusz Grzeszczak	1,231,907	10.18%
PKO BP Bank Open-Ended Pension Fund	715,279	5.91%
ERBUD SA - own shares without voting rights at General Meeting of Shareholders	166,666	1.38%
Jacek Leczkowski	5,112	0.04%
Roland Bosch	10,000	0.08%
Agnieszka Głowacka	3,938	0.03%
Albert Dürr	13,642	0.11%
Other shareholders	2,795,921	23.11%
Total	**12,096,502**	**100%**

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2. BUILDING CONTRACTS

The Company's Articles of Association do not grant the shareholders, referred to hereinabove, any personal rights vis-à-vis Erbud S.A., and in particular do not grant the right to appoint members neither Company's Management nor Supervisory Boards.

The number of shares making up the approved capital equals to the number of shares issued. The par value per share for all share series is PLN 0.10. No shares were reserved for the purposes of the issue related to the exercise of put options. All issued shares are ordinary non-preference shares. There are no limitations on rights to shares or limitations on share transferability.

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.

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

Thus the current amount of share capital totals PLN 1,209,650.20, and the share capital is divided into 12,096,502 A series ordinary bearer shares with a par value of PLN 0.10 each.

The total number of votes attached to all issued Company shares is 12.096.502.

As of 31 March 2023 and the date of publication of this report, ERBUD SA holds 166,666 of own shares, that account for 1.38 % of total shareholders' equity.

The 166,666 shares referred to above have not yet been redeemed by the Company, so the share capital remains unchanged at PLN 1.209.650,20.

Basic earnings per share are calculated by dividing net profit /(loss) for the period, allocated to ordinary shareholders of the Company, by the weighted average number of the issued ordinary shares over the accounting period. Own shares bought back by the Company for redemption are excluded from the calculation of the weighted average number of shares for the periods presented.

For purposes of calculating diluted earnings per share, net income/(loss) for the reporting period attributable to ordinary shareholders and the weighted average number of ordinary shares for the accounting period are adjusted for the effect of all diluting potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as the Company has no dilutive instruments.

Stock split effected both during and after the accounting period adjust the weighted average number of ordinary shares for purposes of computing basic and diluted earnings per share for all periods presented.

Below basic and diluted earnings per share are presented.

	For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
Net profit/loss	(2,001)	232
Average weighted number of ordinary shares (in pcs.)	11,929 836	12,096,502
Basic and diluted earnings per share (in PLN)	**(0.17)**	**0.02**

ERBUD Condensed Separate Financial Statement as of 31 March 2023 ('000 PLN, unless specified otherwise)

3.2. CREDIT AND LOAN LIABILITIES

Credit and loan liabilities are initially recognized at fair value less transaction costs. At each balancing date, credits and loans are priced at amortized cost using effective interest rate.

	31 Mar. 2023	31 Dec. 2022
Long-term		
Bank loans	20,892	23,320
Loans	856	-
	21,748	23,320
Short-term		
Bank loans	4,515	4,992
Loans	5,047	5,257
	68,285	10,249
Total credit and loan liabilities	**90,033**	**33,569**

Borrowings shown as long-term and short-term ones bear interest at WIBOR 3M + 1.35%-3.5%, 3M EURIBOR +1.9%-2.2%, ON WIBOR + +2.2% and 10% per annum.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed to be WIBOR 1M per day plus a fixed percentage expressing the risk premium. Long-term credits and loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

3.3. DEBT RELATED TO ISSUED BONDS

Liabilities related to issued bonds are initially recognized at fair value less transaction costs. At each balancing date, the issued bond liabilities are priced at amortized cost using effective interest rate.

As of balancing date, the Company had the following outstanding debt in relation to issued bonds posted into long-term liabilities.

Issue date	Type of issued bonds	Currency	Interest rate	Maturity date	Purpose of financing	Par value of shares	
						31 Mar. 2023	31 Dec. 2022
23 Sept. 2021	D-series bearer shares, dematerialized, unsecured	functional	WIBOR 6 M + 2.6% margin	23 Sept. 2025	for financing of core activity and/or acquisitions from the industrial services sector in Poland and Germany	75,586	75,586
			Total bond liability as of 31 March 2023 of which:			**75,586**	**75,586**

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3.4. LEASE LIABILITIES

Period		31 Mar. 2023 Nominal value of minimum payments	31 Dec. 2022 Nominal value of minimum payments
Below 1 year	Short-term	10,126	6,248
Above 1 year	Long-term	20,296	22,512
Nominal value of minimum payments		**30,422**	**28,760**
Future lease financial costs		3,170	1,250
Present value of minimum payments		**27,252**	**27,510**
Below 1 year	Short-term	9,218	5,867
Above 1 year	Long-term	18,034	21,643

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4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ALTERNATIVE PERFORMANCE MEASURES

The Management Board analyses the segment results using Key Performance Indicators (KPIs) such as EBIT, EBIT and EBITDA margin. The Company's Management Board considers the aforementioned measures as important additional performance measures and therefore presents them in the report next to the measures defined by IFRS. It should be borne in mind that EBIT, as well as EBIT and EBITDA margins these are not KPIs defined in IFRS and they do not represent standardized measures, therefore their calculation methods may differ from one entity to another in the market. Accordingly, these KPIs should not be analysed in isolation or as substitutes for measures defined by IFRS.

EBITDA and EBIT are measures showing the results achieved by the Group after eliminating the impact of income tax, financing costs and income and in the case of EBITDA, depreciation and amortization.

EBITDA is defined as profit after tax (net income), plus income tax expense, finance costs and depreciation and amortization, less financial income. The adjusted EBITDA is defined as EBITDA after taking out one-off events.

The Company defines EBIT as profit after tax (net income), plus income tax burdens, finance costs less finance income. The adjusted EBIT is defined as EBIT after taking out one-off events.

EBIT margin is a measure that shows the Company's profitability ignoring the impact of income taxes and finance costs and revenues. The Company defines EBIT margin as EBIT divided by revenues from the sales of goods and services.

The Company defines adjusted EBIT and adjusted EBITDA as EBIT and EBITDA, respectively, adjusted for the impact of one-off transactions (e.g., the net income from the sales of subsidiary shares)

	31 Mar. 2023	31 Mar. 2022
Net profit for the accounting period	**(2,001)**	**232**
Income tax	(483)	60
Gross profit	**(2,484)**	**292**
Financial expenses	6,259	2,881
Financial income	3,124	1,926
EBIT	**651**	**1,247**
Adjusted EBIT	**651**	**1,247**
Amortization and depreciation	2,523	2,873
EBITDA	**3,174**	**4,120**
Revenues from sales of products and services	377,613	416,229
EBIT margin	0%	0.3%

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4.2. ACCOUNTING SEGMENTS

Based on the management accounting presented to the main operational decision-maker (i.e. the Management Board), the Company identified three basic accounting segments:

- residential/commercial buildings at home,
- residential/commercial buildings in foreign countries,
- other segments.

The operations were broken down into individual segments by classifying the significance of operations into the segment. Such a breakdown corresponds to the distribution of the main risks and returns on expenses incurred.

The financial data prepared for the purposes of management reporting, which is the basis for data on reportable segments, follows the same accounting principles as those applied to the preparation of the Group's Separate Financial Statements.

Background information on segments in the accounting periods Jan. - Mar. 2023, Jan. - Mar. 2022

The Company operates in Poland and abroad (in Germany, Belgium) Revenues from external customers and assets in any country other than Poland are not significant, therefore they were aggregated in the total line and disclosed as "Foreign operations".
There is no strong seasonality effect in the Company's operations.

	For the period of 3 months, ended on 31 Mar. 2023			For the period of 3 months, ended on 31 Mar. 2022		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	371,253	6,360	**377,613**	405,695	10,534	**416,229**
Accrued and deferred income	369,883	6,360	**376,243**	405,149	10,534	**415,683**
Income recognized at a certain point in time	1,370	-	**1,370**	546	-	**546**
Fixed assets other than financial instruments and deferred tax assets	228,749	-	**228,749**	192,398	-	**192,398**

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2. BUILDING CONTRACTS

Data concerning revenues and results as well as assets and liabilities in individual accounting segments are presented in the table below.

				For the period of 3 months, ended on 31 Mar. 2023
	Domestic building construction	Residential/commercial buildings in foreign countries	Other segments	Total continued activities
Total income				
Sales to third party customers	371,251	6,360	2	**377,613**
Total sales revenues	**371,251**	**6,360**	**2**	**377,613**
Segments' performance and reconciliation with gross profit of the Group				
Cost of goods sold (COGS)	355,268	5,792	-	**361,060**
Sales margin	15,982	567	2	**16,551**
Sales margin %	4%	9%	-	**4%**
Other operating profit/loss	(15,259)	(176)	(467)	**(15,902)**
Segment performance — EBIT	**724**	**392**	**(465)**	**651**
EBIT margin	0%	6%	0%	**0%**
Profit (loss) on financial activities (financial income less financial expenses)				**(3,135)**
Gross profit/loss				**(2,484)**
Income tax				**(483)**
Net profit/loss				**(2,001)**
Amortization and depreciation	2,507	-	16	**2,523**
Segment performance — EBITDA	**3,231**	**392**	**(449)**	**3,174**

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2. BUILDING CONTRACTS

				For the period of 3 months, ended on 31 Mar. 2022
	Domestic building construction	Residential/commercial buildings in foreign countries	Other segments	Total continued activities
Total income				
Sales to third party customers	405,695	10,534	-	**416,229**
Total sales revenues	**405,695**	**10,534**	**-**	**416,229**
Segments' performance and reconciliation with gross profit of the Group				
Cost of goods sold (COGS)	389,457	10,086	-	**399,543**
Sales margin	16,238	448	-	**16,686**
Sales margin %	4%	4%	-	4%
Other operating profit/loss	(15,095)	97	(441)	**(15,439)**
Segment performance – EBIT	**1,143**	**545**	**(441)**	**1,247**
EBIT margin	0%	5%	0%	**0.3%**
Profit (loss) on financial activities (financial income less financial expenses)				**(955)**
Gross profit/loss				**292**
Income tax				**60**
Net profit/loss				**232**
Amortization and depreciation	2,866	-	7	**2,873**
Segment performance – EBITDA	**4,009**	**545**	**(434)**	**4,120**

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4.3. COST OF GOODS SOLD (COGS)

	For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
Third party services	255,657	241,616
including third party services from subcontractors	228,090	212,997
Material and energy consumption	65,115	96,448
Employee benefit expenses	28,112	27,861
Amortization and depreciation	2,523	2,873
Taxes and charges	1,749	1,351
Other cost categories	1,192	1,481
Total costs by category	**354,348**	**371,630**
Change in the balance of products, work in progress	22,714	43,946
Cost of sales (negative value)	(1,728)	(1,454)
General management and administration costs (negative value)	(14,274)	(14,579)
Manufacturing costs of products sold	**361,060**	**399,543**

4.4. TAXATION

The burdening of net financial income with income tax is recognized based on Group Management's estimate of the weighted average effective annual income tax rate expected for the full accounting year. The estimated average annual tax rate for the accounting period is 19.46 % compared to 20.63% to the overall period of last year.

The Company generates all of its taxable income in Poland and is therefore subject to taxation under the Corporate Income Tax ("CIT") Act. The standard corporate income tax rate is 19%. In the areas where tax regulations are subject to interpretation, the Management Board reviews occasionally its approach to drawing up tax returns. In justified cases, provisions are set up for expected tax liabilities.

The determination of the effective income tax rate is presented in the table below:

	For the period of 3 months, ended on 31 Mar. 2023	For the period of 3 months, ended on 31 Mar. 2022
Gross profit before taxation	**(2,484)**	**292**
Tax according to the statutory tax rate applicable in Poland - 19%	**(472)**	**56**
Excess of non-taxable income over non-deductible expenses	(11)	4
Tax recognized in the financial net profit/loss	**(483)**	**60**
Current tax	2,449	6,800
Deferred tax	(2,932)	(6,740)
Effective tax rate	**19.46%**	**20.63%**

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2. BUILDING CONTRACTS

The table below presents changes in deferred tax assets and liabilities in the accounting year:

	1 Jan. 2022	Impact as of: Net profit/loss	Impact as of: Other comprehensive income	31 Dec. 2022	Impact as of: Net profit/loss	Impact as of: Other comprehensive income	31 Mar. 2023
Deferred tax assets							
Pricing of building contracts - liabilities and taxable work in progress	27,278	24,323	-	51,601	3,062	-	54,663
Provisions	6,536	581	-	7,117	(172)	-	6,945
Tax loss	1,201	88	-	1,289	-	-	1,289
Accrued wages and salaries, and charges	1,675	(1,558)	-	117	(70)	-	47
Receivables revaluation write-downs	3,841	(1,463)	-	2,378	3,458	-	5,836
Other financial liabilities	1,729	(1,729)	-	-	107	-	107
Deferred expenses	339	(339)	-	-	-	-	-
Other	(218)	3,054	-	2,836	871	-	3,707
Total	**42,381**	**22,957**	**-**	**65,338**	**7,256**	**-**	**72,594**
Deferred tax liabilities							
Pricing of building contracts - assets	16,085	7,300	-	23,385	(198)	-	23,187
Asset revaluation	25	(18)	-	7	(7)	-	-
Balance sheet pricing and liabilities discount	567	455	-	1,022	(889)	-	133
Accrued interest on debt	378	561	-	939	399	-	1,338
Other	1	4,214	-	4,215	5,019	-	9,234
Total	**17,056**	**12,512**	**-**	**29,568**	**4,324**	**-**	**33,892**
Assets and liabilities set off	17,056	-	-	29,568	-	-	33,892
Post-set-off balance	**25,324**	**-**	**-**	**35,770**	**-**	**-**	**38,702**
Assets	25,325	-	-	35,770	-	-	38,702
Net impact of changes in the period		**10,445**	**-**		**2,932**	**-**	

Owing to the fact that historically speaking the Company has been able to realize tax losses incurred in the previous periods and is projecting tax gains in the years to come, the recoverability of the deferred tax asset on tax losses is not considered as a part of significant judgment when drawing up the financial statements.

As of 31 March 2023 and 31 December 2022 there were no negative temporary differences on which no deferred tax assets were recognised.

4.5. FINANCIAL RISK MANAGEMENT PRINCIPLES

While running its operations, the Company is exposed to the following significant types of financial risk: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Company's Management Board is responsible for defining the rules for the management of such risks and for verifying them.

4.5.1. MARKET RISK – CURRENCY RISK

While performing its core operations, the Company does not enter into building contracts that are denominated in EUR.

4.5.2.MARKET RISK – INTEREST RATE RISK

2. BUILDING CONTRACTS

The interest rate risk occurs mainly in connection with debt financing, i.e. bank credits and loans (Note 3.2), and financial lease products (Note 3.4), used by the Company.

In addition, the Company invests idle cash partly into variable interest rate deposits and extends mainly variable interest rate loans.

Assets and liabilities bearing interest at variable interest rates expose the Company to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate exposes ERBUD to the risk of fair value volatility, however, owing to the fact that the Company does not measure these items at fair value, this impact is not reflected in the financial statements.

The Company monitors the exposure to interest rate risk and prepares interest rate forecasts.

Trade receivables and building contract assets

To protect against credit risk resulting from receivables under construction contracts (i.e. trade receivables, receivables under construction contracts - bid bonds and valuation of construction contracts), the Group has in place a policy of assessing and verifying credit risk related to all contracts, both in the pre-tendering phase and during contract execution. Before signing a contract, each counterparty is evaluated in terms of its ability to meet its financial obligations. In the event of a negative assessment of the counterparty's payment capability, entering into the contract depends on the establishment of adequate financial or asset collaterals. Moreover, contracts with investors contain clauses providing for the right to suspend the execution of works, if there is a delay in the transfer of payments for services rendered. If possible contractual clauses are also developed to condition payments to subcontractors on the receipt of funds from the investor.

The Company has no credit risk concentration in relation to trade receivables and receivables under building contracts - in relation to bid bonds and valuation of building contracts.

Changes in the write-down of receivables are presented in the Note 5.1.

4.5.3. LIQUIDITY RISK

In order to reduce the risk of liquidity loss, the Company maintains an appropriate amount of cash and transferable securities as well as enters into credit line agreements, which serve as additional liquidity security. To finance investment purchases, the Company uses own funds or long-term financial lease contracts, ensuring adequate sustainability of the financing structure for this type of assets.

The Company pursues 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 Company.

4.5.4. CLIMATE RISK

Erbud monitors the impact of climate risks on the Group's operations and, at present, does not identify any significant impact of climate factors on its operations. Erbud has consistently pursued its ESG strategy, adhering to the required environmental aspects, investing in the development of projects in the RES industry, as well as in timber construction.

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5. OTHER NOTES

5.1. TRADE RECEIVABLES AND OTHER RECEIVABLES

In the trade receivables as well as other receivables category ERBUD recognised mainly trade receivables from non-related entities (mainly due to issued invoices in relation to the construction contracts executed by the Company) and budget receivables, including corporate income tax receivables and tax on goods and services receivables.

Trade receivables, with maturity typically from 30 to 180 days, are recognized at their nominal value, i.e. according to the amounts originally invoiced. Trade receivables are held for collection and meet the SPPI test, therefore, as of the balance sheet date, these items are measured at amortized cost, including a contingent impairment loss calculated using the expected loss model.

Receivables from the State budget are recognised at the amount due to the Group in accordance with applicable laws and regulations.

IFRS 9 requires the estimation of expected loss for trade receivables, regardless of whether there was any indication of impairment or not. For trade receivables, the Group uses the simplified approach and measures impairment losses at the amount of credit losses expected over the life of the receivable from moment of initial recognition.

For trade receivables that have been assessed as not impaired based on the portfolio analysis performed, the estimation of impairment losses, if any, is based on the use of an write-off matrix where write-offs are calculated for trade receivables classified into different aging categories (past due periods) using a default rate. The default rate is determined based on historical data (calculated on the basis of the last 5 years) adjusted for the impact of future factors.

In the same manner the Group calculates the allowance for expected credit losses for deposit receivables and construction contract assets in an analogous manner; balances that are not past due are included in the "not past due" category in the write-off matrix, and the write-off is calculated taking into account the default rate for not past due receivables.

For trade receivables with indications of impairment (e.g. disputed receivables), specific additional write-offs were set up depending on the assessment of their recoverability.

If the value of money in time is material (applies to the bid bonds receivables) the value of receivables is determined through discounting projected future cash flows to the present value, using a gross discount rate reflecting current market-based appraisals of time value of money. If the discounting method has been applied, the increase of receivables caused by time elapse is posted as financial gains.

		31 Mar. 2023			31 Dec. 2022	
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables	408,967	25,352	383,615	422,806	25,352	397,454
Other budget receivables	23,278	-	23,278	28,041	-	28,041
Other receivables	6,294	1,210	5,084	7,384	1,210	6,174
Total	**438,539**	**26,562**	**411,977**	**458,231**	**26,562**	**431,669**

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Modifications of the write-off for trade receivables are presented in the table below.

	For the period of 3 months, ended on 31 Mar. 2023	For the period of 12 months, ended on 31 Dec. 2022
Opening balance of write-downs	**26,562**	**23,752**
Setting up/(reversal)of individual write-offs	-	900
Setting up /(reversal) of write-offs according to write-off matrix	-	1,910
Closing write-offs, of which:	**26,562**	**26,562**
Matrix-based calculated write-off	9,841	9,841
Individual write-off	16,721	16,721

For the remaining disputable receivables write-offs were set up based on estimated Discounted Cash Flows.

The Company is exposed to credit risk and foreign currency risk arising from trade receivables. However, there is no concentration of currency risk related to trade receivables since the Company has a large number of domestic customers. All receivables, except for those individually written off, are rated by the Company as having the highest internal credit rating grade. For all receivables except those written-off individually, the Company estimates a write off for expected credit losses in an amount equal to 12 months expected credit losses.

5.2. TRADE PAYABLES, OTHER LIABILITIES

Trade payables and other liabilities include primarily trade payables to non-related parties, advances received, payroll liabilities and tax liabilities.

Trade payables are initially carried at fair value (corresponding to the nominal value) and as of the balance sheet date they are priced at amortized cost.

Wage and salary payables are recognized at the value due for the work performed, calculated in accordance with the concluded contracts.

Tax liabilities (including tax on goods and services, corporate income tax, personal income tax) are recognized at the amount requiring payment by the Company in compliance with the effective and applicable legislation

	31 Mar. 2023	31 Dec. 2022
Trade payables	**136,816**	**243,010**
including to related entities	4,628	4,585
Liabilities vis-à-vis budget in relation to:	**21,716**	**19,510**
corporate income tax	16,647	14,412
personal income tax	1,378	1,901
Social insurance contribution	2,884	2,888
real estate tax	379	2
State Fund for the Rehabilitation of the Disabled	56	57
Employee Capital Plans (PPK)	123	20
holiday accrual (Belgium tax)	122	126
other	127	104
Other liabilities	**13,665**	**14,252**
wages and salaries	1,513	1,534
short-term employee benefit liabilities	10,210	10,210
other	1,942	2,508
Total	**172,197**	**276,772**

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5.3. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 March 2023 and for the period from 1 January to 31 March 2022.

	Change in balance of Cash Flow Statement in the period from January 2023 to March 2023	Change in balance of Cash Flow Statement in the period from January 2022 to March 2022
Change in provision balance	(382)	(8,090)
Change of receivables balance	19,346	(30,286)
Change in balances of short-term liabilities, excluding credits and loans	(71,513)	(26,519)
Change in settlement of assets and liabilities under building contracts	20,781	57,200
Change in balance of prepayments and accruals	(8,094)	(10,567)
Change of working capital balance	**(39,862)**	**(18,262)**

5.4. GROUP STRUCTURE

Interests and shares in subsidiaries and jointly controlled entities

Interests and shares in subsidiaries and jointly controlled entities are recognized at historical cost less possible impairment losses.

Non-financial fixed assets impairment

As of every balancing date, the Company verifies whether there are any circumstances indicating impairment of any item of the assets. When such circumstances have been identified or when an annual impairment test needs to be carried out, the Company's estimates the recoverable value of a given asset.

The recoverable amount of an asset corresponds to the fair value of that asset or cash-generating centre less selling costs or its value in use, whichever is higher. This value is determined for individual assets, unless a certain asset does not generate cash inflows on its own, which are mostly independent from those generated by other assets or asset categories. If the carrying amount of an asset in the balance sheet is higher than its recoverable amount, impairment occurs and a write-down it made up to the determined recoverable amount.

For the estimation of the value in use, the projected cash flows are discounted to their present value using a discount rate before taxation that reflects current market estimation of the time value of money and the risk typical for a given asset. Impairment losses on non-financial assets used in operations are recognised in the line "Other Expenses".

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Group Structure

As of 31 March 2023, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

#	Name of entity	Registered office	Scope of activities	% share in share capital 31 Mar. 2023	balance sheet value of interests/share 31 Dec. 2022	% share in share capital 31 Dec. 2022	balance sheet value of interests/share 31 Dec. 2022
	Shares held directly						
1	ONDE S.A.	Toruń	Road engineering and renewable energy sources	60.10%	39,871	60.10%	39,871
2	Erbud International Sp. z o.o.	Rzeszów	Construction services	100.00%	431	100.00%	431
3	Erbud Construction Sp. z o.o.	Toruń	Construction services	100.00%	-	100.00%	-
4	Erbud Industry Sp. z o.o.	Toruń	Engineering services	100.00%	15,627	100.00%	15,627
5	MOD21 GmbH	Düsseldorf, Germany	Construction services	100.00%	25,038	100.00%	20,356
6	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	100.00%	12,000	100.00%	12,000
7	Erbud Holding Deutschland GmbH	Düsseldorf, Germany	Management services	100.00%	21,162	100.00%	21,162
8	Hebud Sp. z o.o. in liquidation	Minsk, Belorussia	Construction services	100.00%	-	100.00%	-
9	Toruńska Sportowa in liquidation Sp. z o.o.	Toruń	Sports, entertainment and leisure services	39.00%	-	39.00%	-
10	JV WMER Matoc Poland Sp.z o.o	Warsaw	Construction services	50.00%	3	50.00%	3
11	JV PABC Sp. z o.o.	Warsaw	Construction services	100.00%	5	100.00%	5
12	MOD21 Sp. z o.o.	Ostaszewo	Modular timber construction	100.00%	5	100.00%	5
13	Sanssouci Karpacz Sp. z o.o.	Warsaw	Construction services	43.00%	2	43.00%	2
	TOTAL				114,144		109,462

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In the subsidiary ONDE SA, which runs its activities in Poland in the segment of road and engineering construction and RES construction, the minority (non-controlling) capital was held, accounting for 39.3% of shares.

Shares of Parent Company held indirectly (corresponding to the voting rights held)

#	Name of entity	Registered office	Scope of activities	31 Mar. 2023	31 Dec. 2022
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	**99.01%**	99.01%
2	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	**99.29%**	99.29%
3	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	**0.00%**	43.35%
4	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	**0.00%**	43.35%
5	IVT Beteiligungs GmbH	Düsseldorf, Germany	SPV	**100.00%**	100.00%
6	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
7	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	**100.00%**	100.00%
8	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	**43.35%**	43.35%
9	WTL20 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
10	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
11	WTL80 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
12	WTL100 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
13	WTL120 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
14	WTL130 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
15	WTL140 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
16	WTL150 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
17	WTL160 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
18	WTL170 Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
19	IDE Projekt Sp. z o.o.	Toruń	Design services in the RES segment	**100.00%**	100.00%
20	Satchwell Polska Toruń Sp. z o.o.	Toruń	Maintenance services in the industrial segment	**100.00%**	100.00%
21	Solar Serby Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	50.00%
22	Cyranka Sp. z o.o.	Warsaw	Renewable energy sources	**100.00%**	100.00%
23	DEPVPL 22 sp. z o.o. Power Plant	Toruń	Renewable energy sources	**100.00%**	100.00%
24	KWE Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	50.00%
25	IKR GmbH	Bitterfeld - Wolfen	Maintenance services in the industrial segment	**100.00%**	100.00%
26	WTL270 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
27	WTL210 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
28	WTL50 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
29	Park Słoneczny Ciechanów Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
30	Park Lewałd Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%

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31	FW Gumienice Sp. z o.o. (*Wind Farm*)	Toruń	Renewable energy sources	**100.00%**	100.00%
32	Farma Wiatrowa Szybowice Sp. z o.o. (*Wind Farm*)	Warsaw	Renewable energy sources	**50.00%**	50.00%
33	DEVOZE Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
34	Solar Kazimierz Biskupi Sp. z o.o.	Warsaw	Renewable energy sources	**50.00%**	50.00%
35	PV KADŁUBIA 2 Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
36	PV SZCZEPANÓW Sp. z o.o.	Toruń	Renewable energy sources	**100.00%**	100.00%
37	ONDE Beteiligungs GmbH	Düsseldorf, Germany	Development of contracting activities in the RES business segment	**100.00%**	100.00%

As of 31 March 2023, there were no grounds for impairment recognition of shares in subsidiaries and associated companies.

5.5. POST-ACCOUNTING PERIOD EVENTS

On 3 April 2023, there was a merger was held through the acquisition of Erbud Industry Sp. z o.o. by ERBUD S.A. by means of transferring all assets of the Acquiree to the Acquirer by universal succession, without an increase of the Acquirer's share capital.

Signatures of all Management Board members:

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

Warsaw, 9 May 2023