

# **Directors' Report on ERBUD Capital Group Operations in H1 2022**

Dated: 2 September 2022



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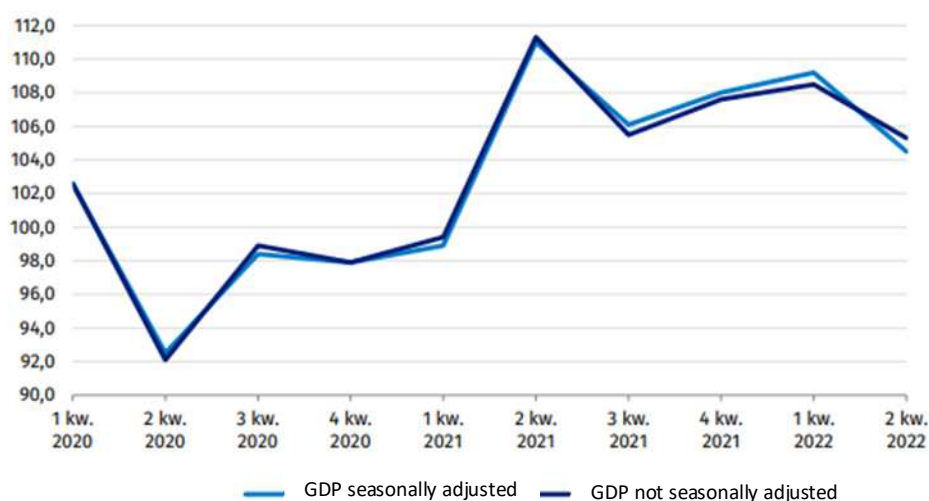
# 1. MACROECONOMIC ENVIRONMENT

## 1.1. Economic situation

### 1.1.1. Poland

According to a preliminary estimate by the Polish Central Statistical Office (CSO), Gross Domestic Product (GDP) in Q2 2022 was up by 5.3% year-on-year in real terms, compared to an increase of 11.3% in the same period of 2021. On a quarterly basis, however, GDP fell by as much as 2.3%. In comparison, Poland's economy grew by 8.5% year-on-year and by 2.5% quarter-on-quarter in Q1 2022, according to the Polish Central Statistical Office. According to the Polish Economic Institute's commentary, the weakening of the economy is linked to lower growth rate of consumer spending. Economic performance continued to be boosted by the accumulation of inventories by businesses. Economists point out that the industrial sector is performing relatively well. On the other hand, construction is slowing down and commerce is facing stagnation. Preliminary figures published by the Polish Central Statistical Office (CSO) point to a deceleration of the economy after a period of 'post-pandemic' growth.

**Fig. 1 Gross Domestic Product growth rate in real terms (the same period of previous year = 100)**



Source: Polish Central Statistical Office (GUS, Polish Statistics), quarterly national accounts.

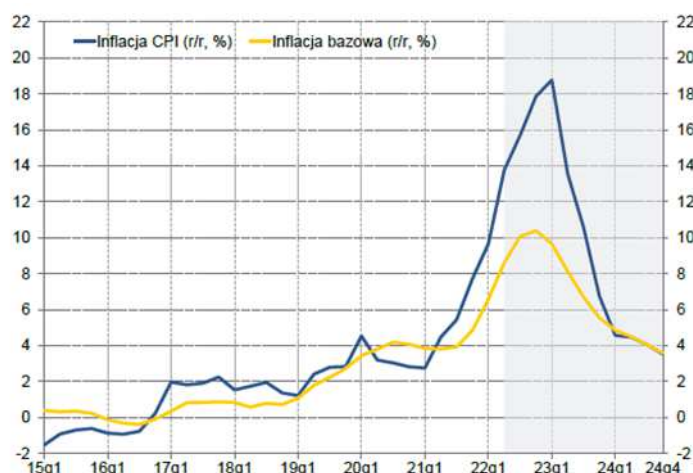
In July, the European Commission revised its GDP forecast for Poland, increasing the projected growth of Polish GDP in 2022 from 3.7% to 5.2%. At the same time, the EC lowered its forecast for Poland's GDP growth in 2023 from 3% to 1.5%. With regard to inflation, estimates are 12.2% in 2022 and 9% in 2023. Meanwhile, CSO data as at the end of June and July indicate that inflation remains at 15.6%. The data shows that the largest increases were found in the following areas: transport (27.7%), housing or home use and energy carriers (25.3%), restaurants and hotels (16.4%), food and non-alcoholic beverages (15.3%), and leisure and culture (11.3%). There was also a decline in wage levels in real terms in mid-2022. The gap between price increases and wage increases in the longer term could mean a slowdown in consumer demand, which, with low levels of investment, has to date not fuelled GDP growth.

At the end of June, the Polish zloty saw its depreciation against the Euro by 2% and against the dollar by more than 10% by the end of 2021. Russia's assault on Ukraine and the on-going war across the eastern border are creating uncertainty on the part of investors. It is also important to bear in mind the interest rate rises in the USA or in the euro zone generating demand for the dollar and the European

currency. Internal factors such as the government's expansive fiscal policy and high inflation have a negative impact on the Polish currency exchange rate.

*Source: National Bank of Poland, Archives of average exchange rates – Table A*

According to the July 2022 Inflation Report of the National Bank of Poland price-forming processes are still under the influence of a strong negative supply shock reinforced by the effects of Russia's military aggression against Ukraine. It manifests itself through high prices of energy and agricultural commodities on global markets, higher prices of CO2 emission allowances and prolonged tensions in global supply networks. The currently observed high level of inflation is also influenced - though to a smaller extent - by demand-side drivers. The National Bank of Poland points out that the strong increase in the price of energy commodities in global markets as a result of the war in Ukraine is being translated this year into both domestic fuel prices for private means of transport and higher gas and electricity bills for households. Swelling rates of the power and co-generation charges effective from January 2022 as well as the higher price level of CO2 emission allowances are having the same impact. In contrast, the increase in regulated energy prices (i.e. natural gas, electricity and heat tariffs) is in the current year partly mitigated by the impact of the Anti-Inflation Shield.

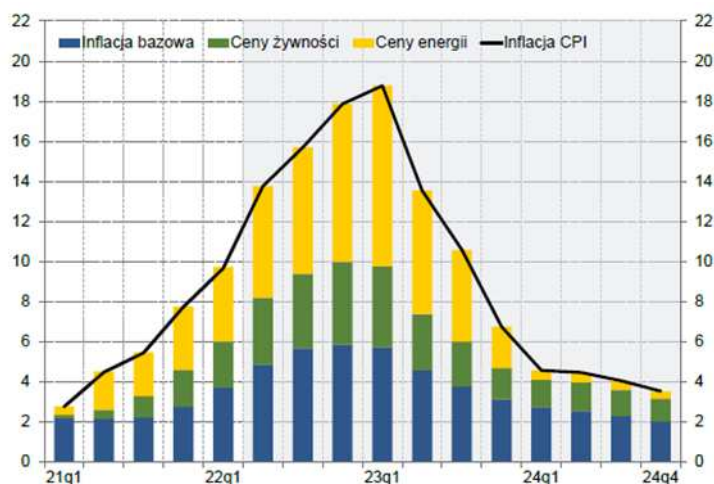


*Key: CPI inflation (y/y, %), Core inflation (y/y, %)*

*Source: National Bank of Poland, Inflation Report, Core and CPI inflation rates including forecast*

The central bank has noticed the record-high price hikes of agricultural commodities on global markets and the mounting cost pressures following the outbreak of war are also driving up food and non-alcoholic beverage price inflation rates in the domestic market. The growth rates of processed food prices are rising rapidly in the wake of rising energy and labour costs in food processing and fodder cereals. High feedstock prices, especially for fertilisers and energy, also favour the dynamic growth of non-processed food prices. The impact of the above drivers on food price inflation, as in the case of energy prices, is temporarily mitigated by the reduction of the VAT rate on food products under the Anti-inflation Shield.

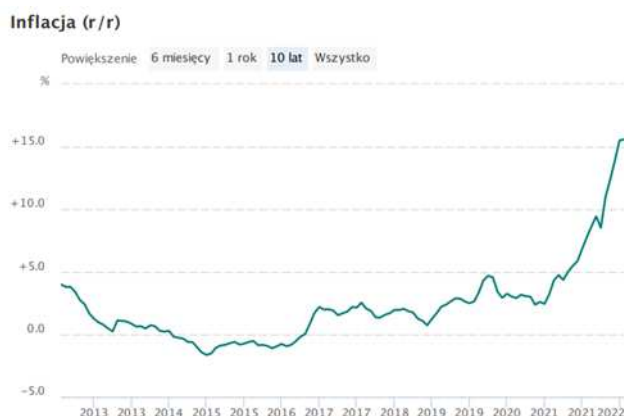




Key: Core inflation Food prices Energy prices CPI inflation

Source: National Bank of Poland, Inflation Report, CPI Inflation – decomposition

The interest rates of the National Bank of Poland have been rising since October 2021. In July, the Monetary Policy Council raised the reference rate to 6.5%. According to the economists at Bank Gospodarstwa Krajowego (BGK), the target rate level will be 6.75%, which would mean one more hike in 2022. The end of the cycle of increases is expected to be derived primarily from the weakening of the economic position of Poland along with the most important export markets, including Germany. This will correspond to a slowdown in lending (very pronounced in real terms) recorded primarily in the mortgage and consumer credit segments. As a consequence, the Monetary Policy Council sensitivity to supply-side inflation, which remains above the target, will decrease.



Key: Inflation (y/y)

Inflation growth: 6 months 1 year 10 years Total

#### Podstawowe stopy procentowe NBP na koniec miesiąca



Key: Fundamental interest rates of the National Bank of Poland at the end of month

Growth rate: 6 months 1 year 10 year Total

Reference rate Lombard rate Deposit rate

Source: National Bank of Poland, CPI inflation and NBP interest rates

### 1.1.2. European Union

Contrary to economists' expectations, Q2 did not cause a slowdown of the European economy. According to preliminary Eurostat data, quarterly GDP growth rate in the Euro zone exceeded the market consensus. Across the European Union, gross domestic product grew by 0.6% q/q, the same rate as in the first three months of 2022. On an annual basis, both the euro area and the EU recorded GDP growth of 4.0% y/y.

In the countries where the ERBUD Capital Group operates, the GDP growth rate in Q2 2022 (y/y) was as follows:

- Germany 1.52%
- Belgium 3.3%,
- France 4.2%,

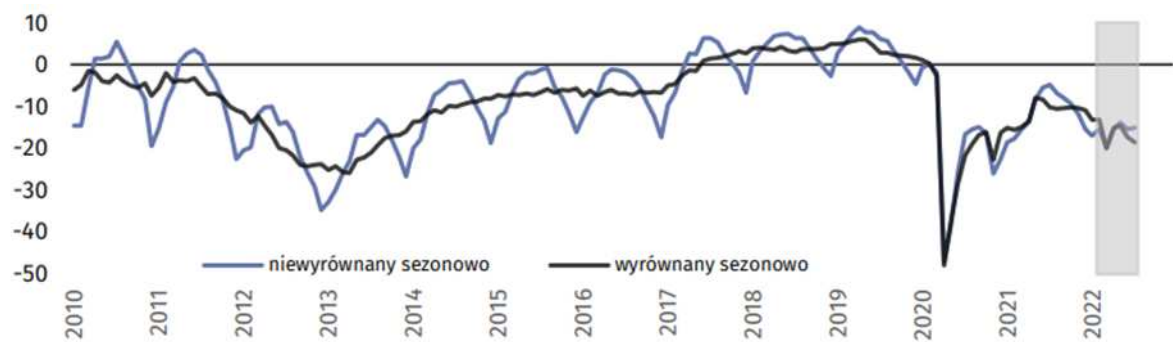
According to a recent publication by the European Commission, the GDP growth forecasts for the whole of 2022 and 2023 are as follows: European Union 2.7% and 1.5% respectively (Eurozone 2.6% and 1.4%), for Germany growth rates of 1.4% and 1.3% respectively, for Belgium 2.5% and 1.3% and for France 2.4% and 1.4%.

### 1.2. Condition of the construction sector in Poland

The index of the general business climate in H1 2022 in most of the presented areas of the economy was at a level close to or lower than that recorded at 2021 year-end. In all areas, the indicator remains below the long-term average. According to the Polish Central Statistical Office data dating back to July 2022, the index of the general business climate in the construction industry was negative 15.2 (compared to (15.5) in June). An improvement in the business climate is signalled by only 8.3% of enterprises and a deterioration in the business climate by 23.6% (a month earlier, 8.4% and 23.8% respectively). The remaining companies consider that their situation has not changed.

Unfavourable assessments of the current order portfolio of construction and assembly production in the domestic market, as well as diagnoses and forecasts of the financial situation, persist. According to information provided by the Polish Central Statistical Office, forecasts for the order portfolio and for

construction and assembly production in the domestic market are more pessimistic than in June. Companies signal growing payment backlog for completed construction and assembly projects, in a fashion similar to June. A further price hikes of construction and assembly works is expected.

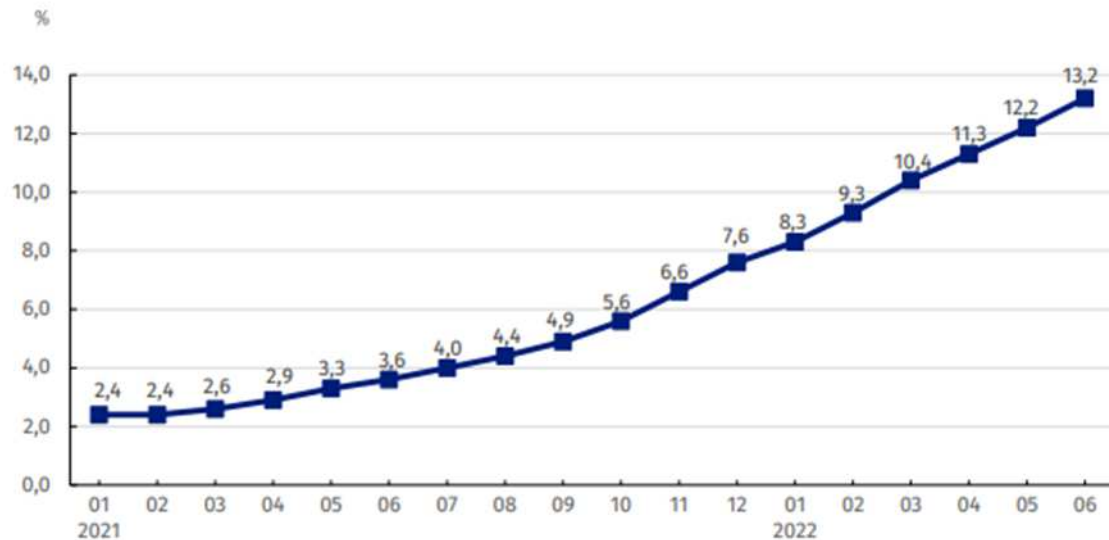


Key:                      *not seasonally adjusted*                      *seasonally adjusted*

Source: Polish Central Statistical Office, *Economic situation in manufacturing, construction, trade and services - July 2022*.



According to preliminary data provided by the Polish Central Statistical Office, in June 2022, the prices of construction and erection production were up by 13.2% compared to the same month of the previous year, and compared to May 2022, - by 1.4%. In June 2022, compared to May 2022, price hikes reached 1.7% for building construction, 1.4% for civil engineering construction and 1.1% for specialised construction work. Compared to June 2021, the prices of building construction were raised by 14.4%, civil engineering construction by 13.2%, as well as specialised construction works by 11.6%.



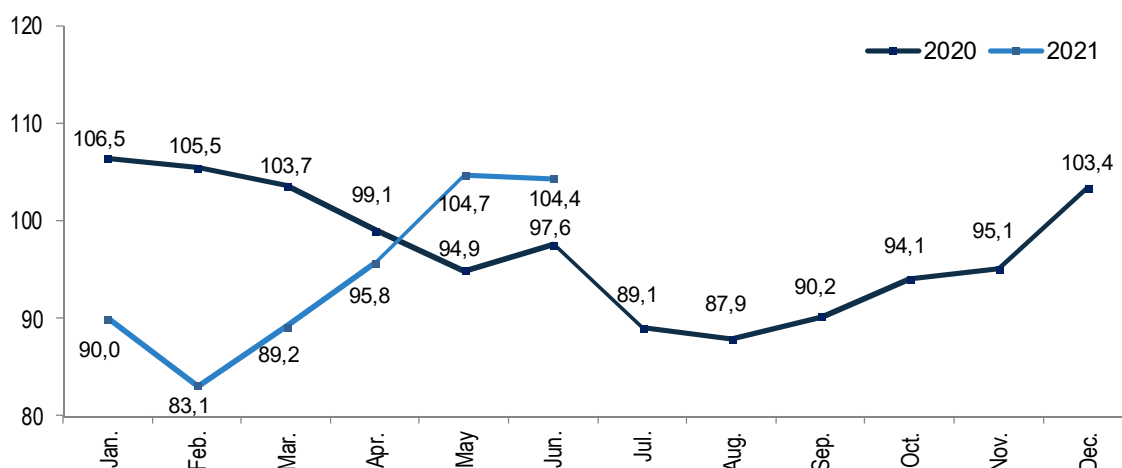
*Source: Polish Central Statistical Office (CSO), Construction and erection production price indices - changes in construction and erection production prices in 2021-2022 compared to the same period of the previous year*

The uncertainty fuelled by the geopolitical situation in Europe and the difficulty in predicting the future is currently a very strong factor affecting the construction business and capability to execute investment projects. In addition to price hikes, companies have to cope with the backlogs in delivery of certain construction materials and raw materials. Construction and erection production figures for Q2 2022 show a quarter-to-quarter decline of 4.5%, which is also somewhat of a rebound after a good performance in Q1 of this year. In current prices, construction output was up by 35% y/y in Q1 and by only 18% y/y in the April-June period. It should be noted that construction output prices accelerated by around 3 percentage points during this period. The deceleration in construction and assembly production can be attributed to three categories: residential buildings, industrial infrastructure and industrial buildings and structures. On the other hand, an acceleration has been recorded in road construction and commercial construction (the category includes shopping malls, market halls, markets, petrol stations and stand-alone stores - the output doubled). In public investment, the picture is mixed, with the downside including railways, and the upside including the aforementioned road construction..

According to preliminary data provided by the Central Statistical Office (CSO), construction and assembly production (at constant prices) carried out by construction companies in Poland in June this year up by 5.9% compared to the same period of the previous year (up by 4.5% a year ago) and up by 5.3% compared to May 2022 (up by 12.3% a year ago). According to information provided by the Central Statistical Office, in H1 of this year, sales of construction and erection works was up on an annual basis in all branches of the 'construction' business. In entities carrying out works in the building construction segment - by 24.6%, those specialising in the erection of civil engineering structures - by 5.9% and those carrying out specialised construction works - also by 5.9%.

The construction and erection output including investment works in June this year was down by 2.5% compared to that in the previous year (up by 4.5% in 2021), while in the renovation segment it was up by 20.1% (up by 4.5% in 2021). In H1 2022 the investment works were up by 6.5% in value terms (in 2021, it was down of 6.9%) and the refurbishment works were up by 20.6% in value terms (in 2021, it was up by 4.4%) compared to the same period of the previous year.

#### Growth rates of construction and erection activities (y/y, in %)

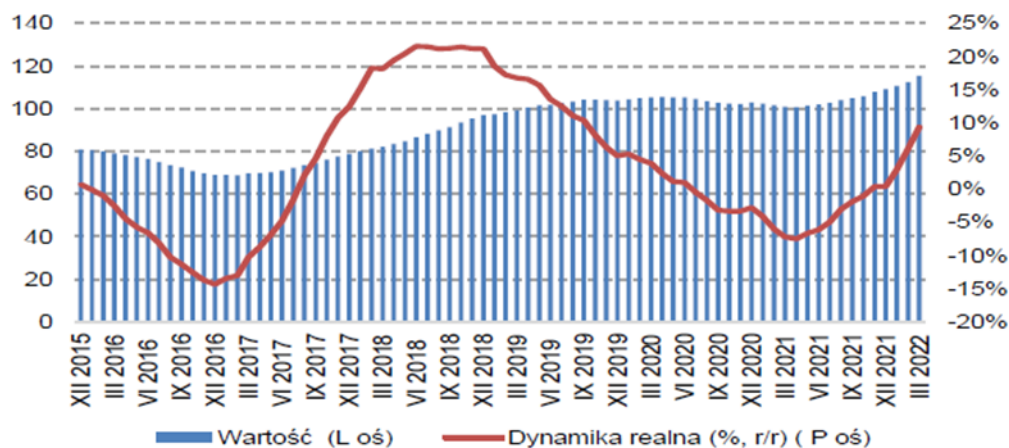


Source: Polish Central Statistical Office (Polish Statistics), monthly information on growth rates of construction and erection activities

The growth rate of construction and erection production in June this year. (in constant prices), compared to the monthly average value of 2015, was 134.1. Taking off the impact of seasonality, construction and erection production was up by 6.7% compared to the corresponding month of 2021 and down by 3.5% compared to May 2022.

According to the National Bank of Poland's analysis of the development on the real estate market in Poland in Q1 2022, the number of contracts sold for the housing unit construction in the largest primary markets in Q1 2022 was the lowest in the last six quarters. There was also a decline in demand for housing loans caused by the increase in interest rates and the tightening of banks' lending policies. At the same time, 54,700 housing units were completed in Poland in Q1 of this year, which was a record result for this period since 2005. However, this was the effect of developers' activity in the previous years. A significant increase in the costs of housing unit construction were recorded i.e. materials, labour, equipment rental and lands for building construction. In Q1 of this year, further housing unit price hikes were recorded in most of the analysed cities, and price growth rate was also rising. In the primary market, offer prices (RPO) and transaction prices (RPT) were up, especially in Gdynia, Warsaw and Wrocław. An increase in the level of average, transactional rental rates for housing units in Polish metropolia should also be noted. Quarterly sales of residential construction contracts in the six largest primary markets in Poland) were down by approximately 21.7% compared to the previous quarter and hovered around 10,400 units at the end of March 2022.

According to the Central Bank's report, building contractors, such as property developers, entered 2022 with a very good economic standing. The change in the situation in the country and the economic environment did not spill over into an visible deterioration in the economic standing of companies delivering services in the building construction segment in Q1 2022. Predicted changes of drivers of the construction business climate do not indicate a plunge, but they are no longer so optimistic - the general business climate index has lost its growth potential at the end of Q1 2022, and entrepreneurs are increasingly anticipating hikes of their own prices.



Key: Value (vertically) Growth rate in real terms (% , y/y) (horizontally)

Source: The National Bank of Poland, Construction and erection production – building construction (Polish Classification of Activities 41), 12-month moving total

### 1.3. Regulatory changes

#### 1.3.1. Regulations with a significant impact on the operations of building contractors

Since January 2022 the Polish Deal legislative package has been in force in Poland. The legal acts concerning the construction sector envisages an option of building houses up to 70 m<sup>2</sup> without permits, the introduction of housing subsidies, the reform of spatial planning and labour market institutions. The Polish Deal also assumes the digitalisation of the construction process and, as part of Poland's New Industrial Policy, infrastructure projects to drive construction, as well as investments in wind farm and photovoltaic power plants. The government plans call for the continuation of major capex in the energy, road, rail and hydro-engineering segments. They envisage the expansion of metropolitan railways, the construction and modernisation of district heating plants, the implementation of large water supply and waste water treatment facilities in the regions and the erection of prefabricated public buildings.

On 17 November 2021, the Lower Chamber of Polish Parliament (Sejm) adopted an amendment to the Act on Foreigners and Certain Other Acts, which amends, inter alia, the Act on Employment Promotion and Labour Market Institutions. The major amendments to the Act on Employment Promotion and Labour Market Institutions are concerned with:

- changes in the employment of foreigners on the basis of a statement on entrusting work to a foreigner,
- work on the basis of a declaration on foreigner job assignment could be performed for a period of up to 24 months,

It will concern, at present, the citizens of 6 countries (Armenia, Belarus, Georgia, Moldova, Russia, Ukraine).

- the 12-month "settlement" period will no longer apply, which will allow to hire a foreigner continuously on the basis of successive declarations,
- the changes introduced will reduce the burden on employers and offices, as well as contribute to a reduction of the current widespread staff shortages,
- the employers' lives were made also easier thanks to implementation of an extension (up to 7 days) of the period for informing the district labour office about the start of work by a foreigner.

However, due to the armed conflict in the territory of Ukraine, which has been on-going since 24 February 2022 Poland has developed new regulations concerning the legalisation of the stay and work of the Ukrainians in our country.

The Special Act on the Assistance to Ukrainian Citizens and, more precisely, the Act on Assistance to the Ukrainian Citizens in Connection with the Armed Conflict in the Territory of Ukraine facilitates the legalisation of the stay of Ukrainians in Poland, which enables refugees to take up employment in

Poland more quickly. Thus, the employment of a Ukrainian citizen in 2022 is possible based on simplified rules.

Legislative efforts are underway in the Polish Parliament on an act to amend the Law on Investment in Wind Power Plants. One of the major changes under consideration would be to make the so-called 10H rule more flexible. The current law of 20 May 2016 on wind power investment projects introduced one of the most restrictive distance rules in Europe - the 10H rule, i.e. ten times the height of a wind power plant as the minimum distance of a new project from existing residential buildings and forms of nature conservation. The effect of this rule was to restrict the siting of new wind power plants and the initiation of new wind farm projects, as well as to block residential development in the vicinity of existing power plants.

### **1.3.2.Regulations with a material impact on the activities of accounting and financial business units**

In mid-November 2021, the President of the Republic of Poland signed the Act of 29 October 2021 amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts. Thus, on the onset of January 2022, the so-called "Polish Deal" legislative package came into force, which contains a set of important changes to the tax system. They are concerned with a wide range of issues, both the rules for settling wages and salaries and health insurance contributions, businessmen taxation, investment tax reliefs and incentives, as well as withholding tax or transfer pricing.

The most important changes under the Polish Deal include:

- the non-deductibility of health insurance contributions from personal income tax, which will directly affect the net wages and salaries of those hired,
- the new tax scale and the amount of tax-free amount,
- introduction of new solutions such as "minimum tax," "hidden dividend," "tax on flipped income" or "Polish holding companies."
- an option of including the cost of debt financing as a deductible expense, changes to the WHT (withholding tax) and regulations on costs related to the acquisition of intangible services,
- simplification of the so-called "Estonian CIT" system.
- changes to the Tax Capital Group or the introduction of an option of forming VAT Groups

On 15 June 2022, the Act amending the Act on Personal Income Tax and Certain Other Laws, the so-called "Polish Deal 2.0," was published. The vast majority of the changes took effect on 1 July 2022.

The major changes under the Act are as follows:

- reduction of the PIT rate under the first tax threshold (i.e., income up to PLN 120,000) from 17% to 12% for taxpayers taxed according to the general rules (tax scale), i.e., those employed under an employment contract, contract of mandate and entrepreneurs settling their accounts in this way,
- cancellation of the middle class tax relief,
- changes in the calculation of the health insurance contribution,
- an option of changing the form of taxation to a tax scale during the year for those who have chosen a flat rate or flat tax,
- unification of the deadline for PIT settlements,
- relief for single parents.

## **1.4. Factors that will affect the Group's operations in the quarters to come**

### **1.4.1.Economic growth rate**

The future economic situation and the inflation rate in Poland are driven mostly by the scale of disruption to the global economy caused by the Russia's military aggression against Ukraine and the COVID-19 pandemic. Uncertainty about the impact of the pandemic on global economic activity is estimated to have declined, although it still remains high.

However, the geopolitical risks have gone up to a large extent. As a direct result of the Russian assault on Ukraine, the price quotations of energy and agricultural commodities in global markets, whose prices were already rising dynamically, are noticeably higher.

According to the National Bank of Poland report, the functioning of many economies around the world, including the Polish economy, is negatively affected by the Russia's restriction of gas supplies to Europe, a significant increase in uncertainty affecting the decisions of economic entities on resource allocation, as well as trade disruptions with Ukraine, Russia and Belarus as a result of Russian aggression. The National Bank of Poland predicts that after a period of strong recovery in economic activity in 2021, GDP growth will slow down. In the coming quarters, domestic economic activity will continue to be hit by a strong negative supply shock, which at the same time contributes to a distinct price hikes. Increasingly, domestic economic activity will be adversely hit by the expected slowdown in GDP growth in the major developed economies and a significant decline in the inflow of European funds after the end of spending under the 2014-2020 EU perspective.

According to estimates presented by the National Bank of Poland GDP growth rate in 2022 in Poland will hover around 4.7% (2.9% in the Eurozone) and 1.4% (1.1% in the Eurozone) in 2023.

#### **1.4.2. European Union funds**

In December 2020, the European Council adopted a regulation laying down the EU's multi-annual financial framework with the value exceeding €1 trillion in 2021-2027, which, when combined with the €750 billion in Reconstruction Fund to mitigate the economic impact of the pandemic, brings the total budget to an unprecedented level of €1.8 trillion. From the total budget, Poland will receive around EUR 125 billion in direct subsidies, plus EUR 160 billion in loans. The Reconstruction Fund provides for two allocation methods (non-reimbursable grants and low-interest loans) and consists of the Recovery and Resilience Facility, the Just Transition Fund and other smaller funds and programmes.

As of the end of July 2022, Poland's National Reconstruction Plan (NRP), amounting to €24 billion in grants and €12 billion in low-cost loans, has constantly been blocked by the European Commission, which requires Poland to implement Court of Justice of the European Union (CJEU) rulings. It should be noted that the EU regulation stipulates that 70 per cent of the NRP sum must be contracted by the end of 2022, and the entire amount by the end of 2023. Expenses can be incurred until the end of 2026.

#### **1.4.3. Construction sector growth prospects**

One of the major challenges the construction sector will have to face in 2022-2023 will be the acquisition of contracts for order portfolio and the visible weakening of demand for construction services. The scale of the recovery in the construction sector may largely depend on the smooth implementation of the investment package co-financed by the new EU funds (this applies to both funds under the new 2021-2027 EU perspective and the National Reconstruction Fund, which is lagging behind the schedule). If funds under both schemes are used effectively, the construction market in Poland should return to an upward trend in 2022-2023. It is expected that in the next two to three years, public investment will be an important element in stabilizing the boom in the engineering sector. In contrast, the local government segment is at risk of a slowdown of infrastructure investment rate..

Key short-term challenges for the construction sector include material and labour price hikes and the availability of construction workers. Fuel and energy prices are also rising. General price hikes in the economy are exerting pressure on actual margins, forcing businessmen to make attempts to pass on costs to customers, which is particularly difficult in the case of public contracts, for which the indexation mechanism is limited and inadequate to current inflation rate measurements. The above factors will have significantly impact on running construction activities in the months to come.

The construction material price hikes have slowed down but there is little hope for a reduction due to very high energy prices.

In June, the price index for construction and erection production reached +13.5% year-on-year, and in the May-July period, more than 75% of construction companies surveyed cited material prices as the first barrier to doing business.

Quite significant impact on the industry condition have rising wage costs. Rising inflation rate since 2021 has caused industry wages to rise by 12-16% in H1 2022.

According to a July communiqué of the National Bank of Poland, a factor holding back construction investments are swelling costs, which make it difficult to estimate project viability and they undermine project profitability for both contractors and investors. Some contractors are withdrawing from contracts, and investors are abandoning investment projects that exceed budgets or limit their scale to essential investment items.

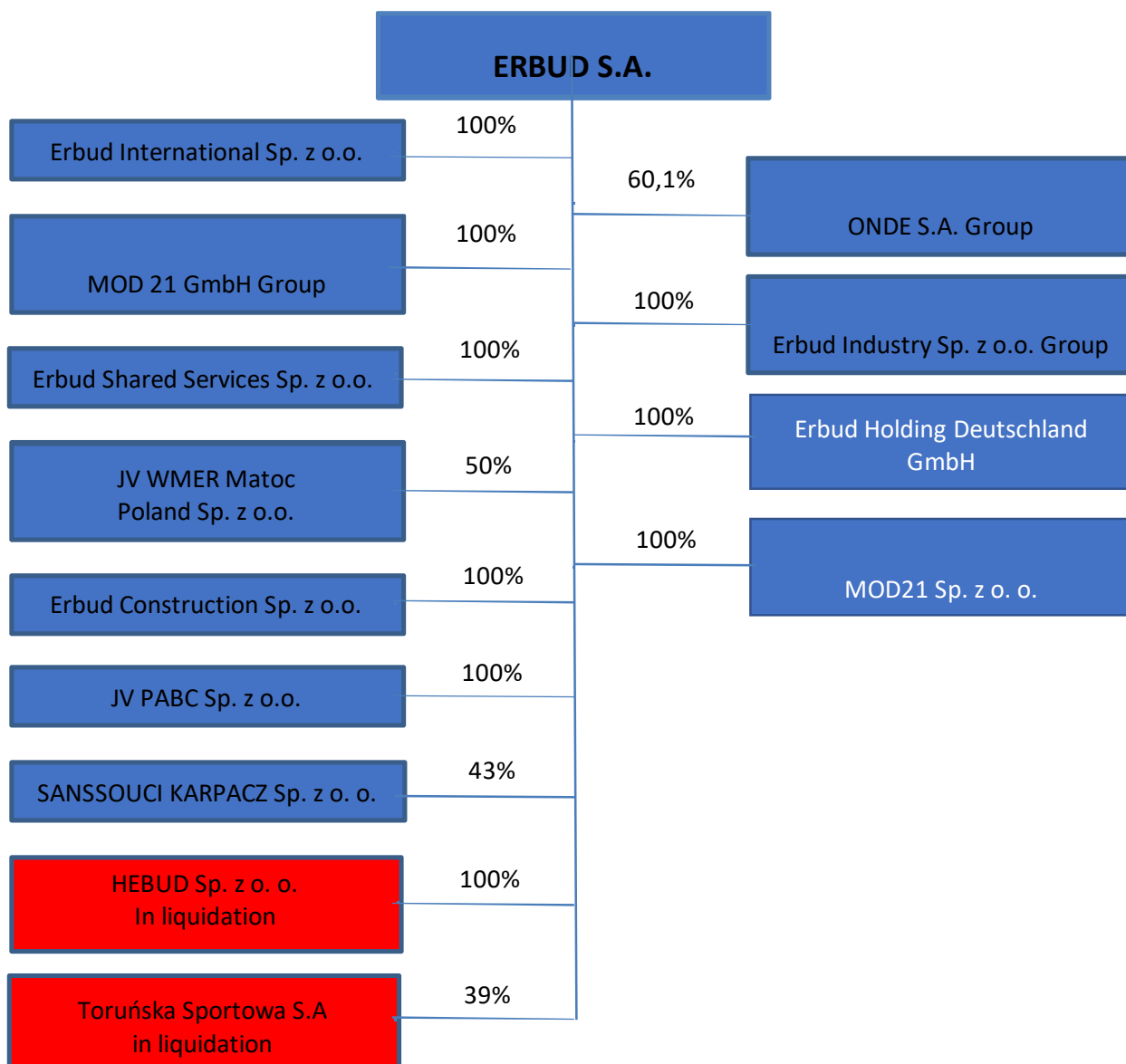
It seems to be vital for the construction sector players to develop accurate cost estimates and upkeep partnerships with investors, especially in an environment of rapidly evolving prices that cause margin squeeze. High contractor costs and high interest rates have made many investors revise their investment plans. It can be estimated that large public investments in energy or transportation infrastructure sectors will be less affected by this issue. In 2022, a number of road projects commissioned by the General Directorate for National Roads and Motorways entered the implementation phase.

## **2. ERBUD GROUP ACTIVITIES IN H1 2022**

### **2.1 Capital Group structure**

As of the date of publication of the Financial Statements draw up as of 30 June 2022, i.e. as of 5 September 2022, the organisational structure of ERBUD GROUP was as follows:





Due to marginal importance ERBUD Construction Sp. z o.o. and an affiliated entity called Torun Sports S.A. in liquidation were excluded from the consolidated financial statements.

On **4 January 2022** the Düsseldorf Court registered the change of the company name of GWI Bauunternehmung GmbH to MOD 21 GmbH. The name change is a consequence of the strategy adopted by the ERBUD Group for the production and sale of modular buildings. On 19 February 2021, the Company's Supervisory Board adopted a resolution on adopting an amendment to the strategy of the Company and the ERBUD S.A. Group. ("Strategy") in terms of expanding the Group's activities into a new business segment - fabrication and sale of modular buildings.

The modular buildings will be fabricated in Poland. The plant was located in the Pomeranian Special Economic Zone in the municipality of Lysomice. The first elements of the manufacturing line arrived on site in June. Commissioning of the manufacturing line and fabrication of the first trial modules is expected to take place in late October/early November. Sales and assembly of the modular buildings mainly in the European markets will be carried out through the Company's subsidiary MOD21 GmbH, based in Düsseldorf (the former GWI GmbH). Total expenditures in connection with the launch of the

new business segment will amount to approximately PLN 100-120 million over the next 3 years, with 90% incurred in 2022. The investment is financed in a hybrid manner - partly using own funds, partly through a loan (purchase of the production room and its expansion) and lease arrangements (manufacturing line and accessories).

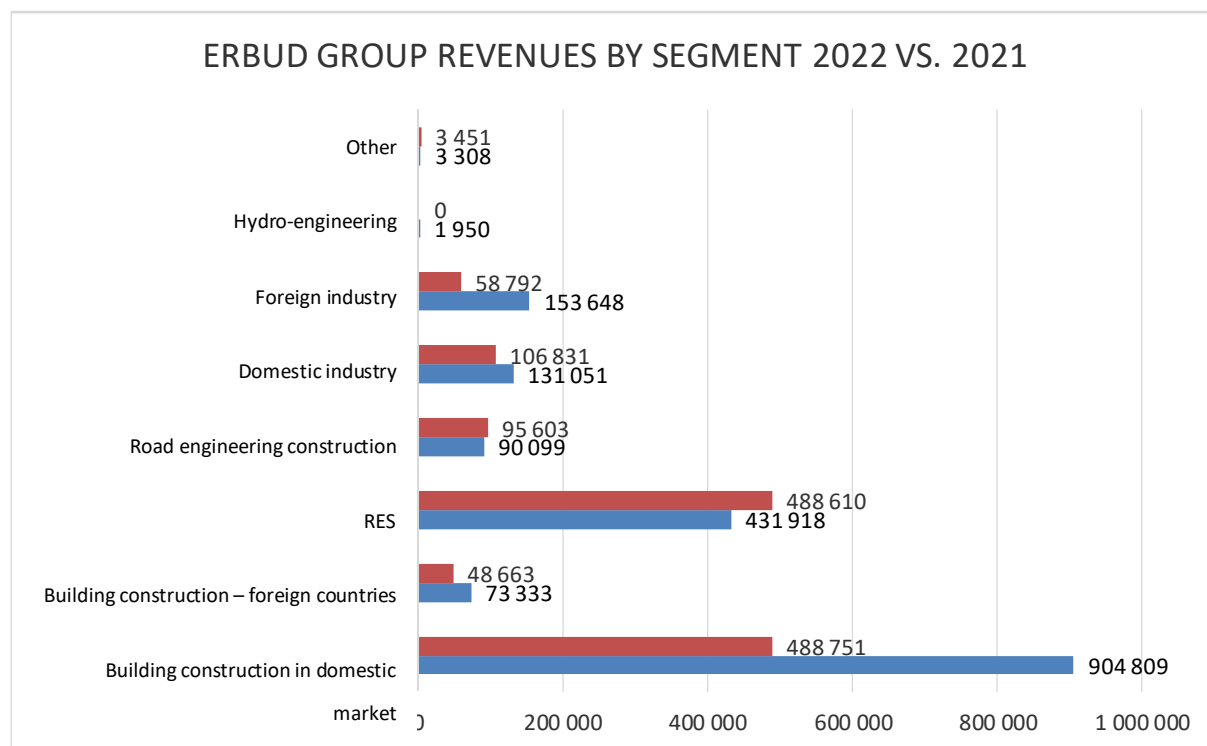
The sale of the first modular construction projects will take place at the turn of Q1 2023.

Since the date of publication of the Condensed Consolidated Financial Statements for Q1 2022, i.e. 10 May 2022, there have been no changes in the ERBUD Group organisational structure.

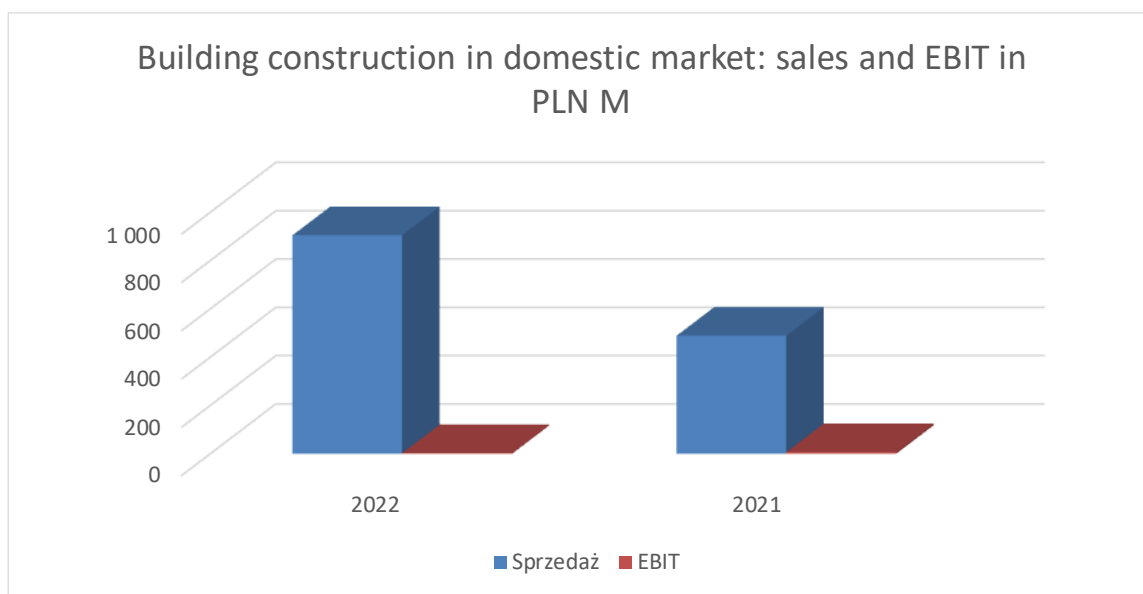
## 2.2 Breakdown of activities

Despite the fact that the ERBUD Group belongs to Top5 construction groups in Poland its business activities are highly diversified. The Group delivers a wide range of construction and erection services, performed both in the capacity of a general contractor as well as sub-contractor, construction of RES systems including both wind power stations and photovoltaic systems; road-engineering services, maintenance services for a wide range of industries, construction of denitrification and desulphurization plants, construction of modern, environmentally friendly boiler plants. The Group is currently developing a new business segment, as described above - the fabrication and sale of timber modular buildings. The Group operates in the following segments: domestic building construction, foreign building construction, construction of Renewable Energy Sources (RES); road and engineering construction, maintenance services to domestic industry, maintenance services to foreign industry, hydro-engineering construction (a segment has been under development since the onset of 2021) and the fabrication and sale of timber modular buildings (a segment in the start-up phase that will not generate revenues in 2022). The major part of the Group's revenues is generated by domestic building construction activities and RES-related construction activities. In H1 2022, revenues from these segments were as follows: 50.37% and 24.21% in total sales revenue against 37.87% and 37.86 in the same period last year.

The Group carries out orders at home and abroad (mainly in Germany and Belgium). In the first half of this year, operations in Poland accounted for 87,27% of the total revenues. In the comparative period, this share accounted for 91,67% of the Group's sales revenues.



## 2.3 Residential/commercial buildings in Poland



Key: Sprzedaż = Sales

Building construction projects in Poland are mainly carried out by ERBUD S.A. and Erbud International Sp. z o.o. as well as the JV WMER Matoc Poland Sp. z o.o.

ERBUD S.A. operates through six branches located in the following cities: Kraków, Rzeszów, Toruń, Warsaw, Szczecin and Wrocław.

In H1 2022, the Group's net revenues from building construction in Poland totalled PLN 989,425 thousand, and were up by 83.82% compared to the corresponding period of the previous year.

At the end of June 2022, the order portfolio in the domestic building construction segment was worth PLN 1.7 billion compared to PLN 1.6 billion at the end of H1 2021, of which PLN 0.9 billion is in H2 2022.

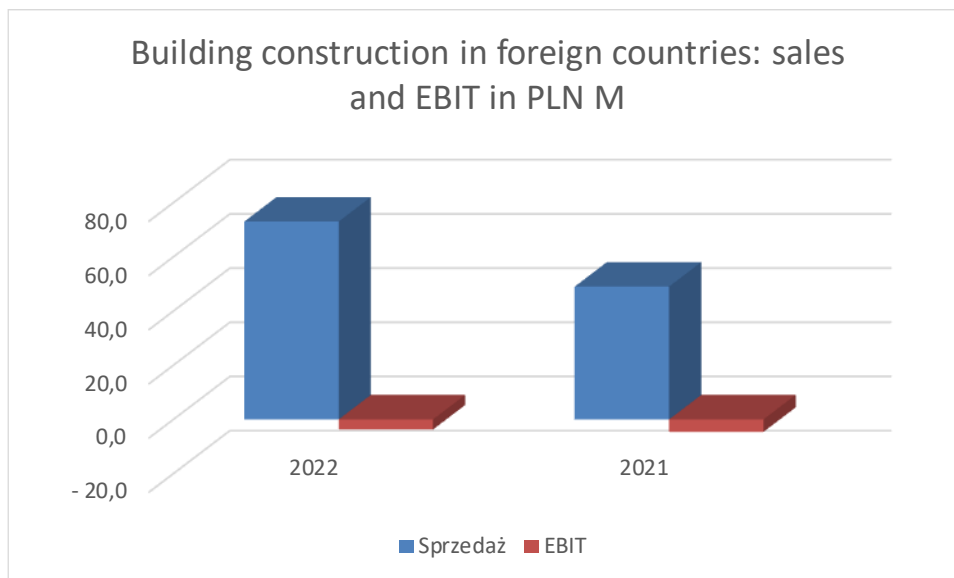
### Major contracts signed by ERBUD S.A. until the Report's publication date:

- 19 January 2022.** Acting in a capacity of General Contractor under "design and build" formula with the objective to build 2 multi-family residential buildings with underground car-park facility and infrastructure including technical infrastructure, systems, necessary technical equipment, landscaping and utilities, landscaping and landscaping and greenery. The total value of the contract is PLN 65 million, net. Investor: VANTAGE DEVELOPMENT S.A. headquartered in the City of Wrocław.
- 19 January 2022** - acting in the capacity of General Contractor under "design and build" formula with the objective to build a multi-family residential building with an underground car-park facility and Infrastructure including technical infrastructure, installations, necessary technical equipment, land development and utilities, landscape gardening and greenery. The value of the contract is PLN 34 million, net. Investor: VANTAGE DEVELOPMENT S.A. headquartered in the City of Wrocław..
- 11 February 2022** - Implementation of the fourth stage of the investment called The Popowice Harbour, involving the construction of a multi-family residential building with built-in services and a two-story underground car-park facility, designated in the design documentation as "F" building with internal and external technical infrastructure and land development and utilities, including landscape gardening and greenery, accompanying structures, as well as the road traffic system, in Białowieska Street in the City of Wrocław. The value of the contract is PLN 57.5 million. Investor: Port Popowice Limited Liability Company, Limited Partnership, based in Wrocław
- 24 February 2022** - Expansion of the manufacturing plant of Robert Bosch, Mirków Branch with a warehousing and logistics facilities, Ww101c building with high storage warehousing facility, Ww103 building, along with technical and road infrastructure, truck parking and

gatehouse - Ww127 building. The value of the contract is PLN 41.4 million. Investor: Robert Bosch Sp. z o.o., based in Warsaw. On 19 May 2022, Appendix No. 1 was signed to this contract, raising its value to PLN 49.2 million.

- **6 April 2022** - Signing of a Letter of Intent (LoI) for the Construction of Nadarzyn Maximus Halls with footage of 90,954 sq.m. along with other buildings, structures, parking spaces, internal road system, loading areas or other project-related facilities. The contract value is PLN 187.1 million net (EUR 40.2 million). Investor: Panattoni Development Europe Sp. z o.o., based in Warsaw
- **21 April 2022** - Construction of Intermediate Staging Base (ISB) "Troops stationing site" in the military complex 8676 and 8706, m. Świątoszów – Subproject 22017. The value of the contract is PLN 37 million net. Investor: the State Treasury - Ministry of Defense - District Infrastructure Management in the City Wrocław.
- **28 April 2022** - Construction works related to the construction of troops stationing sites in the town of Trzebień – Subproject 25021. Value of the contract: PLN 32.9 million. Investor: State Treasury - Ministry of Defense - District Infrastructure Management in Zielona Góra.
- **6 June 2022** - Execution of thermal efficiency upgrading project of the Rector's Office building of the Warsaw Medical University. Value of the contract - PLN 36.9 million. Investor: WARSAW MEDICAL UNIVERSITY in Warsaw.

## 2.4 Residential/commercial buildings in foreign countries



Key: Sprzedaż = sales

Building construction projects in foreign countries are mainly carried out by GWI BAUUNTERNEHMUNG GmbH (in Germany) and Erbud International Sp. z o.o. and ERBUD S.A. (in the markets of the following countries: Belgium, the Netherlands, Luxembourg and France).

In the first six months of 2022 the ERBUD Group generated PLN 73,333 million revenues in building construction in export markets, up by 50.70% compared to the same period last year. The sales was boosted thanks to higher sales generated by MOD21 GmbH (former GWI GmbH, 2022 - 57 million vs. 2021 - 16 million respectively). In June 2022, the foreign order portfolio totalled PLN 0.33 billion in value terms. This compares to PLN 0.1 billion in the corresponding period of 2021, with PLN 0.32 billion in H2 2022.

Erbud S.A. is currently implementing the following projects in Belgium:

- Raf5 projects for Mourik in refineries and at chemical plants
- High-rise apartment building No. 22 in Antwerp for TM BAM Interbuild - Jan De Nul Scheldehof VVZRL

- Apartments in Leuven for THV Tweewaters acting as an investor

Erbud International is executing the following projects in Belgium:

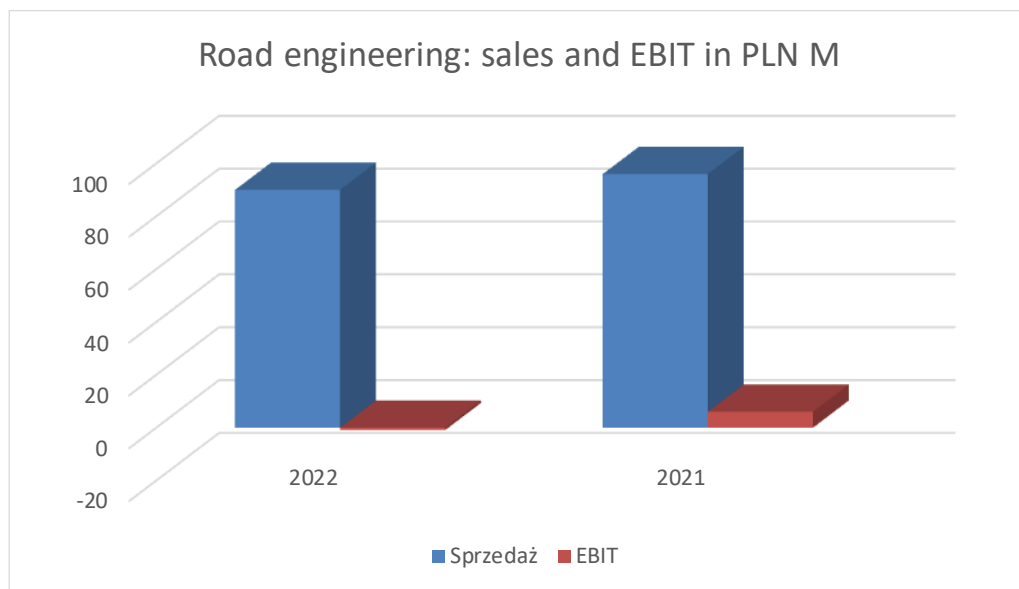
- Apartments in Willebroek for Baunv acting as an investor
- An elementary school in Deurne for Strabag acting as an investor
- Police building in Antwerp for Strabag acting as an investor
- Apartments in Antwerp Leuvenstraat for Bau NV acting as an investor
- Visitor Center in Margraten (NL) for Van Roey acting as an investor

After a period of economic stagnation in 2020 due to the COVID-19 pandemic, the Belgian economy rebounded in 2021, helped in large part by aid programs prepared by the Belgian government. According to European Commission forecasts, Belgium's GDP is expected to grow by 2% in 2022 and 1.8% in 2023

The main barriers faced by foreign businesses in the Belgian market do not change over time and the following barriers continue to be the most acute::  
:

- Difficulties in communicating in English with authorities (especially in the Walloon region) and local businesses (also from the Walloon region) due to the lack of English popularity in the region.
- Difficulties in determining the minimum wage of workers seconded to work in the Kingdom of Belgium. In Belgium, the minimum wage in individual industries is set centrally for the entire economy through collective labour agreements. This issue is particularly often raised by companies in the construction/erection industry interested in the secondment of workers.
- Tariffs and duty rates are constantly updated and are subject to change without notice.

## 2.5 Road engineering services

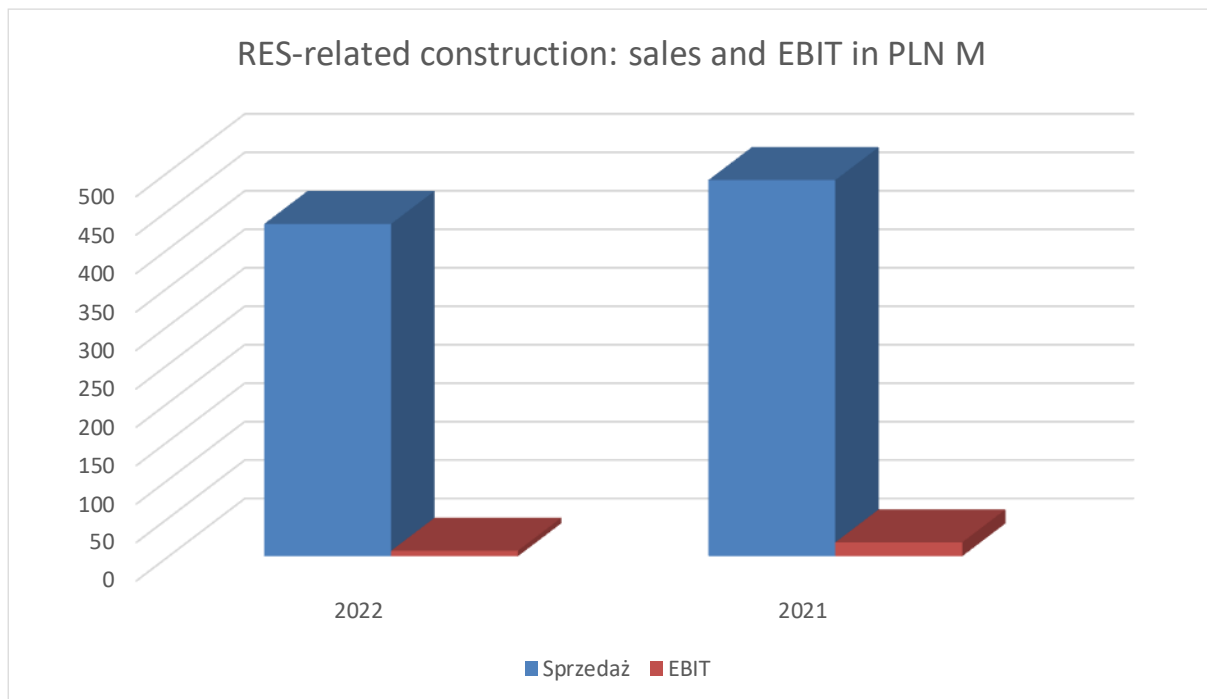


Key: Sprzedaż = Sales

ONDE S.A., a daughter company of ERBUD S.A., operates in the road engineering service segment. In H1 2022, revenues generated by this segment totalled PLN 90,099 thousand. Compared to the same period in 2021 sales was down by 5.76%. The largest project in this segment is the S3 road construction by a consortium comprising also Mosty Łódź S.A.

At the end of June 2022, the order portfolio for this segment was worth PLN 0.154 billion, of which PLN 0.12 billion was for 2022. In the comparable period of 2021, the portfolio for this segment was worth PLN 0.04 billion.

## 2.6 RES



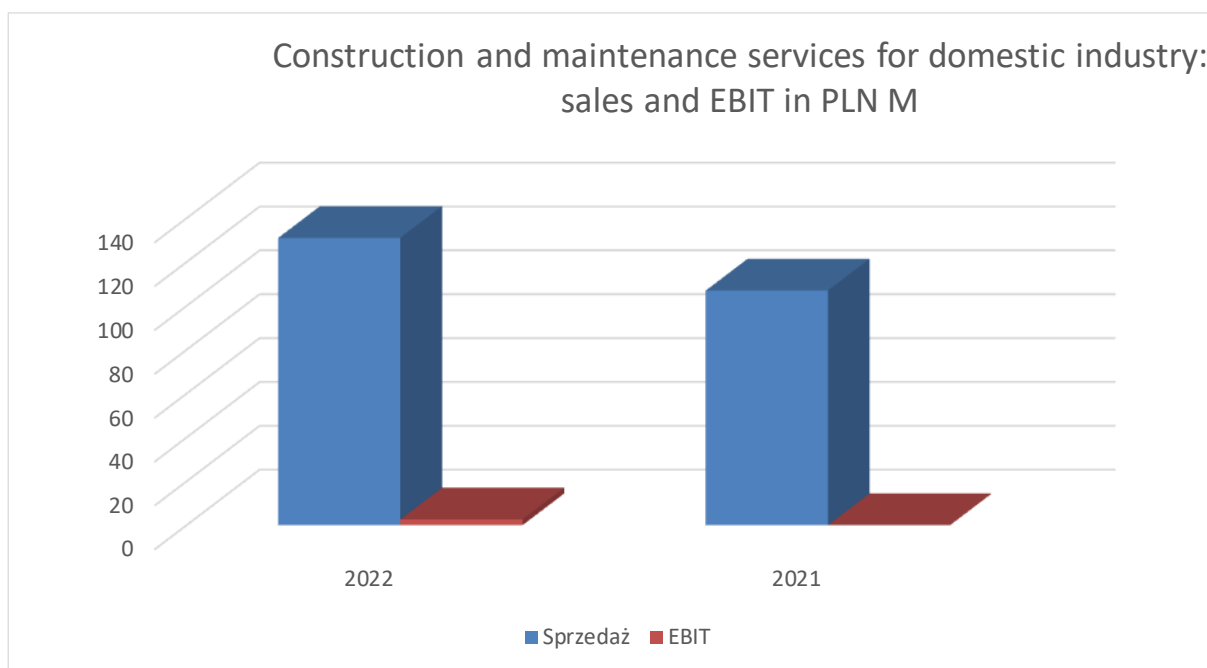
Key: Sprzedaż = Sales

In H1 2022, in the RES construction segment the ERBUD Group generated revenues totalling PLN 432 million, down by 11.6% compared to the same period last year (PLN 489 million).

At the end of June 2022, the order portfolio for RES segment was worth PLN 0.47 billion, of which PLN 0.37 billion was for 2022. In the comparable period of 2021, the portfolio for this segment was worth PLN 0.55 billion.



## 2.7 Construction and maintenance services for the domestic industry



Key: Sprzedaż = Sales

Projects in the power sector and the broadly understood industry fall into the scope of activities of Erbud Industry and its three subsidiaries: Erbud Industry Centrum, Erbud Industry Południe and Satchwell Sp. z o.o.

In H1 2022, the revenues generated by the construction and maintenance services for power sector segment totalled PLN 131 million, compared to PLN 106.8 million in the same period of the previous year, up by a 22.67%.

At the end of June 2022, the order portfolio for this segment was worth PLN 0.15 billion, of which PLN 0.13 billion is to be generated in 2022. In the comparable period of 2021, the order portfolio for this segment was worth PLN 0.2 billion.

### Projects in the segment underway:

Engineering segment:

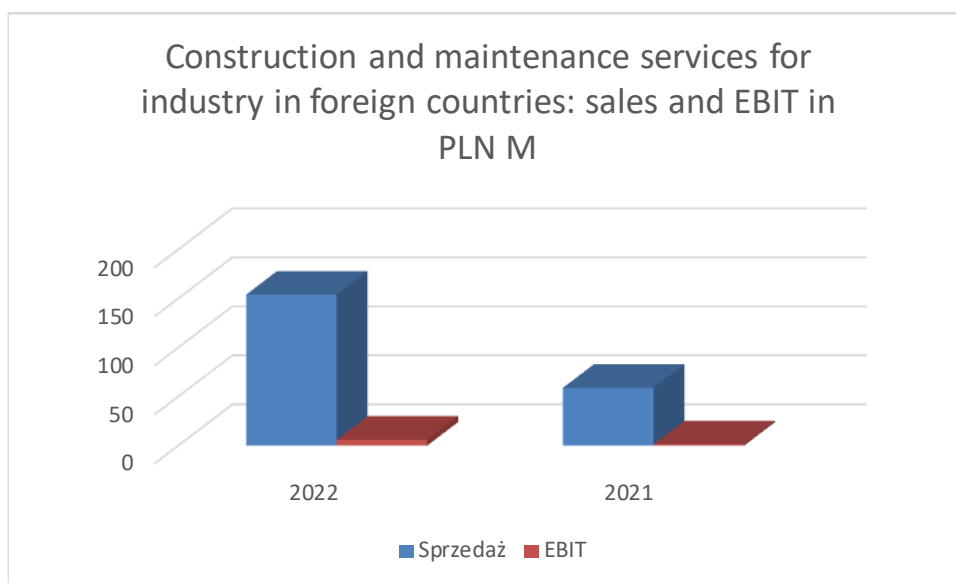
- Construction of a second 42 MWt natural gas-fired steam boiler at Michelin Poland S.A. CHP Plant in Olsztyn.
- Construction of flue gas cleaning system including catalytic denitrification (SCR) process and flue gas dedusting process along with the upgrading of OP-215 boiler No. 2 at the Puławy Nitrogen Fertilizers Plant for ZA Puławy SA. Nitrogen Works.
- Construction of new peak load generating sources for PGE Energia Ciepła S.A., the Wybrzeże Branch of the Gdansk CHP Plant.

Maintenance services:

- non-scheduled works, current overhauls, inspections and maintenance as well as removal of defects at Karolin Combined Heat and Power Plant No. 2 for Veolia Energia Poznań S.A;
- routine repair of the Konin-based Municipal Waste Thermal Treatment Plant.
- unplanned current repairs, inspections and maintenance as well as removal of defects, failures of equipment and biomass handling equipment at Combined Heat and Power Plant No. 3 and maintenance of lifting equipment at the Heat Distribution Plant for Veolia Energia Łódź;

- delivery of maintenance services (inspection and overhaul) of the MWK-9 and MWK-12 coal mills at the Combined Heat and Power Plant at the Manufacturing Plant in Janikowo at CIECH Soda Polska S.A.;
- maintenance of the equipment of the Municipal Waste Thermal Treatment Plant along with the delivery of spare and wear parts;
- redevelopment of the district heating network in the City of Łódź in order to abate CO2 emissions and enhance energy efficiency;
- Retrofitting of CFB boiler No. K11 for SAPPI in Gratkorn (Austria) for Sumitomo;
- Reconstruction of the existing 2xDN1000 duct district heating network in the area of Opolska Street and Popielskiego Street in the City of Wrocław into a 2xDN800 preinsulated heating network.
- Upgrading of CKTI-75 boilers Nos. 1 and 3 at CIECH Soda Polska S.A. Manufacturing Plant in Janikowo.
- Delivery and installation of SAICA boiler piping in France.
- Assembly work of BioSynErgy, Gonfreville, France.
- Overhaul of flue gas duct of installation 8700 and inlets to emitter E-02 as part of repair shutdown PR2021/22 at LOTOS Group S.A. in Gdańsk.
- Execution of repair works of process systems of LOTOS Group. S.A. - Group XXI, Group XXIII during the Repair Shutdown in Spring 2022 at LOTOS Group S.A. in Gdańsk.

## 2.8 Construction and maintenance services for the industry in foreign countries



Key: Sprzedaż = Sales

Projects in the power sector and the widely understood industry in foreign countries are covered by the scope of activities of IVT Weiner + Reimann GmbH, IVT Menzenbach GmbH and IKR GmbH.

In H1 2022, the revenues of the Construction and Maintenance Services for the Industry in Foreign Countries segment totalled PLN 153.65 million, up by 161.34% compared to the H1 of the previous year (PLN 58,85 million). Sales growth is fuelled by the acquisition of IKR GmbH in H2 of the last year. In 2022, sales of IVT and IKR totalled PLN 128.4 million vs. PLN 59 million last year. Sales of Erbud Industry Południe Sp. z o.o., which executed a contract in Austria, were also much higher (PLN 26.6 million). At the end of June 2022, the order portfolio for this segment was worth PLN 0.26 billion, of which PLN 0.12 billion was for 2022. In the comparable period of 2021, the portfolio for this segment was worth PLN 0.06 billion.

IVT offers a full range of modern industrial and delivery technologies. In addition to the assembly and disassembly of industrial and delivery facilities, IVT also offers industrial plant planning and construction.

IVT operates in the following business areas:

- Steel and pipeline structures
- Industrial and plant engineering
- Electrical, meteorological, measurement and control technology
- House and building technology
- Technical Building Management
- Downtime management
- Industrial curing;
- Temporary employment (through the subsidiary called IVT Menzenbach)

IVT's activities focus on the Rhine-Ruhr region - in addition to the Head Office IVT has branch office located on the customer sites: Bottrop, Dinslaken, Duisburg, Krefeld and Moers.

IVT activities are based on long-term customer relations. IVT's customer portfolio comprises companies operating in:

- ArcelorMittal Duisburg - steel industry
- ArcelorMittal Bottrop – coking plant
- Axel Springer - printing house (photo / Welt am Sonntag)
- Benteler Steel / Tube - Tube manufacturing
- Cargill – Food industry
- Ineos - chemistry
- Minegas / MingasPower - mining gas extraction and power generation
- RAG - shaft filling/monitoring of water and methane levels
- Rondo Food - pet food
- SBO (formerly OGM) - management of public buildings
- STEAG - energy supplier
- VIVAWEST - Housing Co-operative

IKR GmbH perceives itself as a service provider for the German and European economies. With competent and qualified services at high quality and moderate prices, IKR acts as a reliable partner for its customers and relies on long-term, trust-based cooperation.

IKR is headquartered in Bitterfeld-Wolfen with its own production capacity and its own training business unit.

The company's own on-site manufacturing facility handles pipeline and system construction orders, in addition to plant construction and repair.

IKR has branches in Bavaria at the Wacker-Chemie plant in Burghausen, its own manufacturing facilities in Guben (Lausitz) and in Hamburg on site of Nynas GmbH & Co. KG.

IKR specialises in the following business areas:

Petrochemicals: IKR performs new construction as well as plant expansions and conversions at refineries, gas and hydrogen systems and air separators.

Chemistry:

It assists its customers on key issues such as sustainability, energy conservation and increased environmental awareness.

Industry/Energy:

IKR plans and builds process engineering systems at power plant sites, food industries and wastewater treatment plants. Another focus is the construction of test facilities for both industry and universities.

In retrospect, it can be said that despite the on-going Covid-19 crisis and the war in Ukraine, H1 of the year was very stable for both IKR and IVT, though influenced by different drivers. While the projects started by IKR in 2021 were successfully continued, IVT's long-standing, trusting cooperation with its customers worked well. Significant price increases in H1 of the year, especially in the area of gasoline and diesel costs, could be offset, unfortunately at the expense of even better returns.

In H2 2022, the sales targets set for 2022 are expected to be met by both companies, despite all adversities. From today's point of view, the targets set in the EBIT area will also be achieved, as the cost structure programs launched are expected to absorb huge cost increases.

In addition, discussions are being held with suppliers and customers so that cost increases can be shared.

In conclusion, there is a cautiously positive outlook for the end of the year.

## **2.9 Hydro-engineering segment.**

The year 2022 is the second year of operation Gdańsk-based Hydro-Engineering Division within ERBUD S.A. Group. Its task is to create and develop new business within the Group - the acquisition and execution of hydro-engineering projects, both offshore and onshore. Currently, the bidding process is underway (the value of submitted bids is PLN 95 million), and the first project - "Expansion of the Marina in the locality Błotnik" - has been completed. - with a value of PLN 3.6 million, two projects, acquired at the turn of 2021, are underway. - "Reconstruction of the Szyprów Wharf in Gdańsk" - worth PLN 23 million, and "Design and construction of a Wharf in the Wolin Harbour" - worth PLN 3.5 million.

At the end of June 2022, the order portfolio for this segment was worth PLN 0.026 billion, of which PLN 0.018 billion is for 2022.

## **2.10 Fabrication and sale of timber modular buildings.**

In H1 2022, construction of a new room with an area of about 8,000 m<sup>2</sup> and the reconstruction of an existing room with an area of about 14,000 m<sup>2</sup> and an existing office building with an area of about 3,000 m<sup>2</sup> were completed.

The first delivery of machinery and equipment, including saws and overhead cranes, have been installed, and the manufacturer of the manufacturing line, Weinmann Holzbausystemtechnik GmbH, has begun delivery of the line components, with installation scheduled for completion in November 2022. The company plans to start production by the end of Q4 2022.

Additional key people have been hired, namely the production director, technical director and operations director. As of June 30, 2022, the company employed 19 people; by the end of 2022, the planned headcount will hover around 100 people. In parallel, marketing and sales departments for timber modular construction in Germany are being established. Sister company MOD21 GmbH has employed 4 people in these areas. The target will be 10 people. The company has started to acquire orders, including by analysing tenders for public buildings in Germany, meeting with investors or participating in trade fairs and congresses, related to modular construction (Schulbaumesse, Polis Convention, Bau und Betrieb von Bildungseinrichtungen, Immobiliendialog, Modulares Bauen - Bauindustrieverband NRW, Modulbau Kongress 2022, 3. Deutscher Holzbau Kongress).

We expect the company to benefit from the huge interest in modular construction in Europe. Projections indicate that the prefabricated building market will register growth of more than 5.5% during the forecast period (2022 - 2027). This growth will be due, on the one hand, to the fact that economies are recovering from the blockages associated with COVID-19. Many construction operations around the world have been halted due to the epidemic, and as a result, the number of projects based on modular construction in various construction segments, such as education, housing, healthcare, has decreased, significantly affecting the demand for prefabricated buildings. On the other hand, forecasts indicate that many operators will turn away from conventional construction, turning to environmentally friendly products and manufacturing practices to differentiate themselves from the competition. It should be noted that modular construction is much more environmentally friendly than traditional construction - (the balance of carbon dioxide emissions for concrete construction is 82 kg /

m<sup>3</sup>, for solid timber construction takes a negative value, -45 kg / m<sup>3</sup>). Thirdly - modular construction gives an advantage in terms of economy, time and quality. The cost of erecting a modular building can be up to 20% cheaper than one built with traditional technology, it also takes 50 to 70% less time. Modular construction is also characterized by higher quality - the production process takes place in a hall, which guarantees its repeatability, moreover, it is free from the influence of weather factors or interruptions or delays in the supply chain.

## **2.11 Brief description of significant achievements or failures of the issuer in the period covered by the report together with a list of the major events concerning the issuer.**

In the H1 2022, there were no significant achievements or failures in the Issuer's Group that could have any impact on its financial position. Both the Issuer and its subsidiaries run their statutory activities.

In H1 2022, the Group management focused on anticipating risks related to Russia's invasion of Ukraine and the accompanying risks, galloping inflation in the construction sector and interest rate increases. A decision to convert two investment loans related to the creation of a segment for the production and sale of wooden modular buildings from PLN to EUR. Revenues of this segment will be in EUR so there is no currency risk and the spread between interest rates in the EUR zone and Poland is significant.

With regard to the increase in the prices of construction materials, negotiations with principals to increase the value of construction contracts have been on-going since the beginning of March. Management is constantly monitoring the impact of inflation on margin erosion. Despite these disturbances in the opinion of the Management Board of the ERBUD Group, as of the date of publication of the financial statements, drawn up as of 30 June 2022, the liquidity positions of the Group and the Company remain stable.

## **2.12 Directions for development of the ERBUD Group's operations in the following quarters**

In H2 2022 ERBUD Group will continue its efforts targeted mainly at the protection of profit margins on contracts underway and building its 2023-2024 portfolio. One of ERBUD Group's priorities in 2022 - 2023 will be to launch sales in a new segment - the development of modular construction.

Another equally important task facing the ERBUD Group is to take care of its cash position and access to third party capital sources. ERBUD Group's financial position is stable. As of 30 June 2022 the Group had PLN 146.4 million of available cash and PLN 14.8 million accumulated in the VAT account. Interest-bearing liabilities totalled PLN 338.7 million including PLN 8.14 million from reclassification of lease, rental agreements in accordance with the amended IFRS 16. Long-term debt totalled PLN 159.3 million, of which the largest items include liabilities under bonds maturing in September 2025, short-term debt: PLN 179.4 million. Net debt, excluding debt resulting from the amended IFRS, amounted to PLN 169.3 million.

As of 31 December 2021. The Group had PLN 363.2 million of available cash, as well as PLN 50.7 million accumulated in the VAT account and PLN 10.9 million of restricted funds. Interest-bearing liabilities totalled PLN 127 million including 17 million from long- and short-term leases (IFRS 16). Net debts excluding IFRS 16 liabilities including funds accumulated in separated VAT accounts amounted to PLN 224.9 million.

In the corresponding period, i.e. as of 30 June 2021 the Group had had available cash totalling PLN 144 million, including PLN 8 million accumulated in the VAT account. Interest-bearing liabilities amounted to PLN 225 million including PLN 14 million due to reclassification of lease, rental agreements in accordance with the amended IFRS 16. Long-term debt totalled PLN 73 million, whereas short-term debt was PLN 152 million, of which the largest item were liabilities under bonds maturing in September 2021. Net debt, excluding debt resulting from the amended IFRS, amounted to PLN 66.6 million.

The Erbud Group entered H2 2022 with a very stable Order Portfolio worth approximately PLN 2.80 billion. The value of the portfolio attributable to 2022 is approximately PLN 1.7 billion. For comparison sake, in the same period of the previous year, the value of the portfolio as of 30 June 2021 was PLN 2.85 billion, of which PLN 1.6 billion was attributable to 2021.

In January-August 2022, the Group signed contracts worth approximately PLN 1,291 million. In value terms, domestic building construction contracts came in the first place (PLN 497 million), followed by

the RES segment (PLN 318 million), and by the domestic and foreign industry segment (PLN 335 million).

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

As of the date of publication of the financial statements drawn up as of 30 June 2022, the Parent Company's management did not identify any events after 30 June 2022 that could have impact on the Group's operations in future periods.



### 3 ERBUD GROUP FINANCIAL PERFORMANCE IN H1 2022

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

#### 3.1. Key drivers of financial performance

During H1 2021 ERBUD Capital Group generated a net loss from continued business of PLN 1,450 thousand compared to a profit of PLN 15,211 thousand in H1 2021. The performance in H1 2022 is burdened by the costs of a new segment - the manufacturing and sale of timber modular buildings. At the operating profit (EBIT) level, start-up costs totalled PLN 3.8 million. The major drivers of net loss compared to the corresponding period are as follows:

- examination of strategic options in the ONDE Group due to significant changes in the electricity market. The original assumptions regarding the development segment and the sale of acquired projects are now being revised in favour of maintaining projects and selling electricity, e.g. under the PPA formula. This is linked to the more than doubling of eclectic energy prices in Poland. The ONDE Group announced in the first half of the year that it is considering various strategic options for building shareholder value.
- an increase in the price of construction materials and raw materials following Russia's invasion of Ukraine.
- a share of more than 54% in volume construction (domestic and international), which is the lowest-margin segment among other segments generating positive margins.
- a loss in the road engineering business segment with the same sales as last year.

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

The ERBUD Group did not publish ANY financial forecasts for 2022.

Item	2022	2021	Difference	%
Revenues from sales of products, merchandise and services	1,790,117	1,290,701	499,416	38.69%
Net profit/loss on sales	110,676	127,941	-17,265	-13.49%
Net profit/loss on sales	6.20%	9.91%		
Operating profit (EBIT)	12,399	29,864	-17,465	-58.48%
% EBIT	0.70%	2.31%		
Operating profit (EBIT) standardized with one-off events (2022: start-up development costs; 2021 - cost of D-series employee shares)	16,188	58,207	-42,019	-72.19%
%EBIT standardized	0.91%	4.51%		
% EBITDA	28,816	42,325	-13,509	-31.92%
% EBITDA	1.62%	3.28%		
EBITDA standardized with one-off events (2022: start-up development costs; 2021 - cost of D-series employee shares)	32,605	70,668	-38,063	-53.86%
% EBITDA standardized	1.83%	5.48%		
Gross profit/loss	5,592	26,633	-21,041	-79.00%
% Gross profit/loss	0.31%	2.06%		
Gross profit standardized with one-off events (2022: start-up development costs; 2021 - cost of D-series employee shares)	9,381	54,976	-45,595	-82.94%
% Gross profit/loss standardized	0.53%	4.26%		

Net profit/loss	-1,450	15,211	-16,661	-109.53%
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### 3.2. SALES REVENUES

In H1 2022 the Group generated sales revenues of PLN 1,790,117 thousand, up by 38.20% compared to the same period last year. In H1 2022, sales rose in the segments of domestic and foreign building construction (81.90%), domestic construction for industry (22.67%), sales for foreign industry (161.34%). In other segments sales decline was recorded. The RES segment's share of total sales was 24.21% vs. 37.86% last year.

### 3.3. Costs

The major cost item of the ERBUD Group (54.31% of total costs by type) were the costs of third party services, mainly the costs of work subcontracted to subcontractors. In H1 2022, they totalled PLN 1,013 million, i.e. they were up by 45.08% compared to the same period of the previous year.

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

- Expenses on materials and energy - they totalled PLN 574 million (30.77% of operating expenses) and were up by 72.25% compared to H1 2021.
- Employee benefit costs - amounted to PLN 238 million (12.75% of operating expenses), compared to the value in H1 2021 net of the cost of employee shares, there was a 38.23% increase in this cost category. Total costs by type in H1 2022 were up by 47.55% compared to the same period in 2021. Excluding the impact of the D-series shares, the increase would be 50.94%.

#### Operating costs ('000 PLN)

	For a 6-month-period ended on 30 June 2022	For a 6-month-period ended on 30 June 2021	%
<b>Total costs by type</b>	<b>1,864,684</b>	<b>1,263,754</b>	<b>47.55%</b>
Third party services	1,012,758	698,085	45.08%
Material and energy consumption	573,729	333,088	72.25%
Employee benefit expenses	237,813	200,380	18.68%
Amortization and depreciation	16,417	12,461	31.75%
Taxes and charges	10,170	5,726	77.61%
Other cost categories	11,835	12,517	(5.45%)
Value of materials sold	1,962	1,497	31.06%

### 3.4. Other income

#### Other operating income and expenses

In H1 2022, the Group's other operating income, including impairment of financial assets and contract valuation assets, totalled PLN -108 thousand, compared to PLN 3,716 thousand in the same period last year. Among other operating income, the largest items were proceeds from the disposal of non-financial fixed assets - PLN 0.85 million; and other income of PLN 3.1 million. Other operating expenses were up by 13.58%, and the largest item comprised donations totalling PLN 1.35 million in relations to the aid measures taken following the Russian assault on Ukraine

## Financial activity gains/losses

The Group's financial activity result was negative and was a loss of PLN (6,495) thousand, compared to a loss of PLN (3,231) thousand in H1 of the previous year. In the period under review, financial expenses were up by 233% y/y. On the cost side, the largest items were interest on bonds, loans and others of PLN 7.6 million, and foreign exchange losses of PLN 4.98 million.

In the category of financial income in H1 2022, the largest items were deposit discounts - PLN 5.1 million and foreign exchange gains - PLN 1.6 million. The financial income as of 30 June 2022 was up by 553% compared to 30 June 2021.

## 3.5. Statement of Financial Position

On 30 June 2022, the total assets of ERBUD S.A. Capital Group totalled PLN 2 086 million and were up by 13.8% compared to the end of 2021.

**Major items of the Group assets were as follows:**

- Short-term trade and other receivables, including deposits. They amounted to PLN 861 million i.e. 41.26% of total assets. Their value was up by 29.08% compared to the closing balance of 2021;
- Another significant asset is construction contract valuation receivables - PLN 447 million - 21.41% of total assets (up by 47.9% compared to 31 December 2020). The increase in the value of long-term contract valuation receivables is due to the large increase in the sales in the RES segment and the domestic and foreign building construction segments ;
- Cash and cash equivalents in the amount of PLN 161 million, including cash held in the VAT account (down by 62.04% compared to the closing balance of 2021). The cash decrease is mainly due to the growth in the RES project development segment, the construction of "CYRANKA" wind farm owned by ONDE S.A. and the development of the segment of production and sales of modular buildings;
- Fixed assets were priced at PLN 380 million, i.e. 18.2% of assets. Their value was up by 15.59% compared to closing balance of 2021. They consisted primarily of tangible fixed assets (PLN 195 M), investment projects accounted for using the equity method (PLN 54 M) goodwill (PLN 41.5 M) and deferred tax assets (PLN 53 M).
- A significant increase in inventory should be also noted. Its value at the end of the H1 2022 totalled PLN 215.5 million (up by 219.51% compared to 31 December 2021). The inventory increase is a reflection of the construction of PV farms on the Company's own balance sheet.

As of 30 June 2022, equity totalled PLN 653 million (including non-controlling shareholders' equity of PLN 122.3 million) compared to PLN 685 million as of the end of 2021 (down by 4.63%).

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

- Total short-term liabilities of PLN 1,213 million (58.18% of liabilities) were up by 29.1% compared to those on 31 December 2021.
- The interest debt totalled PLN 338.7 million (16.23% of liabilities), including PLN 8.1 million due to the amendment to IFRS 16. The interest debt was up by PLN 125 million (58.34%) compared to that at the end of 2021. Similarly to the increase in accounts receivable, the increase in interest-bearing liabilities was primarily driven by the capital expenditure projects and ONDE business development.

## 3.6. Cash flows

In H1 2022 the ERBUD Group recorded positive cash flows of PLN 217 million (PLN 175.4 million in the same period of the previous year). In particular they consisted of:

- Negative operational cash flows of PLN 278 million ; (Item - change in working capital – PLN 257 M);
- Negative cash flows from investment activities in the amount of PLN 50 million.
- Positive cash flows from financial activities in the amount of PLN - 111 million.

- As of 30 June 2022 the Group held cash and cash equivalents of PLN 161 million, including cash accumulated in the VAT account (down by 62% compared to the 2021 closing balance).

### 3.7. Changes in equity

As of 30 June 2022, equity totalled PLN 653 million (including non-controlling shareholders' equity of PLN 122 million) compared to PLN 310 million as of the end of 2021 (down by 4.63%).

Changes in shareholders' equity were driven by the profit/loss in the accounting period and by the buy-back of own shares.

### 3.8. Interest debt

At the end of June 2022, the ERBUD Group's total interest debt (loans, borrowings, bonds, leases) totalled PLN 339 million including PLN 179 million of short-term debt.

An increase in interest-bearing liabilities compared to the year-end of 2021 (PLN 125 million; up by 58.34%) is mainly driven by capital expenditures on modular houses and the business expansion of ONDE S.A., including the construction of PV farms posted in its own balance sheet.

	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
cash assets	161 250	424 810	144 106
interest liabilities	338 675	213 895	224 741
IFRS 16	8 143	13 950	13 950
interest debt in real terms	210 791	109 893	210 791
net debt	169 281	-224 865	66 685

As of the balance sheet date of 30 June 2022 ERBUD Group had access to bank and insurance multi-purpose lines with a total value of PLN 1,926,360 thousand, which can be used for loans or bank and insurance guarantees. As of the balance sheet date of 30 June 2022 ERBUD Group consumed PLN 205,920 thousand for loans and PLN 984,413 thousand for bank and insurance guarantees.

Key Financial Contracts signed up to the date of publication of the H1 2022 financial statements.

**On 1 February 2022** Annex No. 25 with ING Bank Śląski S.A. to the Loan Agreement of 6 July 2010. Under this Annex, the Issuer and the Issuer's subsidiaries: ONDE S.A. and Erbud Industry Centrum Sp. z o.o. extend an option of using a multi-purpose line (overdraft and bank guarantee line) worth PLN 160 million. Compared to the terms and conditions in effect prior to the signing of Annex No. 25, the sub-limit for overdraft for ONDE S.A. was raised from PLN 5 million to PLN 20 million, and a new product was made available for ONDE S.A. (Letter of Credit ) in the sublimit amount of PLN 30 million under a joint multi-purpose line. The Issuer and its subsidiaries can use the line within the sub-limits specified by entity: The limit for Erbud S.A. is PLN 160 million including an option of using debt financing up to PLN 50 million; - The sublimit for the Company ONDE S.A. is PLN 50 million with an option of drawing debt financing up to PLN 20 million; - The sublimit for the Erbud Industry Centrum Sp. z o.o. is PLN 10 million with an option of drawing debt financing up to PLN 4 million. The maturity date of the line is 31 January 2023.

On 9 February 2022 Annex No. 17 to the Framework Agreement No. 38/003/10/Z/GX of 02 February 2010 with mBank S.A. was signed. Under the Annex, the Issuer may use a guarantee line of PLN 85 million. The maturity date of the line is 03-02-2023.

On 18 February 2022. Annex No. 9 to MultiLine Agreement No. K01393/15 of 20 November 2015 with Santander Bank Polska S.A., as amended. Pursuant to this Annex, the Issuer and the ONDE S.A. Company may use the MultiLine (overdraft facility and line for bank guarantees) up to the amount of PLN 165,800,000.00 (one hundred and sixty-five million eight hundred thousand zlotys), provided that

the ONDE S.A. Company may use the MultiLine up to the amount of PLN 105,000,000.00 (one hundred and five million zlotys). A new product has been made available to the Company ONDE S.A. in relation to the terms and conditions in force prior to the signing of this annex. - Letter of Credit - in the sub-limit amount of EUR 14 million under a joint multi-purpose line. The maturity date of the line is 07.07.2022.

**On 20 April 2022.** Annex No. 6 to the Multi-product Agreement with mBank with its registered office in Warsaw. Under the signed annex, ERBUD S.A. and ONDE S.A. may use the limit up to a total of PLN 112 million until 13 April 2023.

**On 1 July 2022,** Appendix No. 21 to the Loan Agreement of 30 June 2009 with PKO BP S.A.

Under this Appendix, ERBUD S.A. may use a multi-purpose line of PLN 70 million (overdraft facility and line for bank guarantees), including the possibility to incur debt up to PLN 20 million. The maturity date of the line is 30 June 2023. Compared to the previous year, the value of the multi-purpose line increased by PLN 20 million for guarantee products only.

**On 8 July 2022,** Appendix No. 10 to Multi Line Agreement No. K01393/15 dated 20 November 2015, as amended. Under this Annex, ERBUD S.A. and ONDE S.A. may use the MultiLine (overdraft facility and line for bank guarantees and letters of credit) up to the amount of PLN 165,800,000.00 (one hundred and sixty-five million eight hundred thousand zlotys), with the proviso that ERBUD S.A. may use the MultiLine up to the amount of PLN 60,800,000.00 (sixty million eight hundred thousand zlotys). The maturity date of the line is 7 July 2023. The other terms and conditions remain unchanged.

**On 26 July 2022.** Appendix No. 24 to the Multi-Purpose Credit Line Agreement No. WAR/4120/05/221/RB1 of 7 July 2005. This Annex increases the value of the existing Agreement by PLN 61 million in connection with the granting of an additional amount of PLN 45 million to Erbud S.A. and ONDE S.A. and the inclusion of an additional Group Company, Erbud International Sp. z o.o., in the Agreement with the Bank as of this year, thus making a limit of PLN 16 million available to it. This annex increases the total amount of the limit to PLN 181 million compared to the previous year. The maturity date of the line is 30 April 2023.

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

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

A summary of the above securities and collaterals is included in the semi-annual consolidated financial statements of the ERBUD Capital Group for the period from 1 January to 30 June 2022.

Loan agreements and multi-purpose financial agreements (a loan with a guarantee facility) as of the date of publication of the condensed financial statements contain financial ratios that the borrower has undertaken to maintain during the term of the loan. As of 30 June 2022 the Group did not breach any of the financial ratios (covenants) set forth in the applicable agreements with financial institutions.

## Loan agreements signed by the ERBUD Group's member companies - as of 5 September 2022

Bank	Type of liability	Amount ('000 PLN)	Currency	Interest terms	Repayment date	Payment of instalments	Borrower
BNP Paribas Bank Polska S.A.	overdraft facility	11 000	PLN	WIBOR 3M +1,50%	30 Apr. 2023	on one-off basis	ERBUD S.A. 3 000; ONDE S.A. 5 000; ERBUD INTERNATIONAL 3 000;
mBank S.A.	overdraft facility	40 000	PLN	WIBOR 1M +1,60%	13 Apr. 2023	on one-off basis	ERBUD S.A. – 15 000; ONDE S.A. – 30 000
mBank S.A.	working capital facility	72 000	PLN	WIBOR 1M + 1,60%	13 Apr. 2023	on one-off basis	Onde S.A.
PKO Bank Polski S.A.	overdraft facility	20 000	PLN	WIBOR 3M 2,28%	30 Jun. 2023	on one-off basis	ERBUD S.A.
Alior Bank S.A.	overdraft facility	10 000	PLN	WIBOR 3M+1,6%	30 Sept. 2022	on one-off basis	ERBUD S.A.
ING Bank Śląski S.A.	overdraft facility	59 000	PLN	WIBOR 1M+1,65%	31 Jan. 2023	on one-off basis	ERBUD S.A. – 50.000.; ONDE S.A. – 20 000.; ERBUD Industry Centrum – 4 000
Santander Bank Polska S.A.	overdraft facility	5 000	PLN	WIBOR 1M+2,0%	7 Jul. 2023	on one-off basis	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Non-revolving loan for real estate purchase	31 200	PLN	WIBOR 3M +1,35%	27 Apr. 2028	hire-purchase	ERBUD S.A.
BNP Paribas Bank Polska S.A.	overdraft facility	7 000	PLN	WIBOR 1M +1,50%	30 Apr. 2023	on one-off basis	ERBUD Industry sp. z o.o.
BNP Paribas Bank Polska S.A.	project financing working capital facility	15 000	PLN	WIBOR 1M +1,50%	30 Apr. 2023	on one-off basis	ERBUD Industry Sp. z o.o. ( max. PLN 10 M) Erbud Industry Południe Sp. z o.o. (max. PLN 10 M)
Credit Agricole Bank Polska S.A.	working capital facility	7 000	PLN	WIBOR 1M+1,40%	30 Sept. 2022	on one-off basis	ERBUD Industry Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	4 000	PLN	WIBOR 1M+1,40%	30 Sept. 2022	on one-off basis	ERBUD Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Working capital facility	7 000	PLN	WIBOR 1M+1,40%	30 Sept. 2022	on one-off basis	ERBUD Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	Investment loan for the acquisition of a shareholding in Satchwell Sp. z o.o.	3 564	PLN	WIBOR 3M+1,55%	29 May 2026	Quarterly instalments	ERBUD Industry Centrum Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	7 000	PLN	WIBOR O/N+1,40%	30 Sept. 2022	on one-off basis	ERBUD Industry Południe Sp. z o.o.
Credit Agricole Bank Polska S.A.	working capital facility	1 000	PLN	WIBOR 1M+1,40%	30 Sept. 2022	on one-off basis	Satchwell Sp. z o.o.
mBank S.A.	overdraft facility	3 000	PLN	WIBOR 1M +1,5%	29 Jul. 2023	on one-off basis	ERBUD International sp. z o.o.
ING Bank Śląski S.A.	Investment loan	2 704	PLN	WIBOR 1M + 2,15%	30 Nov. 2025	hire-purchase	ONDE S.A.
Santander Bank Polska S.A.	overdraft facility	20 000	PLN	WIBOR 1M + 2,0%	7 Jul. 2023	on one-off basis	ONDE S.A.
BNP Paribas Bank Polska S.A.	non-revolving loan for property renovation and expansion	12 000	PLN	WIBOR 3M + 1,35	20 May 2028	hire-purchase	MOD21 Sp. z o.o



CommerzBank AG	Overdraft facility	2 000	euro	EURIBOR 3M+ 0,25%	2023.05.31	on one-off basis	MOD21 GmbH (former GWI GmbH)
PKO BP S.A. Branch in Germany	Overdraft facility	500	euro	EURIBOR 1M+2,1%	2023.06.30	on one-off basis	MOD21 GmbH (former GWI GmbH)
Deutsche Bank AG	Overdraft facility	1 000	euro	2,25%	2023.05.30	on one-off basis	MOD21 GmbH (former GWI GmbH)
HSBC France (joint stock company ) Branch in Poland	non-revolving loan	875	euro	EURIBOR 3M+ 2,2%	2023.02.24	hire-purchase	IVT Weiner+Reimann GmbH
Commerzbank	Overdraft facility	1 500	euro	EURIBOR + 1,5%-2,0%	Indefinite	on one-off basis	IVT Weiner+Reimann GmbH
National Bank AG	Overdraft facility	1 000	euro	EURIBOR + 1,5%-2,5%	Indefinite	on one-off basis	IVT Weiner+Reimann GmbH, Erbud Holding DE, IKR
Santander Bank AG	Overdraft facility	2 000	euro	EURIBOR + 1,5%-2,5%	Indefinite	on one-off basis	IVT Weiner+Reimann GmbH, Erbud Holding DE; IKR
Ford Bank AG	Car loan	15	euro	0,00%-3,92%	2022.07.31	hire-purchase	IVT Weiner+Reimann GmbH
Santander Bank AG	Car loan	409	euro	0,00%-3,92%	2022.07.31	hire-purchase	IVT Weiner+Reimann GmbH
KIA Finance	Car loan	57	euro	0,00%-3,92%	2026.06.30	hire-purchase	IVT Weiner+Reimann GmbH
Ford Bank AG	Car loan	93	euro	0,00%-5,99%	2024.09.30	hire-purchase	IKR
Santander Bank AG	Car loan	113	euro	0,00%-3,19%	2024.10.01	hire-purchase	IKR
	Total:	337 468	PLN				
	Total:	9 563	EUR				

### 3.9. Contingent receivables and liabilities

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

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

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	9 361	overdraft facility	Commerz-Bank	31 May 2023	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor

ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	2 808	overdraft facility – EUR 600	PKO BP S.A.	31 Dec. 2024	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety per year
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	13 817	Financial guarantee line for the amount of EUR 2 952	PKO BP S.A. (German Branch)	31 Dec. 2031	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4 681	Insurance guarantee line for the amount of EUR 1 M	Euler Hermes, Zürich, AXA, Bayerische Versicherung sverband, R+V ; Swiss RE	31 Dec. 2022	Civil surety, the Guarantor charges a surety fee of 1% of the value of the surety
ERBUD S.A.	MOD 21 GmbH (former) GWI GmbH	4 681	Overdraft facility for the amount of EUR 1 M	Deutsche Bank AG	31 May 2023	Guarantee extended by mBank S.A. on behalf of ERBUD S.A. The Guarantor charges the Company with fees charged by the Guarantor
ERBUD S.A.	ERBUD Industry	17 000	multi-purpose credit line	BNP Paribas Bank Polska S.A.	24 Feb. 2033	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.;	IVT W&R GmbH	16 743	Non-revolving loan for the acquisition of a shareholding in IVT Weiner+Reimann GmbH (EUR 3 577 thous.)	HSBC	24 Mar. 2023	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	6 720	Investment loan	ING Bank Śląski S.A.	30 Nov. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	70 209	Performance bond for Construction Contract	Sun Power Energy Sp. z o.o.	11 Mar. 2026	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	20 000	Performance bond for Construction Contract	ABO Wind Polska Sp. z o.o.	19 May 2027	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	17 300	Performance bond for Investment Contract	Eurowind Energy A/S	28 Jun. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	ONDE S.A.	37 889	Performance bond for Construction Contract	EW Rywald Sp. z o.o.	20 Jun. 2028	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	GWI GmbH	42 593	Performance bond for Construction Contract	Monheimer Einkaufszentrum GmbH	Until works acceptance	Civil surety, the Guarantor charges a surety fee of 1% of the value
ERBUD S.A.	MOD 21 Sp. z o.o.	12 000	Surety for investment loan for the expansion of production room	BNP Paribas Bank Polska S.A.	20 May 2028	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	23 364	Surety for manufacturing line lease contract	BNP Paribas Leasing Services Sp. z o.o..	13 Jul. 2028	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	1 653	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	13 Jun. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	1 857	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	13 Jun. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.

ERBUD S.A.	MOD 21 Sp. z o.o.	59	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	11 Mar. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	1 048	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	11 Mar. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	75	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	7 Apr. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.
ERBUD S.A.	MOD 21 Sp. z o.o.	779	Lease contract surety	BNP Paribas Leasing Services Sp. z o.o..	7 Apr. 2029	Aval, The Guarantor charges a guarantee fee of 1% of the value.
<b>Total:</b>		<b>304 637</b>				

## Surety extended by ERBUD S.A. – as of 31 Dec. 2020

Guarantor	Surety holder	Value ('000 PLN)	Subject	For whom	Surety expiry date	Type of surety and financial terms
ONDE S.A. (ERBUD S.A.'s subsidiary); ERBUD International Sp. z o.o. (ERBUD S.A.'s subsidiary.) – joint and several surety	ERBUD S.A.	70 000	Multi-purpose credit and guarantee line	PKO BP S.A.	30 Sept. 2030	Civil surety, the Guarantor charges a surety fee of 1% of the value
<b>Total:</b>		<b>78,161</b>				

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

Company	Liability payment guarantee	Performance bond	Retention bond	Total contingent liabilities
<b>ERBUD S.A.</b>				
30 Jun.2022	112 443	230 660	257 049	600 153
30 Dec.2021	87 568	238 980	260 306	586 854
30 Jun.2021	86 033	208 539	265 578	560 149
<b>ONDES.A.</b>				
30 Jun.2022	20 755	131 031	85 070	236 856
30 Dec.2021	7 436	160 022	50 907	218 364
30 Jun.2021	9 740	153 583	31 927	195 250
<b>MOD 21 GmbH (GWI GmbH)</b>				
30 Jun.2022	6 579	19 997	36 158	62 734
30 Dec.2021	6 234	19 639	41 138	67 011
30 Jun.2021	7 433	23 235	39 697	70 365
<b>ERBUD International Sp. z o.o.</b>				
30 Jun.2022	340	9 923	6 712	16 975
30 Dec.2021	1 465	8 936	6 356	16 757
30 Jun.2021 (following the merger with Erbud Operations Sp. z o.o.)	2 688	11 262	4 378	18 328
<b>ERBUD Industry Sp. z o.o.</b>				
30 Jun.2022	0	0	5 045	5 045
30 Dec.2021	0	565	7 234	7 800
30 Jun.2021	2 700	8 590	4 819	16 109
<b>ERBUD Industry Centrum Sp. z o.o.</b>				
30 Jun.2022	5 680	13 390	3 550	22 621
30 Dec.2021	1 698	7 811	3 074	12 583
30 Jun.2021	1 298	8 763	1 376	11 437
<b>ERBUD Industry Południe Sp. z o.o.</b>				
30 Jun.2022	0,00	4 506	1 869	6 375
30 Dec.2021	450	5 629	1 384	7 463
30 Jun.2021	0	1 697	2 659	4 356
<b>Satchwell Sp. z o.o.</b>				
30 Jun.2022	0	0	740	740
30 Dec.2021	0	0	726	726
30 Jun.2021	0	0	726	726
<b>IVT Weiner+Reimann GmbH</b>				
30 Jun.2022	2 438	70	885	3 394
31.03.2021	2 594	70	0	2 664
30 Jun.2021	3 005	68	0	3 073
<b>IVT Menzenbach GmbH</b>				
30 Jun.2022	754	0	0	754
30 Dec.2021	741	0	0	741

30 Jun.2021	728	0	0	728
IKR GmbH				
30 Jun.2022	5 078	13 293	10 395	28 766
30 Dec.2021	4 990	15 192	7 482	27 665
30 Jun.2021	12 260	11 654	0	23 914
<b>30 Jun.2022</b>	<b>Total</b>			<b>984 413</b>
<b>30 Dec.2021</b>	<b>Total</b>			<b>949 179</b>
<b>30 Jun.2021</b>	<b>Total</b>			<b>904 435</b>

#### Contingent liabilities under lawsuits brought against ERBUD S.A.

Item	30 Jun. 2022 (value in PLN M)	31 Dec. 2021 (value in PLN M)
Contingent liabilities under lawsuits brought against ERBUD S.A.	46.88	46.88

Based on legal opinions and knowledge of cases, the Management Board of ERBUD S.A. determines the probability of the Company winning cases related to contingent liabilities to be significant. In the category of contingent liabilities, the highest amount equals to PLN 34.4 million and concerns the dispute with MPL Modlin Sp. z o.o.

As of 30 June 2022, the Group had the following contingent receivables under guarantees where the ERBUD Group companies are beneficiaries.

## Contingent receivables under guarantees held

Item	As of 30 Jun. 2022 in '000 PLN	As of 31 Dec. 2021 in '000 PLN	As of 30 Jun. 2021 in '000 PLN	Company
Performance bond, retention bond, payment guarantees	91 538	90 000	77 643	ERBUD S.A.
Performance bond, retention bond	51 416	51 206	39 359	ONDE S.A.
Performance bond, retention bond	2 732	25 139	24 984	Erbud International Sp. z o.o.
Performance bond, retention bond	36 075	40 019	39 163	GWI GmbH
Performance bond, retention bond	25	25	38	Erbud Industry Centrum Sp. z o.o.
Performance bond, retention bond	12 193	15 023	15 155	ERBUD Industry Sp. z o.o.
Performance bond, retention bond	359	396	324	ERBUD Industry Pomorze Sp. z o.o.
Performance bond, retention bond	0	46	0	Satchwell Sp. z o.o
Performance bond, retention bond	47	0	45	IVT Weiner+Reimann GmbH
Performance bond, retention bond	0	0	0	IVT Menzenbach GmbH
Performance bond, retention bond	0	0	0	IKR GmbH
<b>Total:</b>	<b>194 385</b>	<b>221 854</b>	<b>196 666</b>	

**Bank guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2021 (in '000 PLN)**

Guarantor	Type of liability	Limit amount '000	Currency	Obligor
Alior Bank S.A.	Bid bonds, performance bonds,, retention bonds, advance payment, re-guarantee	80 000	PLN	ERBUD S.A.
Alior Bank S.A.	Bid bonds, performance bonds,, retention bonds, advance payment, re-guarantee	3 450	Euro	ERBUD S.A.
BNP Paribas Bank Polska S.A.	Bid bonds, performance bonds,, retention bonds, advance payment, re-guarantee	123 000	PLN	ERBUD S.A. (120 000); ONDE S.A. (120 000); ERUBD INTERNATIONAL (3 000)
mBank S.A.	Bid bonds, performance bond, retention bonds	85 000	PLN	ERBUD S.A.
mBank S.A.	Bid bonds, performance bond, retention bonds	40 000	PLN	ERBUD S.A. - 10.000 ONDE S.A. – 30 000
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bonds	50 000	PLN	ERBUD S.A.
Santander Bank Polska S.A.	Bid bonds, performance bond, retention bonds	100 800	PLN	ERBUD S.A – 60 800.; ONDE S.A. – 40 000
HSBC Bank Polska S.A.	Bid bonds, performance bond, retention bonds	100 000 (50 M for green guarantees)	PLN	ERBUD S.A. ; ONDE S.A.
Credit Agricole Bank Polska S.A.	Bid bonds, performance bond, retention bonds	60 000	PLN	ERBUD S.A. (60 000), ERBUD Industry Centrum Sp. z o.o. (17 000), ERBUD Industry Sp. z o.o. (10 000), ERBUD Industry Południe (12 000)
Satchwell Sp. z o.o.	Bid bonds, performance bond, retention bonds	1 000	PLN	Satchwell sp. z o.o.
ING Bank Śląski S.A.	Bid bonds, performance bond, retention bonds	160 000	PLN	ERBUD S.A. (160 000), ONDE S.A. (30 000) i ERBUD Industry Centrum Sp. z o.o. (6 000)
Santander Bank Polska S.A.	Letter of credit	14 000	euro	ONDE S.A.
BNP Paribas Bank Polska S.A.	Letter of credit	70 000	PLN	ERBUD S.A., ONDE S.A.
mBank S.A.	Bid bonds, performance bond, retention bonds	3 000	PLN	ERBUD International Sp. z o.o.
PKO Bank Polski S.A.	Bid bonds, performance bond, retention bonds	2 460	euro	MOD 21 GmbH (former GWI GmbH)
Santander Bank DE AG	Bid bonds, performance bond, retention bonds	8 000	euro	IVT Weiner+Reimann GmbH, Erbud Holding DE, IKR
Commerz Bank S.A.	Bid bonds, performance bond, retention bonds	1 500	euro	IVT Weiner+Reimann GmbH, Erbud Holding DE, IKR
National Bank AG	Bid bonds, performance bond,	2 000	euro	IVT Weiner+Reimann GmbH, Erbud Holding



	retention bonds		DE, IKR
<b>Total:</b>	<b>875 300</b>	<b>PLN</b>	
<b>Total:</b>	<b>31 410</b>	<b>EUR</b>	

**Insurance guarantee limits made available to the Group - as of the date of publication of the Financial Statements drawn up as of 30 June 2021 (in '000 PLN)**

Guarantor	Type of liability	Limit amount ('000 PLN)	Currency	Obligor
STU Ergo Hestia S.A.	Bid bonds, performance bonds, retention bonds, advance payment	265 000	PLN	ERBUD S.A. ONDE S.A. ERBUD Industry Sp. z o.o. – 20.000
PZU S.A.	Bid bonds, performance bonds, retention bonds, advance payment	10 352	PLN	ERBUD S.A.
Allianz Polska S.A.	Bid bonds, performance bonds, retention bonds, advance payment	1 989	PLN	ERBUD S.A.
KUKE S.A.	Bid bonds, performance bonds, retention bonds, advance payment	70 000	PLN	ERBUD S.A.
Generali TU S.A.	Bid bonds, performance bonds, retention bonds, advance payment	36 500	PLN	ERBUD S.A.
CREDENDO	Bid bonds, performance bonds, retention bonds, advance payment	20 000	PLN	ERBUD S.A.; ONDE S.A.
Uniq TU	Bid bonds, performance bonds, retention bonds, advance payment	10 000	PLN	ERBUD S.A.
Euler Hermes AG.	Bid bonds, performance bonds, retention bonds	7 500	euro	MOD 21 GmbH (former GWI GmbH), ERBUD S.A. i ERBUD International Sp. z o.o.
ZURICH	Bid bonds, performance bonds, retention bonds	3 500	euro	MOD 21 GmbH (former GWI GmbH)
R+V	Bid bonds, performance bonds, retention bonds	7 000	euro	MOD 21 GmbH (former GWI GmbH)
AXA	Bid bonds, performance bonds, retention bonds	1 500	euro	MOD 21 GmbH (former GWI GmbH)
Bayerischer Versicherungsverband	Bid bonds, performance bonds, retention bonds	1 500	euro	MOD 21 GmbH (former GWI GmbH)
Swiss RE	Bid bonds, performance bonds, retention bonds	2 000	euro	MOD 21 GmbH (former GWI GmbH)
Credendo	Bid bonds, performance bonds, retention bonds	2 500	euro	MOD 21 GmbH (former GWI GmbH)
VHV Versicherungen	Bid bonds, performance bonds, retention bonds	500	euro	MOD 21 GmbH (former GWI GmbH)
Wuerttembergische Versicherung	Bid bonds, performance bonds, retention bonds	750	euro	MOD 21 GmbH (former GWI GmbH)
Genrali S.A.	Bid bonds, performance bonds, retention bonds	20 000	PLN	ONDE S.A.

InterRisk	Bid bonds, performance bonds, retention bonds	7 000	PLN	ONDE S.A
TU Europa S.A..	Bid bonds, performance bonds, retention bonds, advance payment	6 000	PLN	ONDE S.A
KUKE S.A.	Bid bonds, performance bonds, retention bonds, advance payment	30 000	PLN	ONDE S.A
Uniq TU	Bid bonds, performance bonds, retention bonds, advance payment	30 000	PLN	ONDE S.A
TUIR Allianz Polska S.A.	Bid bonds, performance bonds, retention bonds, advance refund	15 000	PLN	ONDE S.A.
TU Europa S.A..	Bid bonds, performance bonds, retention bonds	850	PLN	Satchwell Sp. z o.o
InterRisk	Bid bonds, performance bonds, retention bonds	25	PLN	Satchwell Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bonds, retention bonds	7 000	PLN	ERBUD Industry Centrum Sp. z o.o
WARTA S.A.	Bid bonds, performance bonds, retention bonds	222	PLN	ERBUD Industry Centrum Sp. z o.o
KUKE S.A.	Bid bonds, performance bonds, retention bonds	3 633	PLN	ERBUD Industry Centrum Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bonds, retention bonds	500	PLN	ERBUD Industry Południe Sp. z o.o
STU Ergo Hestia S.A.	Bid bonds, performance bonds, retention bonds	8 000	PLN	ERBUD International Sp. z o.o.
TU Gothaer.	Bid bonds, performance bonds, retention bonds	644	PLN	ERBUD International Sp. z o.o.
KUKE S.A.	Bid bonds, performance bonds, retention bonds, advance payment	1 000	euro	ERBUD International Sp. z o.o.
InterRisk	Bid bonds, performance bonds, retention bonds	2 600	PLN	ERBUD International Sp. z o.o.
TUZ S.A.	Bid bonds, performance bonds, retention bonds	1 200	PLN	ERBUD International Sp. z o.o.
R+V	Bid bonds, performance bonds, retention bonds	3 000	euro	IVT Weiner+Reimann GmbH
Total:		546 515	PLN	
Total:		30 750	euro	

### 3.10. The Management Board's position on the forecasts for a certain year in the light of the performance presented as of 30 June 2022.

The Issuer's Management Board did not publish financial forecasts for 2022.

## 4 RISK MANAGEMENT

Risk management is a very important aspect of the ERBUD Group. The Management Board approaches the problem of risk management systemically, taking into account all possible potential risks such as:

Internal risks	External risks
<b>Strategy</b> <ul style="list-style-type: none"> <li>• lack of fast adaptation to ever changing market environment</li> <li>• failure to keep abreast with changing technology</li> <li>• erroneous choice of partner</li> </ul> <b>Organisation</b> <ul style="list-style-type: none"> <li>• poor communication between operational units</li> <li>• misappropriations</li> <li>• breaches of guidelines and internal procedures</li> </ul>	<b>Economics</b> <ul style="list-style-type: none"> <li>• fluctuation of raw material prices</li> <li>• interest rate changes</li> <li>• exchange rate fluctuations</li> <li>• inflation rate growth</li> <li>• increase of insurance contributions</li> </ul> <b>Politics</b> <ul style="list-style-type: none"> <li>• regulatory changes</li> <li>• entry barriers</li> <li>• trade embargoes</li> <li>• regulatory changes</li> </ul>
<b>Personnel</b> <ul style="list-style-type: none"> <li>• occupational diseases</li> <li>• labour strikes</li> <li>• lack of competencies</li> <li>• loss of workers</li> </ul> <b>Processes and assets</b> <ul style="list-style-type: none"> <li>• accidents during transport</li> <li>• fires / failures</li> <li>• defective product quality and pollution / contamination</li> </ul>	<b>Market</b> <ul style="list-style-type: none"> <li>• customer pressure on price reduction - customer consolidation</li> <li>• failure to comply with contractual terms by key suppliers/subcontractors</li> <li>• labour force deficiency in the marketplace</li> <li>• loss of intellectual property</li> <li>• competition growth</li> </ul> <b>Nature</b> <ul style="list-style-type: none"> <li>• flood</li> <li>• hurricane wind</li> <li>• epidemic/pandemic</li> </ul> <b>Social</b> <ul style="list-style-type: none"> <li>• crimes</li> <li>• increase of damages awareness</li> <li>• demonstrations</li> </ul>

Types of risks specifically monitored within the ERBUD Group are presented below.

## **4.1. Financial Risk**

### **4.1.1. Currency risk**

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

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

In the case of contracts denominated in Euro for which it is impossible to match the currency, the Group hedges the material foreign exchange risk using forward contracts with key parameters as close as possible to those of the hedged item.

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

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

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

### **4.1.2. Interest rate risk**

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

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

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

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

### **4.1.3. Price risk**

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

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

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

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

#### **4.1.4. Credit risk**

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

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

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

#### **4.1.5. Liquidity risk**

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

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

ERBUD S.A. also benefits from debt financing raised through the issue of bonds worth PLN 52 million.

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

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

As of 30 June 2022 the ERBUD Group had the capacity to meet its short-term liabilities. All Group member companies paid their interest and trade payables on time.

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

#### **4.2. Operational risk**

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

- Risk of underestimation of contract execution costs. If the value of all works necessary to perform the contract, specified in the tender offer, is underestimated, the Group may incur a loss or generate a lower profit on a certain contract.
- Risk of failure to recognise extra costs of works by the Employer. The proper performance of the subject matter of the contract sometimes requires the performance of extra works not specified in the contract, and thus incurring costs higher than accepted. Additional work may also result in the contract execution deadline being exceeded. The Group's request for additional fee may be considered groundless by the Employer.
- Risk of suspension of contracts by the investor.
- Protests by residents or ecologists in the case of road investments, delaying construction work.
- Risk of poor quality of delivered materials.
- Risk related to liability under the warranty for physical defects and guarantee of the quality of performed works.
- Risk related to the responsibility for the improper performance of construction works by subcontractors.
- Risk of loss of managerial and engineering staff. Decisions to reassign some of these staff and the no possibility to replace them with suitable staff may have a negative impact on the performance of certain contracts.

#### **4.3. Macroeconomic Risk**

The development prospects of the ERBUD Group and its financial standing depend primarily on the condition of the Polish economy and the European economy. The development opportunities for the construction sector are particularly influenced by the share of investments into economic growth. The current economic position is very tough; the expected stagflation will not be conducive to investment. The Group anticipates such risks primarily by diversifying its business by segment and geography. The Group's management analyses all micro- and macroeconomic forecasts in depth. It reduces its activities in the segments exposed to the greatest risks - (building construction) in favour of segments that are less sensitive to turbulence - services for industry at home and abroad, production and sale of timber modular buildings.

#### **4.4. Legal Risk**

Changes to certain regulations may adversely affect the activities of the ERBUD Group. In particular, this refers to:

- New environmental protection requirements which may make it necessary to obtain further permits and delay the implementation of the investment.
- Changes in the regulation of licences and public procurement (e.g. introduction of additional innovation and social security requirements).
- Tightening of requirements concerning guarantee, warranty and subcontracting contracts in bidding procedures.
- Unstable fiscal policy - taxation of windfall profits, numerous changes in tax laws .
- Risks related to the implementation of GDPR Regulation.
- Risks of correct ESG reporting.

As reported by the Puls Biznesu daily in the article: "Poles suffocate due to overregulation" - in H1 2022 "955 new legal acts were published, with as many as 14,500 pages in A4 format". Making a legal mistake with such changes is very likely. In order to mitigate legal risks, the ERBUD Group uses both

in-house lawyers and specialised external law firms, depending on the complexity and nature of the legal issues.

#### **4.5. Tax Risk**

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

#### **4.6. Environmental Risk**

Environmental risk management at ERBUD S.A. is a permanent element of the process approach and is defined for each investment project. This process starts with the identification of environmental aspects and their environmental impact. For material environmental aspects, objectives and targets are set leading to the mitigation of the Company's negative environmental impact.

The major environmental aspects of ERBUD S.A. include, but are not limited to:

- land contamination,
- water pollution,
- air emissions,
- the environmental nuisance of the manufacturing process (noise, vibrations),
- utilisation of natural resources,
- chemical substances applied in the construction products,
- waste including in particular hazardous waste,
- other aspects related to the specific nature of the construction activity.

In the organisation, an assessment of the probability of occurrence of threats or opportunities resulting from a given environmental aspect is carried out, and then an analysis of possible environmental damages and benefits related to the occurrence of a certain event is made. The classification of risks is determined on the basis of defined matrices, which present criteria of probability of occurrence of an undesirable phenomenon (environmental hazard) and criteria of the effect of the occurring phenomenon (outcome). The purpose of the aforementioned analysis is to determine what risks and impacts on the environment result from the identified significant environmental aspects and what is their environmental impact and contract performance. The defined environmental risks are constantly monitored when each construction project is being performed and described in the Environmental Programme, which defines:

- environmental objectives for individual environmental aspects,
- the risks and opportunities associated with environmental aspects and the risks and benefits related to them,
- preventive measures to minimize risks and achieve objectives,
- persons responsible for preventive measures.

The objective of the assessment of the environmental impact of a facility, through the identification of significant risks, is to indicate ways to reduce the negative environmental impact of construction activity in the future.

## 4.7. Climate Risk

Based on the guidance provided in the Climate Information Reporting Supplement (2019/C 209/01), including the appendix in the form of Recommendations of the Task Force on Climate Financial Disclosure (TCFD) (under Materials and Buildings Group), types of climate risks were identified for the ERBUD Group. They are presented in a table below:

Risk categories based on financial materiality	Individual risks	Risk categories based on environmental and social materiality	Individual risks
Acute physical risk	<ul style="list-style-type: none"> <li>- the risk of heat waves disrupting the value chain due to the overloading of the energy system by air conditioners and shortening the working time of employees,</li> <li>- the risk of abrupt storms or hurricanes disrupting the value chain due to flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or the discontinuation of the supply of process utilities,</li> <li>- the risk of floods disrupting the value chain due to flooding or destruction of transport routes and construction sites, as well as the breaking of electric traction lines or the discontinuation of the supply of process utilities,</li> <li>- the risk of outbreak of fires disrupting the value chain by destroying your own property or that of your partners in the value chain.</li> </ul>	Risks associated with the transition concerning political aspects	<ul style="list-style-type: none"> <li>- tightening energy efficiency requirements due to climate change and lack of access to water or overloading of the power system,</li> <li>- change of the mechanisms for setting charges for greenhouse gas emissions affecting the purchase of fossil fuels or other non-renewable raw materials,</li> <li>- changing land management policies due to their location in areas of climate risk or impact on climate changes.</li> </ul>
Long-term physical risk	<ul style="list-style-type: none"> <li>- the risk of reducing the amount of available process water disrupting the value chain, in connection with the drop in surface and groundwater levels as a result of rainfall,</li> <li>- the risk of reducing the working time of workers disrupting the value chain as the average temperature rises.</li> </ul>	Transition risk concerning political aspects	- the risk of a possible lawsuit in case of too much adverse impact on the climate, e.g. due to failure to adapt to climate change.
		Transition risk concerning technological aspects	- the risk of failure to apply technologies less harmful for the climate.
		Transition risk concerning market aspects	- the risk of redirecting business customers' choices to solutions and structures that have an even more passive impact on the climate.
		Transition risk concerning loss of reputation	<ul style="list-style-type: none"> <li>- the risk of failure to attract and retain business customers, if the Group's operations are deemed to be harmful to the climate,</li> <li>- the risk of failure to attract and retain personnel, if the Group's operations are deemed to be harmful to the climate,</li> </ul>



			- the risk of failure to attract and retain investors, if the Group's operations are deemed to be harmful to the climate, - the risk of failure to attract and retain suppliers and subcontractors, if the Group's operations are deemed to be harmful to the climate.
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#### **4.8. Cyberattack Risk**

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

#### **4.9. Coronavirus Risk**

The occurrence of uncertain and unpredictable circumstances, including the outbreak of SARS-CoV-2 pandemic with associated consequences of declaring an epidemic emergency status, may in short- and long-term have a negative impact on the ERBUD Group's business, development prospects and financial standing. The Group's management has taken all possible measures to prevent the spread of the virus within the Group's member companies, including arrangement of vaccinations for the personnel members, their families as well as subcontractors and investors. The Management Board, along with the OH&S units follows the developments in Poland and in Europe. The important areas, which the Company monitors on an on-going basis and which may pose the greatest risk to the future performance of the ERBUD Group are as follows: (i) temporary absence of construction staff, which may contribute to the delay of construction processes, (ii) delays in the supply of construction materials and services, (iii) slowdown in the activities of public administration bodies, including in particular administrative decision-making process, (iv) contracting authorities' decisions to suspend work on individual construction contracts, (v) contracting authorities' decisions not to implement planned construction projects, e.g. due to difficulties in raising financing.

In the opinion of the Management Board of the ERBUD Group, as of the publication date of the financial statements, drawn up as of 30 June 2022, the liquidity positions of the Group and the Company remain stable.

However, the situation continues to be dynamic and there is more and more talk about a seventh wave of the pandemic. Group management, together with the units responsible for this aspect, is monitoring the situation and will implement appropriate measures in line with developments.

#### **4.10. Insurance**

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

Additionally, the Group uses motor insurance.

## Insurance contracts

Insurer	Valid from	Valid to	Subject of insurance	Value of insurance
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2021	31 Jan. 2022	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2022	31 Jan. 2023	Civil liability business insurance	PLN 100 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2021	31 Jan. 2022	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2022	31 Jan. 2023	Third party liability insurance of the designer	PLN 10 million for one and all events
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2021	31 Jan. 2022	Construction and erection all risks insurance	Open
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Feb. 2022	31 Jan. 2023	Construction and erection all risks insurance	Open
Chubb European Group Limited Sp. z o.o. Polish Branch	8 Jun. 2021	7 Jun. 2022	D&O Insurance	PLN 40 million
Chubb European Group Limited Sp. z o.o. Polish Branch	22 Jun. 2022	23 Jun. 2023	D&O Insurance	PLN 40 million
Chubb European Group SE, European company, Polish Branch	23 Feb. 2021	30 Jun. 2022	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million
Sopockie Towarzystwo Ubezpieczeniowe ERGO Hestia S.A.	1 Jul. 2022	30 Jun. 2023	Corporate Cyberattack Insurance – CYBER ERM	PLN 5 million, including PLN 2 million in relation to foregone profits

## 4.11. Litigations

### **Information about lawsuits pending before a court, an authority competent for arbitration proceedings or a public administration body, including information about:**

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

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

#### **Material proceedings to which the Issuer is the plaintiff:**

##### **1.**

Defendant: Bank Millennium S.A. in Warsaw

Date of filing a lawsuit: 22 December 2010

Value of the dispute: PLN 71,065,496

In 2008 Bank Millennium S.A. advised ERBUD S.A. to conclude FX option transactions to hedge against FX risk under the contracts denominated in EUR executed by the Issuer. The Bank's proposal was driven by a need of the Issuer to obtain security adequate to its situation. According to the Company, the product was not optimally adjusted to the ERBUD S.A. needs. In Q4 2008, as a result of a drastic revaluation of Polish zloty (PLN) in the PLN/EUR pair, Bank Millennium S.A. informed the Issuer about a negative valuation of the exposure held at that time.

At the same time, a dispute arose over the content of FX option transactions, mainly with respect to the exclusion of option structures. During numerous discussions, the Issuer presented its position to the Bank, in which it demanded that the transaction be carried out with the undertaking of actions aimed at enforcing of existing claims. In order to limit the amount of potential loss, the disputed transactions were restructured and the Bank was informed about legal actions taken in the future to remedy the loss resulting from FX option transactions. The restructuring details were presented by the Issuer in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. The Issuer never agreed with the position of Bank Millennium S.A. and therefore called upon the Bank twice demanding the Bank to pay the amount of PLN 71,065,496, which consists of the amounts collected by the Bank from the Issuer's bank account, foregone profits and costs of legal and financial advisors. In connection with the above, the Issuer decided to bring an action for payment of compensation for the loss.

On 16 September 2016 the Management Board of ERBUD S.A. was informed by its legal counsels about the decision taken by the District Court in Warsaw. Pursuant to the decision, the Court dismissed the Issuer's claim in its entirety.

On 4 November 2016, the Issuer filed an appeal against the decision. The decision was appealed against in its entirety, and the appeal allegations focus in particular on incorrect findings and conclusions of the Court of First Instance regarding the incorrect determination by the Court of First Instance of the content of the disputed transactions, as well as incorrect interpretation of documents, including documents confirming transactions. In addition, a reference was made to numerous rulings of the District Court and the Court of Appeal in Warsaw, issued in similar cases when the Courts issued rulings favourable to the customers of Bank Millennium under circumstances similar to those of the Issuer.

The above ruling does not have any influence on the financial position of the Issuer because the entire loss related to options was settled in the year of its occurrence, i.e. in 2008.

On 29 May 2018 the Court of Appeal in Warsaw announced the ruling in the case filed by ERBUD S.A. against Bank Millennium S.A., in which it upheld the appeal of the Company.

The Court of Appeal in Warsaw, in its decision of 29 May 2018, overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision about the costs of the appeal proceedings.

On 13 July 2018 the Company was informed about a complaint filed by Bank Millennium S.A. with the Supreme Court against the ruling of the Court of Appeal in Warsaw of 29 May 2018 concerning the action brought by ERBUD S.A. against Bank Millennium S.A.

In its complaint Bank Millennium questions the advisability of repealing the ruling and referring the case back to the District Court in Warsaw for re-examination, indicating that the Court of Appeal should decide the case itself. On behalf of the Company its Legal advisors submitted a response to the complaint.

On 28 September 2018 the Supreme Court issued a decision about the case brought by the Issuer against Bank Millennium S.A., in which it accepted the complaint of Bank Millennium S.A. The Court of Appeal in Warsaw, in its decision of 29 May 2018, overruled the appealed decision of the District Court in Warsaw of 16 September 2016 and referred the case back to that court for re-examination together with the decision about the costs of the appeal proceedings.

On 3 June 2020 Court of Appeal in Warsaw decided:

To admit ex officio evidence from a court expert's opinion in the field of finance, economics and banking to the circumstances:

- clarification of the substance and mechanism of the contracts concluded by the parties on 9 and 11 July 2008 and 14 August 2008 as regards the contract between the parties;
- whether the above-mentioned contracts were adjusted to the claimant's market position;
- what function they performed, and in particular whether they performed a function securing the claimant's interests;
- whether the type of the switch (bilateral or unilateral) was important for the performance of the function securing the claimant's interests;
- assessment of risk of both parties to the above mentioned contracts, determination whether there was an identical probability of profit and loss on both sides and determination of possible disproportion of positions of both parties to this end;
- whether by concluding the above-mentioned contracts the claimant was exposed to the exchange rate risk, whether the defendant was exposed to the exchange rate risk and whether the degree of such risk was determined, in particular whether the risk was unlimited for any of the parties;
- whether the conclusion of the aforementioned contracts was of speculative nature;
- determine whether the information provided to the claimant prior to the conclusion of the aforementioned contracts was complete, reliable and comprehensible, whether the content of the information provided represented a sufficient basis for risk analysis and making a fully judged decision regarding the conclusion of the aforementioned contracts.

Have the court expert draw up a written opinion in three copies within two months.

On 24 November 2021, the Court of Appeal in Warsaw recognised the Company's appeal partially, awarding the amount of PLN 51,383,600 from the Bank to the Company, along with statutory interest accrued from 8 December 2010 to 31 December 2015 and statutory late payment interest from 1 January 2016 to the date of payment. The Company is liable for 29% of the litigation costs and the Bank for 71%. The judgment is legally binding.

Bank Millennium S.A. on 2 December 2021 filed a request to withhold payment to ERBUD S.A. of the total amount of PLN 102,733,906.25. The withholding will take place until the time limit for filing a cassation appeal has expired and, if filed, until the completion of the cassation proceedings.

The Court of Appeals of Warsaw, 7th Commercial and Intellectual Property Division, acceded to Bank Millennium's request and withheld payment of the adjudged amount as requested by the Bank Millennium. The court's decision is not appealable.

It does not stop the accrual of interest on the principal amount due, i.e. on the amount of: PLN 51,383,600.

The Court of Appeal has published a justification of the judgment.

**2.**

Defendant: DSH – Dopravni Stavby, a.s., Brno in the Czech Republic

Date of filing a lawsuit: 14 February 2013

Value of the dispute: PLN 26,923,644.16

Current dispute status: On 27 May 2014 ERBUD S.A. extended the claim by the amount of PLN 22,925,604.52 claiming additionally the reimbursement of costs of substitute performance. In a letter dated 27 April 2014 and delivered on 1 July 2014, the defendant filed a counterclaim for the amount of PLN 5,651,633. On 6 November 2015, a hearing was held. The parties have agreed to request the cancellation of the hearing in order to continue the settlement proceedings. The settlement talks were fruitless. All witnesses requested by the Parties were interviewed. Upon the unanimous request of the Parties, the Court set a 30-day time limit for the expert to specify the proof of evidence and to submit detailed questions to the opinion. On 17 August, CEMEX notified about its accession on ERBUD S.A. side as a secondary intervener. At the main hearing held on 12 December 2018, the court dismissed both oppositions. The court made a decision to have an expert draw up an opinion.

The Court served a court expert's opinion in favour of ERBUD S.A.. In the opinion, the expert indicated that the costs of substitute performance incurred by ERBUD S.A. are reasonable. According to the expert, DSH misperformed the contract and the method of repair used by DSH was incorrect. On 7 October 2021, the court announced a judgment under which: the Court awarded ERBUD S.A. the amount of PLN 26,923,644.16 (in words: twenty-six million nine hundred and twenty-three thousand six hundred and forty-four zlotys and sixteen groszy) from DSH - Dopravni stavby a.s. with its registered office in Brno (Czech Republic) , along with interest and legal costs.

The defendant filed an appeal against the judgment, which has not yet been delivered to ERBUD S.A..

The appeal hearing date is missing.

**3.**

Defendant: Platinum Resort Sp. z o.o.

Date of filing a lawsuit: 3 December 2018.

Value of the dispute: PLN 16.301.236,97

**Counterclaim**

Defendant: ERBUD S.A.

Value of the dispute: 13,516,629.86

Date of filing a lawsuit: 27 April 2019

ERBUD filed a request with the District Court in Szczecin to secure a cash claim in the amount of PLN 5,455,851.09 in relation to the contractual penalty for withdrawal from the Construction Works Contract of 26 January 2017 for the execution of the project titled "Construction of a four-star hotel complex consisting of: Three hotel buildings with land development in Żeromskiego Street in the City of Świnoujście" by encumbering the properties belonging to Platinum Resort Sp. z o.o. with a joint compulsory mortgage.

Pursuant to its Decision of 19 November 2018 the Court granted security by entering the compulsory mortgage into the land and mortgage registers of the aforementioned real estate, as well as by the attachment of bank accounts of Platinum Resort Sp. z o.o.

On 3 December 2018 the Issuer filed a lawsuit for payment of PLN 16,301,236.97 together with interest in the writ of payment proceedings for remuneration and other claims related to the execution of the aforementioned investment together with an additional request for securing claims.

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

The Szczecin District Court found that there were no grounds for issuing a payment order and referred the case to be examined in ordinary proceedings. The claim was forwarded for servicing to the defendant.

By virtue of decision of 22 February 2019. the District Court secured the claim of ERBUD S.A. for another amount of PLN 3.5 million by establishing a compulsory mortgage on the property.

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

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

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

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

On 11 June, the information about the writ of summons was received, no date for the hearing, no information about what exactly the writ of summons is supposed to be about, the file wanders between courts, there was no option to inspect it.

The Court took evidence from witnesses. The Court decided to admit expert evidence. The deadline for the submission of the opinion was 31 March 2022.

On 2 February 2022, an inspection of the disputed property took place for the purpose of preparing an expert opinion. The expert's opinion was delivered to the law firm in July 2022. The contents of the opinion are favourable to the Company. Possible comments on the contents of the opinion will be submitted in August this year, following an in-depth analysis of the opinion. Estimated date for completion of proceedings before the Court of First Instance: 2022. The opinion has not yet been filed.

**The value of other litigations where ERBUD S.A. is the Defendant totals PLN 22,839,156.20.**

#### **Material proceedings to which the Issuer is the defendant**

1.

Plaintiff: Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o. (*Warsaw Modlin Airport*) („MPL”)

Defendant: ERBUD S.A. in Warsaw

Date of servicing an action to ERBUD S.A.: 23 May 2014

Value of the dispute: PLN 34,381,374.64

On 12 May 2014, a statement of claim was delivered to Erbud in which the Warsaw Modlin Airport (MPL) requested payment of PLN 34,381,374.64 for damages along with statutory interest and litigation costs.

The damages claimed by the Warsaw Modlin Airport (MPL) consists of losses and benefits incurred by the claimant and lost as a result of allegedly improper performance by Erbud of the Contract of 14 September 2010 for the construction of the Warsaw-Modlin Airport No. PLM/K/96/2010 and suspension of air traffic on a part of the airport runway.

On 11 October 2014 Erbud submitted a reply to the statement of claim in which Erbud requested that the Warsaw Modlin Airport's (MPL) claim be dismissed in its entirety and that the costs of the proceedings be reimbursed. At the same time, irrespective of the claim lodged by the claimant, the Company instituted a counterclaim against Warsaw Modlin Airport (MPL), requesting that the amount

of PLN 19,892,366.30 with statutory interest be awarded to the Company. The counterclaim consists of costs incurred by ERBUD S.A. to repair the airfield surface at the Warsaw-Modlin airport. On 2 March 2015, MPL's pleading was served on Erbud, in which MPL maintained its claims and requested that Erbud's counterclaim be dismissed.

After the exchange of pleadings, the court proceeded to hear witnesses. The first hearing date took place on 28 October 2015. During the subsequent court sessions, a number of witnesses called by both parties were heard.

The court heard all witnesses called by the Parties.

A final hearing was held on 21 December 2018, at which the Court concluded the questioning of the Parties' representatives and decided to admit evidence:

1. an opinion from a building institute on:
  - a) establishing the causes and effects of defects in the work carried out by Erbud;
  - b) establishing whether the concrete mix recipes were prepared correctly;
2. an opinion from an institute for the operation of civil airports and the assessment of the technical condition of airport pavements on:
  - a) determination whether the condition of the Modlin Airport airfield surface on 22 December 2012 justified the banning of air traffic and whether, given the condition of the airfield surface at that time, it was possible to continue air traffic of Class C aeroplanes on all or part of that surface while maintenance and repair works were carried out at the same time;
  - b) determination whether, in the period from 6 June 2012 to 22 December 2012, maintenance works on the surface of the runway and taxiways were carried out properly;
3. an opinion of meteorological expert on the meteorological conditions affecting the performance of C-code aircraft flights actually occurring at Warsaw-Modlin airport between 22 December 2012 and 29 September 2013 with two options:
  - a) taking into account the ILS system at the Modlin airport existing at that time and taking into account the ILS Category 1 navigation system, which would have been certified at the time the concrete thresholds were taken out of service.

On 20 August 2019, the Court issued an order to entrust the Institute of Roads and Airports the performance of an construction opinion (reasons for defects in the surface and assessment of alternative repair options). Subsequently, the Court commissioned to the Institute the drawing up an opinion also on meteorological aspects. Eventually the Court extended the deadline for the opinion preparation until 20 May 2021 and at that date the opinion was submitted to the case file.

On 29 November 2021. Erbud submitted comments and objections to the opinion accompanied by a request to exclude the expert. On 7 February 2022 the court sent Erbud's findings and comments to the expert and invited him to provide a response. On 21 April 2022 the Court made an order awarding the expert the entire fee requested by the expert. On 7 June 2022 Erbud filed a complaint against the above-mentioned order.

#### **4.**

Plaintiff : Office of the Marshal of the Wielkopolska Region in Poznań

Defendant: ERBUD S.A. in Warsaw

Date of service of the claim on ERBUD S.A.: 28 January 2022.

Value of the subject matter under the dispute: PLN 21,553,732.

By a statement of claim of 20 December 2021, the Wielkopolskie Province with its registered office of the Marshal Office of the Wielkopolskie Province in Poznań requests that the Court authorise the replacement, at the expense of Erbud S.A., of the following systems in their entirety: 1) cold water, 2) hot water, 3) hydrant water, 4) process heat and 5) chilled water in the building, which is the registered office of the Marshal Office in Poznań, located at Al. Niepodległości 34 in Poznań under a quality warranty.

A response to the claim has been filed. The date of the first hearing has been set for October 2022.

In the opinion of Erbud S.A., there are no grounds to consider the claims of the Wielkopolskie Voivodeship in its entirety.

Anticipated date for completion of litigation before the Court of First Instance: 2025 r.

**Total value of other proceedings where ERBUD S.A. is the defendant: PLN 13,258,247.63**



#### **4.12.Information about transactions with related parties in the ERBUD GROUP**

In H1 2021 and until the date of publication, neither the Issuer nor its subsidiaries entered into any transactions other than those related to the regular activities of the aforementioned entities. All transactions are concluded following the arms' length principle.

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

In the Company's opinion, there is no other relevant information for the assessment of the aforementioned factors than that indicated in this Report.

## **5 CORPORATE GOVERNANCE - SELECTED INFORMATION**

### **5.1. Changes in the composition of ERBUD S.A. governing bodies**

On 27 June 2022, ERBUD S.A. received a letter of resignation from Mr Radosław Górski from his position as a Member of the Management Board of ERBUD S.A. with immediate effect, so that, as of 28 June 2022, the Management Board of ERBUD S.A. consists of::

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

### **5.2. Share capital**

As of 30 June 2022 and at the date of publication of the Condensed Consolidated Financial Statements for H1 2022, the share capital of ERBUD S.A. totals PLN 1,209,650.20 and divides into 12,096,502 ordinary shares with a par value of PLN 0.1 per share of the ERBUD S.A. shareholders' equity.

On 14 June 2022, the Management Board of ERBUD S.A., with its registered office in Warsaw (the "Company"), became aware of the registration on June 14, 2022 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register of amendments to the Company's Articles of Association made in connection with the adoption of Resolution No. 21/2022 of the Company's Annual General Meeting of May 20, 2022. on the cancellation of treasury shares acquired by the Company and Resolution No. 22/2022 of 20 May 2022 of the Company's Ordinary General Meeting of Shareholders on the reduction of share capital and amendment of the Company's Articles of Association (the "Resolutions")

Pursuant to the Resolutions, § 5 (1) of the Company's Articles of Association was amended. Prior to the amendment, § 5.1 of the Company's Articles of Association had the following content:

"The Company's share capital amounts to PLN 1. 239. 935.90 (one million two hundred and thirty-nine thousand nine hundred and thirty-five zlotys ninety cents) and divides into 12,399,359 (twelve million three hundred and ninety-nine thousand three hundred and fifty-nine) A-series ordinary bearer shares with a par value of PLN 0.10 (ten cents) each, marked with ISIN code PLERBUD00012."

Following the amendment, Art. 5, par. 1 of the Company's Articles of Association has the following wording:

"The Company's share capital amounts to PLN 1,209,650.20 (in words: one million two hundred and nine thousand six hundred and fifty zlotys twenty cents) and divides into 12,096,502 (in words: twelve million ninety-six thousand five hundred and two) A-series ordinary bearer shares with a par value of PLN 0.10 (ten groszys) each, marked with ISIN code PLERBUD00012."

As a result of the registration of the amendments to the Articles of Association covered by the Resolutions, own shares acquired by the Company totalling 302,857 shares, which corresponded to a total of 302,857 votes in the Company were redeemed.

### **5.3. ERBUD S.A.'s shareholders**

As of 5 September 2022 i.e. the date of publication of the Financial Statements, the list of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders of ERBUD S.A. was as follows:

Name of shareholder	As of 2 Sep. 2022		As of 13 May 2021	
	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
Wolff & Müller Baubeteiligungen GmbH & Co. KG including Wolff & Müller Holding GmbH & Co. KG*	3 854 837	31.87%	3 910 779	31.54%
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	1 321 553	10.93%	1 491 731	12.03%
ING OFE	1 200 000	9.92%	1 200 000	9.68%
Aviva OFE Aviva BZ WBK	1 183 146	9.78%	1 183 146	9.54%
Dariusz Grzeszczak	1 231 907	10.18%	1 098 787	8.86%
PKO OFE	715 279	5.91%	715 279	5.77%
ERBUD SA - own shares without voting rights at the General Meeting of Shareholders	166 666	1.38%	302 857	2.44%
Other shareholders	2 423 114	20.03%	2 496 780	20.14%
<b>Total:</b>	<b>12 096 502</b>	<b>100.00%</b>	<b>12 399 359</b>	<b>100.00%</b>

\* Mr Albert Dürr holds 85% shareholding in Wolff & Müller Holding GmbH & Co. KG, which holds 100% of the shares in Wolff & Müller Baubeteiligungen GmbH & Co. KG and directly 2.16% shareholding in Erbud S.A. (2.16% of the total number of votes). Wolff & Müller Baubeteiligungen GmbH & Co. KG holds directly 29.70% shareholding in Erbud S.A. (29.70% of the total number of votes). Additionally Mr Albert Dürr holds 85% shareholding in Dürr Holding GmbH, which holds 0.11% shareholding in Erbud S.A. (0.11% of the total number of votes). In total Mr Albert Dürr holds directly and indirectly 31.87% shareholding in Erbud S.A. (31.87% of the total number of votes).

\*\* Additionally Mr Dariusz Grzeszczak controls DGI Closed-End Investment Fund of Non-public Assets, which holds 10.93% of Erbud S.A. shareholding (10.93% of the total number of votes).

## 2.1. TRANSACTIONS INVOLVING ERBUD SA SHARES DURING THE PERIOD FROM 10 MAY 2022 TO 5 SEPTEMBER 2022

- On 30 May 2022, the Company received a notification from Mr Dariusz Grzeszczak, President of the Management Board of ERBUD S.A. on his acquisition of 151,000 shares of ERBUD S.A. from DGI Closed Investment Fund of Non-Public Assets (DGI)..

Prior to the Transaction, Dariusz Grzeszczak as a shareholder held 2,940,333 shares in the Company, accounting for 23.04% of the Company's share capital, entitling him to 2,940,333 votes, which accounted for 23.04% of the total number of votes in the Company, including:

- 1) 1) he held directly 773,900 shares in the Company, accounting for 6.06% of the Company's share capital, entitling him to 773,900 votes, which accounted for 6.06% of the total number of votes in the Company;
- 2) 2) indirectly - through DGI - he held 2,166,433 shares in the Company, accounting for 16.98% of the Company's share capital, entitling him to 2,166,433 votes, which accounted for 16.98% of the total number of votes in the Company, including:
  - a) DGI directly held 2,136,260 shares in the Company, accounting for 16.74% of the Company's share capital, entitling it to 2,136,260 votes, which accounted for 16.74% of the total number of votes in the Company;
  - b) DGI held indirectly - through Juladal Investment Limited - 30,173 shares in the Company, accounting for 0.24% of the Company's share capital, entitling to 30,173 votes, which accounted for 0.24% of the total number of votes in the Company.

Following the Transaction, Dariusz Grzeszczak, acting in the capacity of a shareholder, held 2,590,518 shares in the Company, accounting for 20.89% of the Company's share capital, entitling him to 2,590,518 votes, which accounted for 20.89% of the total number of votes in the Company, including:

- 1) 1) he held directly 1,249,787 shares in the Company, accounting for 10.08% of the Company's share capital, entitling him to 1,249,787 votes, which accounted for 10.08% of the total number of votes in the Company;
  - 2) 2) he held indirectly - through DGI - 1,340,731 shares in the Company, accounting for 10.81% of the share capital of the Company, entitling to 1,340,731 votes, which accounted for 10.81% of the total number of votes in the Company.
- On 19 May 2022, the Company's registered office received a notice of the sale of 151,000 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19(3) of the MAR Regulation, from DGI Closed-end Investment Fund of Non-Public Assets, a person closely related to the person performing managerial duties: Mr Dariusz Grzeszczak - President of the Company's Management Board.
  - On 21 June 2022, the Company received a notification of the sale of 19,178 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19(3) of the MAR Regulation from DGI Closed-end Investment Fund of Non-Public Assets, a person closely related to the person discharging managerial responsibilities: Mr Dariusz Grzeszczak - President of the Company's Management Board. The transaction took place outside the trading system within the framework of the buy-back of ERBUD S.A.'s own shares announced by the Company's Management Board on 27 May 2022..
  - On 23 June 2022, the Company received a notice of the sale of 17,880 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19(3) of the MAR Regulation from Dariusz Grzeszczak performing managerial duties (President of the Issuer's Management Board). The transaction took place outside the trading system as part of the conducted buy-back of ERBUD S.A.'s own shares announced by the company's Management Board on 27 May 2022.
  - On 23 June 2022, the Company received a notification of the sale of 52,140 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19(3) of the MAR Regulation from Wolff & Müller Baubeteiligungen GmbH & Co. KG, a person closely related to the person performing managerial duties: Mr Albert Dürr - a Member of the Company's Supervisory Board. The transaction took place outside the trading system within the framework of the buy-back of ERBUD S.A.'s own shares announced by the Company's Management Board on 27 May 2022.
  - On 23 June 2022, the Company received a notification of the sale of 13,175 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19(3) of the MAR Regulation from Wolff & Müller Holding GmbH & Co. KG, a person closely related to persons discharging managerial responsibilities: Mr Albert Dürr - a Member of the Company's Supervisory Board and Mr Roland Bosch - the Chairman of the Company's Supervisory Board. The transaction took place outside the trading system as part of the conducted buyback of ERBUD S.A.'s own shares announced by the Company's Management Board on 27 May 2022.

- On 23 June 2022, the Company's registered office received a notice of the sale of 198 shares by ERBUD S.A. (Issuer), acting in the capacity of a shareholder, pursuant to Article 19 (3) of the MAR Regulation from Albert Dürr - a Member of the Company's Supervisory Board. The transaction took place outside the trading system as part of the performed buyback of ERBUD S.A.'s own shares announced by the Company's Management Board on 27 May 2022.
- On 27 June 2022, the Company's registered office received a correction to the notification of the transaction made on 20 June 2022, announced on 23 June 2022, by Wolff & Müller Holding GmbH & Co. KG, acting in the capacity of a shareholder. The correction of the notification rectified an error in showing the correct volume of shares sold under the performed buyback of ERBUD S.A.'s own shares announced by the company's Management Board on 27 May 2022. The correct volume of shares sold by the shareholder was 3,802 units..

On 17 June 2022 the buy-back of ERBUD S.A.'s own shares was completed. It was initiated by virtue of Resolution No. 24/2022 of the Company's Ordinary General Meeting of Shareholders, dated 20 May 2022 on authorising the Company's Management Board to acquire own shares for the purpose of their redemption and (ii) by virtue of the Resolution No. 22/2022 of the Company's Supervisory Board of 21 April 2022 on giving consent to the buy-back of own shares.

On 27 May 2022, the Management Board of ERBUD S.A., pursuant to the aforementioned Resolutions, adopted Resolution No. 22/2022, which defines the terms of the buyback of own shares:

1. The total amount for which the Company will acquire Own Shares, along with the costs of their acquisition, shall not exceed the total amount of: PLN 20,000,000 (in words: twenty million and 00/100);
2. The total number of Own Shares to be acquired under the Tender offer shall not exceed: 166,000 shares (in words: one hundred sixty six thousand shares);
3. The price at which Own Shares will be acquired: PLN 120.00 (in words: one hundred twenty Polish zlotys per Own Share and was determined taking into account the terms and conditions set forth in the Resolution;
4. The buy-back of Own Shares shall be carried out in compliance with the following schedule:
  - a) date of announcement of the Tender Offer: 27 May 2022,
  - b) the start date for the acceptance of bids from shareholders: 1 June 2022,
  - c) the end date for the acceptance of bids from shareholders: 14 June 2022,
  - d) expected date of acquisition of Own Shares by the Company: 20 June 2022

On 17 June 2022, mBank S.A. Brokerage House sent the Company a summary of the share buy-back process.

As part of the buy-back process, sales offers were made for a total number of 11,652,336 of Company shares. Due to the fact that the total number of the Company's shares submitted by the Company's shareholders for sale under the Company's Tender offer exceeded the total number of shares the Company intended to acquire under the Tender Offer, the Company made a proportional reduction of the Company's share sales offers, applying the reduction rules defined in detail in the Tender Offer. The average reduction rate of the share sales offers submitted was 98.57%.

The Own Shares acquired by the Company account for 1.43% of the Company's share capital and of the total vote at the Company's General Meeting of Shareholders.

The purpose of the acquisition of the Own Shares is to redeem Own Shares and subsequently to reduce the Company's share capital, pursuant to Art. 359 of the Polish Companies' Code.

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.

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

As of the date of publication of the financial statements, i.e. on 5 September 2022, the list of managing and supervising persons holding directly or indirectly through subsidiaries the Issuer's shares was as follows:

Related person	Type of relation	As of 5 Sept. 2022		As of 10 May 2022	
		Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM	Number of shares and votes at AGM	Share in equity and in the total number of votes at AGM
DGI Closed-End Investment Fund of Non-public Assets controlled by Dariusz Grzeszczak	President of the Management Board	1,321,553	10.93%	1,491,731	12.03%
Dariusz Grzeszczak	President of the Management Board	1,231,907	10.18%	1,098,787	8.86%
Albert Dürr	A Supervisory Board member	26,354	0.22%	27,508	0.22%
Agnieszka Głowacka	Vice-President of the Management Board	3,938	0.03%	3,938	0.03%
Jacek Leczkowski	Vice-President of the Management Board	5,112	0.04%	5,112	0.04%

Mr Dariusz Grzeszczak holds 0.5% shares in ONDE S.A., former PBDI S.A. (Issuer's subsidiary).  
Mr Jacek Leczkowski holds 6.42% shares in ONDE S.A., former PBDI S.A. (Issuer's subsidiary).  
Ms Agnieszka Głowacka holds 0.25% shares in ONDE S.A., former PBDI S.A. (Issuer's subsidiary).

As of the date of publication of the financial statements for Q1 2022, the number of shares held by the Issuer's management and supervisory members has changed as a result of transactions described hereinabove and the reduction of share capital.

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

#### STATEMENT OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

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

the Condensed Semi-Annual Financial Statements and comparative data and the Condensed Semi-Annual Consolidated Financial Statements and comparative data have been drawn up in compliance with the applicable accounting principles and that they give a true, fair and clear view of the property and financial position of the Issuer and its financial result;

and

The Semi-Annual Report on the Issuer Activities and the Semi-Annual Report on the Issuer's Capital Group's Activities present a true picture of the development, achievements and position of the Issuer, including a description of the main threats and risks.

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

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

**Warsaw, 2 September 2022**