ERBUD CAPITAL GROUP

Separate financial statements

for the accounting year ended on 31 December 2022

Drawn up in accordance with the International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	CONTINUING OPERATIONS		
Note 4.2.-4.3.	Revenues from sales of products and services	1,955,585	1,303,612
Note 4.2.-4.4.	Cost of products and services sold	1,880,161	1,234,383
	Gross sales profit/(loss)	**75,424**	**69,229**
Note 4.4.	Cost of sales	6,286	5,847
Note 4.4.	General and administrative (G&A) costs	54,550	59,800
Note 4.6.	Other operating income	4,862	6,298
Note 4.6.	Net proceeds from the disposal of related entity	18,627	186,205
Note 4.6.	Other operating expenses	1,310	1,844
Note 4.2.	Loss reversal/(impairment) of financial assets and contract valuation assets	(3,604)	(5,347)
Note 4.2.	**Operating profit**	**33,163**	**188,894**
Note 4.7.	Financial income	15,894	37,062
Note 4.7.	Financial expenses	15,492	9,456
Note 4.2.	**Gross profit/loss**	**33,565**	**216,500**
Note 4.8.	Corporate income tax	4,265	38,764
	Net profit/loss	**29,300**	**177,736**
	Comprehensive income	**29,300**	**177,736**
	Basic and diluted earnings per share (in PLN)	**2.44**	**14.45**

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF FINANCIAL POSITION

		31 Dec. 2022	31 Dec. 2021
	ASSETS	**1,055,964**	**897,133**
Note 6.1.	Investment properties	33,909	-
Note 6.1.	Intangible assets	2,590	1,709
Note 6.1.	Tangible fixed assets	31,103	54,341
Note 5.1.	Financial assets	70,062	13,448
Note 6.10.	Other financial assets	110,220	103,588
Note 4.8.	Deferred tax assets	35,770	25,325
Note 2.2.	Receivables under building contracts - bid bonds	7,495	13,190
	Fixed assets	**291,149**	**211,601**
Note 6.3.	Inventory	1,415	1,415
Note 2.2.	Receivables under building contracts - bid bonds	20,551	13,272
Note 2.3.	Pricing of building contracts - assets	163,982	98,801
Note 6.4.	Trade receivables	397,454	313,840
Note 6.4.	Other receivables	34,215	22,060
Note 5.1.	Financial assets	32,565	16,302
Note 3.8.	Cash and cash equivalents	93,949	198,931
Note 3.8.	Cash assets in VAT account	18,143	16,922
	Short-term prepayments	2,541	3,989
	Current assets	**764,815**	**685,532**
	LIABILITIES	**1,055,964**	**897,133**
Note 3.1.	Share capital	1,210	1,240
Note 3.1.	Own shares	(20,000)	(70,000)
	Supplementary capital	252,836	205,140
	Reserve capital	102,611	42,540
	(Losses carried forward)/Retained earnings	2,267	150,703
	Shareholders' equity	**338,924**	**329,623**
Note 3.2.-3.5.	Debt	119,963	112,572
Note 6.6.	Provisions	696	812
	Long-term liabilities	**120,659**	**113,384**
Note 3.2.-3.5.	Debt	16,702	8,795
Note 6.6.	Provisions	26,029	22,874
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	129,862	110,000
Note 2.3.	Pricing of building contracts - liabilities	147,016	116,379
Note 6.8.	Trade payables	243,010	161,982
Note 6.8.	Other liabilities	33,762	34,096
	Short-term liabilities	**596,381**	**454,126**

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For a 12-month-period ended on 31 Dec. 2021 and for a 12-month-period ended on 31 Dec. 2022

	Share capital	Own shares	Supplementary capital	Reserve capital	Retained losses/earnings	Equity
As of 1 Jan. 2021	**1,240**	**-**	**202,832**	**17,540**	**275**	**221,887**
Net result in the accounting period	-	-	-	-	177,736	**177,736**
Total comprehensive income	**-**	**-**	**-**	**-**	**177,736**	**177,736**
Net retained earnings carried forward	-	-	2,308	25,000	(27,308)	**-**
Acquisition of own shares	-	(70,000)	-	-	-	**(70,000)**
As of 31 December 2021	**1,240**	**(70,000)**	**205,140**	**42,540**	**150,703**	**329,623**
As of 1 Jan. 2022	**1,240**	**(70,000)**	**205,140**	**42,540**	**150,703**	**329,623**
Net result in the accounting period	-	-	-	-	29,300	**29,300**
Total comprehensive income	**-**	**-**	**-**	**-**	**29,300**	**29,300**
Net retained earnings carried forward	-	-	100,000	77,737	(177,737)	**-**
Decrease of share capital	(30)	70,000	(44,999)	(24,971)	-	**-**
Acquisition of own shares	-	(20,000)	-	-	1	**(19,999)**
Capital increase pursuant to the resolution	-	-	(7,305)	7,305	-	**-**
As of 31 December 2022	**1,210**	**(20,000)**	**252,836**	**102,611**	**2,267**	**338,924**

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

SEPARATE CASH FLOW STATEMENT

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	OPERATIONAL CASH FLOWS		
	Gross profit/loss	33,565	216,500
Note 4.2.	Amortization and depreciation	9,654	8,900
Note 4.7.	Foreign exchange gains/losses	(1,427)	297
Note 4.7.	Dividends and interests	5,726	(21,005)
Note 6.9.	Other non-cash adjustments	(1,240)	(14,484)
Note 4.7.	Net proceeds from the disposal of related entity	(18,627)	(186,205)
	Income tax (paid)/reimbursed	(7,212)	(41,839)
Note 6.9.	Change in balance of working capital	(38,379)	2,635
	Operational cash flows, net	**(17,940)**	**(35,201)**
	INVESTMENT ACTIVITY CASH FLOWS		
Note 5.1.2	Inflows from credits/loans extended	51,039	77,043
	Dividend income	447	29,685
	Other inflows	4,190	830
Note 6.1.	Expenditures on the acquisition of tangible fixed assets	(3,873)	(41,735)
Note 5.1.2.	Loans extended expense	(115,174)	(93,767)
	Expenditures on the acquisition of shares in companies	(7,123)	(5)
	Investment activity cash flows, net	**(70,494)**	**(27,949)**
	FINANCIAL ACTIVITY CASH FLOWS		
Note 3.2.	Income from credits and loans taken	1,545	31,200
Note 4.7.	Proceeds from the sales of shares in a subsidiary	19,023	200,309
Note 3.4.	Issue of debt securities	-	75,000
Note 3.2.	Debt (principal) repayment expense - principal	(4,025)	(19,801)
Note 3.2.	Lease debt repayment expense - principal	(3,353)	(1,699)
Note 3.2.	Debt (interest) repayment expense	(9,738)	(3,687)
Note 3.1.	Acquisition of own shares	(20,000)	(70,000)
Note 3.4.	Redemption of debt securities	-	(52,000)
	Financial activity cash flows, net	**(16,548)**	**159,322**
	NET CASH FLOWS	**(104,982)**	**96,172**
	Opening cash balance	**198,931**	**102,759**
	Closing cash balance	**93,949**	**198,931**

The Financial Statement comprises icons that represent:

Accounting Policy

Estimates

BACKGROUND INFORMATION

1.1. INTRODUCTION

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

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

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

Composition of the Company's Management Board as of 31 December 2022 and as of the date of signing the Separate Financial Statements:

Dariusz Grzeszczak – President of the Management Board

Agnieszka Głowacka – Vice-President of the Management Board

Jacek Leczkowski – Vice-President of the Management Board

Composition of the Company's Supervisory Board as of 31 December 2022 and as of the date of signing the Separate Financial Statements:

Gabriel Główka

Albert Dürr

Michał Otto

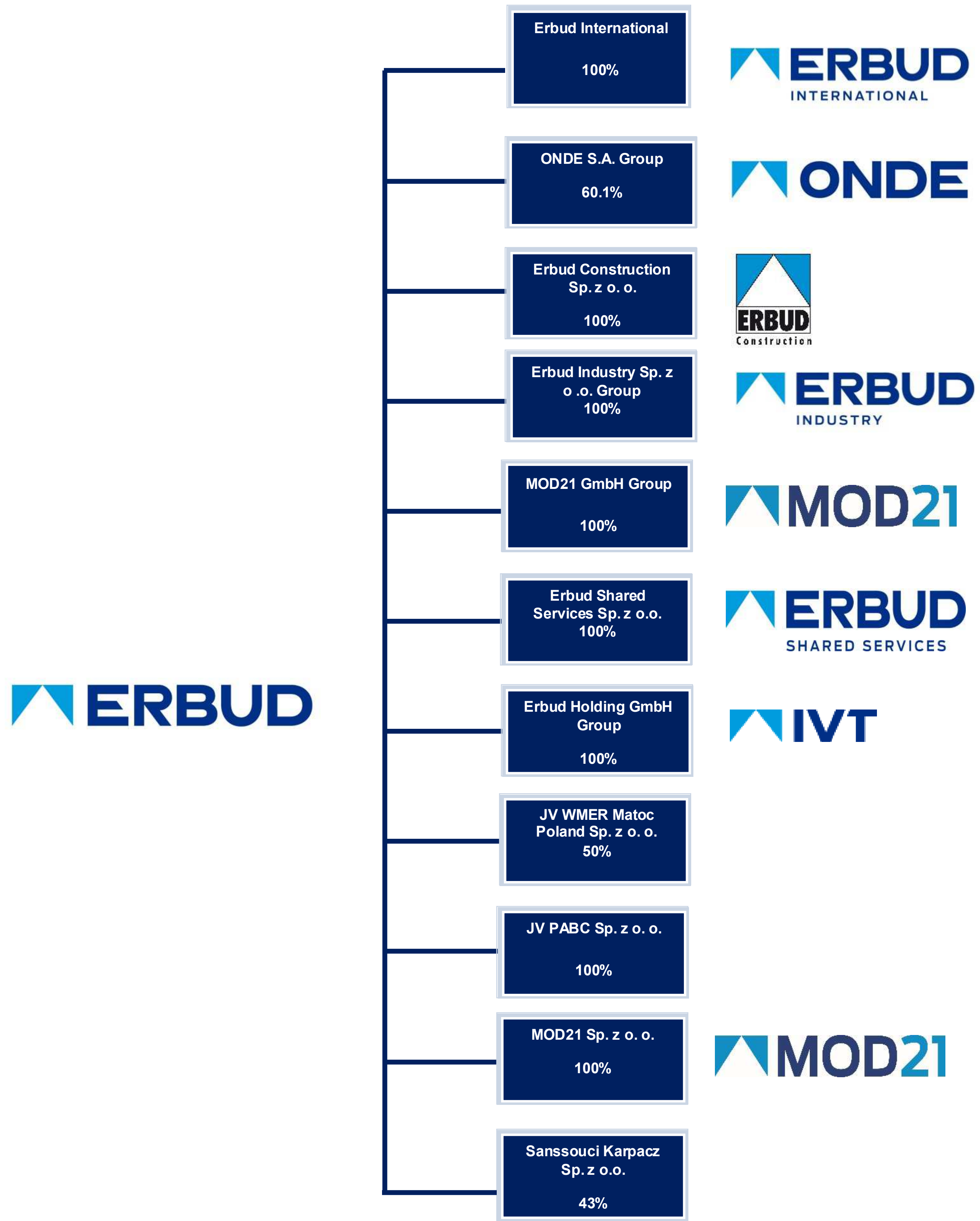
Janusz Reiter

Michał Wosik

Roland Bosch

Beata Jarosz

The Company is the parent company of the Erbud S.A. Group and prepares consolidated financial statements of the Erbud S.A. Group published on the Stock Exchange website under ESPI/EBI Company Reports.



Detailed organisational structure of the Group is presented in the Note 6.10. The above figure shows the share of Erbud S.A. in the individual member companies of the Erbud S.A. Group as at the date of drawing up the financial statements.

1.2. GROUNDS FOR DRAWING UP THE FINANCIAL STATEMENT

IFRS Compliance Statement

The financial statements of the Company closed on 31 December 2022 were drawn up in compliance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union and as applicable at 31 December 2022.

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

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

This Financial Statement was approved for publication by the Management Board on 28 March 2023.

Going Concern

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

Impact of COVID-19

To date the Company has not recorded a material impact of COVID-19 on its current operations. The building contracts were carried out in adherence to the planned schedules, and no penalties for project delays were recorded. Additional costs related to providing necessary safety for the personnel were not significant and did not have material impact on the Company's performance. The coronavirus pandemic did not undermine Company's liquidity, and the Company maintained a stable cash balance throughout the year and paid its liabilities in a timely manner. The Company also experienced no change in the recoverability of accounts receivable, which were paid by the customers on an on-going basis with no significant delays.

Impact of war conflict in Ukraine

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

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

Pricing at fair value

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

Conversion of items into foreign currencies

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

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

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

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

1.3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS:

In this Separate Financial Statement, the following new and amended standards were applied for the first time, which entered into force in 2022:

a) Amendments to IFRS 3 "Business Combinations"

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

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

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

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

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

d) Annual Amendments to IFRS 2018 - 2020

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

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

Published standards and interpretations, which are not yet effective and have not been applied by the Company before.

In these separate financial statements the Company has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date:

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

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

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

The above amendment will not have a material impact on the Company.

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

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

The above amendments will not have a material impact on the Company.

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

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

The above amendments will not have a material impact on the Company.

d) Amendments to IAS 12 "Income Taxes"

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

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

The above amendments will not have a material impact on the Company.

e) Amendment to IFRS 17 "Insurance Contracts"

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

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

The above amendments will not have a material impact on the Company.

f) Amendments to IFRS 16 "Lease"

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

The amendment requires the seller-lessee to subsequently measure the lease liabilities arising from a sale-leaseback in such a manner that no gain or loss on retained right-of-use is recognised. The new requirement is particularly relevant where sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from 'lease payments' under IFRS 16. The amended standard includes a new example that illustrates the application of the new requirement to this extent. The amendment is effective from 1 January 2024. At the date of these consolidated financial statements, the amendment has not yet been endorsed by the European Union.

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

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

The published amendments shall apply to financial statements for periods beginning on or after 1 January 2024.

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

h) IFRS 14 "Regulatory Deferral Accounts"

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

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

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

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

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

The amendments were published on 11 September 2014. As of the date of drawing up these separate financial statements, the endorsement of this amendment is deferred by the European Union.

2. BUILDING CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

2.1. INCOME AND EXPENSES UNDER BUILDING CONTRACTS

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

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Contracts in the period	**Contracts in the period**
Figures recognised in the period		
Income under building contracts, YTD	1,946,421	1,299,932
Costs under building contracts,	1,886,047	1,194,978
Net income before recognition and settlement of provisions for the contracts generating liabilities	**60,374**	**104,954**
Setting up provisions for the contracts generating liabilities	1,947	651
Gross profit/loss	**58,427**	**104,303**
Gross profit margin		
excluding provisions for the contracts generating liabilities	3%	8%
including provisions for the contracts generating liabilities	3%	8%

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

2.2. RECEIVABLES AND LIABILITIES UNDER BUILDING CONTRACTS - BID BONDS

Receivables under building contracts - bid bonds are held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI' Solely payment of principal and interest) and are measured at amortized cost subject to impairment allowance, if any. At initial recognition, these financial assets are recognised at nominal value, i.e. at amounts initially invoiced less the value of discounts. The discount value calculation methods is presented in Note 6.4. The value of deposits due is updated by the Company by impairment losses recognised in accordance with the accounting policy referred to in Note 6.4. and presented under "Impairment of financial assets" in the statement of net income.

Bid bonds liabilities are measured at initial recognition at fair value (i.e., the amount of payments discounted using the current market interest rate for such liabilities) and the cost of subcontractor services is recognized at that level. In later periods, bid bond liabilities are measured at amortized cost, whereas interest expense is recognized in financial expenses.

Bid bond liabilities are presented as short-term due to the fact that under the Company's standard terms and conditions it is possible to convert the bid bond liabilities into bank or insurance guarantees. It is the Company's intention to maintain bank guarantees from subcontractors in lieu of bid bond liabilities, which results in the bid bond liabilities being recognized as convertible to a guarantee at any point in time and the presentation of these liabilities as current. On a case-by-case basis, certain bid bond liabilities may be individually analysed and recognized as long-term liabilities.

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	2022			2021		
	Refund below 12 months	Refund above 12 months	Total	Refund below 12 months	Refund above 12 months	Total
Receivables under building contracts - bid bonds prior to discounting	**20,936**	**9,785**	**30,721**	**13,391**	**15,142**	**28,533**
Discounted bid bonds	(385)	(2,290)	**(2,675)**	(119)	(1,952)	**(2,071)**
Receivables under building contracts - bid bonds	**20,551**	**7,495**	**28,046**	**13,272**	**13,190**	**26,462**
Liabilities vis-a-vis subcontractors - bid bonds in nominal terms	**129,862**	**-**	**129,862**	**110,000**	**-**	**110,000**

For all customer deposit receivables, an impairment write-off was estimated based on a portfolio analysis using an write-off matrix based on historical data adjusted for the impact of future factors. All receivables from deposits are in the range of non-matured receivables for which default rates were applied similarly to the ones used for calculating expected credit losses in relation to assets under contract (further information in Note 2.3). The amount of the write-off for expected credit losses and its changes in the presented periods are insignificant and therefore the Company does not present movements on this allowance. No bid bond receivables have been identified for which additional specific allowances would be necessary.

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

	2022	2021
Revenues under non-completed building contracts YTD	2,928,943	1,393,703
Invoiced receivables from customers, YTD (excl. advances)	2,938,646	1,400,181
Balance of payments under non-completed building contracts	**(9,703)**	**(6,478)**
including:		
(1) Assets for completed, non-invoiced construction works, gross	68,314	45,191
Asset impairment write-off under building contracts	(1,879)	(1,085)
(1a) Assets for completed, non-invoiced construction works, net	66,435	44,106
(2) Payables for non-completed invoiced construction works - liabilities under building contracts	76,138	50,584
Costs related to building contracts, YTD	2,765,776	1,270,369
Subcontractor expense and own expenses on a YTD basis.	2,820,324	1,276,735
Balance of payments under building contracts	**54,548**	**6,366**
including:		
(3) Assets for non-completed, invoiced construction works of the subcontractors	97,547	54,695
(4) Liabilities for due and payable non-completed, invoiced construction works of the subcontractors	42,999	48,329
Balance of payments under building contracts	**44,845**	**(112)**
including:		
Pricing of building contracts - assets	**163,982**	**98,801**
Pricing of building contracts - balance settlement (2)+(4)	119,137	98,913
Building contract liabilities - advanced paid	27,879	17,466
Pricing of building contracts - liabilities - TOTAL	**147,016**	**116,379**

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

Impairment losses on contractual assets are calculated using the same write-off matrix as for trade receivables. The entire balance of contract assets in all periods presented is not past due. The write-off factor calculated under the ECL method for contractual assets was 2.75% as of 31 December 2022, and 2.43% as of 31 December 2021. The write-off amounts and movements in impairment losses on assets under building contracts in the presented financial statements are immaterial and therefore have not been presented.

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

During accounting year 2022, the value of invoiced revenues exceeded revenues recognized under the performance-based method, resulting in building contract asset and liability balances at the end of accounting year 2022 being at similar levels.

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3. CAPITAL AND DEBT MANAGEMENT

3.1. CAPITAL MANAGEMENT

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

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

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

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

The Company manages its capital structure and in parallel to the changes in economic environment, it modifies its capital structure.

In order to maintain or adjust the capital structure, the Company may manage appropriately the dividend payment to shareholders or issue to new shares.

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

Return on Equity - ROE

	2022	2021	The level of ratio assumed by the Management Board
(1) Gross profit / (loss)	33,565	216,501	
(2) Equity	338,924	329,623	
ROE [(1)/(2) * 100%]	**9.90%**	**65.68%**	**minimum 7%**

Debt ratio

	2022	2021	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	717,040	567,510	
(2) Total assets	1,055,964	897,133	
Debt ratio [(1)/(2) * 100%]	**67.90%**	**63.26%**	**not higher than 75%**

Debt-to-equity ratio

	2022	2021	The level of ratio assumed by the Management Board
(1). Liabilities and provisions for liabilities	717,040	567,510	
(2) Equity	338,924	329,623	
Debt-to-equity ratio [(1)/(2)]	**211.56%**	**172.17%**	**not higher than 300%**

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"Liabilities and provisions for liabilities" are the sum of all long-term liabilities and short-term liabilities recognised in the Statement of financial position.

In all the presented periods, the deb-to-equity ratio was within the range defined by the Management Board as the ratio target level.

The most important driver of the above ratios and their value is the Company's net profit.

Share capital

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

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

Acquisition of own shares

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

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

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

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

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On 14 June 2022 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register amended the Company's Articles of Association in connection with the adoption of Resolution No. 21/2022 of the Company's Annual General Meeting of 20 May 2022 on the cancellation of own shares acquired by the Company and Resolution No. 22/2022 of the Company's Annual General Meeting of Shareholders 20 May 2022 on the reduction of share capital and amendment to the Company's Articles of Association.

Following the change, the Company's share capital amounts to PLN 1,209,650.20 (one million two hundred and nine thousand six hundred and fifty zloty twenty groszys) and is divided into 12,096,502 (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.

Following the registration of the amendments to the Articles of Association covered by the Resolutions, a total of 302,857 own shares acquired by the Company, corresponding to a total of 302,857 votes in the Company's shareholders' equity, were redeemed.

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

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

As of 31 December 2022 and the date of publication of this report, ERBUD SA holds 166,666 of own shares, that account for 1.38 % of total shareholders' equity of the Company.

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

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

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

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

Below basic and diluted earnings per share are presented.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Net profit	29,300	177,736
Average weighted number of ordinary shares (in pcs.)	12,007,918	12,303,140
Basic and diluted earnings per share (in PLN)	**2.44**	**14.45**

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3.2. NET DEBT

		2022	2021
Note 3.8.	**Cash and cash equivalents (A)**	**93,949**	**198,931**
Note 3.3.	Credit and loan liabilities	23,320	31,441
Note 3.4.	Debt related to issued bonds	75,000	75,000
Note 3.5.	Lease liabilities	21,643	6,131
	Long-term debt	**119,963**	**112,572**
Note 3.3.	Credit and loan liabilities	10,249	3,744
Note 3.4.	Debt related to issued bonds	586	586
Note 3.5.	Lease liabilities	5,867	4,465
	Short-term debt	**16,702**	**8,795**
	Total debt (B)	**136,665**	**121,367**
	(Net debt)/Cash and cash equivalents, net ((A)-(B))	**(42,716)**	**77,564**

The Company defines net debt as the balance of credits and loans borrowings and leases less cash and cash equivalents (including restricted cash classified as short-term assets). If there is an excess of cash and cash equivalents over debt, the net amount is defined by the Company as "cash and cash equivalents".

Changes in debt during the reporting periods presented were as follows:

Debt related to:	Credits and loans	Issued bonds	Lease	Total debt
Debt as of 1 January 2021	24,079	52,000	11,414	**87,493**
Income from credits and loans taken - financing granted	31,200	75,000	-	**106,200**
Entering into lease contracts	-	-	3,711	**3,711**
Accrued interest on debt	792	2,999	383	**4,174**
Expenses related to debt taken out - principal repayment	19,801	52,000	1,699	**73,500**
Expenses related to debt taken out - interest repayment	994	2,413	280	**3,687**
FX differences related to the debt in foreign currencies	(91)	-	-	**(91)**
Other non-cash changes	-	-	(2,933)	**(2,933)**
Change of debt in the accounting period	**11,106**	**23,586**	**(818)**	**33,874**
Debt as of 31 Dec. 2021	**35,185**	**75,586**	**10,596**	**121,367**
Income from credits and loans taken - financing granted	1,545	-	-	**1,545**
Entering into lease contracts	-	-	7,763	**7,763**
Accrued interest on debt	5,783	3,851	931	**10,565**
Expenses related to debt taken out - principal repayment	4,025	-	3,353	**7,378**
Expenses related to debt taken out - interest repayment	4,972	3,851	915	**9,738**
FX differences related to the debt in foreign currencies	53	-	-	**53**
Other non-cash changes	-	-	12,488	**12,488**
Change of debt in the accounting period	**(1,616)**	**-**	**16,914**	**15,298**
Debt as of 31 Dec. 2022	**33,569**	**75,586**	**27,510**	**136,665**

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3.3. CREDIT AND LOAN LIABILITIES

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

	2022	2021
Long-term		
Bank loans	23,321	27,456
Loans	-	3,985
	23,320	31,441
Short-term		
Bank loans	4,992	3,744
Loans	5,257	-
	10,249	3,744
Total credit and loan liabilities	**33,569**	**35,185**

	2022		2021	
	In the functional currency	In foreign currency EUR	In the functional currency	In foreign currency EUR
Loans and borrowings				
Long-term	23,320	-	31,441	-
Short-term	10,249	-	3,744	-
Total	**33,569**	**-**	**35,185**	**-**

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

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

Information on collateral for debt obligations secured with tangible fixed assets is presented in Note 3.6.

As of the balance sheet date of 31 December 2022 the ERBUD S.A. has access to bank and insurance multi-purpose lines with a total value of PLN 1,254,615 thousand(including the joint limit of Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. at Hestia in the amount of PLN 265,000 thousand), which can be used mainly for loans or bank and insurance guarantees. As at the balance sheet date of 31 December 2022, the ERBUD S.A. utilized PLN 33,569 thousand to take out loans and PLN 567,267 thousand for bank and insurance guarantees.

As of the balance sheet date of 31 December 2021 the ERBUD S.A. has access to bank and insurance multi-purpose lines with a total value of PLN 1,110,341 thousand (including a limit jointly shared with Erbud S.A., Erbud Industry Sp. z o.o. and ONDE S.A. in Hestia in the amount of PLN 265, 000 thousand), which may be used mainly for loans or bank and insurance guarantees. As at the balance sheet date of 31 December 2021, the ERBUD S.A. utilized PLN 31,200 thousand to take out loans and PLN 586,854 thousand for bank and insurance guarantees.

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Covenants

After the balance sheet date, annexes to the loan agreements were signed with the financing banks, which changed the calculation of the financial ratios (covenants). The profitability ratio is calculated as EBITDA (formerly EBIT) divided by Sales Revenue. The ratio limit remained unchanged - a minimum of 1%.

3.4. DEBT RELATED TO ISSUED BONDS

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

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

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

3.5. LEASE LIABILITIES

Period		2022 Nominal value of minimum payments	2021 Nominal value of minimum payments
Below 1 year	Short-term	6,248	5,445
Above 1 year	Long-term	22,512	5,832
Nominal value of minimum payments		**28,760**	**11,277**
Future lease financial costs		1,250	681
Present value of minimum payments		**27,510**	**10,596**
Below 1 year	Short-term	5,867	4,465
Above 1 year	Long-term	21,643	6,131

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3.6. ASSETS USED AS COLLATERALS FOR DEBT-RELATED LIABILITIES

As of 31 December 2022 and 31 December 2021, there were no liabilities secured with tangible fixed assets.

For information on credit and loan related debt, see Note 3.3.

3.7. CONTINGENT ASSETS AND LIABILITIES

	Contingent assets		Contingent liabilities	
	2022	**2021**	**2022**	**2021**
Related parties				
Guarantees and sureties	70,000	50,000	298,584	342,445
Total	**70,000**	**50,000**	**298,584**	**342,445**
Other items				
Guarantees and sureties	75,491	90,000	557,884	586,854
Litigations	-	-	46,682	46,682
Including dispute against Warsaw Modlin Airport (MPL)	-	-	*34,381*	*34,381*
Total	**75,491**	**90,000**	**604,566**	**633,536**

Contingent assets include guarantees and sureties received by the Company from subcontractors under performance bonds and implied warranties.

On 29 June 2022, an annex to the loan agreement with PKO BP was signed, under which the credit limit (credit + guarantees) was raised from PLN 50 million to PLN 70 million. This loan is secured by, *inter alia*, a joint and several surety issued by Onde and Erbud International, which was also raised up to PLN 70 million due to credit limit increase.

Contingent liabilities of the Company relate primarily to orders to extend guarantees by the Company and by the banks to the Company's contractors to secure their claims under building contracts, mainly performance bonds and bid bonds.

3.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand as well as short-term deposits with maximum maturity of three months.

The Company has at its disposal cash with restricted availability. This category primarily comprises funds pledged as security for bank guarantees issued in connection with building contracts executed by the Company.

The Company posts restricted cash in a separate line in the statement of financial position as it does not meet the definition of cash and cash equivalents due to its inability to be used in the short term for the Company's requirements.

Cash held in VAT bank accounts does not meet the criteria for presentation as cash and cash equivalents and is presented in a separate line in the balance sheet.

The classification adopted for presentation in the statement of financial position is consistent with the classification of these funds in the Cash Flow Statement.

Cash and cash equivalents and cash in VAT and bank accounts meet the SPPI test and the "held for collection" business model test, and are therefore measured at amortized cost with an impairment charge determined in accordance with the expected loss model (in compliance with the policy referred to in Note 6.4).

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	2022	2021
Cash in hand	3	2
Cash at bank	93,946	198,929
Total cash and cash equivalents	**93,949**	**198,931**

The amount of the impairment loss on cash is marginal.

Cash on VAT bank accounts as 31 December 2022 totalled PLN 18,143 thousand. (as of 31 December 2021 they totalled PLN 16,922 thousand) These funds are presented in a separate line in the balance sheet.

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4. EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

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

	2022	2021
Net profit for the accounting period	**29,300**	**177,736**
Corporate income tax	4,265	38,764
Gross profit	**33,565**	**216,500**
Financial expenses	15,492	9,456
Financial income	15,894	37,062
EBIT	**33,163**	**188,894**
Net proceeds from the disposal of related entity	**(18,627)**	**(186,205)**
One-off expenses	**-**	**8,031**
Adjusted EBIT	**14,536**	**10,720**
Amortization and depreciation	9,654	8,900
EBITDA	**42,817**	**197,794**
Adjusted EBITDA	**24,190**	**19,620**
Revenues from sales of products and services	1,955,585	1,303,612
EBIT margin	2%	14%
Adjusted EBIT margin	1%	1%

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4.2. ACCOUNTING SEGMENTS

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

- domestic building construction - which includes public utilities and renewable energy (RES) facilities,
- residential/commercial buildings in foreign countries,
- industrial construction segment at home
- hydro-engineering segment
- other segments.

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

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

The Company has two counterparties from which originates more than 10% of total revenue. These include: LIDL Sp. z o.o. Limited Partnership and VANTAGE DEVELOPMENT SA.

Background information on segments in the accounting periods Jan. 2022 - Dec. 2022, Jan. 2021 - Dec. 2021

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

	For the period of 12 months, ended on 31 Dec. 2022			For the period of 12 months, ended on 31 Dec. 2021		
	At home (Poland)	Foreign countries	Total	At home (Poland)	Foreign countries	Total
Sales to third party customers, of which:	1,921,167	34,418	**1,955,585**	1,252,777	50,835	**1,303,612**
Accrued and deferred income	1,912,003	34,418	**1,946,421**	1,249,097	50,835	**1,299,932**
Income recognized at a certain point in time	9,164	-	**9,164**	3,680	-	**3,680**
Fixed assets other than financial instruments and deferred tax assets	213,975	-	**213,975**	173,086	-	**173,086**

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

						For the period of 12 months, ended on 31 Dec. 2022
	Domestic building construction	Residential/commercial buildings in foreign countries,	Industrial construction segment at home	Hydro-engineering segment	Other segments	Total continued activities
Total income						
Sales to third party customers	1,902,747	34,418	-	18,420	-	**1,955,585**
Total sales revenues	**1,902,747**	**34,418**	**-**	**18,420**	**-**	**1,955,585**
Segments' performance and reconciliation with gross profit of the Group						
Cost of goods sold (COGS)	1,829,673	33,507	-	16,981	-	**1,880,161**
Sales margin	73,074	911	-	1,439	-	**75,424**
Sales margin %	4%	3%		8%		**4%**
Other operating profit/loss	(36,960)	966	(10)	(3,663)	(21,221)	**(60,888)**
Net proceeds from the disposal of related entity					18,627	**18,627**
Segment performance – EBIT	**36,114**	**1,877**	**(10)**	**(2,224)**	**(2,594)**	**33,163**
Segment performance - adjusted EBIT	**36,114**	**1,877**	**(10)**	**(2,224)**	**(21,221)**	**14,536**
EBIT margin	2%	5%	0%	(12%)	0%	**2%**
EBIT margin, adjusted	2%	5%	0%	(12%)	0%	**1%**
Profit (loss) on financial activities (financial income less financial expenses)						**402**
Gross profit/loss						**33,565**
Corporate income tax						**4,265**
Net profit/loss						**29,300**
Amortization and depreciation	9,566	-	-	33	55	**9,654**
Segment performance – EBITDA	**45,680**	**1,877**	**(10)**	**(2,191)**	**(2,539)**	**42,817**
Segment performance - adjusted EBITDA	**45,680**	**1,877**	**(10)**	**(2,191)**	**(21,166)**	**24,190**
Assets and liabilities						
Pricing of building contracts - assets	**163,287**	**10**	**-**	**685**	**-**	**163,982**
Other assets						**891,982**
Total assets						**1,055,964**
Other liabilities						**908,947**
Total liabilities						**1,055,964**
Other material items						
Loss reversal/(impairment) of financial assets and contract valuation assets	(3,604)	-	-	-	-	**(3,604)**
Capital expenditures on tangible fixed and intangible assets	3,872	-	-	-	-	**3,872**
Interest income	9,508	-	-	-	-	**9,508**
Interest expenses	11,413	-	-	-	-	**11,413**

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	Domestic building construction	Residential/ commercial buildings in foreign countries,	Industrial construction segment at home	Hydro-engineering segment	Other segments	For the period of 12 months, ended on 31 Dec. 2021 Total continued activities
Total income						
Sales to third party customers	1,250,433	50,835	-	1,641	703	**1,303,612**
Total sales revenues	**1,250,433**	**50,835**	**-**	**1,641**	**703**	**1,303,612**
Segments' performance and reconciliation with gross profit of the Group						
Cost of goods sold (COGS)	1,183,316	49,355	71	1,641	-	**1,234,383**
Other operating profit/loss	(56,071)	202	(1)	(1,033)	(1,606)	**(58,509)**
Net proceeds from the disposal of related entity	-	-	-	-	186,205	**186,205**
One-off expenses	-	-	-	-	(8,031)	**(8,031)**
Segment performance – EBIT	**11,046**	**1,682**	**(72)**	**(1,033)**	**177,271**	**188,894**
Segment performance - adjusted EBIT	**11,046**	**1,682**	**(72)**	**(1,033)**	**(903)**	**10,720**
EBIT margin	1%	3%	-	63%	25232%	**14%**
Profit (loss) on financial activities (financial income less financial expenses)						**27,606**
Gross profit/loss						**216,500**
Corporate income tax						**38,764**
Net profit/loss						**177,736**
Amortization and depreciation	8,870	-	-	-	30	**8,900**
Segment performance – EBITDA	**19,916**	**1,682**	**(72)**	**(1,033)**	**177,301**	**197,794**
Segment performance - adjusted EBITDA	**19,916**	**1,682**	**(72)**	**(1,033)**	**(873)**	**19,620**
Assets and liabilities						
Pricing of building contracts - assets	**98,169**	**632**	**-**	**-**	**-**	**98,801**
Other assets						**798,332**
Total assets						**897,133**
Pricing of building contracts - liabilities	**114,366**	**2,013**	**-**	**-**	**-**	**116,379**
Other liabilities						**780,754**
Total liabilities						**897,133**
Other material items						
Loss reversal/(impairment) of financial assets and contract valuation assets	(5,347)	-	-	-	-	**(5,347)**
Capital expenditures on tangible fixed and intangible assets	41,735	-	-	-	-	**41,735**
Interest income	5,560	-	-	-	-	**5,560**
Interest expenses	6,420	-	-	-	-	**6,420**

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4.3. SALES REVENUES

The main revenue estimates concern the recognition of revenue from construction contracts. They are referred to in Note 2.1.

The following table provides information on the aggregate amount of transaction prices allocated to service obligations not performed or not fully performed as of the balance sheet date under building contracts.

	2022	2021
Total value of opened building contracts	4,055,360	2,949,598
Cumulative value of revenues under open contracts recognized through the accounting date	2,928,943	1,393,703
The revenues in value terms to be recognized in subsequent periods under open building contracts	1,126,417	1,555,895
Long-term (revenues to be realized within one to three years from the balance sheet date)	868,465	586,038
Short-term (revenues to be realized below one year from the balance sheet date)	257,951	969,857

Due to the specific nature of the long-term contracts under implementation, it is not possible to estimate precisely the time horizons within which the revenues from the contracts commenced as at a given balance sheet date will be recognized over a period longer than one year.

Total revenues generated by the Company comes from the execution of construction works in Poland, Belgium and Germany and other sales to local customers.

Figures concerning revenues are presented in note 4.2 Reporting segments.

4.4. COST OF GOODS SOLD (COGS)

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021	For the period of 3 months, ended on 31 Dec. 2022	For the period of 3 months, ended on 31 Dec. 2021
Third party services	1,434,079	871,186	440,565	274,042
including third party services from subcontractors	*1,279,662*	*787,711*	*395,630*	*257,254*
Material and energy consumption	407,595	236,837	84,658	83,369
Employee benefit expenses	122,614	120,208	29,581	37,056
Amortization and depreciation	9,654	8,900	2,103	2,795
Taxes and charges	5,070	4,492	1,446	1,075
Other cost categories	7,928	7,357	2,259	2,094
Total costs by category	**1,986,940**	**1,248,980**	**560,612**	**400,431**
Change in the balance of products, work in progress	(45,943)	51,050	(26,666)	(24,618)
Cost of sales (negative value)	(6,286)	(5,847)	(1,630)	(1,375)
General management and administration costs (negative value)	(54,550)	(59,800)	(9,569)	(19,435)
Manufacturing costs of products sold	**1,880,161**	**1,234,383**	**522,747**	**355,003**

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4.5. EMPLOYEE BENEFIT EXPENSES

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Wages and salaries	99,880	100,432
Expenses related to post-employment defined benefit plans	139	375
Social insurance and other employee benefits	22,595	19,401
Total	**122,614**	**120,208**

4.6. OTHER OPERATING INCOME AND EXPENSES

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Other operating income		
Proceeds from the sales of non-financial fixed assets	885	347
Penalties, fines and damages	629	1,866
Derecognition of liabilities	638	-
Receipt of written-off receivables	397	-
Refund of taxes and charges	1,198	2,248
Other	1,115	1,837
	4,862	**6,298**

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Net proceeds from the disposal of related entity		
Proceeds from the sales of shares in a subsidiary	19,023	200,309
Costs	396	14,104
Provisions	-	4,207
Cost of shares sold	396	9,287
other costs	-	610
	18,627	**186,205**

Both in 2022 and in the previous year, shares in the ONDE subsidiary were sold. Revenues and expenses from carrying out these operations are presented in the table above.

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Other operating expenses		
Accrued penalties	-	823
Other	1,310	1,021
	1,310	**1,844**

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4.7. FINANCIAL INCOME AND EXPENSES

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Financial income		
	Interest income		
	Loans extended expense	4,629	1,084
	Other	4,879	4,476
	F/X gains/losses	2,083	-
	Dividend income	449	29,685
	Revenues from financial transactions	2,384	1,667
	Other	1,470	150
		15,894	**37,062**

		For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
	Financial expenses		
	Interest income		
Note 3.4.	Issued bond expense	3,851	2,999
Note 3.3.	List of credits and loans	5,783	792
	Lease liabilities	931	383
	Other	848	2,246
	Arrangement fee on bank's overdraft facility	2,447	2,380
	F/X gains/losses	-	103
	Other	1,632	553
		15,492	**9,456**

4.8. TAXATION

The mandatory burdening of the financial result consists of two elements: current income tax and deferred tax.

Due to temporary differences between the value of assets and liabilities shown in the accounting books and their tax value and the tax loss deductible in the future, the Company, using the balance sheet method, sets up: deferred income tax liabilities in respect of positive temporary differences and determines deferred tax assets in respect of foreign exchange losses and tax losses, which can be deducted following the prudential principle.

Deferred income tax assets and liabilities are not recognized in the case of temporary differences arising upon initial recognition of an asset or liability in a transaction that is not a business combination and in case of transactions that have no impact on either the accounting or tax result.

Deferred tax assets and liabilities are offset if there is a legal right to set-off tax liabilities and current tax liabilities, and if the deferred tax concerns a tax imposed by the same tax authority on the same taxpayer. It implies that deferred income tax assets and liabilities are compensated in the Company financial statements.

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The Company recognizes a tax asset only when projections of future financial results indicate that a tax gain will be realized to allow the asset to be realized in a specified future.

The balance sheet value of an deferred tax asset is verified at each balancing date and is reduced accordingly by as much as it probability dropped to reach taxable income sufficient for partial or total realisation of the deferred tax asset. An element of judgment regarding the recoverability of deferred tax assets is the Company's projected future financial performance and its impact on assets recoverability.

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

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Gross profit before taxation	**33,565**	**216,500**
Tax according to the statutory tax rate applicable in Poland - 19%	**6,377**	**41,135**
Excess of non-taxable income over non-deductible expenses	(2,112)	(2,371)
Tax recognized in the financial net profit/loss	**4,265**	**38,764**
Current tax	14,710	48,003
Deferred tax	(10,445)	(9,239)
Effective tax rate	**12.71%**	**17.91%**

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

		Impact as of			Impact as of		
	1 January 2021	Net profit/loss	Other comprehensive income	31 Dec. 2021	Net profit/loss	Other comprehensive income	31 Dec. 2022
Deferred tax assets							
Pricing of building contracts - liabilities and taxable work in progress	16,625	10,653	-	27,278	24,323	-	51,601
Provisions	5,533	1,003	-	6,536	581	-	7,117
Tax loss	7,614	(6,413)	-	1,201	88	-	1,289
Accrued wages and salaries, and charges	176	1,499	-	1,675	(1,558)	-	117
Receivables revaluation write-downs	4,628	(787)	-	3,841	(1,463)	-	2,378
Other financial liabilities	1,470	259	-	1,729	(1,729)	-	-
Deferred expenses	681	(342)	-	339	(339)	-	-
Other	85	(303)	-	(218)	3,054	-	2,836
Total	**36,812**	**5,569**	**-**	**42,381**	**22,957**	**-**	**65,338**
Deferred tax liabilities							
Pricing of building contracts - assets	19,102	(3,017)	-	16,085	7,300	-	23,385
Asset revaluation	867	(842)	-	25	(18)	-	7
Balance sheet pricing and liabilities discount	536	31	-	567	455	-	1,022
Accrued interest on debt	114	264	-	378	561	-	939
Other	107	(106)	-	1	4,214	-	4,215
Total	**20,726**	**(3,670)**	**-**	**17,056**	**12,512**	**-**	**29,568**
Assets and liabilities set off	20,726	-	-	17,056	-	-	29,568
Post-set-off balance	**16,086**	**-**	**-**	**25,325**	**-**	**-**	**35,770**
Assets	16,086	-	-	25,325	-	-	35,770
Net impact of changes in the period		**9,239**	**-**		**10,445**	**-**	

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

As of 31 December 2022 and 31 December 2021 there were no negative temporary differences on which no deferred tax assets were recognised.

The table below shows the periods of realisation of deferred income tax assets and liabilities.

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Short-term	54,096	24,324	33,133	16,463
Long-term	11,242	5,244	9,248	593
Total	**65,338**	**29,568**	**42,381**	**17,056**

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5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL ASSETS AND LIABILITIES

Pursuant to IFRS 9 the Company classifies financial instruments, into the following categories:

- Assets priced at amortized cost;
- Financial assets priced at fair value through financial profit or loss;
- Financial liabilities priced at amortized cost;
- Derivative instruments determined as hedging instruments in hedge accounting.

In the above categories, the Company has only items measured at amortized cost.

Financial assets priced at amortized cost include primarily:

Note 5.1.2.	Financial Assets - Loans Extended
Note 2.2.	Receivables under building contracts - bid bonds
Note 6.4.	Trade receivables
Note 6.4.	Other receivables
Note 2.3.	Assets under building contracts
Note 3.8.	Cash and cash equivalents
Note 3.8.	Cash assets on the VAT account
Note 3.8.	Cash with restricted availability.
Note 5.1.	Other financial assets (including extended loans)

Financial liabilities priced at amortized cost comprise mainly:

Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds
Note 2.3.	Liabilities under building contracts
Note 6.8.	Trade payables
Note 6.8.	Other liabilities
Notes 3.2. -3.5.	Debt

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The table below shows the carrying amount of key groups of financial assets and financial liabilities by category.
The carrying value of financial assets and financial liabilities held by the Company presented in the tables below did not differ significantly from their fair value in both presented periods.

		Financial instrument classes			
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**	**Lease liabilities**	**Total key categories**
	2022				
Note 5.1.2	Financial assets - loans extended	99,402	-	-	**99,402**
	Financial assets - other	3,984	-	-	**3,984**
Note 2.2.	Receivables under building contracts - bid bonds	28,046	-	-	**28,046**
Note 6.4.	Trade receivables	397,454	-	-	**397,454**
Note 6.4.	Other receivables	34,215	-	-	**34,215**
Note 2.3.	Pricing of building contracts - assets	163,982	-	-	**163,982**
Note 3.8.	Cash and cash equivalents	93,949	-	-	**93,949**
Note 3.8.	Cash on VAT accounts	18,143	-	-	**18,143**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	129,862	-	**129,862**
Note 2.3.	Liabilities vis-a-vis subcontractors - valuation	-	147,016	-	**147,016**
Note 6.8.	Trade payables	-	243,010	-	**243,010**
Note 6.8.	Other liabilities	-	33,762	-	**33,762**
Note 3.2.-3.5.	Debt	-	123,263	13,402	**136,665**
	Total	**839,175**	**676,913**	**13,402**	**1,529,490**

		Financial instrument classes			
	A line in the Statement of Financial Position	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**	**Lease liabilities**	**Total key categories**
	2021				
Notes 5.1.2	Financial assets - loans extended	29,746	-	-	**29,746**
	Financial assets - other	860	-	-	**860**
Note 2.2.	Receivables under building contracts - bid bonds	26,462	-	-	**26,462**
Note 6.4.	Trade receivables	313,840	-	-	**313,840**
Note 6.4.	Other receivables	22,060	-	-	**22,060**
Note 2.3.	Pricing of building contracts - assets	98,801	-	-	**98,801**
Note 3.8.	Cash and cash equivalents	198,931	-	-	**198,931**
Note 3.8.	Cash on VAT accounts	16,922	-	-	**16,922**
Note 2.2.	Liabilities vis-a-vis subcontractors - bid bonds	-	110,000	-	**110,000**
Note 2.3.	Liabilities vis-a-vis subcontractors - valuation	-	116,379	-	**116,379**
Note 6.8.	Trade payables	-	161,982	-	**161,982**
Note 6.8.	Other liabilities	-	34,096	-	**34,096**
Note 3.2.-3.5.	Debt	-	110,185	11,182	**121,367**
	Total	**702,622**	**532,642**	**11,182**	**1,246,446**

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		Financial instrument classes			
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2022				
	Impact on the financial net income				
Note 4.7.	Financial income /(financial expenses) – interest	9,508	(11,413)	-	**(1,905)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	-	2,083	-	**2,083**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	3,604	-	-	**3,604**
	Total	**13,112**	**(9,330)**	**-**	**3,782**

		Financial instrument classes			
		Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Lease liabilities	Total key categories
	2021				
	Impact on the financial net income				
Note 4.7.	Financial income /(financial expenses) – interest	5,560	(4,721)	(1,699)	**(860)**
Note 4.7.	Financial income/(financial expenses) - FX gains/losses	-	(103)	-	**(103)**
Note 4.2.	Loss reversal/(impairment) of financial assets and customer contract valuation assets	(5,347)	-	-	**(5,347)**
	Total	**213**	**(4,824)**	**(1,699)**	**(6,310)**

*5.1.1.*FINANCIAL ASSETS

As of 31 December 2022 and as of 31 December 2021 the Company was in the possession of the following items disclosed in the Statement of Financial Position as financial assets:

		2022	2021
Note 5.1.2.	Loans extended	99,402	29,746
	Other	3,228	4
	Total	**102,630**	**29,750**
	Long-term	70,065	13,448
	Short-term	32,565	16,302

5.1.2.FINANCIAL ASSETS – LOANS EXTENDED

Debt instruments held to collect contractual cash flows that comprise solely payment of principal and interest ('SPPI') are priced at amortized cost. Upon initial recognition, these financial assets are recognized at fair value plus transaction costs. Interest income is measured using the effective interest rate method and disclosed under "Interest income" in financial income. The impairment losses are presented under "Reversal of impairment/(loss) of value of financial assets and assets from valuation of contracts with customers”.

The value of financial assets is updated with an impairment loss calculated using the expected credit loss method. The Company uses a three-step impairment model for financial assets:

- Level 1 - balances for which credit risk has not increased significantly since initial recognition or have low credit risk. Expected credit losses are determined based on the probability of default within 12 months (i.e., the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Level 2 - includes balances for which there has been a significant increase in credit risk since initial recognition but no objective evidence of impairment; expected credit losses are determined based on the probability of default over the contractual life of the asset.
- Level 3 - includes balances with objective evidence of impairment.

If the loans granted have low credit risk, the allowance for expected credit losses recognized during the period is limited to 12 months of expected credit losses.

To the extent that it is necessary to assess whether there has been a significant increase in credit risk under the above model, the Company considers the following considerations in making this assessment:

- the loan is at least 30 days past due,
- legislative, technological or macroeconomic changes have occurred that have a significant negative impact on the debtor,
- there has been information about a significant adverse event relating to a loan or another loan of the same debtor from another lender, e.g. termination of a loan agreement, breach of its terms or renegotiation of its terms due to financial difficulties, etc.,
- the debtor has lost a significant customer or supplier or experienced other adverse changes in its market.

Financial assets are written off, in whole or in part, when the Company has exhausted virtually all collection efforts and determines that the receivable can no longer be reasonably expected to be recovered. This typically occurs when an asset is at least 360 days past due.

As of the specified balance sheet dates, the fair value of loans and advances was not materially different from the amortized cost measurement. The fair value of credits and loans is estimated using DCF models based on cash flows reflecting the repayment schedule of loans granted. The discount rate was assumed at WIBOR rate for PLN-denominated loans and at EURIBOR rate for EUR-denominated loans as of a given date plus a fixed percentage reflecting the risk premium. Loans measured at amortized cost are classified at Level 2 of the fair value hierarchy.

Loans are classified at Level 1 of the impairment model at all balance sheet dates presented. All loans granted as of the respective balance sheet dates were considered to be instruments with low credit risk and therefore the allowance for expected credit losses recognized during the period is limited to 12-month expected credit losses. The expected credit loss was calculated based on the probability of default, the repayment profile agreed to in the loan agreement and an assessment of recoveries from the collateral. As of particular balance sheet dates, the amount of impairment loss and its changes in the presented periods were insignificant in terms of amounts, therefore the Company does not present movements on the impairment loss. The increase in the loan balance as a result of new loans granted did not significantly contribute to the change in the impairment allowance.

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Borrower	Loan currency	Interest rate	Maturity date	Balance sheet value 2022	Balance sheet value 2021
Sanssouci Karpacz Sp. z o.o.	PLN	10.00%	31 Mar. 2023	5,404	4,947
Erbud Holding GmbH	EUR	3 M EURIBOR + 2.2%	31 Dec. 2023	113	97
Erbud Holding GmbH	EUR	3 M EURIBOR + 2.2%	upon request	17,430	16,209
MOD21 Sp. z o.o.	PLN	3M WIBOR +1.35%	22 Apr. 2023	3,347	2,977
MOD21 Sp. z o.o.	PLN)	3M WIBOR +1.35%	31 Mar. 2028	18,776	4,474
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	23 Jul. 2028	1,013	949
MOD21 Sp. z o.o.	PLN	3M WIBOR 2.5%	31 Mar. 2028	24,188	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	31 Mar 2028	3,696	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	31 Mar. 2028.	967	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	31 Mar. 2028	3,850	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.35%	31 Dec. 2028	3,790	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.35%	31 Dec. 2028	3,755	-
MOD21 Sp. z o.o.	EUR	3M EURIBOR+1.9%	16 Mar. 2023	1,925	-
JV PABC Sp. z o.o.	PLN	3 M EURIBOR + 3.5%	31 Dec. 2023	58	53
JV PABC Sp. z o.o.	PLN	3 M EURIBOR + 2.2%	31 Dec. 2023	96	40
ERBUD Industry Południe Sp. z o.o.	PLN	ON WIBOR + 2,2%	31 Dec. 2023	4,193	-
MOD21 GmbH	EUR	3M EURIBOR+1.35%	30 Jun. 2028	6,325	-
MOD21 GmbH	EUR	3M EURIBOR+1.35%	30 Jun. 2028	476	-
- €		- €			
Total including:				**99,402**	**29,746**
Long-term				66,837	13,444
Short-term				32,565	16,302

5.2. FINANCIAL RISK MANAGEMENT PRINCIPLES

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

5.2.1. MARKET RISK – CURRENCY RISK

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

No impairment losses were recognised for the loans granted. Loans are not overdue as of the balance sheet date. Loans granted are burdened with credit risk and interest rate risk, which are described respectively.

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	14,717	1,472	(1,472)
Note 6.4.	Trade receivables	15,404	1,540	(1,540)
Note 6.4.	Other receivables	642	-	-
Note 2.2.	Receivables under building contracts - bid bonds	5,340	434	(434)
Note 5.1.2.	Financial assets - loans extended	43,340	4,334	(4,334)
	Liabilities			
Note 6.8.	Trade payables	(4,928)	(493)	493
Note 6.8.	Other liabilities	(139)	(14)	14
Note 2.2.	Building contract liabilities - bid bonds	(110)	(11)	11
	Impact of exchange rate changes - total assets and liabilities	**73,266**	**7,262**	**(7,262)**

		Exposure to currency risk ('000 PLN)	Impact on the Statement of Result ('000 PLN)	
			exchange rate change +10%	exchange rate change -10%
	Assets			
Note 3.8.	Cash and cash equivalents	35,013	3,501	(3,501)
Note 6.4.	Trade receivables	19,167	1,917	(1,917)
Note 6.4.	Other receivables	920	-	-
Note 2.2.	Receivables under building contracts - bid bonds	2,022	202	(202)
Note 5.1.2.	Financial assets - loans extended	17,256	1,726	(1,726)
	Liabilities			
Note 6.8.	Trade payables	(618)	(62)	62
Note 6.8.	Other liabilities	(72)	(7)	7
	Impact of exchange rate changes - total assets and liabilities	**73,688**	**7,277**	**(7,277)**

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*5.2.2.*MARKET RISK – INTEREST RATE RISK

The interest rate risk occurs mainly in connection with debt financing, i.e. bank credits and loans (Note 3.3), and financial lease products (Note 3.5), used by the Company.

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

Assets and liabilities bearing interest at variable interest rates expose the Company to the risk of cash flow volatility. Meanwhile assets and liabilities bearing fixed rate (extended loans - Note 5.1.2.) expose ERBUD to the risk of fair value volatility, however, owing to the fact that the Company does not measure these items at fair value, this impact is not reflected in the financial statements.

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

The analysis of sensitivity of items bearing a variable interest rate to interest rate changes is presented in the table below.

	2022			2021		
	Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result		Carrying amount of the item bearing interest at a variable interest rate	Impact on the Statement of Result	
		+250 bp	-250 bp		+100 bp	-100 bp
Cash and cash equivalents	-	-	-	-	-	-
Financial assets - loans extended	93,998	2,350	(2,350)	24,798	744	(744)
Credit and loan liabilities	33,569	(839)	839	35,185	(880)	880
Debt related to issued bonds	75,000	(1,875)	1,875	75,586	(1,890)	1,890
Lease liabilities	27,685	7	(7)	10,596	(265)	265
Total impact		**(357)**	**357**		**(2,291)**	**2,291**

The table below presents items bearing fixed interest rate.

	2022	2021
	Balance sheet value	Balance sheet value
Cash and cash equivalents	93,949	198,931
Financial assets - loans extended	5,404	4,948
	99,353	**203,879**

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*5.2.3.*CREDIT RISK

The Company's financial assets, which are exposed to credit risk are mainly items listed in the table below.

		Maximum exposure to credit risk corresponding to the carrying amount of the item	
		2022	**2021**
Note 3.8.	Cash and cash equivalents	93,949	198,931
Note 3.8.	Cash on VAT accounts	18,143	16,922
Note 5.1.2.	Financial Assets - Loans Extended	99,402	29,746
Note 6.4.	Trade receivables	397,454	313,840
Note 2.2.	Receivables under building contracts - bid bonds	28,045	26,462
Note 2.3.	Pricing of building contracts - assets	163,982	98,801
	Total	**800,975**	**684,702**

Cash and cash equivalents

The Company minimizes credit risk related to cash and cash equivalents through diversification of banks with which investment transactions are made. The Company works jointly with highly reliable financial institutions as indicated in the table below. There is a significant concentration of credit risk at individual accounting dates - information on the amount of cash balances held at one financial institution is shown below.

A breakdown of cash and cash equivalents balances by credit rating grades is shown in the table below. AA-, A-, BBB+, BBB rating grades according to Euro Rating are the investment levels. BB+ rating, is out of investment grade, nonetheless the amount of cash in these institutions is marginal.

According to the Euro Rating agency	**2022**	**2021**
Banks rated AA-	6.4%	2.6%
Bank ranked A-	11.7%	7.1%
Banks rated BBB+	4.1%	13.7%
Banks rated BBB	72.2%	76.2%
Banks rated BB	5.6%	0.4%
	100.0%	**100.0%**

As of 31 December 2022, the value of cash assets and their equivalents located in one financial institution did not exceed 72% of the total balance.

As of 31 December 2021, the value of cash assets and their equivalents located in one financial institution did not exceed 76% of the total balance.

The entire balance of cash and cash equivalents as of the respective balance sheet dates is included at Level 1 of the impairment model (i.e., balances for which credit risk has not increased significantly since initial recognition).

The allowance for impairment of cash and cash equivalents was determined individually for each balance related to the financial institution. External bank ratings and publicly available information on default rates for a given rating grade determined by Euro Rating were used to assess credit risk. The analysis showed that these assets have low credit risk at the accounting date. The Company has taken advantage of the simplification allowed by the standard and the impairment loss has been determined on the basis of 12-month credit losses. The calculation of the impairment write-off showed a marginal amount of impairment write-off in all the periods presented, hence the Company does not present movements on this write-off.

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Trade receivables and building contract assets

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

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

Changes in the write-down of receivables and the age structure of past due receivables are presented in Note 6.4.

*5.2.4.*LIQUIDITY RISK

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

The Company pursues a policy limiting credit exposures to individual financial institutions and issuers of debt securities, which are acquired as part of periodic investments of surplus cash.

Liquidity management is supported by the existing liquidity forecast reporting system by the Company.

The table below shows the Company's financial liabilities as of 30 June 2022 y maturity date based on contractual non-discounted payments.

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					2022
	Below 3 months	3-12 months	1-5 years	Total non-discounted flows	Balance-sheet values
Credit and loan liabilities	2,018	10,234	27,340	**39,592**	**33,569**
Debt related to issued bonds	-	586	75,000	**75,586**	**75,000**
Lease liabilities	1,407	5,426	22,513	**29,346**	**28,096**
Liabilities vis-a-vis subcontractors - bid bonds	51,607	83,442	-	**135,049**	**129,862**
Trade payables	243,010	-	-	**243,010**	**243,010**
Total	**298,042**	**99,688**	**124,853**	**522,583**	**509,537**

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The table below shows the Group's financial liabilities as of 31 December 2021 by maturity date based on contractual non-discounted payments.

					2021
	Below 3 months	**3-12 months**	**1-5 years**	**Total non-discounted flows**	**Balance-sheet values**
Credit and loan liabilities	-	3,744	35,354	**39,098**	**35,185**
Debt related to issued bonds	-	586	75,000	**75,586**	**75,000**
Lease liabilities	1,215	4,231	5,832	**11,278**	**10,596**
Liabilities vis-a-vis subcontractors - bid bonds	-	112,325	-	**112,325**	**110,000**
Trade payables	161,982	-	-	**161,982**	**161,982**
Total	**163,197**	**120,886**	**116,186**	**400,269**	**392,763**

*5.2.5.*CLIMATE RISK

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

6. OTHER NOTES

6.1. TANGIBLE FIXED ASSETS

The most significant items of property, plant and equipment are land, buildings and structures. Fixed assets under construction are also a significant item. In addition, the Company also owns technical appliances and machinery.

Tangible fixed assets are carried at purchasing price /manufacturing cost less depreciation and all impairment write-offs. When the Group identifies indications that property, plant and equipment may be impaired, it performs an impairment test based on an estimate of the recoverable amount of the property, plant and equipment. Recoverable amount is determined as the higher of the value that is realizable upon a disposal of a given fixed asset less costs of sale or the use value calculated based on the discounted cash flows to be generated by a certain fixed asset or group of assets (cash centre), if a certain asset does not generate cash inflows on its own.

The initial value of tangible fixed assets comprises their purchasing price plus all costs connected directly with the purchase and adaptation of the asset to the condition fit for use. The initial value also comprises the cost of spare parts of machinery and equipment when incurred, if the recognition criteria are met, i.e. ERBUD expects that spare parts will be used for more than one year and it is possible to assign them to a specific item of tangible fixed assets.

Costs incurred after the date of commissioning of a fixed asset such as maintenance and repair costs, are recognized in the net financial income when incurred.

The Company verifies the residual value, useful life and depreciation methods of tangible fixed assets on an annual basis. The revisions performed as of 30 June 2022 and 31 December 2021 did not result in a change to the remaining estimated useful lives, depreciation methods or residual values of property, plant and equipment.

Depreciation rates are by class of fixed assets (including the right to use assets that belong to a particular category):

- Buildings and structures – 2% - 4,5%
- Technical appliances and machinery – 6% - 30%
- Means of transport – 12,5% - 20%
- Other – 10% - 33%
- Lands are not depreciated.

The rights to use the assets are amortized over a period that reflects the effective term for which contracts have been signed.
For leased assets of the Company, depreciation rates coincide with depreciation rates for its own assets belonging to the same category because the lease term corresponds to the economic useful life of the asset (including renewal options) or the contract includes an option to purchase the asset and it is reasonably certain that the Company will exercise the option.

Fixed assets under construction are priced at the level of costs connected directly with their acquisition or manufacturing including costs of financing, less write-downs for impairment. Fixed assets under construction are not depreciated until their construction has been completed.

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Lease accounting policy effective from 1 January 2019:

Leases are recognized as right-of-use assets and obligations to pay for those rights at the date the leased assets are available for use by the Company. Right-of-use assets are presented in Note 6.1.

At the lease start date, the lease obligations are measured at an amount equal to the present value of the following lease payments for the right to use the underlying asset during the lease term:

- fixed lease payments (including substantially fixed payments), less any lease incentives payable,
- variable lease payments that depend on an index or rate;
- amounts expected to be paid by the Lessee under the guaranteed residual value,
- the exercised price of a call option, if it can be assumed with reasonable certainty that the lessee will exercise the option,
- financial penalties for lease termination, if the lease terms and conditions provide that the Lessee may exercise the lease termination option

Lease payments are discounted using the lease interest rate, if that rate can be readily determined, or the lessee's incremental debt rate.

Each lease payment is allocated between a liability and a finance expense. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect the change in estimated lease term, option to redeem, change in lease payments and guaranteed residual value and lease contract modifications.

The lease term is a non-cancellable lease term; periods covered by renewal and early termination options are included in the lease term if there is a reasonable certainty that the lease will be renewed or the lease will not be terminated early.

As of 31 December 2022 the Company held the following categories of tangible fixed assets including the right to use the assets:

			2022			2021
Tangible fixed assets category	**Gross value**	**Write-offs and revaluations**	**Net value**	**Gross value**	**Write-offs and revaluations**	**Net value**
Lands (including right of perpetual usufruct to land)	-	-	-	13,836	-	13,836
Buildings and structures	27,415	10,328	17,087	38,746	10,635	28,111
including lease	24,032	9,850	14,182	9,924	8,432	1,492
Technical appliances and machinery	4,612	4,426	186	3,700	3,580	120
Means of transport	20,976	8,685	12,291	16,397	7,872	8,525
including lease	17,110	5,002	12,108	11,955	3,986	7,969
Other fixed assets	1,533	1,419	114	1,532	1,412	120
Fixed assets under construction	1,425	-	1,425	3,629	-	3,629
Total	**55,961**	**24,858**	**31,103**	77,840	23,499	54,341

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	Lands including right of perpetual usufruct to land	Buildings and structures	Technical appliances and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Intangible assets	Total
Net value as of 1 January 2021		**7,214**	**115**	**7,710**	**135**	**1,579**	**2,997**	**19,750**
Increases:								
Acquisition	13,836	25,545	932	204	67	2,050	101	**42,735**
Lease	-	-	-	4,304	-	-	-	**4,304**
Decreases:								
Amortization and depreciation	-	4,648	958	2,831	82	-	381	**8,900**
Disposal and liquidation	-	-	(31)	862	-	-	1,008	**1,839**
Net value as of 31 Dec. 2021	**13,836**	**28,111**	**120**	**8,525**	**120**	**3,629**	**1,709**	**56,050**
Net value as of 1 Jan. 2022	**13,836**	**28,111**	**120**	**8,525**	**120**	**3,629**	**1,709**	**56,050**
Increases:								
Acquisition	-	58	912	-	17	1,632	1,253	**3,872**
Lease	-	14,107	-	7,763	-	-	-	**21,870**
Decreases:								
Amortization and depreciation	-	1,499	846	3,297	23	-	372	**6,037**
Disposal and liquidation	-	-	-	700	-	-	-	**700**
Other	13,836	23,690	-	-	-	3,836	-	**41,362**
Net value as of 31 December 2022	**-**	**17,087**	**186**	**12,291**	**114**	**1,425**	**2,590**	**33,693**

Since 2022, MOD21 Ltd. has begun its statutory activities, to which ERBUD S.A. leases halls and other infrastructure facilities necessary for its operations. The value of these investment properties is presented below.

Investment property is property that is treated as a source of rental income or held for appreciation in value, or both, and because of these two benefits it is not used in operations or held for sale in the course of regular business.

Investment properties are initially carried at cost plus transaction costs. After initial recognition, they are carried at cost less depreciation or amortisation and impairment losses. As a consequence of the occurrence of reasons causing permanent impairment of the above-mentioned investment items, an appropriate write-down is made. This write-down is charged to Other operating expenses. If the reason for the impairment loss has ceased to exist, the equivalent of all or an appropriate part of the previously recognised impairment loss increases the value of the investment and is included in other operating income.

Investment properties

	2022	2021
Opening balance, net	-	-
Recognition due to change of purpose of fixed assets	33,909	-
Closing balance, net	**33,909**	**-**

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Investment properties are buildings and structures that ERBUD SA leases to MOD21 Ltd. for the conduct of its statutory activities.

Amortization and depreciation

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
General and administrative (G&A) costs	6,222	6,129
Costs of products and services sold	3,432	2,771
Total	**9,654**	**8,900**

Right to use assets under lease, lease liabilities

The following simplifications allowed by IFRS16 have been adopted:

- no lease contracts for low-value assets (below PLN 15 thousand) are activated,
- contracts that will be terminated during the current year are omitted,

During the periods covered by these financial statements, the Company did not enter into any lease contracts for a period shorter than 12 months.

Data regarding the first-time adoption of IFRS 16 is presented in the tables below.

	BUILDINGS AND STRUCTURES	MEANS OF TRANSPORT	TOTAL
Net value as of 31 December 2020 - financial lease	4,253	6,473	10,726
An increase caused by IFSR 16 coming into force	-	-	-
Net value as of 1 Jan. 2021	**4,253**	**6,473**	**10,726**
Increase due to opened lease contracts	-	4,304	4,304
Increase due to expenditures for tangible fixed assets under construction and advances for tangible fixed assets			
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets	-	(735)	(735)
Settlement of expenditures on property, plant and equipment under construction (acceptance into stock) and advances an property, plant and equipment			
Amortization and depreciation	(2,761)	(2,073)	(4,834)
Decrease of the depreciation to date due to reclassification - from right-to-use leased assets to tangible fixed assets			
Net value as of 31 December 2021	**1,492**	**7,969**	**9,461**
Net value as of 1 Jan. 2022	**1,492**	**7,969**	**9,461**
An increase caused by IFSR 16 coming into force	-		
Increase due to opened lease contracts	14,108	5,327	19,435
Increase due to expenditures for tangible fixed assets under construction and advances for tangible fixed assets			
Decrease due to reclassification - from right-to-use leased assets to tangible fixed assets	-	(116)	(116)
Settlement of expenditures for property, plant and equipment under construction (acceptance into inventory) and advances for property, plant and equipment			
Amortization and depreciation	(1,418)	(1,072)	(2,490)
Decrease of the depreciation to date due to reclassification - from right-to-use leased assets to tangible fixed assets			
Net value as of 31 Dec. 2022	**14,182**	**12,108**	**26,290**

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	Net values	
	31-12-2022	31-12-2021
Buildings and structures	14,182	1,492
Means of transport	12,108	7,969
Total impact	**26,290**	**9,461**

6.1.1. AMOUNTS OF CONTRACTUAL OBLIGATIONS TAKEN TO ACQUIRE TANGIBLE FIXED ASSETS

As of 31 December 2022 and 31 December 2021 the Company had no contractual commitments related to fixed asset purchase agreements and entered into lease agreements as to which the lease period has not yet commenced and are not shown in lease commitments in this regard.

6.2. FIXED ASSETS IMPAIRMENT

The Company carries out test for fixed asset impairment, if there are reasons for impairment and additionally it carried out a test for goodwill once a year. Recoverable amount is determined at the lowest possible level, i.e. for an individual asset or for the cash-generating centre to which the asset belongs.

Tangible fixed assets impairment

At each balancing date the it is evaluated if there are any objective reasons indicating a risk of asset or asset category impairment. If there are such reasons, the estimated recoverable value is agreed for the asset and an impairment loss is written off, in the amount equal to the difference between the recoverable value and balance sheet value. The recoverable value corresponds the higher of the following two values: fair value less costs closing sales or value in use. The impairment loss is posted into profit and loss account. As of each balancing date, the Group also assesses whether there are any indications that the impairment loss recognised in previous periods should be reduced or completely reversed.

Goodwill impairment

Goodwill is tested for impairment at least once a year. Potential impairment is recognized immediately as a decrease in goodwill and recognized in the Profit and Loss Account, additionally it is not subject to reversal in subsequent reporting periods.

To carry out possible impairment test, the goodwill is allocated to the cash generating units. In the event of a disposal of an operation within a cash-generating centre to which goodwill has been allocated, the goodwill associated with the disposal shall be included in the carrying amount of the operation when determining the gain or loss on disposal.

Fixed assets impairment

The Company did not identify any factors that could indicate grounds for impairment of fixed assets, therefore no impairment test was performed as of 31 December 2022.

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6.3. INVENTORY

The following items are mainly recognized in individual inventory categories:

- Materials – items kept at storage sites to be used in manufacturing processes, especially in construction activities;
- Work in progress
- Finished goods

Materials are valued at the purchase price, and their expenditure is accounted for using the FIFO ("first in-first out") method. Work in progress and finished goods are prices at the cost of direct materials and labor, together with an appropriate mark-up of indirect production costs determined based on the assumption of normal utilization of production capacity, excluding costs of external financing. At the balancing date the inventory is priced taking lower of the two values: purchasing price or the cost of manufacturing and net selling price.

Under materials the Company posts construction site stored inventories for general purposes, low processing degree that could be used in a straightforward manner and without incurring material costs for other contracts or sold (if they turn out to be redundant in case of execution of a certain contract) The inventory items are not items stored on construction sites with a specific use on a certain construction site or processed on the company own or by the subcontractor, generally these are items where it is not certain whether they could be used for other contracts or sold. Such items are posted directly into contract costs and thus they are included into contract pricing taking into consideration their progress rate (details provided in Note 2.1).

	2022	2021
Merchandise	1,415	1,415
Net value of inventory	**1,415**	**1,415**

6.4. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

			2022			2021
	Gross value	Write-down	Net value	Gross value	Write-down	Net value
Trade receivables	422,806	25,352	397,454	336,382	22,542	313,840
Other budget receivables	28,041	-	28,041	19,253	-	19,253
Other receivables	7,384	1,210	6,174	4,017	1,210	2,807
Total	**458,231**	**26,562**	**431,669**	**359,652**	**23,752**	**335,900**

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

	For the period of 12 months, ended on 31 Dec. 2022	For the period of 12 months, ended on 31 Dec. 2021
Opening balance of write-downs	**23,752**	**22,902**
Setting up/(reversal)of individual write-offs	900	1,495
Setting up /(reversal) of write-offs according to write-off matrix	1,910	626
Use of individual write-offs	-	(1,271)
Closing write-offs, of which:	**26,562**	**23,752**
Matrix-based calculated write-off	9,841	7,931
Individual write-off	16,721	15,821

	2022	2021
Non-past due receivables:	241,001	243,927
Past due receivables:	**156,453**	**69,913**
below 1 month	50,650	21,677
1-3 months	44,594	5,456
3-6 months	2,750	947
6 months - 1 year	4,702	2,355
Above 1 year	53,757	39,478
Total trade receivables, net	**397,454**	**313,840**

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

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

6.5. OTHER ASSETS

The line "Insurance" comprises prepayments made by the Company under insurance contracts concerning future accounting periods. They are recognized in the income statement proportionally to the time expired.

	2022	2021
Insurance	1,532	3,864
Other	1,009	125
Total	**2,541**	**3,989**

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6.6. PROVISIONS

The Provisions category mainly comprises provisions for warranty repairs, provisions for employee benefits and post-employment benefits, and provisions for litigations and disputes.

Provisions for warranty repairs

Provisions for warranty repair costs result from the Company's warranty extended for construction services. Provisions are set up in the amount determined with percentage rate, which is a quotient of historically incurred costs for warranty repairs and historically posted revenues generated by the execution of building contracts. The costs of provision for warranty repairs are posted into costs of services sold. In the case of non-construction services, mainly maintenance services, the provision for the costs of warranty repairs is set up on the basis of historical data and a reliable estimate of the amount of the related obligation. The assumptions used to calculate the provision for warranty repairs as of 31 December 2022 were based on the records of warranty repairs between 2018 and 2022 and as of 31 December 2021 - between 2018 and 2021 respectively.

Provision for benefits in the post-employment period

This category comprises provisions for retirement and pension severance pays, to be paid by the Company under the effective law and the remuneration rules and regulations. The amount of the provision is determined at the present value using actuarial techniques requiring the adoption of certain assumptions. Assumptions vital to pricing include the levels of discount rates, projected rates of return on assets (ROA), forecast wage increases. Due to pricing complexity, the assumptions made, its long-term nature, the liabilities related to the above mentioned benefits are very sensitive to assumption changes. All the above assumptions are verified and updated at the end of each reporting period.

Provisions for litigation and disputes

Detailed analysis of potential risks related to litigation, making decisions about a need to reflect the impact of such litigation in the Company's financial statements and the amount of the provision are made by the legal departments and Company's Management Board.

Categorized provisions are presented in table below:

	Provisions for warranty repairs	Provision for employee benefits in the post-employment period	Provisions for litigations and disputes	Other	Total
As of 1 Jan. 2021	**18,937**	**976**	**896**	**575**	**21,384**
Increase	2,390	-	-	651	3,041
Utilisation	-	164	-	575	739
As of 31 Dec. 2021	**21,327**	**812**	**896**	**651**	**23,686**
short-term	21,327		896	651	22,874
long-term	-	812	-	-	812
As of 1 Jan. 2022	**21,327**	**812**	**896**	**651**	**23,686**
Increase	1,899	-	-	1,907	3,806
Utilisation	-	116	-	651	767
As of 31 Dec. 2022	**23,226**	**696**	**896**	**1,907**	**26,725**
short-term	23,226	-	896	1,907	26,029
long-term	-	696	-	-	696

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6.7. DISPUTES

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

Material proceedings to which the ERBUD S.A. is the plaintiff:

Party to the dispute	Description of subject of the dispute
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 ERBUD S.A. According to the Company, the product was not optimally customised to 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 ERBUD S.A. 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. The restructuring details were presented by ERBUD S.A. in RP 43/2008 on 21 November 2008 and in the 2008 Financial Statements. ERBUD S.A. 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, ERBUD S.A. decided to bring an action for payment of compensation for the loss. The total loss associated with the option transactions was settled in the year in which it was incurred, i.e. 2008. Between 2016 and 2020, the case was considered by the District Court and the Court of Appeal, and finally, in 2018, the Supreme Court issued a decision in the lawsuit brought by ERBUD S.A. against Bank Millennium S.A., in which it took into consideration the complaint of Bank Millennium S.A. By virtue of its decision of 28 September 2018 the Supreme Court, overruled the appealed decision of the Court of Appeal in Warsaw of 29 May 2018 and referred the case to the Supreme Court for further consideration together with the decision on the costs of the appeal proceedings. On 3 June 2020 Court of Appeal in Warsaw decided: 1) To admit ex officio evidence from a court expert's opinion in the field of finance, economics and banking to the circumstances. 2) 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 accepted the Company's appeal in part, awarding the amount of PLN 51.383.600 from the Bank to the Company, along with statutory interest for the period from 8 December 2010 to 31 December 2015 and statutory interest on late payments from 1 January 2016 to the date of payment. The Company bears 29% of the litigation costs, whereas the Bank bears 71%. The decision is final and binding. On 2 December 2021 Bank Millennium S.A. filed a request to withhold the payment to ERBUD S.A. of 102 733 906.25 PLN. Withholding will occur until the deadline for filing a cessation appeal has passed and, if filed, until the cessation appeal has been completed. The Court of Appeals in Warsaw, 7th Commercial and Intellectual Property Department, supported the Bank Millennium's motion and suspended payment of the adjudged amount, as requested by the Bank Millennium. The court's decision is non-appealable. However, this does not withhold the accrual of interest on the principal, i.e. on the amount PLN 51.383.600
Defendant: DSH – Dopravni Stavby, a.s., Brno, the Czech Republic	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

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Party to the dispute	Description of subject of the dispute
Date of filing a lawsuit: 14 February 2013 Value of the dispute: PLN 26.923.64416	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 cross-examined. 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 delivered an expert opinion, which is favourable for ERBUD S.A. In the opinion the expert pointed out that the costs of substitute execution incurred by ERBUD S.A. are reasonable. According to the expert, DSH misperformed the contract and the repair method used by DSH was incorrect. On 7 October 2021, the court announced a verdict ordering DSH - Dopravni stavby a.s. with its registered office in Brno (Tschekia) to pay the amount of PLN 26,923,644.16 to ERBUD S.A, along with interest and legal fees. The Defendant filed an appeal against the judgment on 10 January 2023, whereas the Plaintiff filed a response to the appeal challenging the Defendant's allegations. In the opinion of the Management Board, the Company's claim is justified.
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. Date of filing a lawsuit: 27 April 2018 Value of the litigation: PLN 13.516.62986	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 "The construction of a four-star hotel complex consisting of three hotel buildings with site landscape gardening 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 ERBUD S.A. 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 ERBUD's attorneys replied to the complaint. To date, the Szczecin Court of Appeal has not heard the complaint. 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 2019 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. On 2 February 2022, a visual inspection of the disputed property was held for the preparation of an expert opinion. The expert opinion was delivered to ERBUD S.A. in July 2022. The contents of the expert opinion speak in favour of the Company. Comments on the content of the opinion were submitted on 25 August 2022. In the opinion of the Management Board, the Company's claim is justified.
Defendant: The Capital City	Dispute status: The Plaintiff (ERBUD S.A. jointly with STRABAG Sp. z o.o., STRABAG AG and ED

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Party to the dispute	Description of subject of the dispute
of Warsaw – The Capital City Management Board for City Development Date of filing a lawsuit: 2 August 2022 Value of the dispute: PLN 11.955.25850	ZUBLIN AG) claims payment from the Defendant in the total amount of PLN 11,955,258.50 along with statutory interest and costs of proceedings. The Plaintiff has based its claims on the Defendant's obligation to pay for the performance of construction works performed on site of the Southern Hospital in Warsaw. The Defendant does not argue with the legitimacy of the payment of the aforementioned amount, and has applied for depositing it with the court. The Defendant's request for permission to deposit the aforementioned amount with the court were rejected by the Court. The judgments are not legally binding and the Defendant has not appealed against them.
Defendant: Independent Public Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin Date of filing a lawsuit: 7 November 2022 Value of the dispute: PLN 14.435.30659	ERBUD S.A. demands that the Independent Public Clinical Hospital No. 2 of the Pomeranian Medical University in Szczecin should amend the contract of June 2021 for the execution of the project called "Construction of A2 building with a connector and land development as part of redevelopment and extension of A building of the "PUM" Independent Public Clinical Hospital No. 2 in the City Szczecin for the "PUM" Independent Public Clinical Hospital No. 2 in the City of Szczecin" by increasing the Contractor's remuneration by the amount of PLN 14,435,306.59 (gross) and adjudication of this amount. The lawsuit was filed. At the moment, there are no more developments in this case.
Defendant: BEST Deweloper Sp. z o.o. Date of filing a lawsuit No. 1: 19 October 2022 Value of the dispute: PLN 5.928.17334 Date of filing a lawsuit No. 2: 6 February 2023 Value of the dispute: PLN 6.050.33737	Dispute status: The Plaintiff claims amounts due for work performed as part of the construction of multi-family apartment buildings in Chrzanowskiego Street in Szczecin. The amounts claimed are covered by VAT invoices, accepted and approved by the Defendant. They relate to works completed by the Defendant and accepted by the Plaintiff. On 2 November 2022 The court issued an order for payment by way of injunction. The court bailiff in Szczecin, by virtue of its Decision dated 6 December 2022, terminated the collateral proceedings, securing the amount covered by the payment order with interest as of 6 December 2022. By virtue of its Decision of 24 January 2023, the Court referred the parties to mediation and the court set a hearing date for 18 May 2023, to which it summoned all witnesses and parties. The parties are holding mediation talks.
	The value of other litigations where ERBUD S.A. is the Defendant totals PLN 22.369.064,20.

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Material proceedings to which the ERBUD S.A. is the defendant

Party to the dispute	Description of the dispute
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 S.A. 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 S.A. submitted a reply to the statement of claim in which it 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, Erbud 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 to repair the airfield surface at the Warsaw-Modlin airport. Court hearings were held between 2015 and 2019, where representatives of the Parties and experts were heard. Ultimately, the Court extended the deadline for the opinion filing until 20 May 2021, and the opinion was filed on that date. On 29 November 2021 Erbud filed comments and objections to the opinion along with a request to exclude the expert. On 7 February 2022, the Court sent Erbud's findings and comments to the expert and called upon him to respond. At the moment, the Court of First Instance is processing a request to exclude the expert - on 24 October 2022, it sent an commitment to MPL's attorney to respond to the motion to exclude, and sent to OAT Ltd. a request for information on the professional history of the Expert Team Leader at that company (which worked jointly with MPL). A hearing was held on 25 January 2023, during which the Expert Team Leader was questioned. After the hearing, the Court invited the other members of the Expert Team to send written responses to the request for exclusion. According to Erbud S.A. there are no grounds to accept the claims of MPL in full.
Plaintiff: Marshal Office of the Wielkopolskie Province in Poznań Defendant: ERBUD S.A. in Warsaw Date of servicing an action to ERBUD S.A.: 28 January 2022 Value of the dispute: PLN 21.553.732	By virtue of a lawsuit dated 20 December 2021 the Wielkopolskie Province, with the headquarters of the Marshal's Office of the Wielkopolskie Province in Poznań, requests that the Court authorise Erbud S.A. to replace the entire systems at Erbud S.A.'s expense, which are as follows: 1) cold water, 2) hot water, 3) hydrant water, 4) process heat and 5) chilled water in the building being the registered office of the Office in Poznań, located at Al. Niepodległości 34 in Poznań under quality warranty. On 23 February 2023 the District Court dismissed the plaintiff's requests for expert evidence and the defendant's further requests for evidence, and closed the hearing. On 23 March 2023 the announcement of the verdict took place, the Court dismissed the claim in its entirety.
	Total value of other proceedings where ERBUD S.A. is the defendant: PLN 11.766.243,58

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6.8. TRADE PAYABLES, OTHER LIABILITIES

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

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

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

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

	2022	2021
Trade payables	**243,010**	**161,982**
including to related entities	4,585	7,119
Liabilities vis-a-vis budget in relation to:	**19,510**	**11,423**
corporate income tax	14,412	6,913
personal income tax	1,901	1,819
Social insurance contribution	2,888	2,326
real estate tax	2	-
State Fund for the Rehabilitation of the Disabled	57	46
Employee Capital Plans (PPK)	20	18
holiday accrual (Belgium tax)	126	301
other	104	-
Other liabilities	**14,252**	**22,673**
wages and salaries	1,534	1,433
short-term employee benefit liabilities	10,210	17,747
other	2,508	3,493
Total	**276,772**	**196,078**

6.9. EXPLANATORY NOTES TO THE CASH FLOW STATEMENT

Reconciliation of the change in working capital balance for the period from 1 January to 31 December 2022 and for the period from 1 January to 31 December 2021.

	Change in balance of Cash Flow Statement in the period from January 2022 to December 2022	Change in balance of Cash Flow Statement in the period from January 2021 to December 2021
Change in provision balance	(4,498)	4,279
Change in inventory balance	-	(1,117)
Change of receivables balance	(97,352)	(82,880)
Change in balances of short-term liabilities, excluding credits and loans	108,364	41,156
Change in settlement of assets and liabilities under building contracts	(34,542)	38,565
Change in balance of prepayments and accruals	(10,351)	(5,400)
Change in balance of working capital	**(38,379)**	**(5,397)**

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	Other non-cash adjustments in the Cash Flow Statement in the period from January 2022 to December 2022	Other non-cash adjustments in the Cash Flow Statement in the period from January 2021 to December 2021
Cost of shares sold in a subsidiary	(395)	(14,105)
Investment activity gains	(884)	-
Other	39	(379)
Other non-cash adjustments	**(1,240)**	**(14,484)**

6.10. GROUP STRUCTURE

Interests and shares in subsidiaries and jointly controlled entities

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

Non-financial fixed assets impairment

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

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

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

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Group Structure

As of 31 December 2022, the Group comprised the Parent Company Erbud S.A. and fully consolidated subsidiaries and subsidiaries consolidated on the equity method basis.

#	Name of entity	Registered office	Scope of activities	% share in share capital 2022	balance sheet value of interests/share 31 Dec. 2022	% share in share capital 2021	balance sheet value of interests/share 2021
	Shares held directly						
1	ONDE S.A.	Toruń	Road engineering and renewable energy sources	**60.10%**	**39,871**	60.70%	40,267
2	Erbud International Sp. z o.o.	Rzeszów	Construction services	**100.00%**	**431**	100.00%	431
3	Erbud Construction Sp. z o.o.	Toruń	Construction services	**100.00%**	**-**	100.00%	-
4	Erbud Industry Sp. z o.o.	Toruń	Engineering services	**100.00%**	**15,627**	100.00%	15,627
5	MOD21 GmbH	Düsseldorf, Germany	Construction services	**100.00%**	**20,356**	100.00%	13,233
6	Erbud Shared Services Sp. z o.o.	Warsaw	Support services	**100.00%**	**12,000**	100.00%	12,000
7	Erbud Holding Deutschland GmbH	Düsseldorf, Germany	Management services	**100.00%**	**21,162**	100.00%	21,162
8	Hebud Sp. z o.o. in liquidation	Minsk, Belorussia	Construction services	**100.00%**	**-**	100.00%	-
9	Toruńska Sportowa in liquidation Sp. z o.o.	Toruń	Sports, entertainment and leisure services	**39.00%**	**-**	39.00%	-
10	JV WMER Matoc Poland Sp.z o.o	Warsaw	Construction services	**50.00%**	**3**	50.00%	3
11	JV PABC Sp. z o.o.	Warsaw	Construction services	**100.00%**	**5**	100.00%	5
12	MOD21 Sp. z o.o.	Ostaszewo	Modular timber construction	**100.00%**	**5**	100.00%	5
13	Sanssouci Karpacz Sp. z o.o.	Warsaw	Construction services	**43.00%**	**2**	43.00%	2
	TOTAL				**109,462**		102,735

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

Material financial highlights of ONDE SA are as follows:

MATERIAL FINANCIAL HIGHLIGHTS OF ONDE SA

	As of 31 Dec. 2022	As of 31 Dec. 2021
Fixed assets	177,291	118,663
Current assets	427,768	445,822
Long-term liabilities	29,035	27,890
Short-term liabilities	254,773	202,873
Sales revenues	1,141,033	1,216,638
Net profit	17,529	46,171

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The basic financial information of ONDE SA attributable to non-controlling shareholders is presented below:

ONDE SA FINANCIAL INFORMATION ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

	As of 31 Dec. 2022	As of 31 Dec. 2021
Net profit attributable to non-controlling shareholders	2,862	18,145
Value of capital attributable to non-controlling shareholders	124,059	131,152
Dividends paid to non-controlling shareholders	-	2,628

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

#	Name of entity	Registered office	Scope of activities	2022	2021
	Shares held indirectly				
1	Erbud Industry Centrum Sp. z o.o.	The City of Łódź	Maintenance services in the industrial segment	99.01%	99.01%
2	ERBUD Industry Południe Sp. z o.o.	The City of Będzin	Maintenance services in the industrial segment	99.29%	99.29%
3	PDI Dusseldorf Malmedyerstrasse Ost GmbH	Düsseldorf, Germany	Construction services	43.35%	43.35%
4	PDI Dusseldorf Malmedyerstrasse West GmbH	Düsseldorf, Germany	Construction services	43.35%	43.35%
5	IVT Beteiligungs GmbH	Düsseldorf, Germany	SPV	100.00%	100.00%
6	IVT Weiner + Reimann GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	100.00%	100.00%
7	IVT Menzenbach GmbH	Oberhausen, Germany	Maintenance services in the industrial segment	100.00%	100.00%
8	PflegeQuatier Düren GmbH	Düsseldorf, Germany	Construction services	43.35%	43.35%
9	WTL20 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
10	WTL40 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
11	WTL80 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
12	WTL100 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
13	WTL120 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
14	WTL130 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
15	WTL140 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
16	WTL150 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
17	WTL160 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
18	WTL170 Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
19	IDE Projekt Sp. z o.o.	Toruń	Design services in the RES segment	100.00%	100.00%
20	Satchwell Polska Toruń Sp. z o.o.	Toruń	Maintenance services in the industrial segment	100.00%	100.00%
21	Solar Serby Sp. z o.o.	Warsaw	Renewable energy sources	50.00%	50.00%
22	Cyranka Sp. z o.o.	Warsaw	Renewable energy sources	100.00%	100.00%
23	DE PVPL 22 Sp. z o.o. (Power Plant)	Toruń	Renewable energy sources	100.00%	50.00%
24	KWE Sp. z o.o.	Warsaw	Renewable energy sources	50.00%	50.00%
25	IKR GmbH	Bitterfeld - Wolfen	Maintenance services in the industrial segment	100.00%	100.00%
26	WTL270 Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
27	WTL210 Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
28	WTL50 Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
29	Park Słoneczny Ciechanów Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
30	Park Lewałd Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
31	FW Gumienice Sp. z o.o. (*Wind Farm*)	Toruń	Renewable energy sources	100.00%	100.00%
32	FW Szybowice Sp. z o.o. (*Wind Farm*)	Warsaw	Renewable energy sources	50.00%	50.00%
33	DEVOZE Sp. z o.o.	Toruń	Renewable energy sources	100.00%	100.00%
34	Solar Kazimierz Biskupi Sp. z o.o.	Warsaw	Renewable energy sources	50.00%	0.00%

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35	PV KADŁUBIA 2 Sp. z o.o.	Toruń	Renewable energy sources	100.00%	0.00%
36	PV SZCZEPANÓW Sp. z o.o.	Toruń	Renewable energy sources	100.00%	0.00%
37	ONDE Beteiligungs GmbH	Düsseldorf, Germany	Development of contracting activities in the RES business segment	100.00%	0.00%

The balance sheet value of shares in subsidiaries and jointly controlled entities is presented below:

	31 Dec. 2022	EUR 44 561,00
ONDE SA	39,871	40,266
Erbud International Sp. z o.o.	431	431
Erbud Industry Sp. z o.o.	15,627	15,627
MOD21 GmbH	20,357	13,233
Erbud Shared Services Sp. z o.o.	12,000	12,000
Erbud Holding GmbH	21,162	21,162
JV WMER Matoc Poland Sp.z o.o	3	3
JV PABC Sp. z o.o.	5	5
MOD21 Sp. z o.o.	5	5
Sanssouci Karpacz Sp. z o.o.	3	3
TOTAL	**109,464**	**102,735**

As of 31 December 2022, there were no grounds for impairment recognition of shares in subsidiaries and associated companies..

6.11. Transactions with related entities

Transactions with related entities

The following tables show the totals of transactions made by the Company with the member companies of the Erbud S.A. Group in the period ended on 31 December 2022 and in the period ended on 31 December 2021.

	2022			2021		
	Subsidiaries in the Erbud Group	Other relation	Total	Subsidiaries in the Erbud Group	Other relation	Total
Trade receivables	18,404	12,284	**30,688**	24,598	2,680	**27,278**
Loans extended	93,844	5,558	**99,402**	24,799	4,947	**29,746**
Trade payables	4,585	-	**4,585**	7,119	-	**7,119**
Sales revenues	48,073	30,151	**78,224**	123,178	12,488	**135,666**
Interest income on loans extended	4,168	468	**4,636**	628	383	**1,011**
Purchase of goods and services	30,837	-	**30,837**	35,013	-	**35,013**

As of the date of submission of these financial statements, the Management Board members and proxies do not hold any share-based benefits.

ERBUD Separate Financial Statements as of 31 December 2022 ('000 PLN, unless specified otherwise)

Transactions with key members of management staff

The remuneration accrued to the members of the Management Board and to the members of the Supervisory Board received from the ERBUD S.A. for the accounting year is presented in the table below:

	2022	2021
Management Board		
Short-term employee benefits (wages & salaries)	13,689	16,451
Supervisory Board		
Short-term employee benefits (wages & salaries)	554	432
Total	**14,243**	**16,883**

At individual balance sheet dates the managing persons (members of the Management and Supervisory Boards) held the following number of shares (all shares are ordinary shares):

	2022		2021	
Shareholder	**No. of shares /votes**	**% of shareholding in the share capital counted in votes at the General Meeting of Shareholders**	**No. of shares /votes**	**% of shareholding in the share capital counted in votes at the General Meeting of Shareholders**
Dariusz Grzeszczak (and DGI Fund controlled by Dariusz Grzeszczak)	2,553,460	21.11%	2,740,518	22.10%
Jacek Leczkowski	5,112	0.04%	5,112	0.04%
Agnieszka Głowacka	3,938	0.03%	3,938	0.03%
Albert Dürr	13,642	0.11%	13,840	0.11%
Roland Bosch	10,000	0.08%	-	0.00%
Total	**2,586,152**	**21.37%**	**2,763 408**	**22.28%**

6.12. POST-ACCOUNTING PERIOD EVENTS

On 24 February 2023, a resolution was adopted by the Extraordinary General Meeting of ERBUD SA in Warsaw on the merger of ERBUD SA (as the Acquirer) with ERBUD Industry Sp. z o.o. (as the Acquiree). The Management Board of the Acquirer has resolved to merge the Acquirer with ERBUD Industry Sp. z o.o. with its registered office in Warsaw by transferring all assets of the Acquiree to the Acquirer, as the sole shareholder of the Acquiree, and to dissolve the Acquiree without liquidation. The Acquirer is the sole shareholder of the Acquiree and therefore the merger will take place without any increase in the share capital of the Acquirer and without any change to its Articles of Association.

Signatures of all Management Board members:

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

Agnieszka Głowacka
/Vice-President of the Management Board/

Warsaw, 28 March 2023