

MANAGEMENT REPORT ON THE OPERATION OF ELEKTROTIM S.A. AND THE ELEKTROTIM GROUP FOR THE YEAR 2023



The Operations Report of the Capital Group for the year 2023 has been prepared in accordance with Article 55, paragraph 2a of the Accounting Act.

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1. BASIC INFORMATION ABOUT THE COMPANY

1.1. ELEKTROTIM Joint Stock Company

ELEKTROTIM S.A. (hereinafter referred to as the Company, ET, or the Issuer) was established on November 13, 1998, and commenced operations on January 1, 1999. The Company was registered in the Register of Entrepreneurs by the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, under the number 0000035081. The Company has been assigned the statistical number REGON 931931108.

The Company does not have any branches, and its headquarters are located at 8 Stargardzka Street, 54-156 Wrocław, Poland. Since the end of the previous reporting period, there have been no changes to the name or other identifying information.

The main areas of the Company's operations are outlined below.

Predominant operation of the Company	PKD
Electrical installation services	43.21.Z
Other operations of the Company	PKD
Construction of telecommunications and power lines	42.22.Z
Engineering activities and related technical consulting	71.12.Z
Construction of transmission pipelines and distribution networks	42.21.Z
Installation of water, sewage, heating, gas, and air conditioning systems	43.22.Z
Manufacture of electrical distribution and control equipment	27.12.Z
Repair and maintenance of electrical equipment	33.14.Z
Execution of building construction projects	41.10.Z
Installation of other building systems	43.29.Z
Software development and related activities	62.01.Z

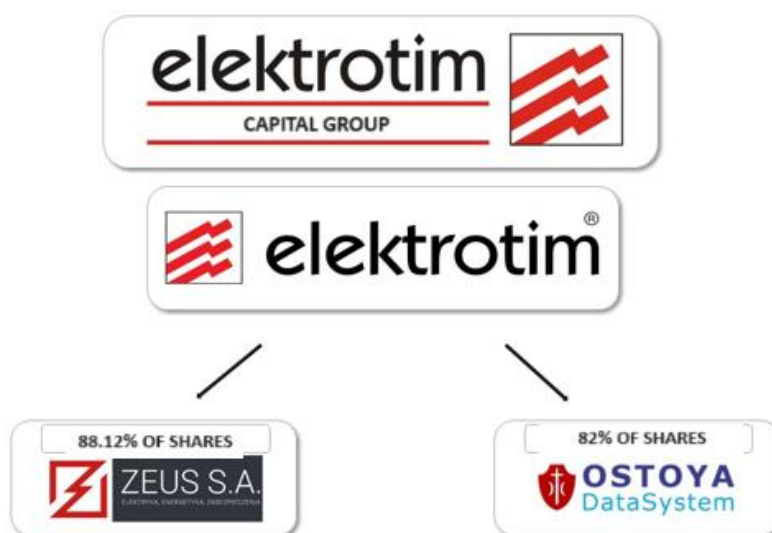
1.2. ELEKTROTIM Capital Group

The ELEKTROTIM Capital Group (hereinafter referred to as the Group, ELEKTROTIM Group, Capital Group, or GET) was established on April 30, 2007, as a result of the acquisition of 100% of the shares of „Przedsiębiorstwa Projektowania i Usług PROCOM-System” S.A.

In 2023, the subsidiaries ZEUS S.A. and Ostoya-DataSystem Sp. z o.o. operated as independent business entities. On September 29, 2023, the President of the Management Board of ZEUS S.A. filed for the bankruptcy of ZEUS S.A. In the opinion of the Management Board of ELEKTROTIM S.A., as of December 31, 2023, ELEKTROTIM S.A. maintained control over ZEUS S.A. Consequently, the financial data and results of the subsidiary were consolidated using the full method and reported in the balance sheet under "assets held for sale" corresponding with "liabilities related to assets held for sale." Subsequently, in the first quarter of 2024, all shares of the subsidiary held by ELEKTROTIM S.A. were sold to a third party. As a result, as of the publication date of this Report, the Group comprises two companies with defined objectives and scopes of operations: ELEKTROTIM S.A. and OSTOYA-DataSystem Sp. z o.o.

The sale of shares in ZEUS S.A. and the loss of control over the aforementioned subsidiary were considered significant events after the balance sheet date and are described in more detail below. This event was deemed not to require adjustments to the financial data as of the balance sheet date.

Organizational structure of the ELEKTROTIM Capital Group as of December 31, 2023



Subsidiaries:

OSTOYA-Data System Sp. z o.o., Kartuska 462, 80-298 Gdańsk

Ostoya-DataSystem Sp. z o.o. is a company whose main business activity is the production and implementation of innovative IT systems in the field of security management.

ELEKTROTIM S.A. holds 82% of the shares in OSTOYA-DataSystem Sp. z o.o.

ZEUS S.A., Obrońców Westerplatte 1, 83-000 Pruszcz Gdański

ZEUS S.A. is a company whose main business activity is the provision of specialized construction services in the design and execution of electrical, energy, and telecommunication installations.

As of December 31, 2023, ELEKTROTIM S.A. held 88.12% of the shares in ZEUS S.A. On September 29, 2023, the Management Board of ZEUS S.A. filed for bankruptcy and gradually ceased its operational activities. The company was sold in the first quarter of 2024.

According to the current report No. 12/2019 dated July 10, 2019, ELEKTROTIM S.A. conducted a review of strategic options for its subsidiaries. This review aimed to select the most advantageous method for achieving the long-term development of the ELEKTROTIM Capital Group, while respecting the interests of all the Company's shareholders.

As a result, the Company entered into an agreement to sell all its shares in the subsidiary PROCOM SYSTEM S.A., headquartered in Wrocław, as announced in report No. 33/2022 dated December 12, 2022. The review of strategic options was also conducted for ZEUS S.A., headquartered in Pruszcz Gdański. After the appointment of a new Management Board in

May 2022 and a new Supervisory Board in July 2022, ZEUS S.A. initiated the process of selling the company while simultaneously implementing a recovery plan. Since December 2022, advanced negotiations have been conducted with parties directly interested in acquiring ZEUS, confirmed by the signing of a letter of intent and the establishment of a Virtual Data Room (VDR) for conducting due diligence. To enable the continuation of operations without significant changes (in parallel with the sales process), a bridge loan of PLN 2.5 million was granted to the company. In July 2023, the key bidder withdrew from the transaction, and between August and October, five more entities withdrew from the acquisition process. Negotiations were conducted based on signed non-disclosure agreements and/or letters of intent, and interested parties were provided access to ZEUS S.A.'s documents through the VDR. The company submitted an offer to sell shares to one of the interested parties (which was not accepted) and did not receive binding offers to purchase shares from the other parties.

Meanwhile, on September 29, 2023, due to worsening liquidity issues, the Management Board of ZEUS S.A. filed for liquidation bankruptcy. This necessitated a reevaluation of the situation by ELEKTROTIM S.A., extensive consultations with financing and advisory entities, and a change in the target group of potential buyers for the shares of ZEUS S.A.

On January 24, 2024, the bankruptcy court issued an order to secure the assets of ZEUS S.A. by appointing a Temporary Court Supervisor. Since the company was not engaged in operational activities, almost all legal actions involving its assets were beyond the scope of ordinary management and required the approval of the Temporary Court Supervisor, as ZEUS S.A. was duly informed.

As a result of these efforts, in the first quarter of 2024, the Company found a party interested in acquiring the shares, and the share purchase agreement was signed on March 27, 2024. The Company announced the transaction in current report No. 12/2024 on the same day, and the constitutive entry in the shareholder register was made the following day, March 28, 2024.

Due to the previously filed bankruptcy petition, ZEUS S.A. lost all its industrial security certificates and the ability to execute projects due to the loss of human and equipment resources. Therefore, in the opinion of the Company's Management Board, the sale of shares does not constitute a source of potential competition in the market where ELEKTROTIM S.A. operates.

The facts described above have had the following impact on the Individual and Consolidated Financial Statements:

- As of December 31, 2023, the Company reported ZEUS S.A. as an asset held for sale while maintaining formal control over ZEUS S.A.,
- Many of ZEUS S.A.'s balance sheet items were, to the best of judgment and knowledge, reported at fair liquidation value, which affected the results shown by this company and the consolidated financial statements;
- In the consolidated financial statements, the minority shareholders' interest in the results of ZEUS S.A. is significant, as well as the reversal of write-downs recognized in ELEKTROTIM S.A. at the individual level due to the situation in this subsidiary;
- At the individual level, ELEKTROTIM S.A. wrote off the entire loan granted to the subsidiary and the advances not settled during ongoing operations.

Due to the sale of all shares of the subsidiary ZEUS S.A. by ELEKTROTIM S.A., and thereby the exit of the subsidiary from the ELEKTROTIM Capital Group, the consolidated financial statements for the first quarter of 2024 will reflect the transaction of selling the shares. As part of the deconsolidation process, the effects of losing control over the subsidiary will be recorded, and the consolidated financial result of the ELEKTROTIM Capital Group for the first quarter of 2024

will include the excess of the intangible sales price over the significantly negative value of the disposed net assets. As of the publication date of this Report, this value is estimated at approximately PLN 20.5 million. This amount will constitute a profit for the Group at the consolidated level.

2. SELECTED FINANCIAL DATA

2.1. Selected Financial Data of ELEKTROTIM S.A.

Selected financial data in thousands of PLN and converted to thousands of EUR	In thousands of PLN		In thousands of EUR	
	01.01.- 31.12.2023/ 31.12.2023	01.01.- 31.12.2022/ 31.12.2022	01.01.- 31.12.2023/ 31.12.2023	01.01.- 31.12.2022/ 31.12.2022
I. Net revenue from sales of products, goods, and materials	532,246	428,243	117,535	91,343
II. Profit (loss) from operating activities	53,893	29,519	11,901	6,296
III. Gross profit (loss)	52,511	30,517	11,596	6,509
IV. Net profit (loss)	40,737	23,086	8,996	4,924
V. Net cash flow from operating activities	-3,290	33,188	-727	7,079
VI. Net cash flow from investing activities	1,066	10,509	235	2,242
VII. Net cash flow from financing activities	-20,437	-3,670	-4,513	-783
VIII. Net cash flow, total	-22,661	40,027	-5,004	8,538
IX. Total assets	256,128	240,239	58,907	51,225
X. Liabilities and provisions for liabilities	139,011	148,742	31,971	31,715
XI. Long-term liabilities	16,320	7,515	3,753	1,602
XII. Short-term liabilities	122,691	141,227	28,218	30,113
XIII. Equity	117,117	91,497	26,936	19,509
XIV. Share capital	9,983	9,983	2,296	2,129
XV. Number of shares (in units)	9,983,009	9,983,009	9,983,009	9,983,009
XVI. Earnings (loss) per common share (in PLN/EUR)	4.08	2.31	0.90	0.49
XVII. Diluted earnings (loss) per common share (in PLN/EUR)	4.08	2.31	0.90	0.49
XVIII. Book value per share (in PLN/EUR)	11.73	9.17	2.70	1.96
XIX. Diluted book value per share (in PLN/EUR)	11.73	9.17	2.70	1.96
XX. Declared or paid dividend per share (in PLN/EUR)	1.50	0.00	0.33	0.00

2.2. Selected Financial Data of the ELEKTROTIM Capital Group

Selected financial data in thousands of PLN and converted to thousands of EUR	In thousands of PLN		In thousands of PLN	
	01.01.- 31.12.2023/ 31.12.2023	01.01.- 31.12.2022/ 31.12.2022	01.01.- 31.12.2023/ 31.12.2023	01.01.- 31.12.2022/ 31.12.2022
I. Net revenue from sales of products, goods, and materials	546,947	505,599	120,782	107,843
II. Profit (loss) from operating activities	34,225	33,191	7,558	7,080
III. Gross profit (loss)	32,264	30,414	7,125	6,487
IV. Net profit (loss) attributable to the shareholders of the parent company	22,373	21,984	4,941	4,689
V. Net cash flow from operating activities	-3,898	37,505	-861	8,000
VI. Net cash flow from investing activities	2,521	5,479	557	1,169
VII. Net cash flow from financing activities	-22,196	-4,982	-4,902	-1,063
VIII. Net cash flow, total	-23,573	38,002	-5,206	8,106
IX. Total assets	268,603	268,326	61,776	57,214
X. Liabilities and provisions for liabilities	165,433	169,206	38,048	36,079
XI. Long-term liabilities	16,425	7,803	3,778	1,664
XII. Short-term liabilities	149,008	161,403	34,270	34,415
XIII. Equity	103,170	99,120	23,728	21,135
XIV. Share capital	9,983	9,983	2,296	2,129
XV. Number of shares (in units)	9,983,009	9,983,009	9,983,009	9,983,009
XVI. Earnings (loss) per common share (in PLN/EUR)	2.24	2.20	0.49	0.47
XVII. Diluted earnings (loss) per common share (in PLN/EUR)	2.24	2.20	0.49	0.47
XVIII. Book value per share (in PLN/EUR)	10.33	9.93	2.38	2.12
XIX. Diluted book value per share (in PLN/EUR)	10.33	9.93	2.38	2.12
XX. Declared or paid dividend per share (in PLN/EUR)	1.50	0.00	0.33	0.00

2.3. Summary of 2023 for the Company and the Capital Group

1. The revenue from sales of the ELEKTROTIM Capital Group in 2023 amounted to PLN 547 million, representing an 8% increase compared to the previous year, despite a declining share of the contract with the Border Guard for securing the Polish-Belarusian border. The revenue growth was achieved organically, despite the absence of Procom System in the structure and the bankruptcy filing, leading to a gradual wind-down of operations, by ZEUS S.A.
2. In 2023, the ELEKTROTIM Capital Group achieved an operating profit of PLN 34.2 million, compared to PLN 33.2 million in the previous year. It should be noted that this result includes a PLN 22.1 million operating loss from ZEUS S.A., primarily due to the revaluation of assets and liabilities and the recognition of various provisions and write-downs in the income statement of this company in connection with the ongoing bankruptcy proceedings.
3. At the consolidated level, despite the losses incurred by ZEUS amounting to approximately - PLN 23.5 million, a comparable result to the previous year was achieved, with a net profit of PLN 22.4 million attributable to the shareholders of the parent company. Due to the sale of all shares in ZEUS S.A. and the subsequent loss of control over the subsidiary, the transaction settlement is expected to result in a recognition of a PLN 20.5 million intangible surplus of the sale price over the significantly negative equity of the disposed entity in the consolidated results of the ELEKTROTIM Group.
4. Since December 2022, advanced negotiations were conducted with parties directly interested in acquiring ZEUS. Unfortunately, the company continued the negative trend of poor financial performance, struggling to implement its latest recovery plan—the next in the past four years—and significantly deviating from its budget. In July 2023, the key bidder withdrew from the transaction, and between August and October, another five entities withdrew from the acquisition process. Meanwhile, on September 29, 2023, due to worsening liquidity issues, the management board of ZEUS S.A. filed for liquidation bankruptcy. This necessitated a reevaluation of the situation by ELEKTROTIM S.A., numerous consultations with financing and advisory entities, and ultimately a change in the target group of potential buyers for the shares of ZEUS S.A. As a result of these efforts, in the first quarter of 2024, the Company found an interested buyer, and the agreement to sell 100% of the shares was signed on March 27, 2024. The constitutive entry in the shareholder register was made the following day, on March 28, 2024.
5. The election cycle in Poland, which led to the suspension or slowdown of tenders, changes in management personnel, and revisions of strategic project assumptions, caused the Company's order backlog as of December 31, 2023, amounting to PLN 330 million, to not fully reflect its potential for 2024. The signing of a new contract on January 31, 2024, with the Border Guard for the "Construction of the state border security with Belarus on the Bug River section in the Nadbużański Border Guard Unit" worth PLN 227 million, along with the contracts signed for orders from tenders conducted at the turn of 2023 and 2024, as reported by ELEKTROTIM S.A. in ESPI reports in November and December of last year, significantly impact the Company's and the Capital Group's contract portfolio for 2024, raising it to over PLN 600 million. The Company continues to closely analyze the market and its structural changes (energy transformation), and considers the current decision-making pause to be short-term.
6. In 2023, ELEKTROTIM's payment situation was influenced by the seasonality of the projects undertaken, along with a significantly increased scale of operations. The highest construction activity, and consequently the greatest demand for working capital, occurs in the 2nd and 3rd quarters of the year, with receivables flowing in during the following months. To finance this growth, the Company utilized pre-arranged loan agreements, fully covering the needs associated with financing the increased volumes of ongoing projects. An important factor in ensuring working capital in the first half of the year was also the funds

obtained from the sale of Procom System S.A. shares. Additionally, the Company signed new loan and factoring agreements, increasing the amounts of available financing to approximately PLN 100 million. Access to external financing allowed the Company to leverage the benefits of financial leverage.

7. In 2023, for the first time since 2017, the Company's shareholders received a dividend. On June 20, 2023, the Annual General Meeting allocated PLN 14,974,513.50 for the dividend payout to shareholders, which amounts to PLN 1.50 per share of ELEKTROTIM S.A. The dividend was paid to shareholders on July 28, 2023.
8. As of December 31, 2023, ELEKTROTIM S.A. individually achieved a net profit of nearly PLN 41 million with a net profitability of 7.7%, representing an almost 80% year-over-year increase and marking a record high in the Company's history.
9. At the operational level, contributions from all Divisions were evident. We continued the contract with the Border Guard for constructing a perimeter barrier on the Belarusian border, and at the end of the year, the Company won a tender to secure another significant section of this border. We completed the modernization of four substations for PGE Energetyka Kolejowa and maintained our presence in renewable energy by executing high-value photovoltaic projects. Additionally, we increased our business volume with long-term partners such as Tauron, Enea, Nestle, PCC Rokita, and KGHM. We also expanded our service and investment offerings to meet the needs of municipalities and cities in Lower Silesia.
10. In 2023, the largest contributors to ELEKTROTIM S.A.'s revenue were the Distribution Division (42%), the Special Projects Division (19%), and the Traction Division (17%). The markets in which the Company operates are characterized by distinct and separate dynamics, customer expectations, competition intensity, and product parameters. This diversity allows us to continue diversifying our operational risk and limits our exposure to adverse changes.

3. ENVIRONMENT

3.1. Macroeconomic situation

SELECTED ECONOMIC INDICATORS FOR 2023

GDP growth in 2023	+ 0.2% ¹⁾
Increase in consumer goods and services prices in 2023 compared to 2022	11.40%
WIBOR 1Y as of December 29, 2023	5.79 ²⁾
Change in WIBOR 1Y in 2023	- 19.92% ²⁾
PMI index December 2023	47.4 pkt
Changes in construction and assembly production from January to June 2023	+ 7.5% ¹⁾
including:	
- Building construction	+ 6.4% ¹⁾
- Civil engineering and water projects	+ 8.8% ¹⁾
- Specialized construction works	+ 6.8% ¹⁾
Average monthly salary in the enterprise sector excluding profit payouts in 2023	7,444.39 PLN ¹⁾

1) Data from the Central Statistical Office (Główny Urząd Statystyczny).

2) WIBOR data from www.money.pl (source: REUTERS).

3.2. Description of the environment and market trends

Characteristics of external and internal factors significant for the development of the ELEKTROTIM Company and Capital Group

MACROECONOMIC INDICATORS – POLAND

ELEKTROTIM S.A. operates in the domestic market for specialized construction. The Company's various divisions operate in the markets of energy, industry, defense ministries, municipal investments, and direct current networks (traction). Therefore, key areas of analysis include macroeconomic parameters for the Polish economy, railway development, the development of the Polish energy sector (generation and networks, renewable energy sources), changes and directions of municipal spending, and expenditures by the defense ministries (Ministry of National Defense and Ministry of the Interior and Administration), particularly in the area of electrical installations and security systems. ELEKTROTIM S.A. continuously monitors factors that impact the Company's broad range of activities and the level of its financial performance. Analyzing the economic and market situation enables proactive business decisions that capitalize on opportunities and mitigate risks.

GDP

According to preliminary estimates from the Central Statistical Office (GUS) as of January 31, 2024, Gross Domestic Product (GDP) grew by 0.2% year-on-year in 2023, compared to a 5.3% increase in 2022. The GDP growth rate for 2023 is at its lowest level since Poland joined the European Union, and the result is 0.5 percentage points lower than previous economist estimates, indicating that the fourth quarter of 2023 did not bring the expected acceleration in growth. The gross value added in industry in 2023 decreased by 0.7% compared to 2022,

following a 7.6% increase in 2022. Meanwhile, the gross value added in construction in 2023 increased by 3.4% compared to 2022, following a 5.1% increase in 2022 compared to 2021.¹

Inflation

Since February 2023, inflation has been systematically decreasing, indicating a slowdown in the rate of price increases. The Central Statistical Office (GUS) confirmed that inflation at the end of 2023 was 6.2%. Meanwhile, the average annual inflation rate was 11.4%, compared to 14.4% in 2022. According to experts from Polish Building Materials Depots, in December 2023, the prices of building materials decreased by an average of 2.6% compared to December 2022 and by 0.2% compared to November 2023. December 2023 marked the fourth consecutive month of declining prices.²

Unemployment rate

Estimates from the Ministry of Family, Labor, and Social Policy indicate that the registered unemployment rate in Poland at the end of December 2023 was 5.1%, slightly lower compared to the end of 2022. Although the unemployment rate in Poland remains low, it should be considered in conjunction with other indicators. Combined with the low economic growth rate, this suggests a risk of a significant human capital deficit during periods of sustained economic growth. This scenario is clearly indicated by the planned implementation of strategies such as KPEiK / PEP2040 and KPK, which are directly related to the business area in which ELEKTROTIM S.A. is a stakeholder. Recognizing market risks in this aspect, ELEKTROTIM S.A. is taking several actions to attract the workforce in line with current and projected needs and is implementing measures to make the organization resilient to potential, expected increases in employment fluctuations.³

NBP reference rate

The relatively restrictive policy of the NBP in the last months of 2023 contributed to reversing the inflationary trend. According to analysts at PKO BP, regulatory issues and the growth of real wages exceeding productivity growth are among the risk factors for the inflation path. The anticipated return to a higher VAT rate and the thawing of energy and gas prices may contribute to an increase in inflation.⁴

¹ Source: <https://www.money.pl/gospodarka/wszystko-jasne-sa-dane-dotyczace-pkb-w-polsce-za-rok-2023-6990600626764736a.html> - 31.01.2024

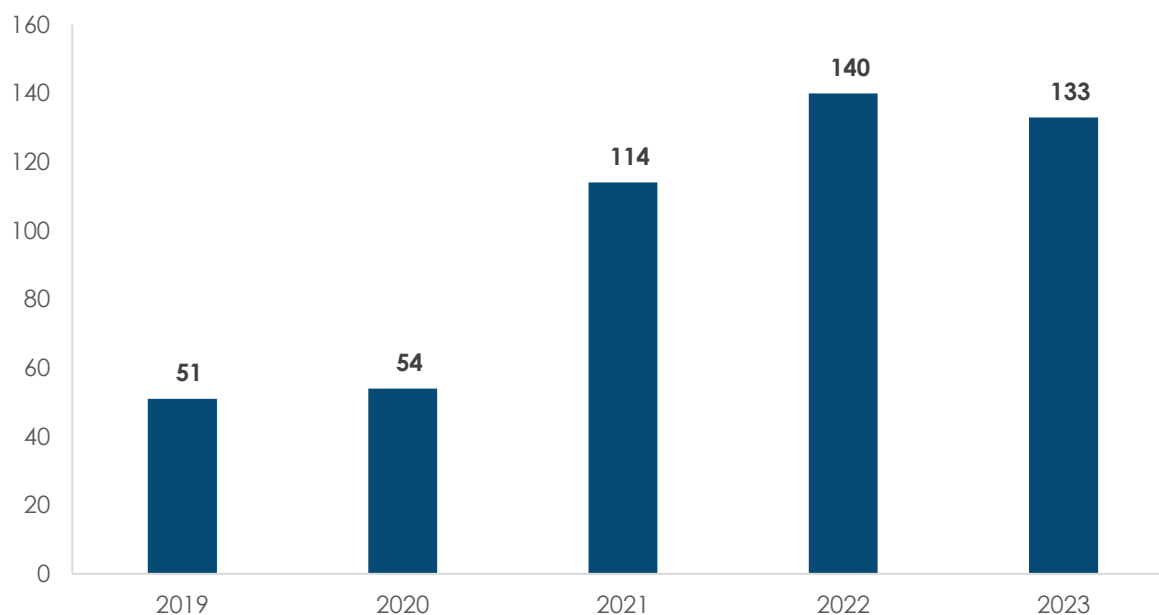
² Source: <https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/inflacja-rdr-pol> - I 2024

³ Source: <https://www.gov.pl/web/rodzina/niska-stopa-bezrobocia-w-grudniu> - 08.01.2024

⁴ Source: <https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/referencyjna-pol>

Foreign investments

Value of FDI in Poland from 2019 to 2023, in billion PLN



According to data from the Polish Economic Institute, the estimated inflow of foreign direct investments (FDI) to Poland in 2023 amounted to approximately PLN 133 billion. This figure represents 3.9% of GDP. Notably, despite a decrease in the value of FDI inflow compared to 2022, there was a significant improvement in the indicator's structure: debt instruments played a smaller role, while equity capital became more prominent. The main challenge for Poland is the shortage of capital. Data from the Penn World Table indicate that Poland has one of the lowest capital-to-GDP ratios in Europe. The inflow of additional investments—including reinvested earnings—enhances the availability of capital in Poland, thereby improving the productivity of the economy.⁵

3.3. Characteristics of ELEKTROTIM S.A.'s operations in 2023 in the served markets

In the years 2022-2023, ELEKTROTIM S.A. significantly benefited from the increased activity in the energy construction sector. In 2023, the Distribution Division executed substantial contracts for Solartech Sp. z o.o. for the construction of power connections for the Jeziórko and Augustynka photovoltaic farms, for PGE Dystrybucja S.A. for the construction of a 110 kV cable line, and for ONDE S.A. for the construction of the main reception point in Dzwola. In 2023, the Company signed a contract for the expansion of a station, a 110 kV switchgear, and a 20 kV switchgear for TAURON Dystrybucja S.A. valued at PLN 15 million net (contract dated March 7, 2023), and

⁵ Source: <https://inwestycje.pl/gospodarka/naplyw-biz-do-polski-zmniejszy-sie-do-ok-133-mln-zl-w-2023/> - 08.01.2024

a contract for the construction of the 110 kV "Krasnosielc" station with a 110 kV supply line for PGE Dystrybucja S.A. valued at PLN 22 million net (contract dated June 5, 2023).

The Industry and Production Division executed a project for the expansion of the manufacturing plant for Nestle Purina Manufacturing Sp. z o.o. In this area, the Company also signed a contract with KGHM Polska Miedź S.A. in Lubin for construction and assembly works and comprehensive modernization at the Głogów Copper Smelter, valued at nearly PLN 45 million net (contract dated November 16, 2023).

The revenue growth of ELEKTROTIM S.A. in 2023 was significantly driven by the implementation of a contract for the expansion of the electronic barrier on the Polish-Belarusian state border, carried out by the Special Projects Division. Synergy was leveraged with the subsidiary OSTOYA Data-System Sp. z o.o., which offers an IT platform integrating security management systems. The Special Projects Division also secured contracts for the construction of a fence at the Goławice military complex for the Warsaw Capital Infrastructure Board, valued at PLN 14 million net (contract dated August 7, 2023), and the construction of a fiber optic line in Gdynia, Rumia, Łężyce, and Wejherowo for the State Treasury – Armed Forces Cyber Space Center, valued at PLN 15 million net (contract dated May 19, 2023).

The Traction Division, serving the railway market, executed contracts for PGE Energetyka Kolejowa S.A. for the construction and modernization of traction substations in Zduńska Wola, Lublinek, Rusiec, and Łask, with a total value of PLN 81 million net.

In the area of road infrastructure and traffic safety, the Maintenance Division carried out tasks in the Lower Silesia region aimed at improving road safety, modernizing, and reconstructing transportation systems and road lighting managed by the General Directorate for National Roads and Motorways (GDDKiA).

3.4. Market forecasts for the Company and the Capital Group

The global energy transformation is creating one of the most stable growth markets through 2040.

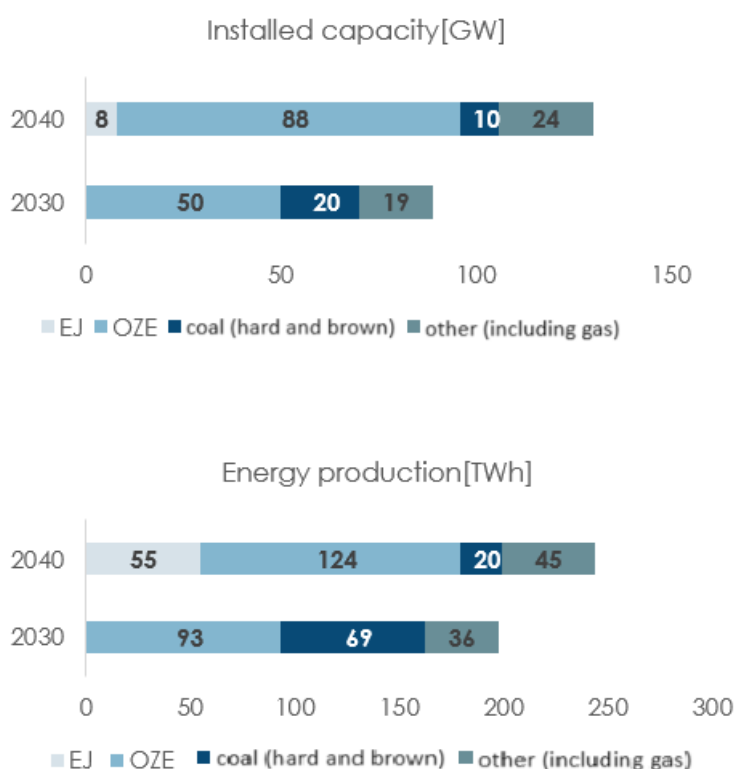
- The ability to secure long-term contracts through the development of unique competencies (nuclear energy, offshore projects, large-scale renewable energy installations, and balancing energy storage). The total investment in the construction of emission-free generation sources by 2040 is approximately PLN 726 billion, and in the expansion and modernization of the transmission and distribution network, about PLN 500 billion.
- Increase in spending on defense and security infrastructure (including monitoring and warning systems), as well as the adaptation of civilian airports to military needs.
- Modernization and development of railway and urban traction systems (including energy storage to improve the functional efficiency of the traction network).
- Investments in the reorganization and safety of urban traffic.

Energy technology

Massive projects related to offshore wind farms are entering the implementation phase, and the anticipated amendment to the '10H' law will unlock investments in onshore wind turbines. The photovoltaic farm segment is also developing dynamically, with virtually all energy groups investing intensively. Moreover, investments in nuclear energy—both conventional and

distributed SME technology—are nearing commencement, and Polish Power Grids (PSE) are expanding the transmission networks. It is also worth noting that the energy sector will be the largest beneficiary of the €5 billion advance under the National Recovery Plan (KPO).⁶

In response to the current events related to Russia's invasion of Ukraine and the looming energy crisis, work on the energy transition has accelerated. There is a significant emphasis on actions aimed at ensuring energy security and building the country's energy sovereignty. A technological diversification of the energy mix toward decarbonization is anticipated. The planned update to the PEP2040 strategy (according to the third scenario) envisions building energy independence through the optimal use of domestic resources and capacities, including the development of nuclear energy and a stronger growth dynamic for renewable energy sources (as a counterbalance to the previously planned transitional fuel, which was to be natural gas). Renewable energy installations, despite their low efficiency, can be built in a relatively short time and the energy produced from them can be utilized quickly. This also applies to network infrastructure and balancing storage facilities. The transformation process requires adapting the grid to operate with a diversified energy mix, ensuring proper flexibility and the ability to balance the National Power System (KSE). PEP2040 anticipates investments of around PLN 1.6 trillion, including approximately PLN 500 billion for the distribution network. The first offshore wind farms are expected to be built around 2025. Due to the relatively high capacity utilization and significant market interest, further investments in this area are planned, with advanced project development underway. Wind farms worth PLN 21.6 billion are planned in the Polish coastal zone, according to a report by Spectis.



⁶ Source: PMR CONSTRUCTION INSIGHT: POLAND

**Forecasted expenditures in five-year investment periods by generation technology
In billions of PLN**

No.	Source technology	2023-2025	2026-2030	2031-2035	2036-2040	TOTAL
1	Lignite power plants	0	0	0	0	0
2	Hard coal power plants	0	0	0	0	0
3	Other combined heat and power plants	0	3.5	0	0	3.5
4	Gas power plants	7.4	28.5	2.3	0	38.2
5	Solar power plants (PV)	24.5	27.3	28.1	26.5	106.4
6	Offshore wind power plants	0	81.2	73.7	66.3	221.2
7	Onshore wind power plants	18.5	18.6	17.7	16.7	71.5
8	Hydroelectric power plants	0.8	5.2	9.4	6.3	21.7
9	Biomass and biogas power plants	3.3	16	7	7	33.3
10	Nuclear power plants (including SMR)	0	6.4	75.1	106.5	188
11	Energy storage facilities	3.1	17.4	10.6	10.6	41.7
12	Peaking and reserve power plants	0	0	0	0.7	0.7
TOTAL		57.6	204.1	223.9	240.6	726.2

Table no. Y: Planned investment expenditures in five-year periods by generation technology (according to assumptions for scenario 3 of PEP2040)

Industry - nuclear energy

With growing support for nuclear technologies, Poland plans to build two nuclear power plants (in Lubiatów and Pątnów) by 2040, with a total investment value of PLN 200 billion. There is also significant development potential for innovative solutions like modular SMR reactors, which are crucial for maintaining the stability of the National Power System. The Company has initiated the process of implementing a "safety culture" according to the recommendations of the International Atomic Energy Agency (IAEA) and applicable standards. This implementation is being carried out according to a program developed with certified international experts responsible for nuclear safety. The program is tailored to the Company's organizational structure and takes into account the specific nature of services and products dedicated to this field.

Additionally, ELEKTROTIM S.A. achieved active member status in the Chamber of Commerce for Energy and Environmental Protection (IGEOS), which includes the majority of domestic stakeholders in the emerging nuclear energy market. The prequalification process was successfully completed, and the Company obtained the status of a qualified subcontractor with the general partner of the nuclear technology supplier for the planned first nuclear power plant block in Poland.

Defense ministries

The systematic modernization of the Polish army and accelerated investments in this area create favorable conditions for revenue growth. The Company plans to continue its participation in projects that enhance Poland's security. In January, ET S.A. signed a contract with the State Treasury - Chief Commander of the Border Guard, headquartered in Warsaw, for the "Construction of the state border security with Belarus on the Bug River section in the Nadbużański Border Guard Unit" worth PLN 279.210 million gross (PLN 227 million net) (contract dated January 31, 2024).

Roads

In 2024-2025, the General Directorate for National Roads and Motorways (GDDKiA) is expected to reach record investment expenditures of approximately PLN 45 billion. The favorable conditions in the road construction segment will be supported by the unlocking of EU funds, with an additional positive factor being the increased indexation of contracts to 15%. For 2024, GDDKiA has planned to announce tenders for the construction of roads totaling nearly 215 km in length. Additionally, five bypass sections with a total length of approximately 17 km, which were planned to be announced in 2023 but did not secure financing, have been carried over to this year. Upon the completion of ongoing environmental procedures and preparatory works, the Directorate will be able to announce tenders for an additional 140 km of roads. As of the end of 2023, there were 43 projects in the tender phase managed by GDDKiA, covering a total length of over 507 km.⁷

Railway infrastructure

ELEKTROTIM S.A. plans to further develop in the areas of railway and urban traction power supply as well as energy storage. On August 16, 2023, the Council of Ministers adopted a resolution presented by the Minister of Infrastructure regarding the establishment of the National Railway Program (KPK) until 2030 (with a perspective until 2032). Formally, this document is an update of the current KPK, which was in effect until 2023. The government's adoption of the new KPK until 2030 secures long-term stable financing for important, strategic railway projects. The total value of KPK 2030 is PLN 170 billion, including PLN 79 billion for the 2014-2020 perspective, PLN 80 billion for the 2021-2027 perspective, and PLN 11 billion for the National Recovery Plan (KPO).⁸

Balancing energy storage facilities

The amendment to the "Energy Law" has defined a new potential business development area for the construction of large-scale energy storage systems by introducing the concept of a commercial balancing service operator. This legal framework enables private investments in the construction of energy storage systems and the provision of balancing services to the Transmission System Operator, PSE S.A.

⁷ Source: PMR CONSTRUCTION INSIGHT: POLAND

⁸ <https://www.plk-sa.pl/o-spolce/biuro-prasowe/informacje-prasowe/szczegoly/jest-nowy-krajowy-program-kolejowy-8627>

4. COMMENTS ON FINANCIAL RESULTS FOR 2023

4.1. Comments on the results of ELEKTROTIM S.A

In 2023, demand streams related to expenditures under the "Polish Deal," energy transformation, defense spending, and border security significantly increased the potential of markets crucial to ELEKTROTIM S.A. This enabled the Company to continue its dynamic growth in terms of both turnover and financial performance. It is noteworthy that ELEKTROTIM S.A. achieved these increases with rising profitability and improved efficiency indicators.

This is especially noteworthy considering that in 2023, we continued to feel the impact of the ongoing war between Russia and Ukraine, which contributed to economic and political uncertainty in Poland and globally. These factors resulted in high interest rates and persistent double-digit inflation, leading to a slowdown in the investment market. The year 2023 was also marked by parliamentary elections in Poland and anticipation of the transfer of funds from the National Recovery Plan (KPO). A significant challenge was the volatility in supply and uncertainty regarding the continuity of deliveries, creating the risk of not meeting the deadlines for ongoing contracts.

In the face of the challenging economic situation, ELEKTROTIM S.A. continued the strategy initiated in 2022 to manage and counteract the negative effects of the economic downturn in Poland. This was achieved through the process of revalorizing existing contracts and the proactive purchase of foreign currencies to secure and maintain the planned margin levels on contracts.

Income and financial position of the Company

Income situation – profit and loss statement

Data item description in thousands of PLN	Y 2022	Y 2023	Change	Change in %
Revenue from sales	428,243	532,246	104,003	24%
Cost of goods and services produced	375,468	453,356	77,888	21%
Gross sales profit	52,775	78,890	26,115	49%
<i>Gross sales profitability</i>	12.3%	14.8%	2.5 pp.	
Selling expenses	7,886	7,834	-52	-1%
Management costs	9,598	10,551	953	10%
Operating balance	-5,772	-6,612	-840	15%
Operating profit (EBIT)	29,519	53,893	24,374	83%
<i>Operating profitability</i>	6.9%	10.1%	3.2 pp.	
EBITDA	33,065	57,537	24,472	74%
Financial balance	998	-1,382	-2,380	-238%
Gross profit	30,517	52,511	21,994	72%
Net profit	23,086	40,737	17,651	76%
<i>Profitability of net result</i>	5.4%	7.7%	2.3 pp.	

In 2023, the Company achieved a 24% higher revenue than in 2022, maintaining its dynamic growth. These high revenues were achieved by implementing the actions outlined in the Company's 2023-2025 development strategy. A significant contribution to the recognized revenue came from the ongoing contract with the Border Guard for constructing an electronic barrier on the border with Belarus, which accounted for 19% of the revenue. The Company successfully completed contracts for PGE Energetyka Kolejowa S.A., where it was the main contractor for the construction and modernization of traction substations. The value of these contracts constituted 15% of ELEKTROTIM S.A.'s revenue in 2023. Another important growth factor, contributing 12% to the revenue, was contracts related to the modernization of energy networks (other than direct current, specifically those performed for PGE EK). It should be noted that all divisions of the Company contributed to the increase in revenue.

The generated revenue resulted in a very good sales profit of PLN 78,890 thousand with a margin of 14.8% (2.5 percentage points higher than in 2022) and the highest net profit in the Company's history of PLN 40,737 thousand with a margin of 7.7%.

Some of the projects undertaken were characterized by significant working capital engagement. Many were innovative from the Company's perspective, both in terms of scale and the introduction of new clients and innovative products. Through effective contract management, maintaining cost discipline, and optimizing financing costs, the Company significantly improved its profitability. This goal was also achieved by securing external financing amounting to PLN 100 million in the form of credit lines and factoring, as well as additional insurance guarantee limits exceeding PLN 200 million. The production cost growth rate is 3 percentage points lower than the sales revenue growth rate. The efficiency increase was achieved through optimization efforts, the procurement policy in place, framework agreements, contract indexation, and price negotiation. The discussed actions aimed to neutralize the negative impact of inflation on contract profitability, thereby allowing the maintenance of the planned sales margin. Sales costs in 2023 showed a slight decrease, thereby retaining the characteristic of quasi-fixed costs. This is due to securing contracts with a higher average value, which translates into lower acquisition and commercial service costs for target orders. Administrative expenses increased by 10% compared to 2022 due to changes in the organizational structure and a higher scale of operations. The Company's results were also affected by write-offs related to the bankruptcy declaration of the subsidiary ZEUS S.A., which are visible in financial and operational costs in 2023. Throughout 2023, write-offs totaling PLN 5,081 thousand were made at various levels of the individual income statement, including: (i) PLN 2,500 thousand write-off of a granted loan; (ii) PLN 709 thousand write-off of an advance payment related to the Opole contract; and (iii) PLN 1,872 thousand write-off of the value of shares.

Financial situation – balance sheet

Current financial situation

Item description data in thousands of PLN	31.12.2022	31.12.2023	Change	Change in %
Fixed assets, including:	28,057	32,799	4,742	17%
Intangible assets	104	158	54	51%
Goodwill	2,396	2,396	-	0%
Tangible fixed assets	12,088	12,793	705	6%
Long-term investments	7,096	6,862	- 234	-3%
Deferred tax assets.	4,900	9,456	4,556	93%
Other long-term non-financial assets	1,474	1,134	- 340	-23%
Current assets including:	212,181	223,329	11,148	5%
Inventory	3,357	2,876	- 481	-14%
Short-term receivables	94,654	167,157	72,503	77%
Contract assets	57,645	21,305	- 36,340	-63%
Cash and cash equivalents	54,652	31,991	- 22,661	-41%
Total assets	240,239	256,128	15,889	7%

In comparison to the year 2022, the main changes in the Company's assets occurred in the following items:

1. Deferred tax assets - an increase of 93% to PLN 9,456 thousand, consisting of: valuation of long-term contracts PLN 2,435 thousand; provision for warranty repairs PLN 2,538 thousand; provision for employee benefits PLN 1,730 thousand; lease liabilities PLN 1,106 thousand.
2. Receivables from sales of goods and services and other receivables – an increase of 77% to PLN 167,157 thousand, driven by sales dynamics in the fourth quarter of 2023. This includes revenue recognition in the Traction Division due to the completion of contracts amounting to PLN 87,165 thousand (52% of receivables), the Border Guard amounting to PLN 14,501 thousand (9% of receivables), and Nestle Purina amounting to PLN 13,424 thousand (9% of receivables).
3. Decrease in the value of unsold production at the end of 2023 to PLN 21,305 thousand, resulting from the settlement and sale of completed work on contracts, particularly the completion of contracts for PGE Energetyka Kolejowa.
4. Cash and cash equivalents - a decrease of 41% is the result of a high level of receivables due to the issuance of invoices for work completed in the last days of 2023, which will be recognized in future periods. The change in this item is in line with forecasts and debt management optimization (simultaneously, the amount of available but unused credit lines as of December 31, 2023, was PLN 78,939 thousand).

Item description data in thousands of PLN	31.12.2022	31.12.2023	Change	Change in %
Equity	91,497	117,117	25,620	28%
Liabilities and provisions for liabilities	148,740	139,011	- 9,729	-7%
Long-term liabilities	7,515	16,320	8,805	117%
Deferred tax provision	1,532	843	- 689	-45%
Long-term provisions	2,459	12,704	10,245	417%
Long-term lease liabilities	3,524	2,773	- 751	-21%
Short-term liabilities	141,227	122,691	- 18,536	-13%
Short-term provisions	16,786	19,539	2,753	16%
Liabilities from sales of goods and services and other liabilities	76,166	93,634	17,468	23%
Loans and credits	-	61	61	
Corporate income tax liabilities	2,977	1,689	- 1,288	-43%
Short-term lease liabilities	2,518	3,047	529	21%
Contract liabilities	42,780	4,721	- 38,059	-89%
Total liabilities	240,239	256,128	15,889	7%

The largest changes in liability items compared to the end of 2022 were noted in the following items:

1. Equity – an increase of 28%, influenced by (+) the increase from the net result achieved in 2023 and (-) the dividend payout amounting to PLN 14,975 thousand.
2. Long-term liabilities – an increase of 117%, resulting from (+) the creation of provisions for warranty repairs (PLN 9,476 thousand for the Border Guard contract).
3. Short-term liabilities – a decrease of 13%, resulting from the settlement of advances from customers amounting to PLN 38,059 thousand, with an increase (+) in liabilities from sales of goods and services and other liabilities by PLN 17,468 thousand, which is related to the expansion of operations and the achieved level of sales revenue.

Cash flows

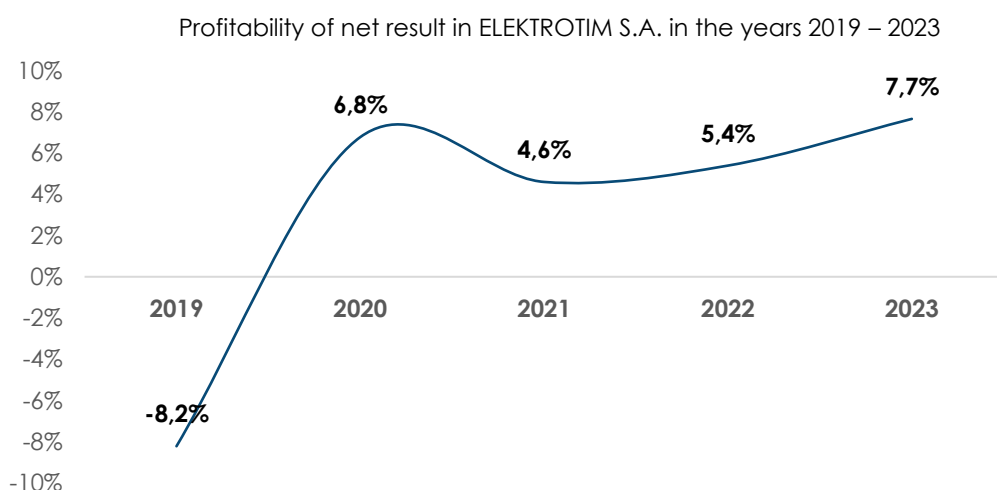
Data in thousands of PLN	31.12.2022	31.12.2023
Cash at the beginning of the period	14,625	54,652
Cash flows from operating activities	33,188	- 3,290
Cash flows from investing activities	10,509	1,066
Cash flows from financing activities	- 3,669	20,437
Total net cash flows	40,027	22,661
Cash at the end of the period	54,652	31,991

The main factors affecting the value of cash flows from activities were:

1. Net profit for 2023 at the level of (+) PLN 40,737 thousand,
2. Change in receivables (-) PLN 72,319 thousand,
3. Change in liabilities excluding loans and borrowings (-) PLN 20,197 thousand,

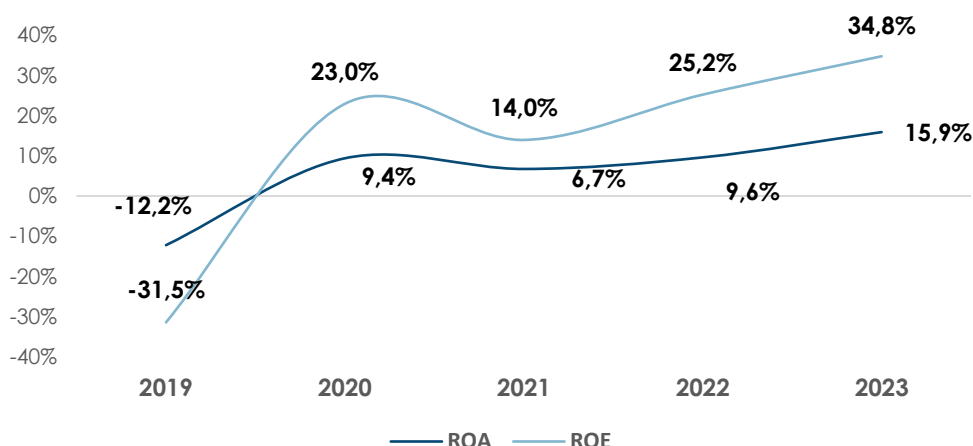
4. (both the change in receivables and liabilities is the result of the production cycle and the accumulation of construction and assembly works in mid-year, which led to an increase in receivables at the end of 2023 due to the sale of completed work on contracts),
5. Change in prepaid expenses (+) PLN 31,240 thousand, mainly due to the valuation of contracts that were invoiced at the end of 2023, reducing the value of work in progress.
6. Change in provisions (+) PLN 12,168 thousand, primarily the provision for warranties on the Border Guard contract amounting to PLN 9,476 thousand.
7. The positive change in cash flows from investing activities is due to the dividend received from OSTOYA-DataSystem Sp. z o.o. amounting to PLN 2,050 thousand and interest from cash deposits in 2023 amounting to PLN 1,118 thousand, offset by a loan granted to ZEUS S.A. amounting to PLN 2,500 thousand.
8. Cash flows from financing activities were primarily influenced by the dividend payout of PLN 14,975 thousand, lease payments totaling PLN 3,454 thousand (including property rental payments of PLN 1,495 thousand), and expenses related to interest and fees for external financing utilized in the Company's operations.

Selected indicators



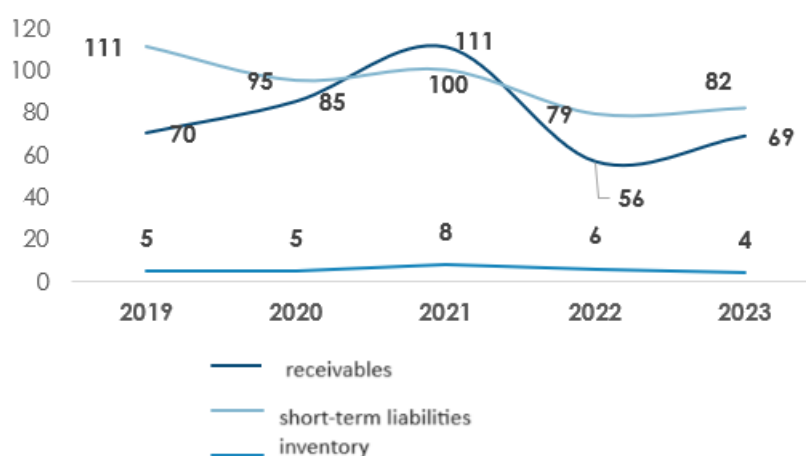
In the last three years, the Company has maintained an increase in profitability, reflecting the stability of key parameters such as margins and contract execution conditions, despite changes in the macroeconomic environment and the markets in which the Company operates. Improving indicators reflect the growth in the scale of operations (leveraging operating efficiency) and the optimization of the working capital financing structure.

Profitability of assets and equity in the years 2019-2023



The efficiency in asset management and the Company's ability to generate profits have shown an increasing trend over the past three years, indicating the Company's good financial health. The return on invested capital has also remained at a stable high level of 35% annually, which is reflected in the dynamic growth of the Company's market capitalization on the Warsaw Stock Exchange (GPW).

Rotation of receivables, payables, and inventory in days in the years 2019 – 2023



The inventory rotation remains at a stable, consistent level, resulting from the maintenance of materials needed for the ongoing contracts of the Maintenance Division. The increase in receivables rotation by 12 days is due to the extended payment terms of contracts with PGE Energetyka Kolejowa (invoiced in December 2023) in contrast to the decreased share of contracts with 14-day payment terms. The company maintains a consistent level of payables rotation in line with the adopted working capital management strategy.

*The receivables turnover ratio = average quarterly balance of short-term receivables / net sales * number of days in the analyzed period*

*The short-term payables turnover ratio = average quarterly balance of short-term payables / net sales * number of days in the analyzed period*

*The inventory turnover ratio = average quarterly balance of inventories from four quarters / net sales * number of days in the analyzed period*

The average balances of individual balance sheet items were calculated as the quotient of the sum of the values of these items at the end of each quarter of the analyzed period and the number of quarters in that period

4.2. Comments on the financial results of the ELEKTROTIM Capital Group

Income statement of the ELEKTROTIM Group

Item description	Y 2022	Y 2023	Change	Change in %
Sales revenue	505,599	546,947	41,348	8%
Gross profit from sales	67,484	76,117	8,633	13%
<i>Gross sales profitability</i>	13.3%	13.9%	0.6 pp.	
<i>Selling costs</i>	11,823	8,616	-3,207	-27%
<i>Management costs</i>	16,269	16,705	436	3%
<i>Operating balance</i>	-6,201	-16,571	-10,370	167%
Operating profit (EBIT)	33,191	34,225	1,034	3%
<i>Operating profitability</i>	6.6%	6.3%	-0.3 pp.	
EBITDA	38,120	38,674	554	1%
<i>financial balance</i>	-2,777	-1,961	816	-29%
<i>Gross result</i>	30,414	32,264	1,850	6%
Net result	22,439	19,635	-2,804	-12%
<i>Net profit profitability</i>	4.4%	3.6%	-0.8 pp.	
Net profit attributable to shareholders of the parent company	21,984	22,373	389	2%

Consolidated net sales revenue from products, goods, and materials amounted to 546,947 thousand PLN, representing an 8% increase compared to 2022.

The consolidated net result was 19,635 thousand PLN, which is 12% lower than in 2022. However, the portion attributable to the shareholders of the parent company was 22,373 thousand PLN, slightly above the 2022 figure (21,984 thousand PLN).

In 2023, the ELEKTROTIM Group ended the year with a net result attributable to the shareholders of the parent company at a level comparable to 2022, despite recording mostly non-cash losses in the operations of ZEUS S.A. The high net profit achieved by ELEKTROTIM S.A. helped mitigate this impact due to its 97% share in the Group. Additionally, the value was added by OSTOYA DataSystem Sp. z o.o., which conducts IT system development and certification work and executes contracts related to the implementation and development of security management systems.

The level of production costs in the Group shows a similar growth rate to sales revenue (+7%), which is a result of maintaining the planned stable margin on ongoing contracts. Selling and administrative costs in the Group, due to their quasi-fixed cost nature, increased by only 10% compared to 2022. This is the result of process optimization and, consequently, cost optimization within the Group.

Sales revenue, data in thousands of PLN	Y 2022	Y 2023	Change	Share % Y 2023
ELEKTROTIM S.A.	427,810	532,246	104,436	97%
ZEUS S.A.	32,947	14,063	-18,884	3%
Ostoya-DataSystem Sp. z o.o.	1,576	638	-938	0%
PROCOM SYSTEM S.A.	43,266	0	-43,266	0%
Total	505,599	546,947	41,348	100%

After the sale of the subsidiary Procom System S.A. in 2022, the revenue structure of the Group has changed, with ELEKTROTIM S.A. now contributing more than 95% of the total revenue.

Net result, data in thousands of PLN	Y 2022	Y 2023	Change	Change in %
ELEKTROTIM S.A.	23,085	40,737	17,652	76%
ZEUS S.A.	-835	-23,502	-22,667	2,715%
Ostoya-DataSystem Sp. z o.o.	3,037	300	-2,737	-90%
PROCOM SYSTEM S.A.	81	0	-81	-100%
Consolidation adjustments	-2,929	2,100		-172%
Total	22,439	19,635	-2,804	-12%

Similarly to sales revenue, the structure of the net result within the Group has also changed. ELEKTROTIM S.A. has a dominant share, showing very dynamic growth. The decline in the net result for Procom System and ZEUS is due to the former's sale outside the Group and the latter's significant accrual losses associated with filing for bankruptcy. In 2024, Ostoya-DataSystem, in consortium with ELEKTROTIM, will execute a contract for the Border Guard to secure the State's border along the Bug River.

ELEKTROTIM GROUP BALANCE SHEET – SELECTED ITEMS

Item description, data in thousands of PLN	31.12.2022	31.12.2023	Change	Change %
Fixed assets, including:	28,081	31,706	3,625	13%
Goodwill	6,394	6,394	-	0%
Tangible fixed assets	12,432	13,050	618	5%
Long-term investments	2,452	1,328	-1,124	-46%
Deferred tax assets	4,976	9,491	4,515	91%
Current assets, including:	240,245	236,897	- 3,348	-1%
Inventories	3,358	2,876	- 482	-14%
Short-term receivables	93,506	167,320	73,814	79%
Contract assets	57,649	21,632	- 36,017	-62%
Cash and cash equivalents	56,733	33,160	- 23,573	-42%
Assets held for sale	28,999	11,909	-17,090	-59%
Total assets	268,326	268,603	277	0%

The most significant changes in the balance sheet assets were noted in the following items:

1. Fixed assets - the increase is due to deferred tax assets amounting to 9,491 thousand PLN, arising from provisions for warranty repairs, valuation of long-term contracts, employee benefit provisions, and lease liabilities.
2. Short-term receivables - increased by 73,814 thousand PLN, representing a 79% growth compared to the previous year. This significant change reflects the impact of seasonality in the fourth quarter of 2023 and corresponds to the increased scale of business activity and sales in December 2023, including settled contracts for PGE Energetyka Kolejowa with long payment terms.
3. Contract assets – a decrease in the value of projects in progress to the level of PLN 21,632 thousand is the result of invoicing sales of completed contracts in the fourth quarter of 2023.
4. Cash and cash equivalents – decreased by 42% to the level of PLN 33,160 thousand. The high cash balance at the beginning of 2023 (amounting to PLN 54,652 thousand), with intensively used credit lines in the 2nd and 3rd quarters of the year, enabled the Company to pre-finance capital-intensive contracts with long payment terms (including PGE Energetyka Kolejowa). Effective capital management allowed the Company to achieve a positive cash balance on the balance sheet date, despite the high level of financial leverage and utilization of available credit limits during the period from August to November 2023.
5. Assets held for sale – decreased by PLN 17,090 thousand (59%) due to a series of write-downs/revaluations in ZEUS S.A. resulting from the filing for liquidation bankruptcy.

Item description	31.12.2022	31.12.2023	Change	Change %
Equity	99,120	103,170	4,050	4%
Liabilities and provisions for liabilities	169,206	165,433	- 3,773	-2%
Long-term liabilities	7,803	16,425	8,622	110%
Short-term liabilities	161,403	149,008	- 12,395	-8%
Total liabilities	268,326	268,603	277	0%

Significant changes in the items of liabilities in the consolidated balance sheet, compared to the year 2022, were noted in the items:

1. Equity – increased by 4% due to the net profit generated by the companies within the ELEKTROTIM Group, reduced by the dividends paid to shareholders.
2. Long-term liabilities – increased by 110%, mainly due to the establishment of provisions for warranty repairs, including a PLN 9,476 thousand guarantee on the contract with the Border Guard.
3. Short-term liabilities – decreased by 8% due to the settlement of advances from contractors and the repayment of trade liabilities.

CASH FLOWS OF THE ELEKTROTIM GROUP

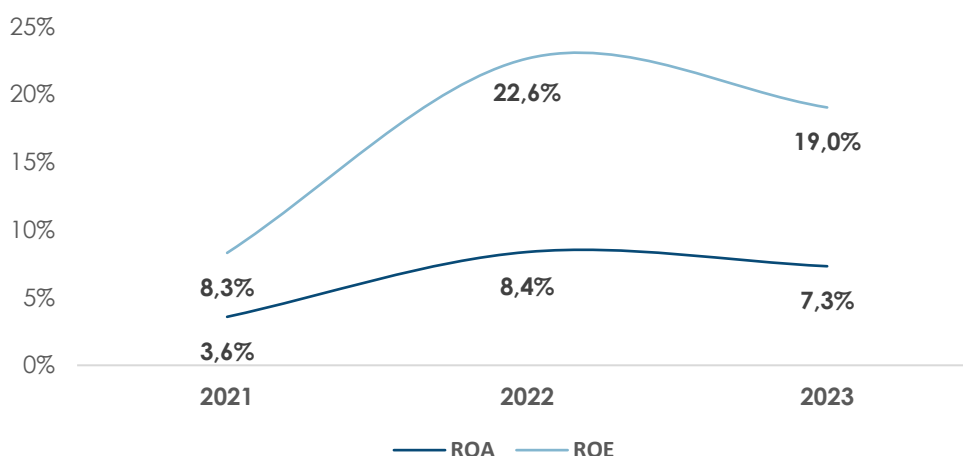
Item description	Y 2022	Y 2023
Cash at the beginning of the period	18,731	56,733
Cash flows from operating activities	37,505	-3,898
Cash flows from investing activities	5,497	2,521
Cash flows from financing activities	-4,982	-22,196
Total net cash flows	38,002	-23,573
Cash at the end of the period	56,733	33,160

In 2023, the Group recorded a negative cash flow from operating activities due to the expansion of operations and, consequently, a higher demand for working capital. Additionally, advances from contractors were settled. A significant factor affecting cash flows from financing activities was the dividend payment of PLN 14,975 thousand in 2023, along with payments for leases and interest on engaged external capital. The significant losses of ZS S.A. are not reflected in the cash flow statement, as they did not and will not result in cash outflows from the Group, due to the absence of collateral on the Group's assets. The accrual accounting for the loss of control over ZS S.A. will be reflected in the financial results for the first quarter of 2024, with a detailed explanation of its potential impact provided in the post-balance sheet events section of this report.

SELECTED FINANCIAL INDICATORS for the Capital Group

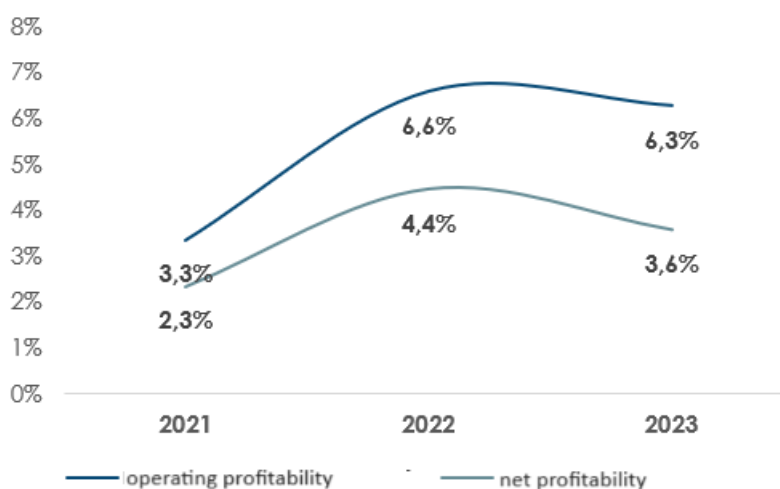
Item description	31.12.2022	31.12.2023
Return on assets (ROA)	8.4%	7.3%
Return on equity (ROE)	22.6%	19.0%
Operating profitability (EBIT)	6.6%	6.3%
Net profit profitability	4.4%	3.6%
First-degree liquidity ratio	1.5	1.6
Total debt ratio	63%	62%
Short-term receivables turnover (in days)	51	68
Short-term payables turnover (in days)	82	93

Return on assets and equity (ROA and ROE)



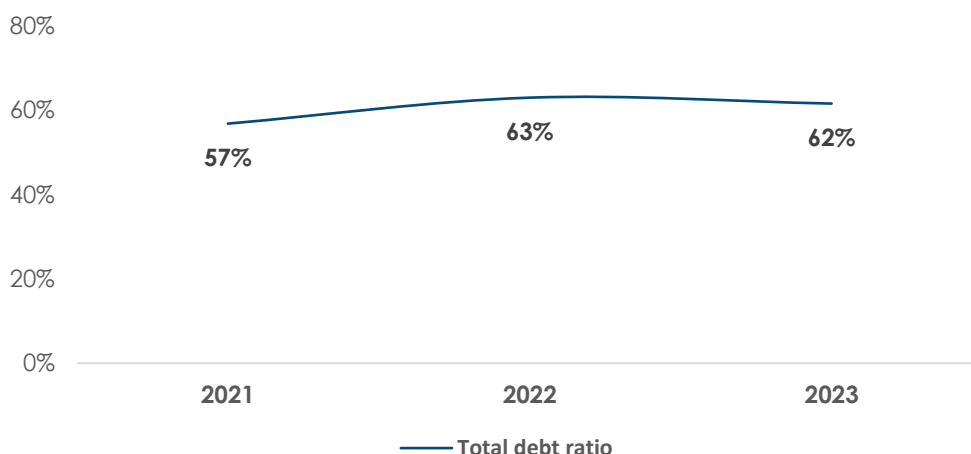
Over the past two years, the Group has significantly improved its working capital utilization and return on equity, reaching satisfactory levels for these indicators. However, the situation should be assessed separately for each subsidiary. In the case of ZS S.A., several failed recovery plans and the simultaneous engagement in numerous low-margin and capital-intensive contracts, amidst high inflation and rising costs (in 2022-2023), meant that the positive effect of financial leverage was absent. Consequently, evaluating the situation based on simple financial analysis indicators may not accurately reflect the condition of individual companies within the Group.

Operating profitability (EBIT) and net profitability

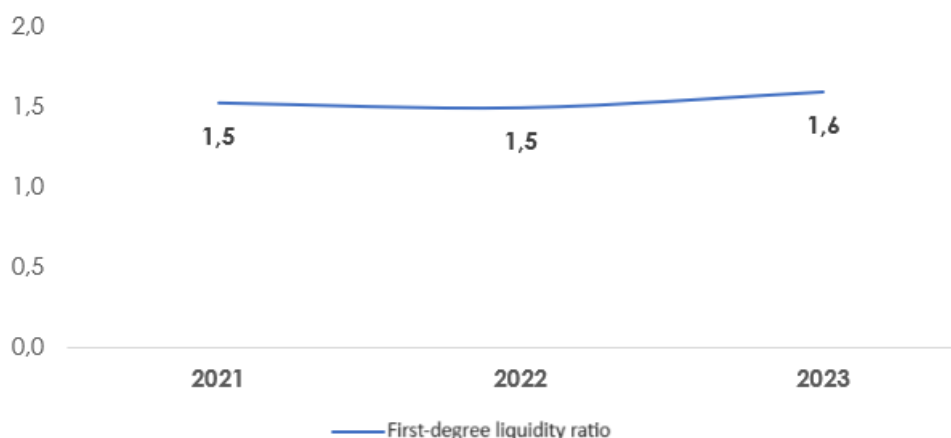


In 2023, the Group achieved a comparable level of operating results with slightly lower operating profitability. The profit was made possible by intensive use of financial leverage, especially in the second half of 2023. The parent company relied heavily on available credit limits, which enabled the completion of contracts that heavily engaged working capital.

Total debt ratio

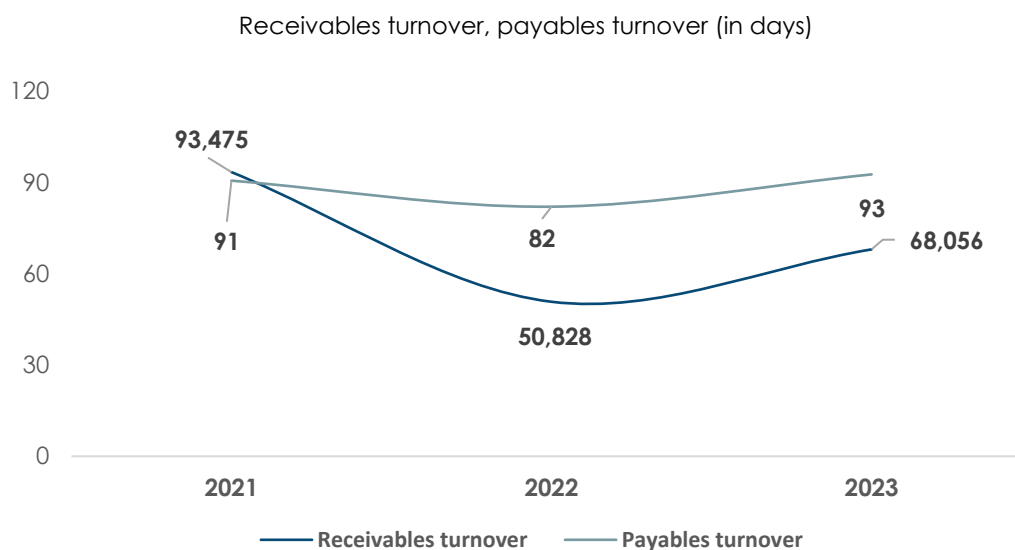


First-degree liquidity ratio



In terms of ratios, the liquidity situation of the ELEKTROTIM Group has remained at a similar level for several years. However, when evaluating financial analysis ratios, it is important to consider the scope of the Group's activities, particularly the seasonality and the specifics of the contracts signed by its subsidiaries. In 2023, ELEKTROTIM S.A. experienced a gradual phase-out of a contract with the Border Guard, which had a short payment term, and in its place, capital-intensive contracts were executed in the areas of Distribution and particularly Traction (contracts with PGE Energetyka Kolejowa, with a one-time 60-day payment term following the protocol acceptance of work). As a result, the cash surplus presented as of December 31, 2023, was generated in the last days of the year, while for essentially the entire second half of the year, the Company's operations were financed through intensive use of available credit limits. Simultaneously, there was a necessity to maintain a credit limit buffer for unforeseen events or prolonged acceptance procedures that would prevent invoicing and subsequent payment. Consequently, the involvement in financing its own projects, the sense of responsibility toward shareholders, and the scale of problems at ZEUS S.A. made it impossible and irrational to finance the deepening losses of ZEUS S.A. It should also be noted

that the effective use of financial leverage is only possible with prior accurate calculation of contracts at the operational level, particularly considering the payment schedules versus available financing sources.



The accounts receivable turnover ratio increased by 17 days due to a large volume of sales in the fourth quarter of 2023, which will only start affecting cash flow in the subsequent period. Meanwhile, the accounts payable turnover ratio decreased by 11 days compared to 2022, reflecting a reduced cash position at the end of 2023.

Calculation method for the ratios:

return on assets (ROA) = net profit (loss) / assets

return on equity (ROE) = net profit (loss) / equity

Operating profitability EBIT = operating profit (EBIT) / net sales revenue from sales of products, goods, and materials

Net profit margin = net profit (loss) / net sales revenue from sales of products, goods, and materials

General debt ratio = liabilities and provisions for liabilities / total liabilities

First-degree liquidity ratio = current assets / short-term liabilities

*Accounts receivable turnover ratio = average quarterly short-term receivables / net sales * number of days in the period*

Accounts receivable turnover ratio = average quarterly short-term receivables / net sales * number of days in the period*

*Short-term liabilities turnover ratio = average quarterly short-term liabilities / net sales * number of days in the period*

4.3. Other financial information

Information about transactions concluded by ELEKTROTIM S.A. or its subsidiaries with related parties on terms other than market conditions, including their amounts and information specifying the nature of these transactions;

The Group did not engage in transactions on terms deviating from market conditions.

Information about loans and credits contracted and terminated during the financial year, including at least their amount, type and interest rate, currency, and maturity date;

Name of the financial institution	Name/type of product	Currency	Granted limit in thousands of PLN	Final repayment date	Type and interest rate
Ing Bank Śląski	Multiline for use as credit on the bank account and for guarantees	PLN	13,000	17.12.2025	Interest calculated based on a variable WIBOR rate + bank margin
Ing Bank Śląski	Multiline for use as credit on the bank account and for guarantees	PLN	7,000	16.05.2025	Interest calculated based on a variable WIBOR rate + bank margin
mBank	Multiline for use as credit on the bank account and for guarantees	PLN	18,000	24.11.2025	Interest calculated based on a variable WIBOR rate + bank margin
MILLENNIUM	Multiline for use as credit on the bank account and for guarantees	PLN	20,000	09.05.2025	Interest calculated based on a variable WIBOR rate + bank margin
MILLENNIUM	Revolving credit	PLN	10,000	10.07.2025	Interest calculated based on a variable WIBOR rate + bank margin
MILLENNIUM	Reverse factoring	PLN	20,000	26.08.2025	Interest calculated based on a variable WIBOR rate + bank margin
CREDIT AGRICOLE	Multiline for use as credit on the bank account and for guarantees	PLN	11,000	31.05.2026	Interest calculated based on a variable WIBOR rate + bank margin
Total:		PLN	99,000		

Information about loans granted during the financial year, with particular emphasis on loans granted to related entities of ELEKTROTIM S.A., including at least their amount, type and interest rate, currency, and maturity date;

In connection with the review of strategic options, including the preparation of ZEUS S.A. for a sale transaction, and to ensure its uninterrupted operation during key negotiations with potential buyers, ELEKTROTIM S.A. granted the company a bridge loan of PLN 2,500,000 on market terms in June 2023.

Analyzing the terms and probability of loan repayment, a 100% impairment allowance on the granted loan was made by the end of the third quarter of 2023.

Information about guarantees and sureties granted and received during the financial year, especially those provided to related entities of ELEKTROTIM S.A., including at least their amounts, terms, and the entities involved.

As of December 31, 2023, ELEKTROTIM S.A. holds total limits for bid bonds, performance guarantees, warranty and guarantee periods, and advance payments amounting to PLN 220,400 thousand and EUR 6,000 thousand. The utilization of these limits as of December 31, 2023, was PLN 84,640 thousand.

In 2023, the Company obtained new sureties and guarantees for existing agreements. For comparison, the total guarantee limit as of December 31, 2022, was PLN 207,700 thousand and EUR 3,000 thousand, with utilization amounting to PLN 102,621 thousand.

As of December 31, 2023, ZS S.A. was utilizing a guarantee backed by EL S.A. for the removal of defects and faults amounting to PLN 259 thousand (valid until February 15, 2025).

Description of the Company's use of proceeds from the issuance of securities during the reporting period

No issuance of the Company's securities took place during the reporting period.

Explanation of the differences between the financial results shown in the annual report and the previously published forecasts for the year 2023

The Management Board did not publish forecasts of the individual and consolidated financial results of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group for the year 2023.

Indication of proceedings pending before a court, competent arbitration authority, or public administration body

On September 29, 2023, the President of the Management Board of ZEUS S.A. submitted a bankruptcy petition for ZEUS S.A., a subsidiary of ELEKTROTIM S.A., to the District Court of Gdańsk-North in Gdańsk, VI Commercial Division. As of December 31, 2023, the petition had not yet been reviewed. Details regarding ZEUS S.A. and the ongoing bankruptcy proceedings are described in section 1.2 of the Report.

Apart from the aforementioned bankruptcy proceedings of the subsidiary, no proceedings were initiated against EL S.A. in 2023 before any court, competent arbitration authority, or public administration body concerning the obligations or receivables of EL S.A. or any other subsidiary, whose individual value represents at least 10% of the Company's equity.

Insurance contracts

List of significant insurance contracts as of December 31, 2023, in which the Company is a party:

- Civil Liability Insurance for business operations
- Civil Liability Insurance for architects and engineers
- Insurance for construction equipment and machinery
- Insurance for electronic equipment
- Construction and assembly risk insurance
- Domestic land cargo insurance
- Property insurance
- Trade receivables insurance
- Professional liability insurance for accountants and payroll service providers
- Vehicle insurance: liability (OC), accident (NW), comprehensive (AC).

Assessment, along with justification, of financial resource management, including the ability to meet financial obligations, and identification of potential risks and actions the issuer has taken or intends to take to counteract these risks;

The parent company maintains cash reserves and available credit limits sufficient to settle the Company's due liabilities. During the period covered by the Management Board's Report on the activities of ELEKTROTIM S.A. and OSTOYA DataSystem Sp. z o.o. for the year 2023, no liquidity risks were identified for ELEKTROTIM S.A. and OSTOYA DataSystem Sp. z o.o., in contrast to ZEUS S.A. This company has been struggling with serious issues for years, which were exacerbated by inflation-driven cost increases and a lack of working capital. The commitment to financing its own projects and a sense of responsibility to shareholders, given the scale of ZEUS S.A.'s problems, made it irrational to continue financing ZEUS S.A.'s deepening losses. Despite the granting of a bridge loan and the ongoing sale process of the company, there was a permanent loss of liquidity, which consequently led to the filing of a bankruptcy petition by the company. To manage financial resources effectively, comprehensive financial resource management is treated as a developmental area, especially in the context of the increasing scale of operations.

To ensure ongoing liquidity, the company can utilize overdraft facilities (within the available limits) that are repaid from current inflows, while generated cash surpluses are invested in bank deposits with various maturities. The credit risk of banks is mitigated by diversifying the placement of cash deposits.

Assessment of the feasibility of investment plans, including capital investments, in relation to the available funds, considering possible changes in the financing structure for these activities;

The nature of ELEKTROTIM S.A.'s operations does not require significant capital expenditures from its own funds. When necessary to purchase fixed assets, the company strives to minimize cash outflows by utilizing external financing sources (e.g., leasing or long-term rental). The investment expenditures listed below, excluding leasing and rental, pertain to the replacement of current assets within the parent company. Other companies in the Capital Group did not plan significant investment expenditures funded by their own resources.

INVESTMENT EXPENDITURES 2023 ELEKTROTIM S.A.	Plan 2023 (thousands of PLN)	Realization 2023 (thousands of PLN)
Buildings and structures, and related fixed assets	75	66
Machinery, equipment, and transportation means	1,040	1,253
Intangible assets	790	487
Total	1,905	1,806

For 2024, the Company has planned capital expenditures amounting to PLN 1,415 thousand, which it intends to finance from its own funds.

The numerical data presented above represent investment expenditures excluding leasing and long-term rental.

5. COMPANY AND GROUP OPERATIONS IN 2023

5.1. Selected projects implemented in 2023 in various Divisions



BOARDER GUARD

Construction of electronic security on the Polish-Belarusian border

Value: 106.2 million PLN



NESTLE PURINA MANUFACTURING OPERATIONS POLAND SP. Z O.O.

Expansion of the production plant

Value: 63 million PLN



PGE DYSTRYBUCJA S.A.

Construction of a 110 kV cable line from RPZ Brzezińska to RFZ Radogoszcz.

Value: 31.8 million PLN



MUNICIPALITY OF KĄTY WROCŁAWSKIE

Revitalization of the Market Square in Kąty Wrocławskie.

Value: 9.3 million PLN



MIEJSKIE PRZEDSIĘBIORSTWO WODOCIĄGÓW I KANALIZACJI S.A.

Design and construction of a sanitary sewer network. Value: 5.3 million PLN



PGE ENERGETYKA KOLEJOWA S.A.

Construction and modernization of traction substations in Zduńska Wola, Lublinek, Rusiec, Łask.

Total value: 81 million PLN



SOLARTECH SP. Z O. O.

Design and construction of the PV Jeziórko installation with a total capacity of up to 100 MW and the PV Augustynka installation with a capacity of up to 25 MW.

Total value: 53.3 million PLN



ONDE S.A.

Construction of the Main Reception Point (GPO) in Dzwola.

Value: 11 million PLN



ENEA OPERATOR SP. Z O.O.

Reconstruction of the 110/15 kV Drezdenko station (RES connection).

Value: 6.4 million PLN



SOBÓTKA MUNICIPALITY

Improvement of residents' transportation mobility - construction of bicycle paths and P&R facilities. Value: 5.2 million PLN

5.2. Significant agreements related to the operational activities of the ELEKTROTIM Capital Group signed in 2023

Considering the current order portfolio, its impact on the implementation of development plans, the scale and its significance for the revenues of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group, the Company has issued the following public announcements due to the classification of the concluded agreements as price-sensitive information.

Contracts concluded by ELEKTROTIM S.A.

1. Two contracts concluded on January 31, 2023, with **PGE Energetyka Kolejowa S.A.** (formerly: **PKP Energetyka S.A.**)

The subject of the first agreement is the execution of the task titled "Execution of construction and assembly works related to the construction of the PT Lublinek traction substation along with all accompanying infrastructure." The net remuneration for the performance of the Agreement amounts to approximately 17.5 million PLN. The subject of the second agreement is the execution of the task titled "Execution of construction and assembly works related to the construction of the PT Zduńska Wola Karsznice traction substation along with all accompanying infrastructure." The net remuneration for the performance of the Agreement amounts to approximately 36.8 million PLN.

The tasks are carried out under a framework agreement signed with PKP Energetyka (currently PGE Energetyka Kolejowa) concerning the MUZ-a project, which stands for the Modernization of Traction Network Power Systems. This project is related to the modernization of existing power stations and the electrification of new sections and is one of the largest investments in the history of railway energy.

2. The agreement was concluded on February 28, 2023, with **TAURON Dystrybucja S.A., based in Kraków**

The subject of the agreement is the development of technical documentation and, based on it, the execution of works at the R-Uczniowska station in Wałbrzych. These works include the expansion of the station area, the 110 kV switchgear, and the 20 kV switchgear, along with integration with the existing station infrastructure, for the needs of TAURON Dystrybucja S.A. Wałbrzych Branch. The net remuneration for the performance of the Agreement amounts to 14.7 million PLN.

As part of the aforementioned task, ELEKTROTIM SA is performing works related to increasing the connection capacity for the TOYOTA production plant. As the contractor for the investment for Tauron Dystrybucja, the company contributes to the development of the power grid, including the network of the Lower Silesian agglomeration, through the execution of this task.

3. The agreement was concluded on March 27, 2023, with **PGE Energetyka Kolejowa S.A. (formerly PKP Energetyka S.A.)**

The subject of the agreement is the execution of the task titled "Execution of construction and assembly works related to the construction of the PT Knyszyn traction substation and RS Knyszyn

along with all accompanying infrastructure." The net remuneration for the performance of the Agreement amounts to approximately 24.2 million PLN.

4. The agreement was concluded on May 19, 2023, with **the State Treasury - Cyber Space Resources Center of the Armed Forces, based in Warsaw**

The subject of the agreement is the construction of fiber optic lines between complexes in Gdynia, Rumia, Łężyce, Wejherowo, and Rzucewo, along with obtaining all necessary consents, approvals, decisions, and permits. The net remuneration for the execution of the agreement amounts to 15 million PLN.

5. The agreement was concluded on May 31, 2023, with **PGE Dystrybucja S.A. Warsaw Branch**

The subject of the agreement is the execution of construction works for the 110 kV "Krasnosielc" station in the Krasnosielc municipality, along with a 110 kV power line. The net remuneration for the performance of the agreement amounts to 21.8 million PLN.

This is another project related to the construction of a 110 kV power station for PGE Dystrybucja, a key client of the Distribution Division. It enhances the power transmission capabilities for current and future consumers and improves the ability to connect renewable energy sources (RES).

6. Two agreements were concluded with **the Capital City Infrastructure Board in Warsaw**

The first agreement was concluded on August 4, 2023. Its subject is the replacement of the internal and external perimeter fence, along with gates and wickets, in the military complex No. K-0596 Goławice (investment task No. 01631; task No. I). The gross remuneration for the execution of the agreement amounts to 14.0 million PLN. The second agreement was concluded on October 3, 2023. Its subject is the expansion of the alarm system in the munitions warehouses and on the perimeter of the complex, along with the replacement of lighting in the military complex K-0596 Goławice (investment task No. 01632). The gross remuneration for the execution of the agreement amounts to 4.9 million PLN.

7. The agreement was concluded on November 16, 2023, with **KGHM Polska Miedź S.A., headquartered in Lubin – Głogów Copper Smelter Branch**

The subject of the agreement is the execution of construction and assembly works for the tasks titled "P-27 Replacement of electrical disconnectors" and "P-27 Replacement of busbars at electrolytic tank groups" at the Głogów Copper Smelter. The net remuneration for the execution of the agreement amounts to 44.8 million PLN.

8. The agreement was concluded on December 28, 2023, with the **General Directorate for National Roads and Motorways, Wrocław Branch**

The subject of the agreement is "Improvement of road traffic safety on DK35 in Unisław Śląski." The net remuneration for the execution of the agreement amounts to 9.8 million PLN.

5.3. Main product groups of the Company and the Capital Group

In ELEKTROTIM S.A. and the Capital Group, the following key product groups can be distinguished:

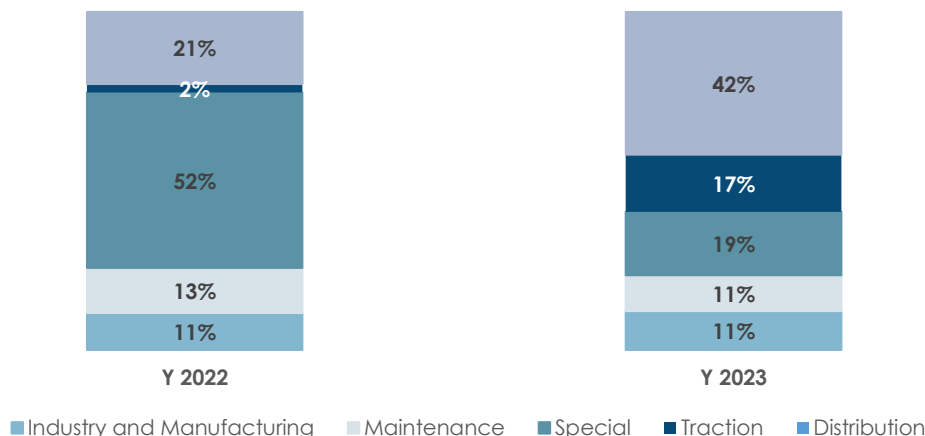
Product group	Products
Construction and execution projects	<ul style="list-style-type: none"> • Electrical installation projects for power and lighting in industrial and commercial buildings • High-, medium-, and low-voltage cable power line projects • High-/medium-voltage and medium-/low-voltage transformer station projects • Electrical automation systems (EAZ) projects • Road, street, and square lighting projects • Traffic signal projects • Architectural building illumination projects • Holiday lighting projects • Sanitary installation projects • Low-voltage installation projects
Electrical installation construction services	<ul style="list-style-type: none"> • Construction of medium- and low-voltage transformer stations • Construction of power and lighting electrical installations • Building illuminations
Installation, assembly, and production of electrical switchgear services	<ul style="list-style-type: none"> • Low-voltage MCC switchgear type OKKEN • Low-voltage electrical distribution switchgear type PRISMA • X-ENERGY switchgear • Metering panels
Low-voltage installation services	<ul style="list-style-type: none"> • Computer systems integrating BMS and SMS • Structured cabling systems • Fire alarm systems • Access control systems • Industrial TV systems • Technical security systems • Building automation installations • Time and attendance systems • Perimeter protection systems • EIB systems • Telecommunication systems
Electrical installation and equipment maintenance services	<ul style="list-style-type: none"> • Low-voltage equipment servicing • Measurement and control works for station and dispatch telemechanics • Electrical measurements
Electrical network services	<ul style="list-style-type: none"> • Traffic signals • Road lighting • Building illuminations • Airport navigation lighting • Helipad navigation lighting • Medium- and low-voltage cable lines • Telecommunication networks • Medium- and low-voltage transformer stations • Navigation lighting systems
Construction, modernization, and maintenance of telecommunication networks	<ul style="list-style-type: none"> • Telecommunication ducts • Copper telecommunication lines • Fiber optic telecommunication lines • Special networks (MIL-WAN, SEC-WAN, PC&U, ICC)
High-voltage stations and network services	<ul style="list-style-type: none"> • High-voltage overhead power lines • High-voltage cable power lines

	<ul style="list-style-type: none"> • High-/medium-voltage stations,
Implementation of road infrastructure elements	<ul style="list-style-type: none"> • Thin and thick layer road and street markings • Vertical signage • Traffic organization: temporary and permanent • Road safety devices • Traffic organization projects
Signal and lighting maintenance	<ul style="list-style-type: none"> • Maintenance, modernization, and servicing of traffic signals • Maintenance and servicing of road and square lighting • Maintenance, modernization, and servicing of external lighting and building illuminations • Maintenance of power and lighting installations • Traffic signal controllers
Security systems services	<ul style="list-style-type: none"> • Monitoring systems and installation servicing in construction facilities • Data centers
Airport systems services	<ul style="list-style-type: none"> • Helipads, • Airport navigational lighting • Obstruction lighting • Baggage transport systems • Aircraft braking systems • Radio navigation • Antenna systems • Weather systems • Electrical and telecommunication installations • Concrete prefabricates • Edge light markers • Wind direction indicators • Security systems • Service and maintenance services
Traction network construction and modernization	<ul style="list-style-type: none"> • Tram traction network • Railway traction network • Traction equipment monitoring
Project management	<p>Execution of multi-disciplinary tasks of high value and complexity in the field of construction:</p> <ul style="list-style-type: none"> • Military • Industrial • Hydrotechnical • Airport infrastructure • Road • Railway

The various products/product groups reflect the scope of operations of the Company's implementation divisions, namely: the Special Division, the Traction Division, the Industry and Generation Division, the Maintenance Division, and the Distribution Division.

5.4. Sales structure

Revenue structure by Company Divisions in 2023 compared to 2022



The diversification of the markets served by the Company ensured a high result in 2023 despite the decreasing share of the contract for the construction of the perimeter barrier on the Polish-Belarusian border. In 2023, the Distribution Division had the largest share in ELEKTROTIM S.A.'s revenues, accounting for a dominant 42%. The Special Division, which accounted for 52% in 2022, reduced its share to 19% in 2023. Besides Distribution, the Traction Division also experienced significant growth in 2023, with its share increasing from 2% in 2022 to 17% in 2023. Meanwhile, the Maintenance and Industry and Production Divisions had similar revenue shares in both 2022 and 2023. Thus, last year, ELEKTROTIM strengthened its market position, which increasingly reflects the spectrum of employees' skills, references, and 25 years of experience. This allows us to continue diversifying the risks of our operations and limits exposure to temporary adverse changes or the so-called "electoral decision-making pause," as most of the markets in which we operate are expected to experience dynamic growth in the coming years.

Market sales structure of ELEKTROTIM and the ELEKTROTIM Capital Group in 2022 – 2023 Market segment	Share (%) in ELEKTROTIM		Share (%) in the Capital Group	
	2022	2023	2022	2023
Energy	25	36	23	36
Defense ministries	51	24	53	25
Traction	0	15	0	15
Industry	7	14	9	14
Local governments	17	11	15	11
SUMMARY	100	100	100	100

In connection with the implementation of the new strategy of ELEKTROTIM S.A. for the years 2023-2025, the Management Board of ELEKTROTIM S.A. has reviewed the Group's operating markets, defining five served markets.

ELEKTROTIM S.A. identifies 5 markets of operation (distinguished according to the criteria of client and product):

- Industry - infrastructure for industrial plants,
- Energy - energy generation, energy transmission, energy distribution.
- Local governments - road infrastructure, urban infrastructure, traffic engineering, municipal infrastructure
- Defense ministries - military, security services, border protection, airports
- Traction - power supply infrastructure for railway and urban traction systems

In 2023, the energy market provided the highest share of sales for ELEKTROTIM S.A. (36%). This result was mainly influenced by contracts related to the construction of the 110 kV cable line RPZ Brzezińska – RPZ Radogoszcz, the construction of the 110 kV "Małopole" station along with the 110 kV power line, the construction of the 110 kV switchgear in Dzwola, the design and construction of the PV Augustynka installation with a capacity of up to 25 MW, the turnkey construction of the PV Jeziórko 1 and PV Jeziórko 2 installations with a total capacity of up to 100 MW, and the expansion of the high-voltage field in the 110 kV switchgear of the 110/30/15 kV Bieżanów power station. The second highest result, accounting for 24% of sales, was achieved in the defense ministries market, influenced by the continuation of the project on the Polish-Belarusian border. The traction market accounted for 15% of the Company's sales, thanks to projects involving the construction and modernization of traction substations: PT Rusiec Łódzki, PT Łask, PT Zduńska Wola Karsznice, and PT Lublinek.

Product Sales Structure of ELEKTROTIM S.A. and ELEKTROTIM Capital Group in 2022 – 2023

Product group	Share (%) in ELEKTROTIM		Share (%) in the Capital Group	
	2022	2023	2022	2023
Power stations	17	28	15	27
Security systems	51	23	50	23
Traction power supply	0	15	0	15
Electrical installations	13	13	18	15
High voltage lines	3	7	3	7
Signaling and lighting	5	5	4	5
Road traffic engineering	4	4	4	4
Municipal networks	5	2	4	2
Airport systems	1	1	1	1
Service	2	1	2	1
SUMMARY	100	100	100	100

In 2023, the highest share of sales for ELEKTROTIM S.A. in terms of products was held by power stations (28%), an increase from 17% in 2022, reflecting the Company's significant involvement in projects for the expansion and modernization of the national power system. Compared to 2022, security systems had a smaller share of sales (23%) compared to 51% in the previous year. A product that definitely deserves attention is traction power supply, which saw a significant increase in sales share to 15% in 2023, mainly due to projects related to the construction and modernization of traction substations for PGE Energetyka Kolejowa. Another product, with a 13% share, is electrical installations, which owe their results in 2023 to projects for the industrial sector, including for Nestle Purina Manufacturing Operations Poland sp. z o.o

Territorial sales structure of ELEKTROTIM S.A. and ELEKTROTIM Capital Group in 2022 - 2023

Voivodeship	Share (%) in ELEKTROTIM		Share (%) in the Capital Group	
	2022	2023	2022	2023
Lower Silesian	26	34	24	33
Podlaskie	45	21	44	21
Łódź	3	16	3	16
Masovian	4	11	6	12
Lubusz	0	6	0	6
Others	22	11	24	12
SUMMARY	100	100	100	100

The highest percentage share of ELEKTROTIM S.A.'s sales in 2023 was in the Lower Silesian and Podlaskie voivodeships, where the company achieved 55% of its sales. In Lower Silesian, which is the company's home region, a significant portion of projects is typically carried out, with notable contributions from the Maintenance Division as well as the Industry and Generation Division. In 2023, 16% of sales were realized in the Łódź voivodeship, with most projects being undertaken by the Distribution Division and the Traction Division.

The company and its subsidiaries within the Capital Group conduct sales exclusively in the domestic market.

Main customers of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group in 2022 - 2023

Customer	Share (%) in ELEKTROTIM		Share (%) in the Capital Group	
	2022	2023	2022	2023
Komenda Główna Straży Granicznej (Border Guard Headquarters)	44	19	41	18
PGE Energetyka Kolejowa S.A.	0	15	0	15
PGE Dystrybucja S.A.	1	12	1	12
Nestle Purina Manufacturing Operations Poland sp. z o.o.	4	11	4	11
Solartech Sp. z o.o.	0	9	0	9
ENEA Operator sp. z o.o.	6	4	6	4
SKARB PAŃSTWA- CENTRUM ZASOBÓW CYBERPRZESTRZENI SIŁ ZBROJNYCH (State Treasury - Armed Forces Cyberspace Resource Center)	3	3	3	3
Tauron Dystrybucja S.A.	3	3	3	2
ONDE S.A.	0	2	0	2
Others	39	22	42	25
SUMMARY	100	100	100	100

In 2023, the highest share of sales for ELEKTROTIM S.A., 19%, was held by the Border Guard Headquarters, related to the continuation of the project for the construction of an electronic barrier on the Polish-Belarusian border. Notably, in second place with a 15% share was PGE Energetyka Kolejowa S.A., a client of ELEKTROTIM S.A.'s Traction Division, for whom tasks related to the construction and modernization of traction substations were carried out. PGE Dystrybucja S.A. accounted for 12% of sales, with ELEKTROTIM S.A. handling tasks related to the modernization and development of electrical equipment and networks. Nestle Purina Manufacturing Operations Poland Sp. z o.o., a client of the Industry and Generation Division, held an 11% share of sales in 2023.

5.5. Sources of supply in ELEKTROTIM S.A. and the ELEKTROTIM Capital Group

The companies within the Capital Group strive to diversify their sources of supply. Acting in accordance with the established procedures of the Quality Management System ISO 9001:2015-10, they establish and maintain cooperation with suppliers who, upon meeting strictly defined requirements, are placed on the list of qualified suppliers.

The principle is that for each product (material, service, item), the Companies within the Group have no fewer than two suppliers. This approach guarantees the provision of services while maintaining the highest standards and optimizes the benefits derived from economies of scale. Implemented procurement procedures reduce the likelihood of dependency on a single supplier and create a solid foundation for long-term cooperation with suppliers based on mutual respect of interests.

Main suppliers of 2023

Suppliers	Share (%) in ELEKTROTIM	Share (%) in the Capital Group
Natipol Energy Sp. z o.o.	9	9
PGE Energetyka Kolejowa Holding Sp. z o.o.	6	6
Tele-fonika Kable S.A.	3	3
Schneider Electric Polska Sp. z o.o.	3	3
RABAN Popena sp. Komandytowa	3	3
ZREW Transformatory S.A.	2	2
Przedsiębiorstwo EL-IN Sp. Z o.o.	2	2
Hitachi Energy Poland Sp.z o.o.	2	2
Usługi telekomunikacyjne i ogólnobudowlane Grzegorz Majchrowski	2	2
ELEKTRO-INVEST HURT Sp. z o.o. Sp. Komandytowa	2	2
Others	65	65
SUMMARY	100	100

In 2023, the Companies within the Capital Group achieved a high degree of supplier diversification, which translates into minimizing the risk of dependency on a single supplier. Two suppliers exceeded a 10% share of total purchases, which we consider as the criterion for medium risk.

There are no formal affiliations between the aforementioned suppliers and the Company.

6. Evaluation of Strategy implementation and development prospects

Unlike in previous years, the 2023 Report on Operations does not include a statement on non-financial information. This is because, for the last two consecutive years (2022 and 2023), the Company did not meet one of the criteria stipulated by Article 55, paragraph 2b of the Accounting Act, which mandates such a publication. Specifically, the Capital Group's average annual employment did not exceed 500 employees. The average annual employment, calculated in full-time equivalents, was 394.45 in 2022 and 381.6 in 2023.

Nevertheless, the 2023 Report on Operations includes certain elements of non-financial reporting to the extent necessary for assessing the development, performance, and position of the Company and the Group, as well as the impact of the Company's and the Group's activities on social and employee matters, the natural environment, respect for human rights, and anti-corruption efforts.

6.1. Business model of ELEKTROTIM S.A

ELEKTROTIM S.A. and its subsidiaries in the ELEKTROTIM Capital Group generate revenue from the sale of specialized construction services related to the application of electrotechnical solutions in the Engineering, Procurement, and Construction Management (EPCM) model, as well as from the servicing and maintenance of such systems.

We are an organization with high operational flexibility, reliable to stakeholders, financially stable, market-recognized, and adept at seizing market opportunities. By operating through five main Profit Centers (Divisions), we diversify risks and maintain an anti-cyclical stance.

The clients of ELEKTROTIM S.A. include business entities undertaking investments and renovations, local governments, companies engaged in the transmission and distribution of utilities, and institutions from the broadly understood defense sectors.

Companies within the ELEKTROTIM Capital Group execute contracts as a result of supplier selection procedures based on the Public Procurement Law or the Civil Code, as well as internal regulations.

Companies within the ELEKTROTIM Capital Group provide services by purchasing materials and equipment for production from qualified suppliers. Complementary products necessary for fulfilling contracts are purchased from qualified subcontractors. The majority of the work is performed by utilizing external services, primarily involving simple tasks and those requiring heavy construction equipment. ELEKTROTIM S.A., on the other hand, delivers services provided by highly competent engineering staff in areas such as overseeing design, subcontractors, and supplies, managing construction, and broadly defined project management.

ELEKTROTIM S.A. holds the appropriate certifications allowing it to undertake tasks in areas requiring access to classified information (projects related to critical infrastructure and defense sectors).

6.2. Strategy of ELEKTROTIM S.A. for 2023-2025 and its execution

In the first quarter of 2023, the Company adopted and published its **Strategy for the years 2023-2025** through a current report (hereinafter referred to as the "Strategy").

The goal of ELEKTROTIM S.A.'s strategy for the years 2023-2025 is the organic growth of the Company.

As minimum parameters (this is not a forecast, plan, or target of the Company, but merely a declaration of figures considered as the "lower threshold" in the event of "worst-case scenarios"), the Management Board assumes an annual sales level of no less than 350 million PLN and a net profit of at least 10 million PLN with an EBIT of no less than 15 million PLN.

Other effectiveness indicators of the adopted Strategy include a current liquidity ratio higher than 1 and a net financial debt to assets ratio of no more than 25%.

The dividend policy adopted by the Management Board and approved by the Supervisory Board stipulates a dividend payout of 50% to 75% of the individual net profit. The Management Board upholds the conditions of the policy announced in 2023.

Territorial growth will focus on expansion within the domestic market. The current Strategy does not foresee the development of service exports. According to the Management Board, the technical and staffing aspects, as well as the specifics of foreign markets, currently entail excessive risks for shareholders. Moreover, the potential of the Polish market is so substantial that growth can be achieved more effectively and safely within Poland.

The strength of ELEKTROTIM S.A. lies in the diversification of its activities. The Strategy outlines a development path for each Division. This approach enhances the Company's security in the event of any market turbulence, as sales in other markets will compensate for any potential declines.

The Company is observing growth in the distribution sector (networks) and increasing demand for its services.

The Traction Division is experiencing dynamic growth. The anticipated launch of local government investments in urban transportation power supply (trams, trolleybuses, subways, surface railways) will further develop this attractive new segment of the business.

The Special Division, which serves the defense sectors (military, border guard), has responded in a very responsible and consistent manner to the needs arising from the situation on Poland's eastern border. The Company will continue to develop this market, which has significant growth potential.

One of the actions planned in the Company's Strategy is to obtain certifications for building infrastructure for nuclear power plants. The Company estimates that the entire process, from a formal-legal and organizational perspective, will take at least the next two years.

The adopted Strategy is focused on long-term, stable, and sustainable development, ensuring the growth of the Company's value and sharing the results with shareholders.

With the adoption of the ELEKTROTIM S.A. Strategy for 2023-2025, implementation actions have been initiated.

In April 2023, the Strategy Council was established, comprising representatives from all management and business structures of ELEKTROTIM S.A. The Council acts as the steering and supervisory body for the strategy's implementation. The adopted principles aim to adapt the functioning of processes, divided into main, managerial, and support categories, to the current macroeconomic environment, enabling effective operations in growth areas of the business. It was also decided to continuously monitor the business environment horizon for a minimum of five years, allowing for faster responses to anticipated market trend changes.

The company identifies several market potential scenarios resulting from the assumptions of the energy transition and related business areas. The conclusions drawn from the various strategic analysis scenarios indicate the possibility of continuing the company's organic growth, despite the expected changes in the environment.

As a result of the work conducted in accordance with the recommendations of the Strategy Council, a tactical action plan was adopted to ensure the achievement of strategic goals:

- Detailed assessment of the growth potential of the company's core markets up to 2029;
- Designation of a portfolio of strategic projects that align with the spirit of strategic goals and are in the early stages of preparation;
- Ensuring the proper level of competence by acquiring human capital in the period preceding the intensification of the aforementioned projects;
- Expansion of commercial and execution structures in regions with particularly high investment potential using the company's own location resources (identified through opportunity evaluation);
- Organizational actions aimed at unleashing the creative potential of human capital: implementation of business process automation and digitization.

6.3. Key performance indicators related to the activities of the Company and the Group

6.3.1. Evaluation of strategy implementation in 2023 according to adopted KPIs

In accordance with Current Report No. 7/2023, the Management Board of ELEKTROTIM S.A. reports on the degree of implementation of the 2023-2025 Strategy according to the adopted indicators in its annual activity report.

Rate	Indicator	Purpose	Realization 2023
Value for shareholders	dividend	≥50% net profit	✓
Financial perspective	Net profit	>10 mln PLN	✓
	EBIT	>15 mln PLN	✓
	Current liquidity	higher than 1	✓
	Assets debt	<0,7	✓
	net financial debt to assets ratio	not higher than 25%	✓
Customer perspective	Annual sale	≥350 mln PLN	✓
Internal processes perspective	Obtaining certifications for nuclear energy	✓	Ongoing process *
People and skills perspective	Value of training per employee	>2 thousand PLN /year/person	✓

The Company is currently preparing to implement procedures based directly on the recommendations of the International Atomic Energy Agency, as outlined in the GSR Part 2 document. Given that the National Atomic Energy Agency has not provided clear guidelines on this matter, and the overarching legal act - the "Atomic Law" - did not address this issue in its most recent amendment, the Company has decided to implement the requirements for supply chain participants according to the PN-EN ISO 19443:2023-01 standard, titled "Quality Management Systems -- Specific requirements for the application of ISO 9001:2015 by organizations in the nuclear energy supply chain delivering products and services important to nuclear safety (ITNS)." Since there are currently no entities in the country offering professional advisory services at the implementation stage, ELEKTROTIM S.A. has engaged experienced foreign entities to support the implementation process.

It should be noted that the technical certification stage is the final step in the implementation process of the system.

6.3.2. Major achievements in research and development

In 2023, ELEKTROTIM S.A. continued the R&D work previously undertaken and dedicated to the fulfillment of signed contracts.

One of the outcomes of the completed and implemented development work is a mobile energy storage unit designed to improve the parameters of the final sections of urban traction networks.

ELEKTROTIM S.A. became the first entity in Poland to receive a user reference for installing this type of device in an urban tramway system. The solution was submitted for and nominated for an award in the "Energy Transformation Leader 2024" competition organized by the Polish Climate Congress.

6.4. Identification of factors that, in the Company's opinion, will affect achieved results in at least the next quarter

MACROECONOMIC INDICATORS

The positive impact on the Company's and Group's situation:

- Continuation of the programs approved by the European Commission under the Cohesion Policy for the 2021-2027 perspective, with a total allocation of 340 billion PLN.
- Unlocking of funds from the National Recovery Plan (KPO) for Poland. In November 2023, the European Commission approved the KPO budget, granting Poland 268 billion PLN. Access to new financial resources from the KPO will enable Poland to accelerate plans for the modernization and expansion of railway infrastructure. The first installment of funds, amounting to 27 billion PLN, was disbursed in April 2024.
- Launch of the next edition of the FEnKS program, valued at over 24 billion euros. The program focuses on building technical and social infrastructure in line with sustainable development principles. It supports reducing the economy's emissions, including the development of renewable energy sources (RES), expansion of rail transport, and improvement of municipal wastewater management—areas where the company already has experience.
- The growth rate of construction and assembly production in December 2023 (at constant prices) achieved by construction companies in the country was 14.0% higher compared to the same period in 2022 (when it decreased by 0.9%) and 28.7% higher compared to November 2023 (when it increased by 17.2% in 2022)
- The decline in the inflation rate, and consequently the medium-term prospect of lower interest rates, is beneficial for ELEKTROTIM as it relies on debt capital during the season.
- Strengthening of the Polish zloty – ELEKTROTIM is not an exporter but incurs some costs in foreign currencies. Therefore, a stronger zloty reduces cost pressures and increases the profitability of ongoing projects
- Increased spending on defense, national security, and border protection
- Growing awareness of security issues and resilience against acts of sabotage and diversion of critical infrastructure (such as energy, railways, bridges, communication centers, water intakes, etc.), along with the company's expertise and IT products within the group, enabling the offering of comprehensive solutions in this area

Potential negative impact on the Company's and Group's situation

- Prolonged decision-making processes in the construction industry regarding new investments, caused by ongoing revisions of key national programs and personnel changes in the management boards of major state-owned companies.
- Weak construction activity at the beginning of 2024 – a decline in construction and assembly production in Poland in the first months of 2024, with a 4.9% year-over-year decrease in February compared to a 6.1% decrease in January (according to GUS data).
- According to the Polish Economic Institute, the coming months of 2024 may surprise the construction market with a slight slowdown due to the end of investment cycles in enterprises and the transitional period between budget perspectives for EU cohesion funds.
- The anticipated accumulation of investments in the years 2025–2027 may result in a sharp increase in the prices of building materials and labor costs, as well as limited availability of materials and skilled labor.

Sources:

1. (<https://www.gov.pl/web/planodbudowy/fundusze-europejskie-dla-polski-odblokowane-23.02.2024> r.)
2. (<https://www.feniks.gov.pl/strony/dowiedz-sie-wiecej-o-programie/program-feniks/#O%20programie>)
3. (<https://stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodko-trwale/budownictwo/dynamika-produkcji-budowlano-montazowej-w-grudniu-2023-roku,14,61.html>)
4. <https://pie.net.pl/slabe-perspektywy-branzy-budowlanej-w-2024-roku/> 21.02.2024 r.
5. "Idzie gwałtowny wzrost cen materiałów budowlanych. Oto powód" - Money.pl 05.03.2024 r.

6.5. ACQUIRED ORDERS / ORDER PORTFOLIO

ELEKTROTIM S.A. announced in its current reports that in the fourth quarter of 2023 it selected the most advantageous offer in three public proceedings for a total amount of over PLN 290 million (including the selection of the offer from the consortium of ELEKTROTIM S.A. and Ostoya-Data System Sp. z o.o. for: 'Design and construction of an electronic barrier on the Bug River section in the Nadbużański Branch of the Border Guard' worth PLN 227 million). Due to the prolonged procedures of the mentioned proceedings, the contracts were signed in the first quarter of 2024. This situation is partly related to the election period in October 2023, which also affected the reorganization within the structures of the largest State Treasury companies and the prolonged decision-making processes in the construction industry concerning ongoing and new investments.

In light of the above, the orders obtained by ELEKTROTIM S.A. in the period from January 1, 2023, to December 31, 2023, worth PLN 367 million net, do not include the aforementioned contracts. Compared to the orders obtained by ELEKTROTIM S.A. in the period from January 1, 2022, to December 31, 2022, worth PLN 677 million net, this represents a decrease of 46%. The data presented in this way should not be interpreted as a loss of orders, because after including the first mentioned contracts, the value of signed orders exceeds PLN 650 million.

As of December 31, 2023, Company ELEKTROTIM S.A. had an order portfolio worth PLN 329 million net compared to PLN 524 million net as of December 31, 2022, which represents a decrease of 37%. For consistency in data presentation, the Company did not include the mentioned contracts for which the selection decisions were made in the fourth quarter of 2023 but the formal signing of the agreements took place in the first quarter of 2024, in the portfolio as of December 31, 2023. However, including these contracts, the portfolio value exceeds PLN 600 million.

The previously described situation also extends to the data of the ELEKTROTIM Group, which obtained orders worth PLN 368 million net in the period from January 1, 2023, to December 31, 2023 (excluding Company ZEUS S.A.), compared to PLN 703 million net (including PLN 677 million net excluding the subsidiary ZEUS S.A.) in the period from January 1, 2022, to December 31, 2022. In comparable figures, without considering the orders obtained by the subsidiary ZEUS S.A., the ELEKTROTIM Group recorded a decrease in orders by 45%. It should be noted that the value of orders obtained by the ELEKTROTIM Group in 2023 mainly consists of orders from ELEKTROTIM S.A. and the consistent presentation method, excluding orders (even if selected) for which contracts have not been signed.

Similarly, the order portfolio of the ELEKTROTIM Group as of December 31, 2023, amounted to approximately PLN 329 million net compared to PLN 558 million net (PLN 526 million net excluding the subsidiary ZEUS S.A.) as of December 31, 2022. In comparable figures, excluding the values of the mentioned subsidiary, the portfolio in 2023 of the remaining companies in the Group (not including the three contracts obtained in October and November 2023, for which the agreements were signed in the first quarter of the current year) is 37% lower than in 2022.

In line with the Strategy for 2023-25, ELEKTROTIM S.A. is building its order volume while maintaining the expected level of contract profitability. The appropriate structure of the order portfolio is ensured by projects acquired in all serviced markets. This includes contracts related to the core activities of ELEKTROTIM S.A., such as medium and high voltage networks executed for distribution companies, security and monitoring systems for defense departments, the production and modernization of medium voltage switchgear for industrial plants, and services related to improving road traffic safety. The order portfolio also includes contracts for the construction of traction power systems and those related to renewable energy sources.

6.6. NON-FINANCIAL performance indicators related to the Company's activities

6.6.1. Employee matters

Selected indicators regarding the return on investment in human capital

HCVA - Human Capital Value Added Index: calculated as the ratio of the sum of operating profit and labor costs to the average number of employees in the year.

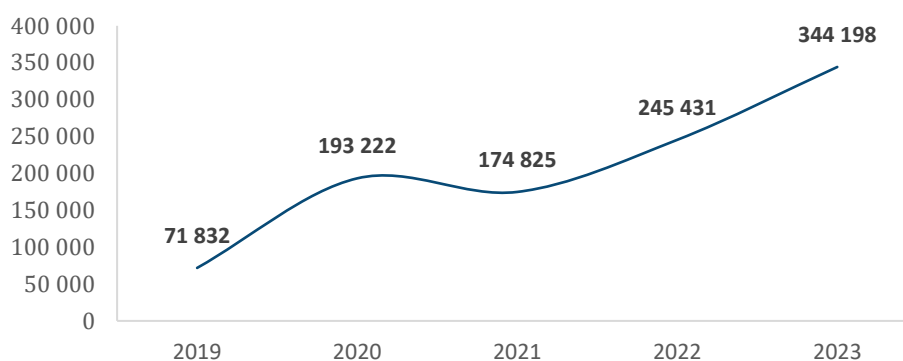


Fig. Investments in human capital - indicator for the years 2019-2023

In 2023, the Company maintained a 40% increase in operating profit per employee from the previous year. This is the result of an increased number of contracts executed and the profits generated per employee, while simultaneously implementing an employment optimization process.

HC ROI - Human Capital Return on Investment Index: calculated as the sum of operating profit (Op) and labor costs (Lc) relative to labor costs.

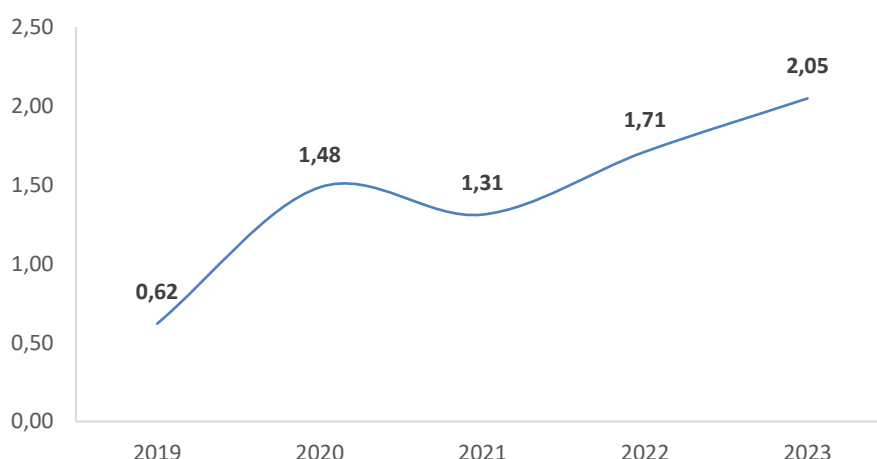


Fig. Investments in human capital - indicator for the years 2019-2023

In the last three years, we have observed an increase in the efficiency of human resource management in the Company. The return on investment in human capital clearly translates

into the ability to execute very challenging contracts, thanks to having a highly qualified workforce at our disposal.

Employment and employment structure in the Company and the Group

ELEKTROTIM S.A.

In 2023, the average employment in full-time equivalents amounted to **283 full-time equivalents (FTEs)**.

As of December 31, 2023, ELEKTROTIM S.A. employed **306 people** under employment contracts.

Position	2019	2020	2021	2022	2023
No. of FTEs	348	307	275	279	283
No. of people	347	295	272	285	306

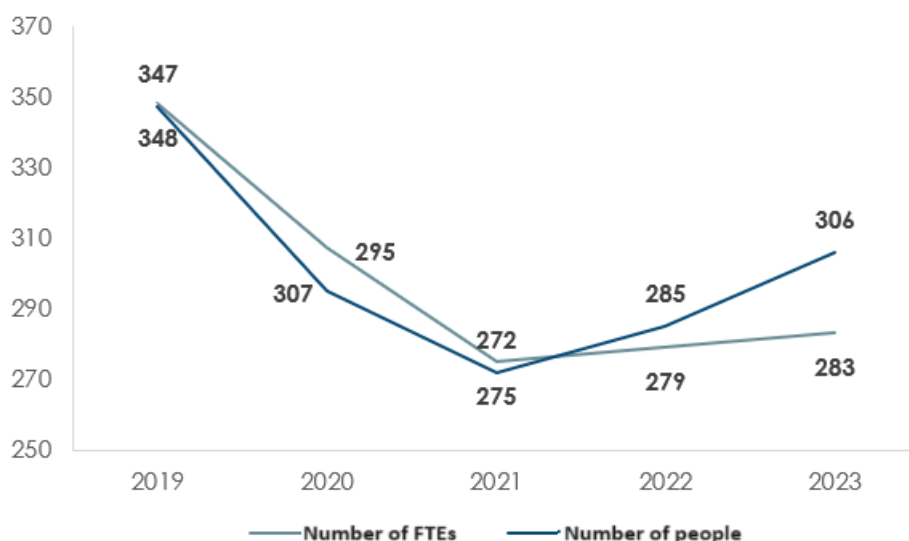


Fig. Employment in ELEKTROTIM S.A. in the years 2019-2023 (in FTEs and number of people)

In 2023, there was an increase in employment compared to 2022 due to the number and value of executed contracts.

CAPITAL GROUP

In 2023, the average employment in full-time equivalents amounted to **381 FTEs**.

As of December 31, 2023, the ELEKTROTIM Group employed **334 people** under employment contracts.

Position	2019	2020	2021	2022	2023
No. of FTEs	575	516	454	382	381
No. of people	599	508	475	395	334

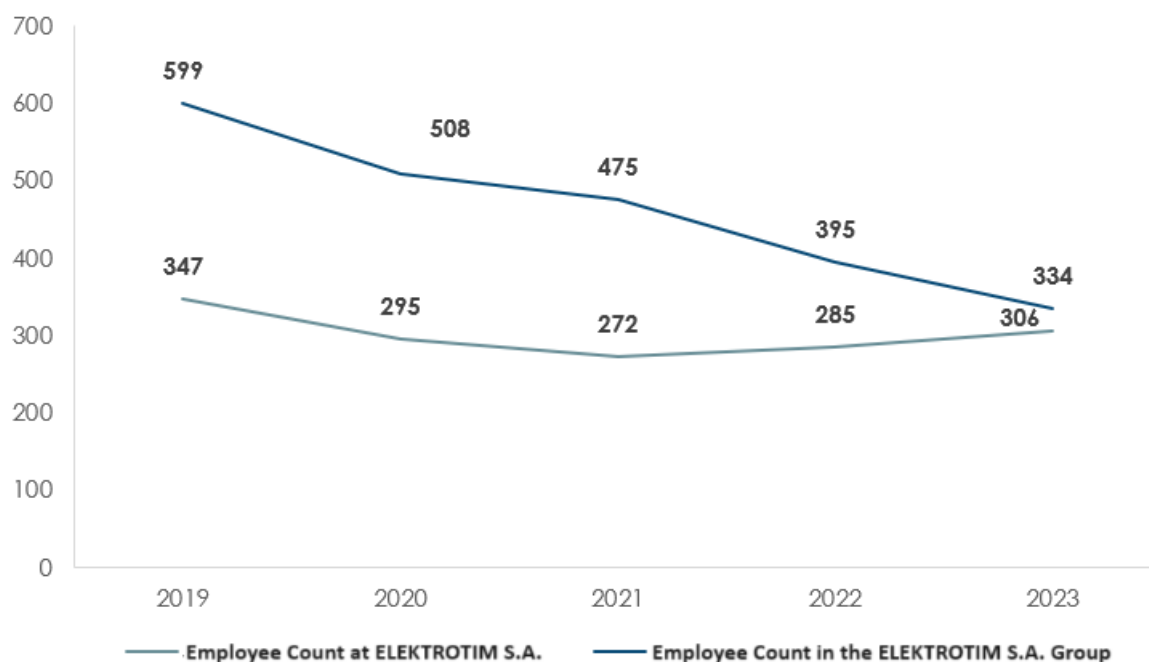


Fig. Comparison of employment levels in the Company and the Group from 2019 to 2023

The number of employees in the Capital Group at the end of 2023 decreased compared to 2022 due to changes in the Group's overall structure in recent years, namely: (i) the sale of the subsidiary PROCOM SYSTEM S.A. in December 2022 and (ii) the filing for bankruptcy by the subsidiary ZEUS S.A. in September 2023, which led to the departure of ZEUS S.A. employees.

EMPLOYMENT STRUCTURE BY EDUCATION LEVEL at ELEKTROTIM S.A.

Type of education	2019	2020	2021	2022	2023
Primary and vocational	56	53	53	55	60
Secondary	111	87	74	70	73
Higher	180	155	145	160	173

ELEKTROTIM S.A. places a strong emphasis on knowledge and qualifications; we are one of the companies with the highest qualifications among our steadily employed workforce. Employees with higher education constitute more than half of the total workforce.

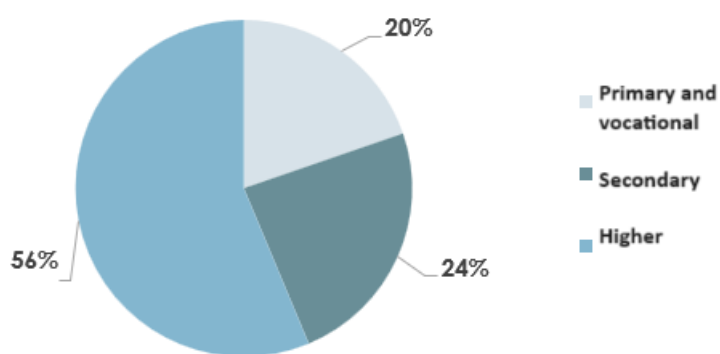


Fig. Employment structure by education level at ELEKTROTIM – as of December 31, 2023.

EMPLOYMENT STRUCTURE BY EDUCATION LEVEL IN THE CAPITAL GROUP

Type of education	2019	2020	2021	2022	2023
Primary and vocational	105	83	77	78	60
Secondary	149	132	125	110	81
Higher	344	291	273	207	193

The ELEKTROTIM Capital Group places a strong emphasis on the knowledge and qualifications of its Employees. Employees with higher education constitute more than half of the total workforce.

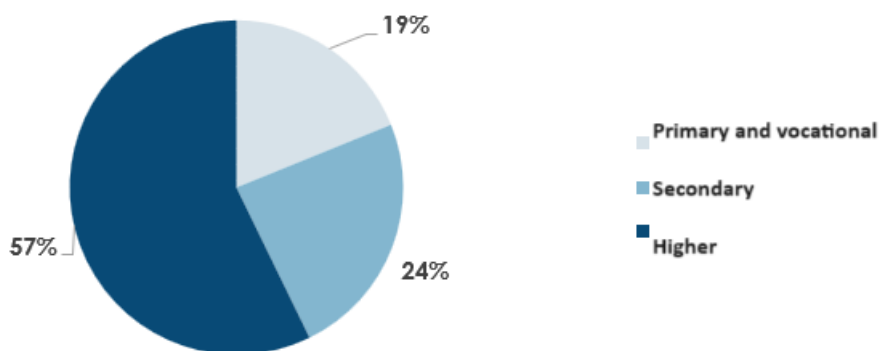


Fig. Employment structure by education level in the ELEKTROTIM Group – as of December 31, 2023

EMPLOYMENT STRUCTURE BY GENDER AT ELEKTROTIM S.A.

Gender	2019	2020	2021	2022	2023
Female	60	53	51	57	65
Male	287	242	221	228	241

In ELEKTROTIM S.A., due to the company's business profile (specialist construction), men constitute 80% of the workforce. The number of employed women remains at a similar level, around 20%.

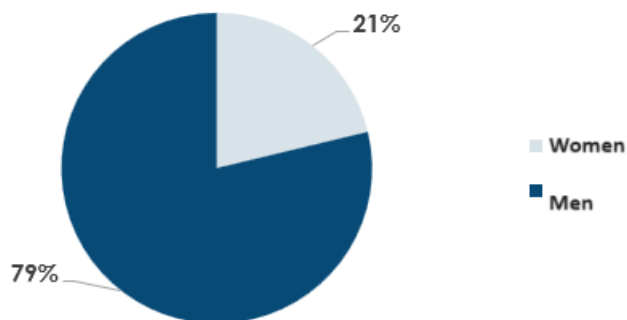


Fig. Employment structure by gender in ELEKTROTIM – as of December 31, 2023

EMPLOYMENT STRUCTURE BY GENDER IN THE CAPITAL GROUP

Gender	2019	2020	2021	2022	2023
Female	101	89	85	74	73
Male	498	419	390	321	261

"Similarly, in the entire ELEKTROTIM Capital Group: due to the business profile of all companies (specialist construction), men constitute 78% of the workforce, while women constitute 22%.

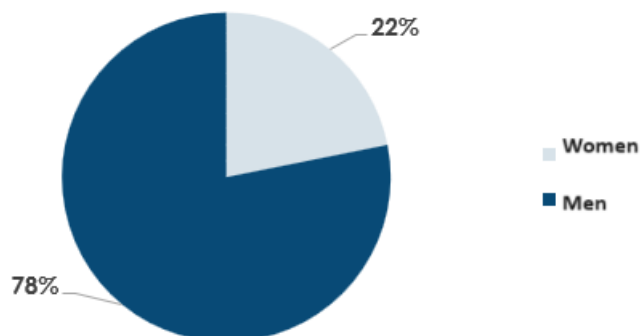


Fig. Employment structure by gender in the ELEKTROTIM Group – as of December 31, 2023

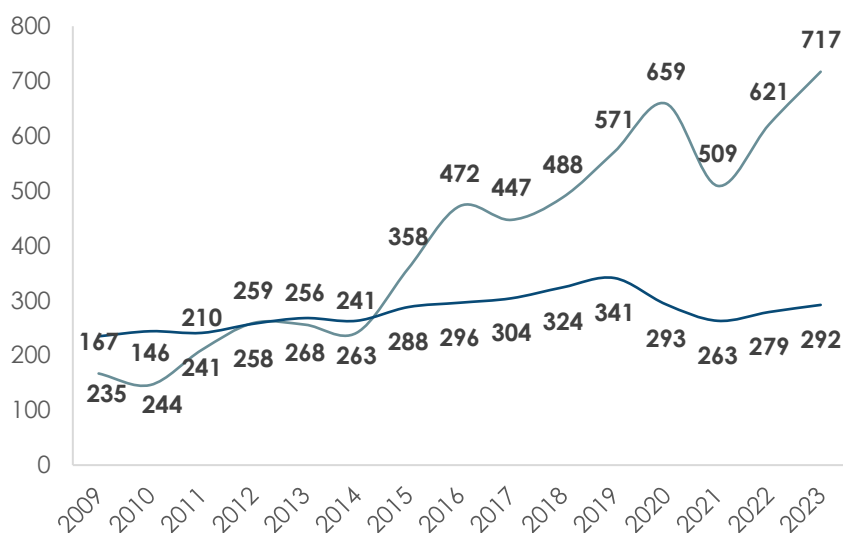
Occupational Health and Safety Status in ELEKTROTIM S.A. in 2023

All newly hired employees underwent initial OHS (Occupational Health and Safety) training (general and position-specific) and were informed about the occupational risk assessment at their workplace. The OHS service conducted inspections at construction sites and individual plants in accordance with the 2023 Inspection Schedule. A total of 60 inspections were carried out as planned.

Expenditures on OHS in 2023 increased by 15% compared to the expenditures incurred in 2022.

For both the employer, ELEKTROTIM S.A., and its employees, workplace safety is a paramount value. Actions taken by the management, including incurred expenditures, are aimed at development and achieving the intended goals of shaping proper attitudes and improving employee awareness regarding OHS.

The Company is continuously adapting safety issues to the changing environment and the real needs expressed by employees.



Level of expenditures on OHS in ELEKTROTIM S.A. from 2009 to 2023 in thousands of PLN in relation to employment

Trainings at ELEKTROTIM S.A. and the Capital Group in 2023

Trainings at ELEKTROTIM S.A.

Employee competency development is one of the initiatives included in the Company's Strategy for 2023-2025. In 2023, the "Manager's Academy" employee development program was initiated to support new talent in acquiring technical, economic and interpersonal knowledge.

In addition to the aforementioned program, a number of trainings dedicated to various groups of employees are conducted at ELEKTROTIM S.A., based on a training plan defined on the basis of needs reported by individual organizational units.

In 2023, the cost of training per employee was more than PLN 2,000, which means the realization - in 2023 - of one of the key nine performance indicators included in the Strategy for 2023-2025.

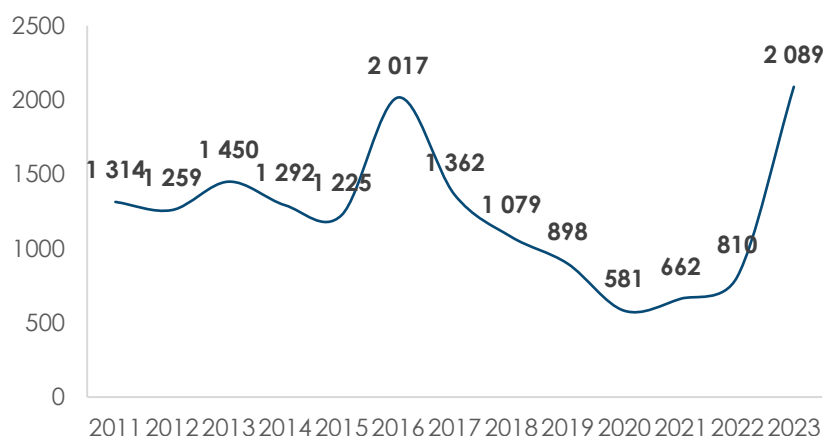
The increase in the value presented is related to a change in the estimation of training costs, taking into account the aggregate expenses incurred by the Employer for training.



Fig.: Level of training expenditures in PLN per person from 2010 to 2023.

Trainings at the ELEKTROTIM Capital Group

Expenditures on training per employee amounted to approximately PLN 2 thousand. The increase in training expenses in 2023 in the Group was related to the increase in expenses in this area in the Company



Level of training expenditures in PLN per person from 2011 to 2023 in the Capital Group

6.6.2. Environmental issues

As part of the ongoing review of the Integrated Quality Management System, the Company is identifying issues and areas of improvement that will be properly reported under the ESG policy starting in 2025 (the first year covered by the mandatory report).

ELEKTROTIM S.A. in 2023 began preparing a package of measures to significantly raise standards, especially in the areas of waste management, energy efficiency of the Company's headquarters including the production department, and comprehensive automation and digitization of processes, which, in addition to increasing their efficiency, aims to minimize the use of paper materials.

The companies within the Group care for the natural environment. The technical, technological, and organizational solutions implemented are in compliance with current standards and have a preventive character.

In order to fulfill the aforementioned mission, ELEKTROTIM S.A. has implemented the Integrated Quality Management System in accordance with the following normative acts and standardizing documents:

- Standard **PN-EN ISO 9001:2015-10** titled "Quality Management Systems – Requirements"
- Standard **PN-EN ISO/IEC 27001:2023-08** titled "Information Security, Cybersecurity and Privacy Protection – Information Security Management Systems – Requirements"
- Standardizing document **AQAP 2110:2016 Edition D** – titled "NATO Quality Assurance Requirements for Design, Development and Production"
- Standard **PN-EN ISO 14001:2015-09** – titled "Environmental Management Systems – Requirements with Guidance for Use"
- Standard **PN-EN ISO 45001:2024-02** – titled "Occupational Health and Safety Management Systems – Requirements with Guidance for Use"

In addition to the certification program, based on the findings from the ongoing System review, S.A. has initiated the implementation of procedures in accordance with **PN-ISO 31000:2018-08** titled "Risk Management – Guidelines."

The current review of the Quality Management System is a preparatory action for the implementation of procedures in accordance with the standard PN-EN ISO 19443:2023-01 – titled "Quality Management Systems -- Specific requirements for the application of ISO 9001:2015 by organizations in the nuclear energy supply chain providing products and services important to nuclear safety (ITNS)."

Environmental Policy in accordance with PN-EN ISO 14001:2015-09

Awareness of the impact of its activities on the environment and the strong need to protect it at the present time is a very important part of the operation of ELEKTROTIM S.A.

The Company's Management Board, within the framework of the strategy developed, applies environmental best practices to all its activities and areas of operation, with the aim of reducing ELEKTROTIM S.A.'s negative impact on the environment. In particular, it undertakes to:

- monitor the amount of waste and increase mobilization for its proper management,
- improving technological processes and using materials and energy sources in the production process that are safe for humans and the environment,
- rational use of raw materials, materials, fuels, energy and water,
- reducing the risk of accidents causing environmental pollution by identifying significant environmental aspects.

We implement the above commitments through:

- complying with legal requirements and other environmental regulations applicable to our business,

- continuously improving the implemented Environmental Management System as a basic tool for planning and coordinating activities aimed at protecting the environment,
- raising employee awareness of environmental issues and promoting pro-environmental behavior.

Description of the result of applying the Environmental Policy

The impact of the activity on the environment

The environmental impact of the activity is assessed as negligible. In addition to municipal waste, there is the issue of managing post-production waste from the hazardous group - disposable packaging (paint cans) and used light sources.

Production waste management

In practice, waste management consists of:

- collection and return of waste paper to specialized waste processing recipients,
- collection and return of scrap steel and non-ferrous metals to specialized waste processing recipients,
- disposal of post-production hazardous waste - used light sources and packaging (cans) of paints by a specialized company on the basis of a contract;
- disposal of used electronic devices (equipment) as mentioned above.

Actions taken to protect the environment

The Company has entered into a contract for the collection and disposal of segregated waste and hazardous waste with specialized companies. Implementation of this contract fully secured the Company's needs in 2023.

The Company has been certified to comply with the requirements of the PN-EN ISO 14001:2015-09 standard for Environmental Management. The Company thereby declares that it complies with the requirements for environmental protection, with particular emphasis on pollution prevention and rational management of available resources.

6.6.3. Social issues

From CSR to ESG!

The Corporate Social Responsibility (CSR) policy, which was derived from the ELEKTROTIM Strategy for 2019-2022, has been amended in accordance with the new Strategy for 2023-2025 to include activities undertaken by the Company from the perspective of their impact on environmental protection, social responsibility and corporate governance (Environmental, Social, Governance; ESG).

These three categories - ESG - will allow us to better understand and measure the social and environmental impact of the Company's operations throughout the life cycle of products and service delivery.

The ELEKTROTIM S.A. Company is required to submit in 2026 the first sustainability report for 2025 data in accordance with the CSRD Directive.

The Company has conducted a first preliminary analysis of the risks involved.

In accordance with para. 1.5 of the Best Practices for WSE Listed Companies 2021, the Company **once a year discloses the expenses incurred by it and its group to support culture, sports, charitable institutions, media, social organizations, trade unions, etc.** Along with a summary of these expenses:

ELEKTROTIM S.A. is involved in local community affairs and supports selected initiatives. The Company conducts activities mainly in the fields of education, health care and promotion of culture and sports.

Among the activities in 2023 are the following projects:

Within the scope of the "Education" program, the Company ELEKTROTIM carried out the following activities:

1. Continuation of the "ELEKTROTIM TO SCHOOLS" Program initiated in October 2007, aimed at students of technical high schools from Wroclaw in its initial phase, and extended to new establishments in the country every year. The main objective of the activities is to promote vocational education and increase recognition of the ELEKTROTIM brand, and consequently to attract and employ new, creative and committed employees after the completion of the education process.

Within the framework of the ELEKTROTIM SCHOOLS program, the following activities were carried out:

- 1.1. patronage of the third class in the profession of Information and Communications Technology (ICT) Technician in the Complex of Telecommunication and Electronic Schools in Wroclaw at Hauke-Bosak Street. The cooperation is expressed, among other things, in the implementation of the program for the profession of ICT technician, retrofitting the school's workshop laboratories with the latest technical equipment, equipping students with work clothes, funding cash prizes for the best

- students, organizing apprenticeships, making job offers for the position of assistant assembler for five students after the end of each school year,
- 1.2. assistance in equipping school vocational laboratories with electronic and electrical equipment,
 - 1.3. continuation of the "ELEKTROTIM TO UNIVERSITIES" program, under which student internships were organized for third-year students of the Wrocław University of Technology.
 - 1.4. participation of the Company in the Job Fair organized in two editions per year: in spring and autumn by the Wrocław University of Technology.

In terms of programs: "Sports" and "Health"

In 2023, the Company ELEKTROTIM participated in the following ESG projects:

1. assisted in the organization of educational and theatrical-therapeutic performances for children-patients of Dolnośląski Szpital Specjalistyczny im. T. Marciniaka in Wrocław;
2. assisted the Foundation for the Development of Wrocław University of Technology in the form of a financial donation, with funds for scholarships for students with disabilities;
3. supported the Academy of Physical Education in organizing the sports spartakiad for children affected by cancer "ONKOIGRZYSKA 2023";
4. supported organizations that promote sports activities, such as: the Women's Basketball Supporters Association, which organizes basketball classes for girls, Club Pogoń Miękinia and Yacht Club Arcus;
5. supported a collection among employees and allocated funds for the purchase and installation of a water heater as part of the „Szlachetna paczka” campaign.

Issues of respect for human rights

Group Companies support and adhere to human rights adopted by the international community.

Group Companies do not employ children.

Group Companies respect Employees' right to organize.

Group Companies effectively counteract discrimination in employment.

In 2023, no incidents related to human rights violations were reported.

Anti-corruption measures

The Code of Conduct of ELEKTROTIM S.A. states that our actions and decisions are always made in accordance with the law, and any decisions regarding cooperation are based solely on substantive criteria. This means that we categorically oppose any actions that bear the hallmarks of corruption and actively work to prevent its occurrence. Therefore, every Employee is required to familiarize themselves with the Anti-Corruption Policy, and its principles should be widely communicated and promoted among employees and contractors so that no one has any doubts about our stance on such practices.

The aim of "**Anti-Corruption Policy**" is to minimize the risk of corruption occurring in both external and internal relations of the company.

Defined areas of potential corruption risk:

- Gifts and other forms of hospitality
- Organization and participation in business meetings
- Donations
- Relations with public officials
- Support for political purposes [ELEKTROTIM does not make donations for political purposes]
- Nepotism and other prohibited practices in employee relations
- Relations with contractors
- Accounting and financial system

In 2023, no incidents of corruption were reported.

7. Risk management

Description of significant risks related to the entity's activities that may adversely affect the aforementioned issues, including risks related to the entity's products or its relationships with the external environment, including contractors, as well as a description of how these risks are managed.

The document regulating the area related to risk management within the ELEKTROTIM Capital Group is the Risk Management Policy. It has been developed based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the ISO 31000 standard and related standards. The purpose of the Risk Management Policy is to integrate the activities carried out within the Companies related to risk management in various areas of operational, financial, and corporate activities.

The ELEKTROTIM Capital Group conducts an annual risk review. The risk review is conducted for perspectives, categories, and partial risks. During the review, a risk assessment is carried out, which includes the identification, analysis, and evaluation of risks. Their current relevance, usefulness, and effectiveness are checked. Committees and commissions have been established to monitor selected risk categories, such as the ET Supervisory Board Audit Committee, the ET Risk Committee, the Financial Risk Committee, the Operational Risk Committee, the Information Security Committee, and the Health and Safety Committee.

Risk management systems in the Companies within the Capital Group are correlated with the management system in ELEKTROTIM S.A. In ELEKTROTIM S.A., the following significant risk categories have been defined within the following perspectives:

- 1. Strategic perspective** - within this perspective, the following categories of risks are analyzed, including risks (threats) that may materialize over a period exceeding 24 months:
 - **category of political risks** - Within this category, partial risks are analyzed, which pertain to the possibility of government intervention in individual countries or on the international stage, both concerning the entire economy and its specific sectors.
 - **Category of economic risks** - within this category, partial risks are analyzed, which consider the impact of external economic factors on the company.
 - **Category of long-term market risks** - Within this category, partial risks associated with the industry in which the ELEKTROTIM Capital Group operates are analyzed. These risks are related to customers, suppliers, and products offered by the Companies, which may materialize over a period no shorter than 24 months.
 - **Category of corporate risks** - within this category, partial risks are considered, which pertain to uncertainties related to risks and opportunities in delivering benefits to the company's shareholders.

- 2. Operational perspective** - within this perspective, the following categories of risks are analyzed, including risks related to the current operational issues of the ELEKTROTIM Capital Group:
 - **Category of personnel risks** - within this category, partial risks related to the management of the company's human capital are analyzed.
 - **Category of short-term market risks** - within this category, partial risks associated with the industry in which the ELEKTROTIM Capital Group operates are analyzed. These risks are related to customers, suppliers, and products offered by the Group, which may materialize over a period of less than 24 months.

- **Category of execution risks** - within this category, partial risks in the project, not identified in the current budget, are analyzed. These risks may cause a negative deviation of the M1 margin value from the M1z margin value (verified).
- **Category of financial risks** - within this category, partial risks are analyzed, which result in a reduction of compensation or a decrease in the value of compensation in the national currency.
- **Category of information security risks** - within this category, partial risks are analyzed, which pertain to the possibility of loss, destruction, or unauthorized access to important information held, processed, and transmitted by the ELEKTROTIM Capital Group.

3. Financial reporting perspective - within this perspective, the following categories of risks are analyzed, including risks (threats) related to the recognition and interpretation of the current financial and payment situation, concerning the ongoing activities of the ELEKTROTIM Capital Group;

- **Category of financial reporting risks** - within this category, partial risks are analyzed, which pertain to the recognition and interpretation of the current financial and payment situation, concerning the ongoing activities of the ELEKTROTIM Capital Group.

4. Legal compliance perspective - this perspective analyzes categories of risks that stem from legal obligations related to the operations of the ELEKTROTIM Capital Group and its business activities, as well as its status as a public interest entity.

- **Category of legal compliance risks** - within this category, partial risks are analyzed that may materialize if the organization fails to adapt to new legal solutions and other regulations, or if it does not comply with laws, internal regulations, and standards of conduct adopted by the organization.

Within the adopted perspectives, significant risk factors and threats to the ELEKTROTIM Capital Group that may impact the Group's development and its financial results are presented below. The order of the individual groups and the specific factors within those groups is not presented in terms of the likelihood of their occurrence or the importance of their impact on the operations.

Within the strategic perspective:

- **Risks related to the macroeconomic and geopolitical situation**

The financial results of the companies within the ELEKTROTIM Capital Group depend on the economic conditions both domestically and internationally. As the ELEKTROTIM Capital Group operates in the construction market, particularly in infrastructure projects, an economic slowdown or a downturn in the construction sector could negatively impact the Group's long-term strategic objectives.

The ongoing uncertainty related to the geopolitical situation, mainly due to the conflict in Ukraine, rising tensions between the USA and China, and the escalation of conflict in the Middle East, has a moderate impact on key areas of the Group's operations, including raw material prices, transportation, and labor costs. The Group recognizes that the situation in Ukraine and Belarus may influence increased defense investments in Poland and could also lead to capital outflows, instability in interest rates, and macroeconomic conditions.

The companies within the Capital Group continuously monitor the macroeconomic and geopolitical situation. Specifically, they analyze economic data, observe financial markets, track changes in raw material prices and currency exchange rates, follow industry changes

and expected trends, and monitor geopolitical events. This monitoring enables the Group to respond proactively to changes, make informed business decisions, and minimize risks.

- **Risks related to the political cycle**

The ELEKTROTIM Capital Group recognizes the risks associated with the political cycle, including changes in policy, the dynamics of the democratic process, and the potential revision of key strategies and policies that may occur during election cycles or new government and local administration terms.

The year 2023, being a parliamentary election year, and the year 2024, being a year of local and European elections, create significant risks that could impact the economy and corporate investment decisions. Uncertainty related to elections or potential changes in government and local authorities may prompt investors to delay or halt investment decisions. A new government and administration might introduce changes in trade, fiscal, and tax policies, as well as legal regulations, which could affect the operation of companies and industries. Potential unrest, protests, or conflicts could lead to social instability and disrupt business activities. These circumstances and the postponement of investments in the short term may moderately impact the Group's operations and financial performance.

- **Risks related to epidemiological threats**

Risks related to epidemiological threats, including the potential emergence and spread of infectious diseases such as pandemics and epidemics, significantly impact the financial health of many businesses and global market trends. On July 1, 2023, the state of epidemic threat in Poland, introduced due to the SARS-CoV-2 virus, was officially lifted. This lifting resulted in the removal of special measures and restrictions, restoring the legal status to what it was before March 14, 2020. Currently, the Group assesses that the effects of the COVID-19 pandemic are likely to be minimal. However, the Group recognizes the risk of new virus variants emerging, which could worsen market conditions in the future and lead to negative financial or organizational consequences.

- **Risks related to development**

Risks related to development include market risks associated with expansion into new markets or sectors and technological risks related to the implementation of new technologies and processes. In its development strategy, ELEKTROTIM S.A. plans to expand its offerings in the areas of renewable energy (RES), energy storage, SMART GRID, railway and urban infrastructure, as well as to engage in partnerships in hydrogen and nuclear technology. The growth and development of the company may require significant financial investments, such as investments in new technology, working capital, hiring personnel, or developing new products and services. The risk arising from entering new markets can generate threats related to unfamiliar market conditions, competition, and Customer preferences. The materialization of the aforementioned risks may have a moderate impact on the Group's operations.

To minimize risks, the Company conducts analyses, adjusts its internal processes and organizational structure, organizes access to external financing, enhances employee competencies, and adopts a flexible approach to changes.

- **Risks related to increasing competition**

The ELEKTROTIM Capital Group operates in a competitive market, where both specialized service providers and companies from the broader construction industry are active. Increasing levels of competition may negatively impact the Group's turnover and financial results. Additionally, growing competition can lead to rapid changes in customer expectations and preferences. In a highly competitive environment, companies may be forced to lower their

service prices, which could result in reduced margins. The Group assesses that, in the short term, the exposure to the described risk is moderate but mitigated to a low level due to the expected increase in demand for the Company's services.

To minimize risk, the companies within the Group diversify their sales segments, undertake marketing and promotional activities, form consortia, and introduce process innovations to gain a competitive advantage.

Within the operational perspective:

- **Personnel risks**

Personnel risks include those related to staff shortages, the loss of qualified employees, and the risk of increasing personnel costs due to wage pressure. The companies within the ELEKTROTIM Capital Group are highly exposed to these risks.

Poland has one of the lowest unemployment rates in the European Union. The harmonized unemployment rate, calculated according to the Eurostat definition, was 2.7% in Poland in December 2023, compared to 5.9% in the EU and 6.4% in the Eurozone. According to estimates from the Ministry of Family and Social Policy, the registered unemployment rate in December 2023 was 5.1% (a decrease of 0.1 percentage points compared to December 2022). The stable labor market and the persistent "employee market" phenomenon pose a significant risk for construction companies due to the limited availability of skilled workers. Additionally, ongoing inflation, rising energy prices, and unfavorable macroeconomic conditions may sustain the trend of increasing wage pressure in 2024. In 2024, further increases in the minimum wage are expected, which may also lead to higher salary expectations from employees currently working for the ELEKTROTIM Capital Group as well as potential employees. Difficulties in recruitment, the loss of key employees, low employee engagement, or the need to increase wages beyond productivity growth could affect work efficiency and quality, potentially resulting in a decrease in the financial performance of the ELEKTROTIM Capital Group.

- **Execution and post-execution risks**

Execution and post-execution risks include risks related to changes in the scope of work and/or completion time, the risk of additional costs not accounted for at the offer stage, the risk of untimely or improper contract execution, the risk of breakdowns, accidents, disasters, and the risk of changes in raw material prices, which can lead to negative deviations from the originally planned margin.

In the business operations conducted by the companies within the E Capital Group, there is a risk related to non-performance or improper performance of contracts. The companies simultaneously manage many independent contracts. Most of these are unique projects, led by a Project Manager, each with its own budget, scope, and deadline. The timely and proper fulfillment of obligations arising from these contracts is influenced by many factors, both dependent and independent of the contractor. Despite the implementation of control mechanisms and the mitigation of certain risks (credit, currency, insurance), there remains the possibility of threats causing the execution of a contract with a margin lower than originally planned. These threats include:

- Changes in project scope or technology not accounted for at the offer stage,
- Increases in material and service costs,
- Increased costs resulting from warranty obligations,
- Limited availability of subcontractors or poor quality of provided services,
- Delays in timely project completion,

- Delays in obtaining necessary administrative decisions,
- Adverse weather or ground conditions,
- Occurrence of random events such as breakdowns, accidents, or disasters.

The described circumstances and unfavorable changes in project scope can negatively impact the operations, financial condition, financial results, or reputation of the ELEKTROTIM Capital Group. In the Group's assessment, the level of exposure to these risks is high.

- **Risks related to the production process**

The operations conducted by the E Capital Group are associated with risks generated by the production process. Most of the products sold are unique, innovative, and complex systems. The Group's employees provide services using the current state of technical knowledge, the latest technologies, project management methodologies, standardized solutions, and procedures in compliance with international quality standards. The service offerings result from continuous exchange of views and experiences between the Company and the Client regarding needs and technical possibilities. Orders are executed over periods ranging from several weeks to several years. During each project, changes are introduced in a more or less formalized manner, generating the following risks related to the execution process:

- Improper recognition of the Customer's needs;
- Incorrect estimation of production costs,
- Changes in production costs during the production process,
- Changes in legal regulations,
- Management errors,
- Errors in change management,
- Errors in technical and technological solutions.

The risks associated with the service delivery process may result in reduced revenues and/or increased costs, which could ultimately lead to a decrease in the financial performance of the ELEKTROTIM Capital Group. These risks can have various sources and natures, and their impact on the financial results can be more or less significant. In the Group's assessment, the level of exposure to these risks is high.

- **Financial risks**

Financial risks include those related to changes in exchange rates, interest rates, loss or reduction of financial liquidity, and credit risk. The companies within the ELEKTROTIM Capital Group are moderately exposed to these risks.

In the Capital Group, there is currency risk. The Group is primarily exposed to risks related to EUR/PLN and USD/PLN exchange rates. The source of transactional exposure to currency risk comes from contracts for the delivery of materials and raw materials, resulting in cash flows whose value in the base currency depends on future levels of foreign exchange rates. The Group strives to purchase foreign currencies on terms no worse than those assumed in the implementation budgets and to balance the value of assets and liabilities expressed in a given currency. Currency risk exposure changes throughout the year, depending on the volume of transactions conducted in the currency and the value of currencies held for payment. There is a risk that despite using hedging mechanisms, the cost of materials and equipment purchased in foreign currencies, when converted to the local currency, will be higher than assumed in the budget, which may lead to increased costs and a reduction in the originally planned margin.

Interest rate risk primarily arises from the Group Companies' use of bank loans, borrowings, and leasing services that are subject to variable interest rates. The Group manages these risks by maintaining appropriate monitoring of its debt levels. Interest rate risk management focuses on optimizing the debt level, using trade credit to the extent conditioned by market circumstances, and including financial costs in management calculations related to contract financing and realized margins.

The ELEKTROTIM Capital Group is also exposed to temporary disruptions or, in the worst case, the loss of its ability to meet its obligations on time. This can be caused by sudden changes in market conditions, the form of contract settlements (payment upon project completion), delays in customers fulfilling their obligations to the Group, customer bankruptcies, and limited availability of financing sources. To effectively manage the risk of losing liquidity, the Group optimizes its financing sources, utilizing options such as bank loans, factoring, and internal resources, appropriately adjusting the maturity dates of each to ensure maximum efficiency of cash flows.

The nature of the construction industry means that the Group is exposed to credit risk concentration. The nature of the projects often requires significant working capital investment due to their relatively high value and long completion times. Contracts entered into by the companies within the ELEKTROTIM Capital Group also include obligations to establish guarantees for proper and timely performance of the contract and for remedying defects and faults in the form of bank or insurance guarantees. Additionally, prolonged acceptance procedures for completed works, the obligation to settle obligations to subcontractors within a specified time, and payment terms stipulating payment upon completion of the entire contract result in substantial investment of funds in ongoing operations. In the event of a potential reduction in the availability of financing sources or the termination of credit and insurance agreements, there is a risk of a decrease in the scale of operations due to reduced ability to submit bids, which could consequently affect turnover and financial results. To minimize this risk, the Group intends to focus on short-term projects with high margins, manage securities and guarantees rationally, increase the value of working capital, and diversify sales segments.

- **Risk of devaluation and/or bankruptcy of subsidiaries**

The risk of devaluation and/or bankruptcy of subsidiaries is associated with the operations of individual companies within the Capital Group and factors affecting their financial performance (decline in revenues, profits, operational difficulties, changes in the market

environment, high competition, changes in legal regulations, excessive debt). As of December 31, 2023, ELEKTROTIM S.A. held 88.12% of the shares in ZEUS S.A. and 82% of the shares in OSTOYA-Data System Sp. z o.o. The risk of devaluation and/or bankruptcy may affect the valuation of the entire Group and potentially the value of the parent company's shares, including a deterioration in the consolidated financial results of the Group.

On September 29, 2023, the CEO of ZEUS S.A. filed for bankruptcy for ZEUS S.A., as detailed in sections 1.2 and 9 of this report. The situation of ZEUS S.A. impacted the Group's consolidated results with a loss of approximately PLN 23.5 million. However, due to the lack of asset-backed securities, most of ZEUS S.A.'s losses do not affect the cash flows of the other entities within the Group. The appointment of a temporary court supervisor on January 24, 2024, who reserved decision-making powers, followed by the sale of ZEUS S.A. shares, means that the negative net equity generated by this company will be reversed in the first quarter of 2024. The impact on the standalone financial statement was limited to the already fully written-off value of shares, loans provided, and guarantees. Therefore, in the Company's assessment, after the sale of the subsidiary, the risks associated with this entity should primarily be considered in terms of reputation.

- **Risks related to information security, such as: loss of information, alteration of information integrity, unauthorized access to important information**

The operations of the ELEKTROTIM Capital Group involve risks related to information security, concerning threats that may affect the confidentiality, integrity, and availability of data and IT systems. The companies within the Group collect, process, and share sensitive information. These activities are conducted in compliance with the requirements of the implemented management system in accordance with the PN-EN ISO/IEC 27001:2017 standard. In the Group's assessment, the level of exposure to these risks is moderate. To minimize information security risks, the Group employs appropriate security practices, such as regular software updates, using strong passwords, implementing antivirus solutions and firewalls, training employees on information security, and creating incident response plans.

- **Risks related to cyber threats**

In the era of digital transformation and process automation, as well as the migration to cloud environments, there are increasing potential threats from cyber-attacks or IT incidents. Cyber risks, such as IT failures, system breaches, ransomware attacks, or data breaches, have ranked as the top global risk for the third consecutive year. Cyber threats continuously evolve as hackers and criminals gain access to new technologies (including those based on artificial intelligence (AI)) or find new ways to exploit system vulnerabilities, increasing the speed and scope of attacks, creating malware, or sending phishing emails. In the Group's assessment, the level of exposure to these risks is moderate. To minimize this risk, the Group has implemented security policies in line with the requirements of the PN-EN ISO/IEC 27001:2017 standard, conducts regular audits and training, monitors network activity, and responds to all incidents.

- **Risk of losing the ability to protect classified information**

The companies within the ELEKTROTIM Capital Group undertake projects subject to the regulations of the Act on the Protection of Classified Information of August 5, 2010. A condition for participating in these projects is the possession of relevant certificates (personal security, industrial security, etc.). There is a risk that, despite due diligence, circumstances may arise leading to the loss or non-renewal of these certificates. The consequence could be the loss of the ability to provide services to strategic customers and difficulties in fulfilling signed contracts, which would ultimately affect the Group's sales and financial performance. In the Group's assessment, the level of exposure to these risks is moderate.

Within the financial reporting perspective:

- **Risk of misrepresenting financial results due to erroneous estimates**

The ELEKTROTIM S.A. Company presents its separate and consolidated financial results in accordance with IFRS/IAS. The statements are audited by an independent certified public accountant, and the audit report is published alongside the statement of results. There is a risk that, despite due diligence and properly organized internal controls, accounting estimates may contain errors in the valuation of unsold production, contract valuation, incorrect revenue recognition from customer agreements, and impairment of intangible assets. Incorrect estimates could significantly distort the presented results. The Group assesses the exposure to these risks as moderate. To minimize risk, the Group employs appropriate estimation methods and techniques, taking into account best practices in accounting and finance, ensures proper control and supervision over accounting and financial reporting processes, and regularly conducts reviews and audits.

Within the legal compliance perspective:

- **Regulatory (compliance) risk**

Regulatory risk refers to the potential negative consequences that can arise from non-compliance or changes in the laws and regulations affecting the activities of companies within a Group or an economic sector. The companies of the Capital Group E continuously analyze the legal status and promptly adapt their organizations to meet the requirements of national and EU regulations. There is a risk that, despite due diligence, due to possible interpretative discrepancies or the lack of transparency and consistency in the introduced legal changes, the companies may not adjust in time to the changing legal status. The amendment of regulations significant from the perspective of the companies' operations may increase operating costs, as changes may require adjusting actions and processes within the companies (e.g., KSeF, ESG). Legal disputes or financial penalties imposed for failing to fulfill obligations arising from regulations, such as tax, information for companies listed on the Warsaw Stock Exchange, personal data protection, etc., may lead to loss of revenue and customer trust. The Group assesses the exposure to these risks as moderate. To minimize risk, the companies monitor changes in the law and adjust their actions and procedures to remain compliant with regulatory requirements.

- **Litigation risk**

Litigation risk refers to the potential negative outcomes of court proceedings in which the companies of the Capital Group are parties. The consequences of this risk include losses related to criminal, civil, and administrative liability, as well as reputational damage. The Group assesses the exposure to this risk as moderate. To minimize this risk, the companies initially take actions aimed at avoiding the resolution of disputes through litigation.

- **Sustainability policy implementation risk**

The ELEKTROTIM Capital Group is observing growing interest from investors and other entities in environmental, social, and corporate governance issues. Sustainable development reporting (publishing ESG data in accordance with the CSRD directive) aims to ensure comparability and transparency of information provided by companies, enabling investors to make informed decisions about sustainable investments. ELEKTROTIM S.A. will be subject to mandatory reporting in 2025 (report published in 2026), but it already recognizes certain associated risks such as.:

- complexity of legal requirements, including the subject of sustainable development itself,
- low awareness and understanding of ESG reporting issues among employees and contractors,
- lack of data collection tools (necessity to gather new data that the company has not previously monitored or collected, such as carbon footprints),
- lack or limited availability of ESG-related data regarding contractors.

To minimize the risk, the company is increasing awareness and understanding of ESG reporting issues by training staff and collaborating with specialized advisory firms. ELEKTROTIM S.A. assesses the exposure to this risk as low.

8. Corporate governance

8.1. Statement on corporate governance

The management of ELEKTROTIM S.A. declares that ELEKTROTIM S.A. makes every effort to ensure that the recommendations and principles mentioned in the "**Best Practices of Companies Listed on the Warsaw Stock Exchange**" document are applied in the company.

Identification of the corporate governance code to which the company is subject

The company is subject to the corporate governance rules "Best Practices of Companies Listed on the Warsaw Stock Exchange 2021" (hereinafter: DPSN2021), as specified by Resolution No. 13/1834/2021 of the Warsaw Stock Exchange S.A. Board of Directors dated March 29, 2021.

The set of corporate governance rules "Best Practices of Companies Listed on the Warsaw Stock Exchange" is publicly available on the website of the Warsaw Stock Exchange S.A. at the following address: <https://www.gpw.pl/dobre-praktyki2021>.

Identification of the corporate governance principles from which the Company has deviated within the corporate governance code

On July 30, 2021, the Board of Directors of ELEKTROTIM S.A., in accordance with § 29(3) of the Warsaw Stock Exchange (GPW) Rules, disseminated information via the EBI system **concerning the company's adherence** to the principles outlined in the Best Practice for GPW Listed Companies 2021.

On April 14, 2023, a new Corporate Declaration was filed stating that the company does not adhere to 7 of the DPSN2021 principles. The new Declaration was submitted following the adoption of the Company's Strategy for 2023-2025 and its publication on the website.

As of December 31, 2023, the company did not apply 7 of the DPSN2021 principles, specifically: 1.2.; 1.4.2.; 2.1.; 2.2.; 2.11.6.; 4.1.; 4.3.

1.2. The company provides access to its financial results in the periodic report as soon as possible after the end of the reporting period. If this is not possible for justified reasons, the company promptly publishes at least preliminary estimated financial results.

This principle is not applied.

As a rule, the Company does not publish financial forecasts or preliminary estimated financial results. Financial results are disclosed in periodic reports submitted within the deadlines set by the Company, in accordance with § 80(1) of the Regulation of the Minister of Finance of March 29, 2018, on current and periodic information provided by issuers of securities and the conditions for recognizing information required by the laws of a non-member state as equivalent. In the Company's opinion, publishing preliminary estimated financial results (which could undergo significant changes upon later verification) would carry a high risk of misleading investors. In the future, the Company will aim to publish financial results in periodic reports as soon as possible after the end of the reporting period and upon obtaining verified data regarding the financial outcomes.

1.4.2. Present the value of the pay equity ratio for its employees, calculated as the percentage difference between the average monthly salary (including bonuses, awards, and other allowances) of women and men for the past year, and provide information on actions taken to eliminate any disparities in this regard. This should include a presentation of the associated risks and the timeframe within which achieving pay equity is planned.

This principle is not applied.

The Company's comment:

The pay equity ratio is not published.

Pay equity can be applied when comparing employees with identical qualifications, experience, and aptitudes assigned to identical tasks. The Company identifies such situations as extremely rare. Therefore, the Company makes efforts to ensure that any statistical difference in wage levels arises solely from differences in education, work contribution, skills, and employee attitude, as well as the nature of the assigned tasks, and not from the employee's gender.

2.1. The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy defines goals and diversity criteria in areas such as gender, field of education, specialized knowledge, age, and professional experience. It also specifies the timeframe and method for monitoring the achievement of these goals. In terms of gender diversity, ensuring diversity within the company's bodies requires a minority representation in the respective body at a level not lower than 30%.

This principle is not applied.

The Company's comment:

The Company does not have a 'Diversity Policy' for the management board or the supervisory board. The principles for selecting personnel and the composition of bodies do not consider gender but focus solely on the qualifications and professional experience of candidates to ensure the recruitment of the best individuals for the positions, regardless of their gender.

2.2. Individuals making decisions regarding the selection of members of the management board or the supervisory board should ensure the diversity of these bodies by choosing individuals who contribute to diversity. This includes achieving a target minimum minority participation rate of no less than 30%, in accordance with the goals set forth in the adopted diversity policy mentioned in Principle 2.1.

This principle is not applied.

The Company's comment:

The Company does not have a 'Diversity Policy' for the management board or the supervisory board. The principles for selecting personnel and the composition of the bodies do not consider gender but focus solely on the qualifications and professional experience of candidates to ensure the recruitment of the best individuals for the positions, regardless of their gender.

2.11. Apart from the activities resulting from legal regulations, once a year the supervisory board prepares and presents an annual report to the ordinary general meeting for approval. The report mentioned above contains at least:

(...)

2.11.6. Information on the degree of implementation of the diversity policy concerning the management board and the supervisory board, including the achievement of the goals mentioned in Principle 2.1.

This principle is not applied.

The Company's comment:

The Company does not have a 'Diversity Policy' for the management board or the supervisory board. The principles for selecting personnel and the composition of the bodies do not consider gender but focus solely on the qualifications and professional experience of candidates to ensure the recruitment of the best individuals for the positions, regardless of their gender.

4.1. The Company should enable shareholders to participate in the general meeting using electronic means of communication (e-meeting), if justified by the expectations of the shareholders reported to the Company, provided that the company can ensure the technical infrastructure necessary to conduct such a meeting.

This principle is not applied.

The Company's comment:

The Company does not apply the above principle due to the risk of challenges to the resolutions of the General Meeting resulting from possible interruptions in access to the proceedings caused by technical failures or disruptions. This is primarily to prevent the risk from being transferred to shareholders concerning the reception of transmissions, communication, or exercising voting rights. In 2016, the General Meeting of the Company adopted a resolution (Resolution No. 28/WZA/2016 of June 7, 2016, regarding the application of DPSN2016 in ELEKTROTIM S.A.) to exclude the application of principles related to the above, including real-time two-way communication during the General Meeting.

4.3. The Company provides a publicly accessible real-time transmission of the general meeting proceedings.

This principle is not applied.

The Company's comment:

In 2016, the General Meeting of the Company adopted a resolution (Resolution No. 28/WZA/2016 of June 7, 2016, regarding the application of DPSN 2016 in ELEKTROTIM S.A.) to exclude the principle of providing a publicly accessible real-time transmission of the General Meeting proceedings.

8.2. Description of internal control and risk management systems in relation to financial statements and consolidated financial statements

Description of the main features of the internal control and risk management systems implemented in the company regarding the preparation of financial statements and consolidated financial statements

In accordance with the Regulation of the Minister of Finance of March 29, 2018, on current and periodic information provided by issuers of securities and the conditions for recognizing information required by the laws of a non-member state as equivalent (Journal of Laws 2018, item 757), the Management Board of ELEKTROTIM S.A. is responsible for the internal control system and its effectiveness with regard to the process of preparing financial statements.

The company has an internal control and risk management system in place. Priority tasks within these processes include **ensuring the safety of employees and the Group's assets, as well as ensuring compliance with legal regulations and shareholder interests. To effectively and efficiently achieve these goals**, the Group operates an Internal Control System. This system encompasses all procedures, processes, and activities integrated into daily operations and used in management and decision-making processes, aiming **to prevent errors, abuses, and other irregularities**.

To enhance the effectiveness of the entire system and reduce risk, the Group has implemented a **multi-level control mechanism**. The various levels of the verification process are closely interconnected and mutually complementary. The process consists of **three main stages**, each playing a different role in the management and internal control process.

First level of protection and control – OPERATIONAL MANAGEMENT

This stage is carried out **by individual organizational units** as part of their daily operations. Managers of the respective organizational units **develop and refine procedures** that incorporate control mechanisms **to mitigate the standard risks of day-to-day activities**.

Second level of protection and control – MONITORING AND SUPERVISION

This level includes risk management and ensuring compliance with **the Group's objectives and assumptions**, as well as overseeing the efficiency of **managing the Group's assets**. It is executed through management processes by **mid- and senior-level managers** who **supervise, coordinate, and control** the solutions developed in the first stage by the managers and employees of the organizational units. Activities at the second level of protection **are conducted in close cooperation** with individuals operating at the first level and are **adapted to the evolving objectives of the organization and market requirements**

Third level of protection and control – AUDIT AND INTERNAL CONTROL

Internal audit is a complementary component of the internal control system, whose main objective is to ensure the security of the Group's assets and the compliance of activities with legal regulations and the interests of shareholders.

Internal audit within the Group is carried out by the Audit Committee of the Company's Supervisory Board and by a specialized audit and control unit.

Due to the **critical role of Internal Audit** in managing the organization, the Group has a dedicated organizational unit. Annually, in accordance with the **audit plan, audits of key areas of the Group's operations** are conducted. In addition to planned audits, **ad hoc audit activities** are also carried out **without prior notice**, based on the specific nature of a given area or a particular urgent need.

Supervision over the preparation of consolidated and individual financial statements is carried out by the person responsible for maintaining the accounting records of the parent company, namely the Chief Accountant of the parent company. The Accounting Department of the parent company is responsible for preparing the individual and consolidated financial statements.

The consolidated financial statement is prepared based on the financial statement of the parent company and the financial statements of the entities controlled by the parent company.

The financial statements of the subsidiaries, after adjustments for compliance with International Financial Reporting Standards (IFRS), are prepared based on uniform accounting principles applied to transactions and economic events of a similar nature.

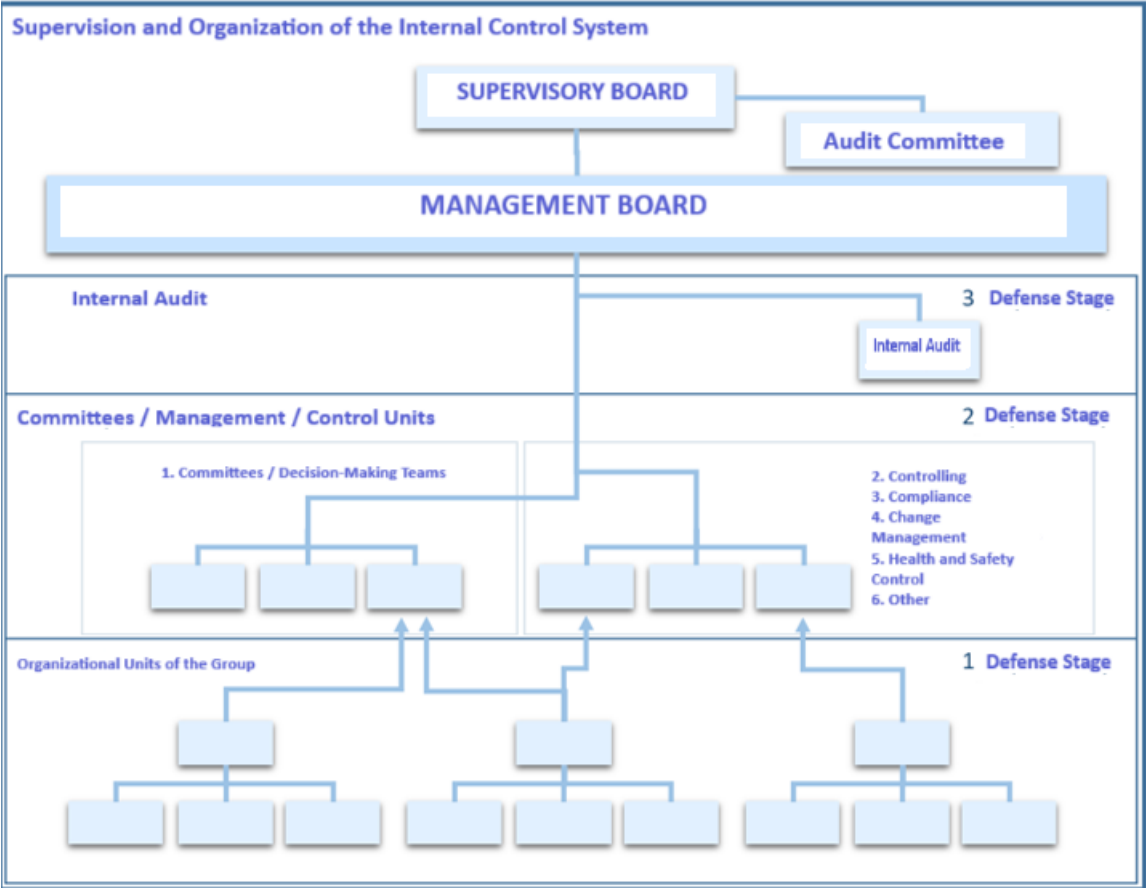
To ensure uniform accounting principles, the Accounting Policy implemented by the Company has been communicated to the companies within the ELEKTROTIM Capital Group for use in preparing consolidation packages.

The published semi-annual and annual individual and consolidated financial statements, as well as the financial data underlying these reports, are reviewed or audited by an independent auditor.

The results of the review or audit are presented by the auditor to the Company's Management Board, the Audit Committee, the Supervisory Board, and the General Meeting of ELEKTROTIM S.A.

Organization of the Audit Committee under the Supervisory Board

- The members of the Audit Committee meet the independence criteria
- The primary purpose of the Audit Committee is to support the Supervisory Board, as the statutory body of the Company, in performing its control and supervisory duties.
- The tasks of the Audit Committee include, among others.
 - (i) **monitoring the effectiveness of internal control systems**, internal audit, and risk management, including in the area of financial reporting,
 - (ii) **overseeing and monitoring the independence of the external auditor** and the audit firm conducting the audit of the Company's financial statements,
 - (iii) **providing recommendations to the Supervisory Board and the Management Board aimed at ensuring the integrity of the financial reporting process in the Company.**



8.3. Shares and Shareholding

Indication of shareholders holding directly or indirectly substantial blocks of shares, along with the number of shares held by these entities, their percentage share in the share capital, the number of votes resulting from these shares, and their percentage share in the total number of votes at the general meeting

List of shareholders holding at least 5% of the total number of votes at the general meeting according to the information held by the Company as of December 31, 2023

The Company's shares are not privileged with respect to voting rights. Each share entitles the holder to one vote.

The list of shareholders has been prepared based on their shares in the Company's share capital amounting to PLN 9,983,009.00.

Shareholder	Number of shares	Share in share capital	Number of votes at the general meeting	Share in total number of votes at the general meeting
Krzysztof Folta with his wife Ewa Folta	1,721,864	17.25%	1,721,864	17.25%
Krzysztof Wieczorkowski	1,319,534	13.22%	1,319,534	13.22%
Allianz Polska OFE	979,236	9.81%	979,236	9.81%
Mirosław Nowakowski	608,030	6.09%	608,030	6.09%
Nationale Nederlanden PTE S.A.	584,244	5.85%	584,244	5.85%

On January 9, 2023, the Company received a notification, prepared pursuant to Article 69 in connection with Article 87(1)(2b) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and on Public Companies, from Powszechne Towarzystwo Emerytalne Allianz Polska S.A., managing Allianz Polska Open Pension Fund, hereinafter referred to as Allianz OFE, and managing Allianz Polska Voluntary Pension Fund, hereinafter referred to as Allianz DFE. The notification stated that as a result of the merger on December 30, 2022, based on Article 67 of the Act of August 28, 1997, on the Organization and Operation of Pension Funds (consolidated text: Journal of Laws of 2020, item 105, as amended; the "Pension Funds Act") and Article 492 § 1(1) of the Commercial Companies Code (KSH), with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna, managing the Second Allianz Polska Open Pension Fund (Second Allianz OFE), the share in the share capital and the total number of votes of the ELEKTROTIM S.A. Company on the accounts of Allianz OFE, Allianz DFE, and Second Allianz OFE increased above 5%.

According to the received notification, before the merger, a total of 0 shares were recorded on the accounts of Allianz OFE and Allianz DFE, representing a 0.00% share in the Company's share capital, which entitled the holder to 0 votes from the shares, constituting a 0.00% share in the total number of votes at the Company's General Meeting.

On the account of the Second Allianz OFE, there were 979,236 shares recorded, representing a 9.81% share in the Company's share capital, which entitled the holder to 979,236 votes from the shares, constituting a 9.81% share in the total number of votes at the Company's General Meeting.

According to the received notification, after the merger, the total on the accounts of Allianz OFE, Allianz DFE, and Second Allianz OFE reached 979,236 shares, representing a 9.81% share in the Company's share capital, which entitles the holder to 979,236 votes from the shares, constituting a 9.81% share in the total number of votes at the Company's General Meeting.

Indication of holders of any securities that grant special control rights, along with a description of those rights

None of the shareholders holding shares in ELEKTROTIM S.A. have special control rights with respect to the Company.

Indication of any restrictions on the exercise of voting rights, such as limitations on the exercise of voting rights by holders of a specified portion or number of votes, time restrictions on the exercise of voting rights, or provisions under which capital rights associated with the securities are separated from the ownership of the securities with the company's cooperation

There are no restrictions on the exercise of voting rights in the Company.

Indication of any restrictions on the transfer of ownership of the Company's securities

There are no restrictions on the transfer of ownership of the Company's securities.

Description of the rules for the appointment and dismissal of management personnel and their powers, particularly the authority to decide on the issuance or redemption of shares

The rules for the appointment and dismissal of management personnel and their powers are described in section 8.7 of the Report.

The Management Board does not have the authority to decide on the issuance or redemption of shares. Such powers belong to the General Meeting and require the adoption of an appropriate resolution in this regard.

Information about agreements known to the issuer, including those concluded after the balance sheet date, which may result in future changes in the proportions of shares held by the existing shareholders and bondholders

The Issuer is not aware of any agreements that may result in future changes in the proportions of shares held by the existing shareholders.

Information about the control system for employee stock option plans

In 2023, no employee stock option plans were conducted.

Agreements concluded between shareholders

The Parent Entity, i.e., ELEKTROTIM S.A., is not aware of any agreements concluded in 2023 between the Company's shareholders.

8.4. Dividend policy and dividends

Description of the dividend policy

In the first half of 2023, the Company adopted a new dividend policy as part of its new Strategy for 2023-2025.

According to the adopted Policy, the Company's Management Board, after obtaining a positive opinion from the Supervisory Board, will recommend to the Ordinary General Meeting of ELEKTROTIM S.A. the payment of a dividend amounting to 50% to 75% of the standalone net profit.

When determining the value of the dividend recommended by the Management Board, the following factors, among others, are considered: business assessment, development prospects and related investment needs of the Company and the Group, liquidity situation, cost of debt financing, ability to obtain financing for existing and future liabilities, the need to maintain debt at a safe level, and an analysis of the current and forecasted market situation.

Dividend payment

On June 20, 2023, the Ordinary General Meeting of the Company allocated an amount of PLN 14,974,513.50 for the payment of dividends to shareholders, i.e., PLN 1.50 per share of ELEKTROTIM S.A., which represented approximately 65% of the net profit of ELEKTROTIM S.A. for the year 2022.

The dividend was paid on July 28, 2023, and was entitled to shareholders holding the Company's shares as of July 7, 2023.

The dividend paid in 2023 was the first dividend distributed by the Company since 2017.

8.5. Investor relations

Information Policy on investor relations

The shares of ELEKTROTIM S.A. have been listed on the main market of the Warsaw Stock Exchange (GPW) S.A. since 2007. During this period, the Company has pursued the primary goal of its Information Policy on investor relations, which is to ensure equal access to information about the Company, considering the needs of its stakeholders and in compliance with legal regulations. An appropriate Information Policy enables potential investors to make investment decisions with a defined exposure to risk.

Through its Information Policy, the Company aims to ensure that investors have access to reliable data and information, striving for the market valuation of its shares to reflect the current state of the Company along with its substantiated prospects. The Information Policy on Investor Relations within the ELEKTROTIM Capital Group sets the standards for disseminating information about ELEKTROTIM S.A. and the ELEKTROTIM Capital Group to the public and establishes the standards for communication with capital market participants.

The activities of ELEKTROTIM S.A. within the framework of the Information Policy on investor relations include:

1. Reports submitted to the Financial Supervision Authority, the Warsaw Stock Exchange, and the Polish Press Agency,
2. Written statements provided in annual, semi-annual, and quarterly reports,
3. Announcements,
4. Investor conferences,
5. Letters to shareholders,
6. Public statements,
7. Press conferences,
8. Meetings with analysts,
9. Presentations and other information posted on the Company's website.

Report on the implementation of the Information Policy on investor relations by ELEKTROTIM S.A. in 2023

In 2023, 41 current reports were published, including 19 reports identified as price-sensitive (inside information – Article 17(1) of the Market Abuse Regulation), and one report containing the disclosure of delayed inside information (the submission by the Management Board of the subsidiary ZEUS S.A. of a bankruptcy petition for the subsidiary ZEUS).

In 2023, the Company published its strategy for 2023-2025. The adopted Strategy is focused on long-term, stable, and sustainable development, ensuring the growth of the Company's value.

After the publication of the strategy for 2023-2025 and the periodic reports, five press teleconferences and five open group teleconferences with investors and analysts/fund managers were held. During these sessions, the Management Board of ELEKTROTIM S.A. presented the current financial results and the situation of the Company and the Capital Group.

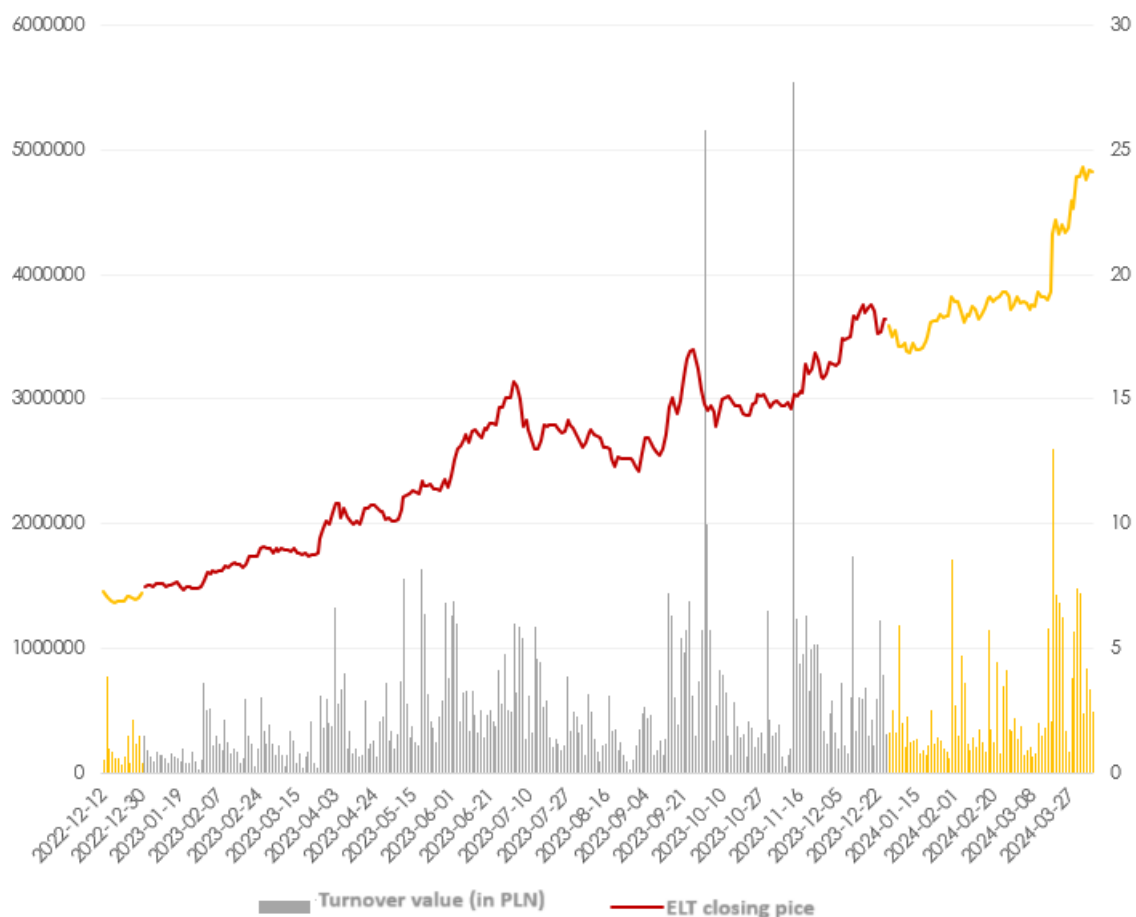
The Company actively maintains an investor relations section, which is regularly updated with information and documents. This section includes, among other things, current and periodic reports, financial information, shareholder structure details, documents related to general meetings, corporate governance information, and presentations and materials for investors.

In 2023, approximately 1,400 materials or mentions about the Company were published, both in print media and on the Internet.

The Company is included in the Exchange Analytical Coverage Support Program 4.0 conducted by the Warsaw Stock Exchange (GPW S.A.), which increases the availability of information about the Company and influences the process of making informed investment decisions by potential investors. Experts from the brokerage house DM BDM develop and issue recommendations regarding the Company's performance and the price of ELEKTROTIM shares.

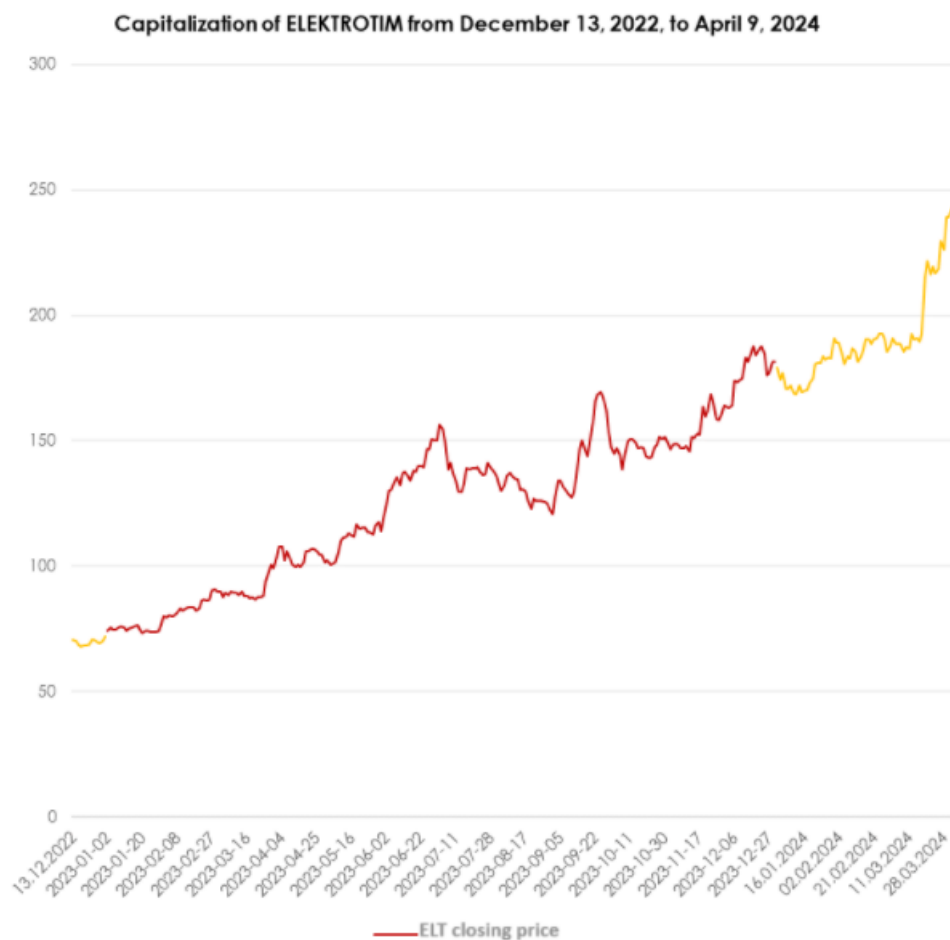
In 2023, 14 analytical reports on the ELEKTROTIM Capital Group were published by the brokerage house DM BDM, including the following reports recommending the price of ELEKTROTIM shares (reports prepared within the framework of the Exchange Analytical Coverage Support Program):

Date of DM BDM Report	Recommendation	Share Price Target in PLN
10.05.2023	„buy”	13.0
13.06.2023	„buy”	15.8
10.10.2023	„buy”	17.1
04.01.2024	„amass”	19.1



In 2023, the stock price of ELEKTROTIM achieved a return of approximately 144%.

The trading volume of shares reached 9,662,996, while the trading value approached approximately 125 million PLN. The highest price during this period was 18.80 PLN, and the lowest was 7.36 PLN.



ELEKTROTIM started 2023 with a market capitalization of approximately 74 million PLN and ended the year at around 182 million PLN (an increase of 144%).

The highest market capitalization during this period was 187.7 million PLN, and the lowest was 73.5 million PLN.

Shares of ELEKTROTIM in sWIG80

Throughout 2023, the trading volume of shares amounted to approximately 140 million PLN.

On December 15, 2023, a quarterly adjustment of stock index portfolios was conducted, resulting in the Company's shares being included in the sWIG80 index (previously, ELEKTROTIM shares were listed in the WIG and WIG Construction indices).

8.6. Articles of Association and General Meeting

Amendment to the Articles of Association

An amendment to the Articles of Association requires a resolution of the General Meeting adopted by a three-fourths majority of votes (Article 415 § 2 of the Commercial Companies Code) and an entry in the register of entrepreneurs of the National Court Register

General Meeting

Operation of the General Meeting and its fundamental powers, as well as a description of shareholder rights and the manner of their exercise, particularly the rules derived from the regulations of the General Meeting, if such regulations have been adopted, provided that this information is not directly derived from legal provisions

The General Meeting of ELEKTROTIM S.A. operates based on:

- The Commercial Companies Code,
- The Articles of Association of ELEKTROTIM S.A.,
- The Regulations of the General Meeting of ELEKTROTIM S.A.

The Ordinary General Meeting is held no later than six months after the end of the financial year, i.e., by the end of June. In 2023, the Ordinary General Meeting of M S.A. took place on June 20, 2023.

According to the Articles of Association of ELEKTROTIM S.A., resolutions of the General Meeting are required for matters listed in the Commercial Companies Code, and in particular for:

1. Reviewing and approving the Management Board's report on the Company's activities,
2. Reviewing and approving the Company's financial statements,
3. Reviewing and approving the report on the activities of the Capital Group,
4. Reviewing and approving the consolidated financial statements of the Capital Group,
5. Adopting a resolution on the distribution of profit or coverage of loss,
6. Granting discharge to the Members of the Company's governing bodies for the performance of their duties,
7. Changing the Company's scope of activities,
8. Amending the Company's Articles of Association,
9. Decisions regarding claims for redress of damage caused during the formation of the Company or in the exercise of supervision or management,
10. Sale or lease of the enterprise or an organized part thereof and the establishment of a limited property right on them,
11. Issuing convertible bonds or bonds with pre-emptive rights and issuing subscription warrants,
12. Dissolution and liquidation of the Company,
13. Merging with another Company,
14. Electing the Chairman of the Supervisory Board, then the Members of the Supervisory Board, and determining their remuneration,
15. Dismissing Members of the Management Board before the end of their term or suspending them,
16. Dismissing Members of the Supervisory Board before the end of their term,

17. Electing and dismissing liquidators and determining their remuneration,
18. Setting the dividend date and the dividend payment date.

Description of selected rights of the Company's shareholders

Each shareholder has the same rights and obligations related to participation in the General Meeting. It is not permissible to limit the rights of shareholders or to favor them based on the number of shares they hold.

Shareholder's right to request inclusion of matters on the agenda

A shareholder or shareholders of a public company representing at least one-twentieth of the share capital may, before the date of the General Meeting, submit to the company in writing or using electronic means of communication, draft resolutions concerning matters included in the agenda of the General Meeting or matters that are to be included in the agenda. The company shall promptly announce the draft resolutions on its website.

Shareholder's right to submit draft resolutions during the General Meeting

Each shareholder may submit draft resolutions concerning matters included in the agenda during the General Meeting, but no later than before the voting on the proposed resolution begins. The draft resolution should be submitted in writing to the Chairman of the General Meeting. If a submitted draft resolution does not meet formal requirements, the Chairman may decide not to put the draft resolution to a vote or, after seeking legal advice, may finalize the wording of the submitted proposal. Alternatively, the final wording of the submitted proposal may be completed by a motion committee, which the Chairman may appoint if a significant number of proposals are submitted during the meeting. The motion committee will finalize the wording of the draft resolutions to be voted on.

Proxy

Shareholders may participate in the General Meeting and exercise their voting rights either in person or by proxy. A proxy authorizing participation in the General Meeting and the exercise of voting rights must be granted in writing or in electronic form, under penalty of nullity. Granting a proxy in electronic form does not require a secure electronic signature verified using a valid qualified certificate.

If the proxy at the Company's General Meeting is a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of the Company, or a member of the governing bodies or an employee of a subsidiary or cooperative of the Company, the proxy may authorize representation at only one General Meeting. The proxy is obliged to disclose to the shareholder any circumstances indicating the existence or possibility of a conflict of interest. The granting of further sub-proxies is excluded.

Participation of Management Board members, Supervisory Board members, and other persons in the General Meeting

Members of the Supervisory Board and the Management Board have the right to participate in the General Meeting.

At the invitation of the Management Board, auditors and experts may attend the meeting if their participation is deemed necessary for providing opinions on the matters under consideration. Representatives of the media who have obtained accreditation from the Company's

Management Board are also allowed to attend the General Meeting. Accreditation is granted to media representatives who have notified the Management Board of their intention to participate in the General Meeting.

The General Meeting is valid and can adopt resolutions regardless of the number of shareholders and shares represented at the meeting. Each share entitles the holder to one vote at the General Meeting.

The Regulations of the General Meeting, which outline its procedures and shareholder rights, are available on the ELEKTROTIM S.A. website.: <https://www.ELEKTROTIM.pl/relacje-inwestorskie/statuty-i-regulaminy>

8.7. Management Board and Supervisory Board

MANAGEMENT BOARD OF ELEKTROTIM S.A.



**ARTUR
WIĘZNOWSKI**
PRESIDENT OF THE
MANAGEMENT BOARD



**DARIUSZ
KOZIKOWSKI**
MEMBER OF THE
MANAGEMENT BOARD



**KRZYSZTOF
WÓJCIKOWSKI**
MEMBER OF THE
MANAGEMENT BOARD

Composition of the Management Board and changes during the last financial year

During the period from January 1, 2023, to December 31, 2023, the Management Board of ELEKTROTIM S.A. functioned without any changes in its composition, as follows:

- | | | |
|--------------------------|---|------------------------------------|
| 1. Artur Więznowski | - | PRESIDENT OF THE MANAGEMENT BOARD, |
| 2. Dariusz Kozikowski | - | MEMBER OF THE MANAGEMENT BOARD, |
| 3. Krzysztof Wójcikowski | - | MEMBER OF THE MANAGEMENT BOARD. |

The joint three-year term of the Management Board will expire on the date of the Ordinary General Meeting of ELEKTROTIM S.A. approving the financial statements for the year 2024.

Rules for the appointment and dismissal of management personnel and their powers

Management Board of ELEKTROTIM S.A.

The governing body of ELEKTROTIM S.A. is the Management Board, which operates based on generally applicable legal regulations, including the Commercial Companies Code, as well as the Company's Articles of Association and the Regulations of the Management Board.

According to the Articles of Association, the Management Board of ELEKTROTIM S.A. consists of at least one and no more than five Members elected for a joint term by the Supervisory Board,

with one Member serving as the President of the Management Board. The President of the Management Board directs the work of the Board. The term of office of a Member of the Management Board is no longer than 5 years. The number of Members of the Management Board, the duration of their term, and their remuneration are determined by resolutions of the Supervisory Board.

The mandate of a Member of the Management Board expires:

- a) no later than on the day of the General Meeting approving the financial statements for the last full fiscal year of serving as a member of the Management Board,
- b) as a result of death,
- c) as a result of dismissal,
- d) as a result of resignation.

The Supervisory Board or the General Meeting may suspend or dismiss a Member of the Management Board before the end of their term.

The Management Board manages the affairs of the Company and represents the Company. Any matters not reserved by law or the Articles of Association to the competence of other governing bodies of the Company fall within the scope of the Management Board's activities. In the case of a multi-member Management Board, making statements on behalf of the Company, incurring liabilities, and signing contracts and other documents require the cooperation of two Members of the Management Board or one Member of the Management Board together with a commercial proxy. Resolutions of the Management Board are adopted by an absolute majority of votes. In the event of a tie, the Chairman of the Management Board has the casting vote. The Management Board's regulations are adopted by the Management Board of the Company and approved by the Supervisory Board. In an agreement between the Company and a Member of the Management Board, as well as in a dispute with them, the Company is represented by the Supervisory Board or a representative appointed by a resolution of the General Meeting.

The Management Board's responsibilities include:

1. appointing and dismissing commercial proxies,
2. appointing and dismissing representatives of the Management Board for specific matters,
3. submitting motions to the Supervisory Board to convene its meetings,
4. distributing advances on anticipated dividends to shareholders, after meeting the prerequisites and in accordance with the procedure specified in Article 349 of the Commercial Companies Code.
5. making decisions on all matters not reserved for the Supervisory Board and the General Meeting.

Any agreements concluded between the Company and its management personnel that provide for compensation in the event of their resignation or dismissal from their position without valid reason, or if their dismissal or removal occurs due to the merger of the Company by acquisition

Members of the Management Board who are on Director positions within the Company are employed based on employment contracts. These employment contracts do not provide for any special benefits to be paid at the time of termination of the employment relationship with the aforementioned individuals.

Members of the Management Board who are on Director positions within the Company are parties to non-compete agreements during and after the termination of their employment relationship.

Compensation Policy - Report on the "Compensation Policy"

In accordance with the obligation resulting from Article 90d of the Act of July 29, 2005, on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the Ordinary General Meeting of ELEKTROTIM S.A. on June 30, 2020, by Resolution No. 23/WZA/2020, adopted the "Compensation Policy for Members of the Management Board and Supervisory Board of ELEKTROTIM S.A.", which was amended in 2021 and 2022 by resolutions of the Ordinary General Meeting of ELEKTROTIM S.A.

The "Compensation Policy for Members of the Management Board and Supervisory Board of ELEKTROTIM S.A." was developed based on the following:

1. Article 90d of the Act on Public Offering;
2. Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

The objective of the Policy is to create an organizational framework for remunerating the members of the Company's governing bodies, thereby contributing to the implementation of the business strategy, long-term interests, and stability of the Company by ensuring a consistent remuneration system. The implementation of the Policy has also increased the transparency of the principles on which the Company's management and supervisory personnel are remunerated, which can be of great significance to current and future shareholders.

General information on the adopted compensation system at the Company

In 2023, the principles of remuneration for the Members of the Management Board of ELEKTROTIM S.A. were regulated by the following:

1. "Compensation Policy for Members of the Management Board and Supervisory Board of ELEKTROTIM S.A." adopted by Resolution No. 23/WZA/2020 of the Ordinary General Meeting of ELEKTROTIM S.A. on June 30, 2020, amended on June 24, 2021, by Resolution No. 26/WZA/2021 of the Ordinary General Meeting of ELEKTROTIM S.A., and further amended on June 23, 2022, by Resolution No. 26/WZA/2022 of the Ordinary General Meeting of ELEKTROTIM S.A. (hereinafter referred to as the "Compensation Policy");
2. Resolutions of the Supervisory Board,
3. Employment Regulations of ELEKTROTIM S.A. (Regulamin Pracy ELEKTROTIM S.A.) and Compensation Regulations of ELEKTROTIM S.A. (Regulamin Wynagradzania ELEKTROTIM S.A.), applicable due to the employment of certain Members of the Management Board as employees (e.g., managing directors) in the Company.

The value of remuneration, awards, or benefits, including those arising from incentive or bonus programs based on the issuer's capital, particularly those based on priority bonds, convertible bonds, subscription warrants, in cash, in kind, or any other form, paid, due, or potentially due, separately for each of the managing, supervising, or administrative members of the issuer in the issuer's enterprise, regardless of whether they were included in costs or resulted from profit

distribution. If the issuer is a parent company, significant investor, partner of a co-subsiary, or a party to a joint arrangement as defined by the applicable accounting regulations of the issuer, separate information on the value of remuneration and awards received for serving in the governing bodies of subordinate entities should be provided. If the relevant information has been presented in the financial statements, the obligation is deemed fulfilled by indicating the place of its inclusion in the financial statements;

The compensation system for Members of the Management Board of ELEKTROTIM S.A. includes the following key elements:

- fixed monthly remuneration for serving as a Member of the Management Board (fixed component),
- annual bonus dependent on the achievement of strategic goals (variable component),
- fixed monthly salary from employment contract (fixed component),
- financing contributions to Employee Pension Program and Employee Capital Plans (fixed component; derivative of work compensation)
- incentive benefits, non-cash benefits (e.g., private use of company car), and other benefits (variable component).

The remuneration data for each member of the Management Board of ELEKTROTIM S.A. categorized into: the portion received for serving as a Member of the Management Board and the portion related to their employment in the company in a job position, expressed in PLN

	Period of office	Remuneration for board appointment (in PLN)		Remuneration from employment contract (in PLN)		Total remuneration (in PLN)
		fixed	variable	fixed	variable	
Name of Management Board Member/ position		1a	2a	1b	2b	
Artur Więznowski President of the Management Board	01.01.2023 31.12.2023	300,000.00	504,000.00	372,000.00	34,800.00	1,210,800.00
Dariusz Kozikowski Member of the Management Board	01.01.2023 31.12.2023	168,000.00	504,000.00	343,416.00	34,800.00	1,050,216.00
Krzysztof Wójcikowski Member of the Management Board	01.01.2023 31.12.2023	168,000.00	0.00	429,005.02	605,423.76*	1,202,428.78
Ariusz Bober** President of the Management Board in 2022	01.01.2022 13.12.2022	0.00	672,000.00	0.00	0.00	672,000.00
TOTAL		636,000.00	1,680,800.00	1,144,421.02	675,023.76	4,135,444.78

* Mr. Krzysztof Wojcikowski, who was employed as a Division Director in 2022, received in 2023, a realization commission in the amount of PLN 570,623.76 under his employment contract.

** Mr. Ariusz Bober, who served on the Management Board from 01.01.2022 to 13.12.2022, received in 2023 a bonus for meeting the Board's goals for 2022.

Information on remuneration received by Members of the Management Board of ELEKTROTIM S.A. for roles in subsidiary governing bodies

Name of Management Board Member / role in the Supervisory Board	Name of the Company of the Capital Group	Period of office	Due, unpaid remuneration in 2023 (gross, PLN)	Remuneration due, paid in 2023 (gross, PLN)	Total remuneration gross in PLN
Artur Więżnowski Chairman of the Supervisory Board	ZEUS S.A.	01.01.2023 - 31.12.2023	5,500.00	500.00	6,000.00
Dariusz Kozikowski Member of the Supervisory Board	ZEUS S.A.	01.01.2023 - 31.12.2023	2,500.00	500.00	3,000.00

Information on any obligations arising from pensions and benefits of a similar nature for former managing members, supervisory members, or former members of administrative bodies, and obligations incurred in connection with these pensions, specifying the total amount for each category of body; if the relevant information has been presented in the financial statement, the obligation is considered fulfilled by indicating the location of its inclusion in the financial statement;

The company has no obligations arising from pensions and benefits of a similar nature for former managing and supervisory members.

Information on non-financial compensation entitlements for individual Management Board Members and key managers

The monetary and non-monetary benefits for members of the Management Board who are employed by the Company under an employment contract include:

1. incentive benefits, as specified in the Supervisory Board resolution, include a designated monetary amount for personal and family expenses as well as expenses related to health, leisure, insurance, participation in sports activities, etc.;
2. use of a company car for private purposes for an additional fee;
3. use of technical devices such as a company phone and computer for free private use;
4. financial support for learning foreign languages, in accordance with the company's policies.

Determination of the total number and nominal value of all Company shares held by managing persons

The total number of shares of ELEKTROTIM S.A. is 9,983,000 bearer shares with a nominal value of 1.00 PLN each.

Name and function	Number of shares in ELEKTROTIM SA	PercentagesShare in the Company's share capital (and votes at the General Meeting)
Dariusz Kozikowski – Member of the Management Board	4,980	0.05%

The shareholding status of the Company's managing persons did not change during the period from January 1, 2023, to December 31, 2023.

Total number and nominal value of shares and stakes in affiliated entities of ELEKTROTIM S.A. held by managing persons

The ELEKTROTIM S.A. Company is affiliated with ZEUS S.A. and OSTOYA-DataSystem Sp. z o.o.

As of December 31, 2023, the members of the Management Board of ELEKTROTIM S.A. do not hold any shares or stakes in the affiliated entities of ELEKTROTIM S.A.

SUPERVISORY BOARD OF ELEKTROTIM S.A.



MACIEJ POSADZY

CHAIRMAN OF THE SUPERVISORY BOARD



JAN WALULIK

MEMBER OF THE SUPERVISORY BOARD



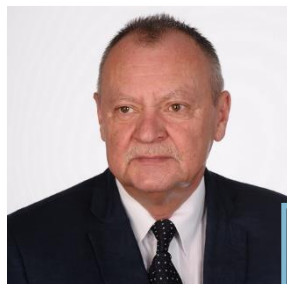
KRZYSZTOF KACZMARCZYK

MEMBER OF THE SUPERVISORY BOARD



MAREK GABRYJELSKI

MEMBER OF THE SUPERVISORY BOARD



LESŁAW KULA

MEMBER OF THE SUPERVISORY BOARD

Personnel of the Supervisory Board and changes during the last financial year

During the period from January 1 to December 31, 2023, the Supervisory Board of ELEKTROTIM S.A. operated with the following unchanged composition:

Chairman of the Supervisory Board	-	Maciej Posadzy
Deputy Chairman of the Supervisory Board	-	Krzysztof Kaczmarczyk
Secretary of the Supervisory Board	-	Lesław Kula
Member of the Supervisory Board	-	Marek Gabryjelski
Member of the Supervisory Board	-	Jan Walulik

On the date of the Ordinary General Meeting of ELEKTROTIM S.A. that approved the Company's financial statements for the year 2022, which took place on June 20, 2023, the mandate of the Chairman of the Supervisory Board, Mr. Maciej Posadzy, expired. As a result of the elections held, Mr. Marek Posadzy was reappointed to the Supervisory Board of ELEKTROTIM S.A.

As of December 31, 2023, the terms of office for the members of the Supervisory Board are as follows:

- a) Chairman of the Supervisory Board Maciej Posadzy - elected for a term that will expire no later than the day of the general meeting approving the Company's financial statements for the year 2025,
- b) Member of the Supervisory Board Marek Gabryjelski - elected for a term that will expire no later than the day of the general meeting approving the Company's financial statements for the year 2024,
- c) Member of the Supervisory Board Krzysztof Kaczmarczyk - elected for a term that will expire no later than the day of the general meeting approving the Company's financial statements for the year 2023,
- d) Member of the Supervisory Board Lesław Kula - elected for a term that will expire no later than the day of the general meeting approving the Company's financial statements for the year 2024,
- e) Member of the Supervisory Board Jan Walulik - elected for a term that will expire no later than the day of the general meeting approving the Company's financial statements for the year 2023.

Election of the Supervisory Board

According to the Articles of Association of the Company, the Supervisory Board consists of five Members. The General Meeting appoints and dismisses the Chairman of the Supervisory Board as well as its Members. Each Member of the Supervisory Board is appointed by a separate resolution of the General Meeting, which also specifies the term of their mandate. The term of a Supervisory Board Member cannot exceed five years. The duration of each Member's term, as well as the remuneration of the Chairman and the Members of the Supervisory Board, are determined by resolutions of the General Meeting.

Competencies of the Supervisory Board

The Supervisory Board exercises continuous oversight over all aspects of the Company's activities.

The specific duties of the Supervisory Board include:

1. Evaluating the Management Board's report on the Company's operations for the past financial year in terms of compliance with books and documents, as well as with the actual situation,
2. Evaluating the Company's financial statements for the past financial year in terms of compliance with books and documents, as well as with the actual situation,
3. Evaluating the report on the operations of the Capital Group for the past financial year in terms of compliance with books and documents, as well as with the actual situation,
4. Evaluating the consolidated financial statements of the Capital Group for the past financial year in terms of compliance with books and documents, as well as with the actual situation,
5. Evaluating the management's proposals regarding the distribution of profits or coverage of losses,
6. Submitting an annual written report on the activities of the Supervisory Board to the General Meeting,
7. Reviewing and providing opinions on matters to be considered at the General Meeting,
8. Selecting an auditor to audit the financial statements of the Company and the Capital Group,
9. Approving annual business plans and long-term development plans for the company,
10. Appointing and dismissing Members of the Management Board and determining their remuneration,
11. Suspending, for valid reasons, individual or all Members of the Management Board from their duties,
12. Delegating a Member or Members of the Supervisory Board, for a period not exceeding three months, to temporarily perform the duties of members of the management board who have been dismissed, resigned, or are otherwise unable to perform their duties,
13. Adopting the Rules of Procedure of the Supervisory Board,
14. Approving the Rules of Procedure of the Management Board,
15. Giving consent to incur a loan, borrowings, as well as issuing bonds, excluding convertible bonds or bonds with pre-emptive rights, with a total value exceeding 20% of the company's equity as shown in the latest approved financial statements of the Company,
16. Giving consent to acquire or dispose of fixed assets with a value exceeding 10% of the company's equity as shown in the latest approved financial statements of the Company,
17. Giving consent to acquire, subscribe to, and dispose of shares or stocks in commercial companies, as well as to join and withdraw from commercial and civil partnerships,
18. Giving consent to acquire or dispose of real estate, perpetual usufruct rights, or shares in real estate or perpetual usufruct,

19. Giving consent to grant loans, guarantees, or other encumbrances on the Company's assets to third parties,
20. Giving consent to enter into a significant, non-standard transaction/contract with an affiliated entity on non-market terms (non-routine),
21. Other matters assigned to the Supervisory Board by mandatory legal regulations,
22. Giving consent for Members of the Company's Management Board to sit on the Management or Supervisory Boards of companies outside the Company's Capital Group,
23. Specifying, in the form of rules, detailed principles for participation in Management Board meetings using means of direct remote communication;
24. Specifying, in the form of rules, detailed principles for participation in Supervisory Board meetings using means of direct remote communication;
25. Specifying, in the form of rules, detailed principles for participation in the General Meeting using electronic communication means.

Remuneration of the Supervisory Board of ELEKTROTIM S.A.

1. The remuneration for the Members of the Supervisory Board is determined by a resolution of the General Meeting of the Company.
2. Members of the Supervisory Board receive a fixed monthly salary.
3. A detailed report on the remuneration of the Supervisory Board of ELEKTROTIM S.A. for 2023 will be included in the "Report on the Remuneration of Members of the Management Board and Supervisory Board for 2023," which will constitute a separate document.

"The following table presents the remuneration (in PLN) received by each Member of the Supervisory Board from January 1, 2023, to December 31, 2023, for their roles on the Board as well as for serving on the Audit Committee:

Name of the Member of the Supervisory Board	Function in the Supervisory Board	Total gross remuneration
Maciej Posadzy	Chairman of the Supervisory Board	103,416.67 zł
Marek Gabryjelski	Member of the Supervisory Board	102,783.34 zł
Krzysztof Kaczmarczyk	Member of the Supervisory Board	84,783.34 zł
Lesław Kula	Member of the Supervisory Board	73,875.09 zł
Jan Walulik	Member of the Supervisory Board	84,783.34 zł

The total remuneration costs for the Supervisory Board in 2023 amounted to PLN 449,641.78.

The Audit Committee

From January 1, 2023, to December 31, 2023, the Audit Committee operated with the following unchanged membership:

1. Marek Gabryjelski - Chairman of the Audit Committee, independent member
2. Krzysztof Kaczmarczyk - Member of the Audit Committee, independent member,
3. Jan Walulik - Member of the Audit Committee, dependent member.

The term of the Audit Committee began on July 5, 2022, and will end on the day of the Annual General Meeting of ELEKTROTIM S.A. that approves the financial statements for the year 2023.

The Committee, in its specified composition, met the independence criteria and other requirements specified in Article 129, paragraphs 1, 3, 5, and 6 of the Act on Statutory Auditors, Audit Firms, and Public Supervision, namely:

- a) Messrs. Marek Gabryjelski and Krzysztof Kaczmarczyk met the criteria for possessing knowledge and skills in accounting or auditing financial statements;
- b) Two members of the audit committee, Krzysztof Kaczmarczyk and Jan Walulik, had knowledge and skills in the Company's industry;
- c) Two members of the audit committee, Marek Gabryjelski and Krzysztof Kaczmarczyk, including the chairman (Marek Gabryjelski), met the statutory independence criteria.

The Audit Committee held four meetings in 2023 and passed resolutions in writing.

Audit firm selection policy

The Audit Firm Selection Policy for conducting audits is based on the Act of May 11, 2017, on Statutory Auditors, Audit Firms, and Public Supervision (Journal of Laws of 2017, item 1089). The Supervisory Board of ELEKTROTIM S.A. selects the audit firm, taking into account the recommendation of the Audit Committee. During the selection process, the Audit Committee evaluates the audit firms that have submitted offers, considering their previous relationships with the Company and its affiliates. The Committee assesses the nature and extent of relationships between these entities. During this assessment, the Audit Committee analyzes the audit firm's adherence to professional ethics, the audit team's ability to maintain professional skepticism, and their ability to remain independent when conducting various legally qualified audits for the same entity. The Audit Committee prepares a report from this assessment, which is attached to the above-mentioned recommendation. On behalf of the Company, the Management Board, authorized by the Supervisory Board of ELEKTROTIM S.A., signs the contract with the audit firm under conditions set by the Supervisory Board of ELEKTROTIM S.A. The contract can be signed for a maximum period of five years.

With the upcoming expiration of the agreement with Grant Thornton Polska Sp. z o.o. limited partnership based in Poznań for the years 2020-2021, the Supervisory Board, after receiving the Audit Committee's recommendation and in accordance with the "Procedure for selecting an audit firm for auditing the financial statements of ELEKTROTIM S.A.," approved on September 10, 2021, Grant Thornton Polska Sp. z o.o. limited partnership based in Poznań, listed under number 4055 by the National Chamber of Statutory Auditors, as the entity authorized to audit and review the financial statements of the Company and the ELEKTROTIM Capital Group for the next period, i.e., for the years 2022-2024.

The policy for the provision of permitted non-audit services by the audit firm conducting the audit, by entities affiliated with this audit firm, and by a member of the audit firm's network is based on the Act of May 11, 2017, on Statutory Auditors, Audit Firms, and Public Supervision (Journal of Laws of 2017, item 1089). To ensure the independence and objectivity of the audit firm conducting the Company's financial statement audits and its affiliates, the Company generally does not entrust other audit services to the audit firm responsible for these audits or to its affiliated entities. The Company may, however, entrust the same audit firm or its affiliates with the provision of so-called permitted non-audit services. These services can be provided on

the condition that the Company's Audit Committee assesses threats and safeguards related to independence. In making this assessment, the Audit Committee analyzes the audit firm's adherence to professional ethics, the audit team's ability to maintain professional skepticism, and their independence in conducting audits of various legal qualifications concerning the same entity.

In 2023, Grant Thornton Polska Prosta Spółka Akcyjna, the audit firm auditing ELEKTROTIM S.A.'s financial statements, provided additional non-audit services. Specifically, Grant Thornton Polska Prosta Spółka Akcyjna was chosen to review and assess the 'Report on the Remuneration of Members of the Supervisory Board and Management Board of ELEKTROTIM S.A. for 2022' for completeness of information required under Article 90g paragraphs 1-5 and 8 of the Act of July 29, 2005, on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (consolidated text: Journal of Laws of 2020, item 2080, as amended) (Public Offering Act). The Audit Committee of ELEKTROTIM S.A. evaluated the audit firm's adherence to professional ethics, the audit team's ability to maintain professional skepticism, and, most importantly, the maintenance of independence in conducting various legally qualified audits concerning the same entity. This evaluation was based on statements provided by Grant Thornton. The Committee then approved the provision of these services by the audit firm.

The service was performed in accordance with the regulations of the National Standard for Assurance Services Other than Audits and Reviews 3000 (Z), as set forth in the International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information, adopted by Resolution No. 3436/52e/2019 of the National Council of Statutory Auditors on April 8, 2019, as amended (KSUA 3000 (Z)).

The report was reviewed by the Company's General Meeting on June 20, 2023, and received a positive opinion.

Determination of the total number and nominal value of all shares in the Company held by persons supervising the Company

The total number of ELEKTROTIM S.A. shares is 9,983,009 bearer shares, each with a nominal value of 1.00 PLN.

Name and function	Number of shares of ELEKTROTIM S.A.	Percentage share in the Company's share capital and voting rights at the General Meeting
Jan Walulik – Member of the Supervisory Board	410,000	4.11%

During the period from January 1, 2023, to December 31, 2023, there were no changes in the share ownership by persons supervising the Company. Other Members of the Supervisory Board did not and do not hold any shares in the Company.

Determination of the total number and nominal value of shares and interests in affiliated entities of ELEKTROTIM S.A. held by persons supervising the Company

ELEKTROTIM S.A. was an affiliated entity with ZEUS S.A. as of December 31, 2023, and is an affiliated entity with OSTOYA-DataSystem Sp. z o.o..

As of December 31, 2023, the Members of the Supervisory Board of ELEKTROTIM S.A. do not hold any shares or interests in entities affiliated with ELEKTROTIM S.A..

The diversity policy applied to the governing, managing, and supervisory bodies of the Company considers aspects such as age, gender, education, and professional experience, goals of this diversity policy, the methods of its implementation, and its effects during the reporting period - if the Company does not apply such a policy, an explanation for this decision is provided

In the report on the application of the principles contained in the Code of Best Practice for WSE Listed Companies 2021, the Company provided the following comment regarding non-compliance with principle 2.1: The Company does not have a 'Diversity Policy' for the Management Board or the Supervisory Board. The principles of personnel selection and composition of the bodies are based solely on the qualifications and professional experience of the candidates to secure the best individuals for the positions, regardless of their gender.

9. Other disclosures required by law

Description of factors and events, including those of an unusual nature, which had a significant impact on the operations of the Company and the Group and the financial statement for 2023, including the profits earned or losses incurred in 2023

In 2023, there were no individual factors or events with a significant impact on the financial statements, except for the settlement of advance payments received for the implementation of the perimeter barrier on the Polish-Belarusian border and the continued negative trend related to the deteriorating financial situation of the subsidiary ZEUS S.A., which resulted in a bankruptcy filing. Due to its operational profile and high independence, ZEUS S.A. was reviewed for strategic options and prepared for sale outside the Group. The company faced severe issues exacerbated by inflation and lack of working capital. In the face of the failure of the process, simultaneous involvement in financing its own projects, and a sense of responsibility toward its shareholders, the scale of ZEUS S.A.'s problems made further financing of ZEUS's losses by the parent company both impossible and irrational. As mentioned earlier in this report, due to the lack of collateral, ZEUS's significant losses should be considered primarily on an accrual basis (they did not and will not involve future cash outflows). After the sale of shares in the first quarter of 2024, the negative equity will be deconsolidated and reversed in the next interim report.

In addition, the good results achieved are a consequence of executing a diversified project portfolio within the Group's companies, including the five divisions of ELEKTROTIM S.A. Therefore, these results are not derived from individual events, particularly those of an unusual nature.

Explanations regarding the seasonality or cyclicity of the issuer's activities during the reporting period

The financial results of the Company and the consolidated results of the ELEKTROTIM Capital Group exhibit seasonality. A recurring trend has been observed: losses or small profits and low sales profitability are noted in the first quarter, which progressively increase in the subsequent quarters, reaching their highest values in the third and fourth quarters. This seasonality is mainly related to the seasonal nature of construction work and the impact of weather conditions. Additionally, the seasonality is modified depending on the nature of the contracts being executed. For instance, in the case of "design and build" contracts, relatively small revenues and margin volumes related to the design work are recorded in the initial phase of the project. This is followed by an intensification of orders and implementation work up to the protocol handovers, issuance of sales invoices, and final payments from clients.

The Management Board's position regarding the feasibility of achieving the previously published financial forecasts for the year, in light of the results presented in the report compared to the forecasted results

The Company's Management Board did not publish forecasts for the individual and consolidated financial results of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group due to the dynamic changes in market trends in 2023 and the difficulty in estimating the scale of these changes in the future.

Identification of significant proceedings pending before a court, an arbitration authority, or a public administration body, concerning the liabilities and receivables of the Issuer or its subsidiary, indicating the subject matter of the proceedings, the value of the dispute, the date of initiation, the parties involved, and the Issuer's position

On September 29, 2023, a petition was filed with the District Court of Gdańsk-North in Gdańsk, VI Commercial Division, by the President of the Management Board of ZEUS S.A. regarding the declaration of bankruptcy of ZEUS S.A., a subsidiary of ELEKTROTIM S.A. As of December 31, 2023, the petition has not yet been considered. The second petitioner in the proceedings is ELEKTROTIM S.A. The Company does not specify the value of the dispute due to the nature of bankruptcy proceedings, which differ from typical court proceedings and do not indicate the value of the dispute. The Company, as one of the petitioners and initiators of the court proceedings, maintains that there are grounds for declaring the bankruptcy of ZEUS S.A. and expects the submitted petition to be accepted and a decision issued regarding the declaration of bankruptcy. Details concerning ZEUS S.A. and the ongoing bankruptcy proceedings are described in point 1.2 of the Report.

Apart from the described court proceedings regarding the declaration of bankruptcy for ZEUS S.A., during the period covered by this interim report, no other proceedings were initiated before a court, an arbitration authority, or a public administration body concerning the liabilities or receivables of the Issuer or other entities within the Capital Group, where the value constitutes at least 10% of the Company's equity.

Indication of events that occurred after the balance sheet date, not included in this report, which may significantly affect the future financial results of the issuer;

According to current report no. 12/2019 dated July 10, 2019, ELEKTROTIM S.A. conducted a review of strategic options for its subsidiaries. The aim was to select the most advantageous method for achieving the long-term development of the ELEKTROTIM Capital Group, while respecting the interests of all the Company's shareholders.

As a result, the Company entered into an agreement to sell all shares held in its subsidiary, PROCOM SYSTEM S.A., based in Wrocław, as reported in report no. 33/2022 dated December 12, 2022. The review of strategic options was also conducted for ZEUS S.A., based in Pruszcz Gdański. Following the appointment of a new management board (in May 2022) and a new supervisory board (in July 2022) for ZEUS S.A., the process of selling this company was initiated alongside the implementation of a recovery plan. Since December 2022, advanced discussions have been held with entities directly interested in acquiring ZEUS, confirmed by the signing of a letter of intent and the establishment of a Virtual Data Room (VDR) for conducting due diligence. To enable the continuation of operations without significant changes (parallel to the sale process), a bridge loan of 2.5 million PLN was granted to the company. In July 2023, the key bidder withdrew from the transaction, and from August to October, an additional five entities withdrew from the acquisition process. Negotiations were conducted based on signed confidentiality agreements and/or letters of intent, and interested entities were provided with ZEUS S.A.'s documents through the VDR. The Company submitted a purchase offer to one of the interested entities (which was not accepted); however, it did not receive binding purchase offers from the remaining entities.

In the meantime, on September 29, 2023, due to worsening liquidity problems, the management board of ZEUS S.A. filed for liquidation bankruptcy, which necessitated a reanalysis of the situation by ELEKTROTIM S.A., conducting numerous consultations with

financing and advisory entities, as well as changing the target group of entities potentially interested in acquiring shares of ZEUS S.A. As a result of these efforts, the Company found an interested buyer in the first quarter of 2024, and the share purchase agreement was signed on March 27, 2024. The Company announced the transaction in current report no. 12/2024 on the same day, and the constitutive entry in the shareholder register was made the following day, March 28, 2024.

In connection with the sale of all shares held in ZEUS S.A., and thereby the loss of control over the subsidiary, it is expected that the transaction will result in the recognition of a gain of +20.5 million PLN in the consolidated results of the ELEKTROTIM Group. This gain reflects the surplus of the intangible sale price over the significantly negative equity of the divested entity.

Information on the conclusion by the issuer or its subsidiary of one or more transactions with related parties, if individually or collectively they are significant and have been concluded on terms other than market terms

Information on significant transactions concluded by ELEKTROTIM S.A. or its subsidiary has been included in the financial statement..

Information on loans granted during the financial year, including those granted to the issuer's related parties, specifying at least the amount, type and interest rate, currency, and maturity date

In connection with the review of strategic options, including the preparation of ZEUS S.A. for a sale transaction, and to ensure its uninterrupted continuation of operations during the critical negotiation period with potential buyers, ELEKTROTIM S.A. granted a loan to this company in the amount of 2,500 thousand PLN in June 2023. This loan was written off 100% in the third quarter of 2023 due to the filing for bankruptcy.

Description of the use of proceeds from the issuance of securities by the Company during the period covered by the report

During the period covered by the report, there was no issuance of securities by ELEKTROTIM S.A.

Explanation of the differences between the financial results shown in the annual report and the previously published financial forecasts for the year 2023

The Management Board did not publish forecasts for the individual and consolidated financial results of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group for the year 2023.

Changes in the fundamental principles of management of the issuer and its capital group

There were no changes in the fundamental principles of management of the issuer and its Capital Group.

Information on agreements concluded with the auditing firm for the audit or review of the financial statement and the consolidated financial statement

ELEKTROTIM S.A.

The decision to select or change the auditing firm to conduct the audit of the Company's financial statements is made by the Company's Supervisory Board, after reviewing the recommendation of the Audit Committee.

On November 2, 2021, ELEKTROTIM S.A. concluded an agreement with an entity authorized to audit financial statements, namely Grant Thornton Polska Prosta Spółka Akcyjna (formerly: Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa) based in Poznań. The agreement covers the review of individual and consolidated interim financial statements for the years 2022 – 2024 and the audit of annual individual and consolidated financial statements for the years 2022 – 2024, as well as the evaluation of remuneration reports for the years 2022 – 2024.

Remuneration of the auditor (thousand PLN, net)	2022	2023
Audit of the financial statement of ELEKTROTIM S.A.	41	61
Audit of the financial statement of the Capital Group	20	50
Review of the semi-annual financial statement of ELEKTROTIM S.A.	22	27
Review of the semi-annual financial statement of the Capital Group	30	30
Attestation service – evaluation of the remuneration report	7	7
Tax advisory services	0	0
Other services	0	0

ZEUS S.A. - years 2022 and 2023

The company under the name ZEUS S.A., headquartered in Pruszcz Gdański, entered into an agreement with Moore Polska Audyty sp. z o.o. on October 12, 2022, to conduct audits of the financial statements for the years 2022 and 2023. The fee for the audit of the individual annual financial statement for each fiscal year (2022 and 2023) was set at PLN 22,500.00 net. An optional fee for group auditor support was set at PLN 300.00 net. The mentioned auditing firm conducted the financial statement audit for 2022 and then terminated the agreement regarding the financial statement audit for the fiscal year 2023. Due to the ongoing strategic options review and subsequent filing for bankruptcy, ZEUS S.A. did not enter into an agreement with a new auditing firm. The audit of the company's financial data for 2023, necessary for issuing the audit report on the consolidated financial statement of the ELEKTROTIM Capital Group for 2023, was conducted by Grant Thornton Prosta Spółka Akcyjna, under an agreement with ELEKTROTIM S.A.

OSTOYA-DataSystem Sp. z o.o. - years 2022 and 2023

The Company OSTOYA-DataSystem Sp. z o.o. entered into an agreement with J&P Audyty Kancelaria Biegłych Rewidentów Sp. z o.o. on December 8, 2022, for the audit of the financial

statement prepared for the fiscal year ending December 31, 2022. The total remuneration for the services provided was set at PLN 7,800.00 net for the annual audit.

The Company OSTOYA-DataSystem Sp. z o.o. entered into an agreement with J&P Audyt Kancelaria Biegłych Rewidentów Sp. z o.o. on November 29, 2023, for a one-time audit of the company's financial statement for the year 2023. The remuneration for the services provided was set at PLN 8,600.00 net.

10. Statement of the Management Board of ELEKTROTIM S.A.

Accuracy and reliability of the report

The Management Board of ELEKTROTIM S.A. declares that to the best of its knowledge, the Financial Statements of ELEKTROTIM S.A. for the year 2023 and the Consolidated Financial Statements of the ELEKTROTIM Group for the year 2023—containing financial information for the period from January 1, 2023, to December 31, 2023, and the comparable reporting period—have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards (IAS/IFRS), and related interpretations announced in the form of European Commission implementing regulations, as well as the applicable accounting principles. Furthermore, they accurately, reliably, and clearly reflect the financial position and performance of ELEKTROTIM S.A. and the ELEKTROTIM Group.

The Management Board of ELEKTROTIM S.A. also declares that the Management Board's Report on the Activities of the ELEKTROTIM Group for the year 2023, which includes the Management Board's Report on the Activities of ELEKTROTIM S.A. for the year 2023, provides a true representation of the development, achievements, and situation (including a description of the principal threats and risks) of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group.

Impartiality and independence of the entity authorized to audit financial statements

The Management Board of ELEKTROTIM S.A. declares that the entity authorized to audit the financial statements, which conducted the audit of the Financial Statements of ELEKTROTIM S.A. for the year 2023 and the Consolidated Financial Statements of the ELEKTROTIM Group for the year 2023, was selected in accordance with legal regulations, including those concerning the selection and procedure for selecting the audit firm, as well as that:

- a) the audit firm and the members of the team conducting the audit met the conditions for preparing an impartial and independent report on the audit of the annual financial statements in accordance with applicable legal regulations, professional standards, and principles of professional ethics;
- b) the applicable regulations regarding the rotation of the audit firm and the key statutory auditor, as well as the required cooling-off periods, are observed;
- c) ELEKTROTIM S.A. has a policy in place for the selection of the audit firm and a policy regarding the provision of additional non-audit services to ELEKTROTIM S.A. by the audit firm, an entity affiliated with the audit firm, or a member of its network, including services conditionally exempted from the prohibition of being provided by the audit firm.

THE MANAGEMENT BOARD OF ELEKTROTIM S.A.

President of the Management Board – Artur Więznowski	
Member of the Management Board – Dariusz Kozikowski	
Member of the Management Board – Krzysztof Wójcikowski	