

REPORT OF THE MANAGEMENT BOARD OF ELEKTROTIM S.A. ON ACTIVITIES IN 2022

The report on the activities of the ELEKTROTIM Capital Group for 2022
was prepared according to Art. 55 sec. 2a of the Accounting Act



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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

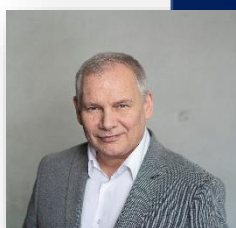


MAREK GABRYJELSKI
MEMBER OF THE SUPERVISORY BOARD



LESŁAW KULA
MEMBER OF THE SUPERVISORY BOARD

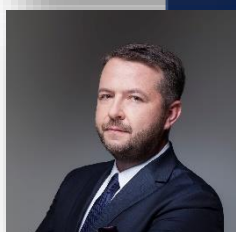
MANAGEMENT BOARD OF ELEKTROTIM S.A.



ARTUR WIĘZNOWSKI
PRESIDENT OF THE MANAGEMENT BOARD



DARIUSZ KOZIKOWSKI
MEMBER OF THE MANAGEMENT BOARD



KRZYSZTOF WÓJCIKOWSKI
MEMBER OF THE MANAGEMENT BOARD

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I. GENERAL PART

1. Legal basis for the preparation of the Report on activities

Report on the activities of ELEKTROTIM S.A. (hereinafter: the Company or ET) and on the activities of the ELEKTROTIM Capital Group (hereinafter: the Group or GET) for 2022 was prepared on the basis of:

- a) the Commercial Companies Code of September 15, 2000 (i.e. Journal of Laws of 2020 ., item 1526, as amended),
- b) the Accounting Act of September 29, 1994 (i.e. Journal of Laws of 2023, item 120, as amended), taking into account art. 55 sec. 2a of the Act,
- c) the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11, 2017 (i.e. Journal of Laws of 2022, item 1302, as amended),
- d) Regulation of the Minister of Finance of March 29, 2017 .2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, item 757),
- e) Statute of ELEKTROTIM S.A. and the Articles of Association and the Agreement of the Companies from the Capital Group,
- f) „Best Practices of Companies Listed on the Warsaw Stock Exchange"

2. Basic data on ELEKTROTIM S.A.

ELEKTROTIM S.A. was established on November 13, 1998. The founders of ELEKTROTIM S.A. were: TIM S.A. and 12 natural persons.

The company started operations on January 1, 1999.

The registered office of the company is the city of Wrocław.

Company address: ul. Stargardzka 8, 54-156 Wrocław,
phone: (71) 352-13-41, (71) 351-40-70; fax (71) 351-48-39

email: sekretariat@elektrotim.pl
www.elektrotim.pl

The Company's name is: **ELEKTROTIM Spółka Akcyjna**

The Company may use the abbreviated name: **ELEKTROTIM S.A.** and **ET S.A.**

Legal basis: Code of Commercial Companies

Legal form: joint-stock company

CRO certificate: 931931108

TIN: 894-24-60-042

The company was entered into the Register of Entrepreneurs by the District Court for Wrocław Fabryczna, VI Commercial Division of the National Court Register under number 0000035081.



Pursuant to § 7 of the Articles of Association of ELEKTROTIM S.A. the subject of the Company's activity is the conduct of all construction and service activities, production and trade, in particular:

Main activity of the Company:	PKD
Electrical installations	43.21.Z
Other activity of the Company:	
Works related to the construction of telecommunications and power lines	42.22.Z
Engineering and related activities technical consultancy with it	71.12.Z
Works related to the 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 energy switchgear and control equipment	27.12.Z
Repair and maintenance of electrical equipment	33.14.Z
Execution of construction projects related to the construction of buildings	41.10.Z
Execution of other construction installations	43.29.Z
Activities related to software	62.01.Z

Information about the branches (plants) owned by the Company

ELEKTROTIM S.A. has no branches.

3. ELEKTROTIM S.A. Capital Group

ELEKTROTIM S.A. is the parent company of the ELEKTROTIM Capital Group.

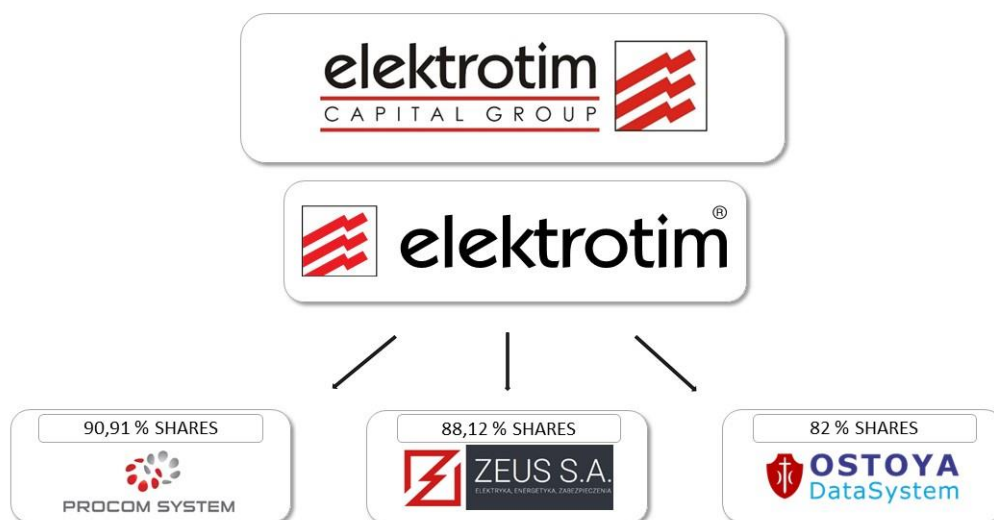
On December 12, 2022, ELEKTROTIM S.A. sold all shares in a subsidiary, i.e. PROCOM SYSTEM S.A. with its seat in Wrocław, of which he was the owner.

The consolidated financial statements for 2022 (consolidated income statement) include the result on the sale of PROCOM SYSTEM S.A.

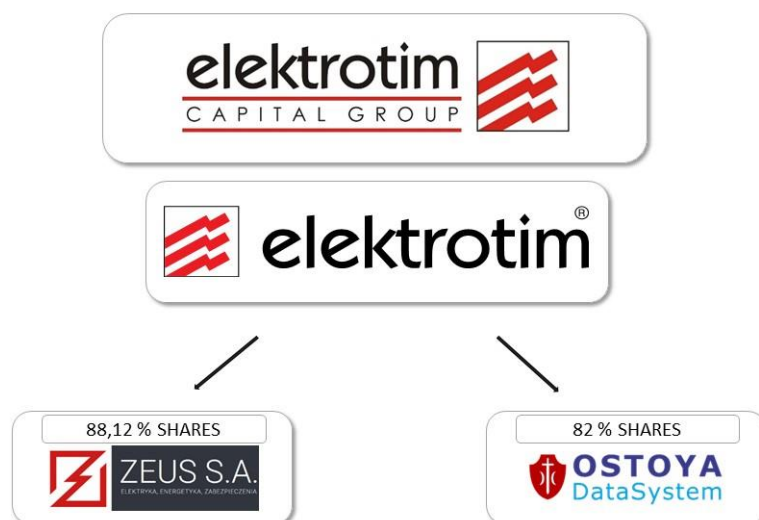
Consolidated statement of financial position (balance sheet) prepared as at December 31, 2022. includes the result on the sale of PROCOM SYSTEM S.A.

Due to the fact that on December 31, 2022, PROCOM SYSTEM S.A. was outside the group the data presented in the Report on activities in the part concerning: the structure of the Capital Group's products, employment status do not include data merged with data from PROCOM SYSTEM S.A.

Organizational chart of the ELEKTROTIM CAPITAL GROUP until December 12, 2022



Organizational chart of the ELEKTROTIM CAPITAL GROUP for December 31, 2022



PROCOM SYSTEM S.A., ul. Północna 15-19, building 2.2., 54-105 Wrocław

As at December 31, 2022, ELEKTROTIM S.A. does not hold shares of PROCOM SYSTEM S.A. Until December 12, 2022, ELEKTROTIM held 90.91% of shares in PROCOM SYSTEM S.A.

The company started operating under the name Przedsiębiorstwo Projektowania i Usług PROCOM Sp. z o. o. on December 20, 1988. The company was registered on January 27, 1989. On July 2, 1999 the Company was transformed into a joint-stock company under the name

"Przedsiębiorstwo Projektowania i Usług" PROCOM - SYSTEM S.A. On May 24, 2007 The company changed its name to PROCOM SYSTEM S.A. PROCOM SYSTEM S.A. is a company offering automation systems for environmental protection, industry and energy.

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

ZEUS S.A. exists since March 15, 1991. (originally as a business activity; as a joint-stock company from October 31, 2008). ZEUS S.A. is a company whose main activity is the provision of specialist construction services in the field of design and construction of electrical, power and teletechnical installations.

ELEKTROTIM S.A. holds 88.12% of shares in ZEUS S.A.

As part of the process of reviewing strategic options, ZEUS S.A. it is included in the consolidated financial statements as an asset held for sale (PLN 28,999,000) and, respectively, in liabilities relating to assets held for sale (PLN 22,009,000.).

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

Ostoya-DataSystem Sp. z o. o. (formerly Enamor System Sp. z o.o.) was established on September 1, 2008. under the name Ostoya-DataSystem Sp. z o. o. In 2013, the company's articles of association and name were changed to Enamor System Sp. z o. o. January 11, 2017 ELEKTROTIM S.A. purchased 82% of the company's shares. From March 2017 the company operates again under the business name OSTOYA-DataSystem Sp. z o. o.

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

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

3.1. Changes in the basic principles of managing the Company's enterprise and the Capital Group

ELEKTROTIM S.A. wdrożył Zintegrowany System Zarządzania zgodny z normami PN-EN ISO 9001:2015-10 i AQAP 2110:2016, PN-EN ISO/IEC 27001:2017-06, PN-ISO 45001:2018-06, PN-EN ISO 14001:2015-09, którego zadaniem jest nieustanny rozwój organizacji.

ELEKTROTIM S.A. implemented the Integrated Management System compliant with the standards PN-EN ISO 9001:2015-10 and AQAP 2110:2016, PN-EN ISO/IEC 27001:2017-06, PN-ISO 45001:2018-06, PN-EN ISO 14001:2015 -09, whose task is the continuous development of the organization.

Responsibility for our commitments and business activities requires us to constantly improve our activities. We strive to achieve customer satisfaction, not only by efficient and professional performance of tasks, but also by making every effort to comply with applicable ethical principles and lawful conduct in every field of activity. We assure you that the information processed at ELEKTROTIM S.A. are protected while maintaining confidentiality, availability and integrity. All employees make every effort to maintain safety at their workplaces, and we also take care to minimize our adverse impact on the natural environment.

The Company has identified the key processes required for its optimal functioning, specifying their interconnections and dependencies. In order to strengthen the efficiency and effectiveness

of the system in Q4 2022, works related to the implementation of electronic document circulation were started.

1. Change in GDP in 2022	+ 4,9% ¹⁾
2. Inflation rate in 2022	14,4% ²⁾
3. WIBOR 1Y as at December 31, 2022	7,23% ³⁾
4. Change of WIBOR 1Y in 2022	+4,1% ³⁾
5. Changes in construction and assembly production from December 2022 to December 2021, including:	+14,3% ²⁾
- construction of buildings	+15,4%
- construction of civil and water engineering facilities	+14,3%
- specialized construction works	+13,1%
6. Average gross monthly salary in the enterprise sector in December 2022 (excluding payments from profit)	7.330 PLN ²⁾

On December 12, 2022, ELEKTROTIM S.A. sold 3,000,000 shares, i.e. 100% of the shares of PROCOM SYSTEM S.A., which it owned. As at December 31, 2022, ZEUS S.A. and the company Ostoya-DataSystem Sp. z o. o. operated as independent economic units.

4. Situation in the Polish economy in 2022

1) preliminary data for 2022 according to the Central Statistical Office, as of January 30, 2023

2) The above-mentioned data comes from the Central Statistical Office

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

5. Activities of the Company and the Capital Group in 2022

5.1. Significant events affecting the operations of the Company and the Capital Group in 2022

Sale of PROCOM SYSTEM S.A. shares by ELEKTROTIM S.A.

On December 12, 2022, the Company concluded an agreement for the sale of shares held by the Company in the subsidiary PROCOM SYSTEM S.A. with its seat in Wrocław (PS) with 16 natural persons, among whom were Members of the Management Board of PS, i.e. Mr. Artur Wójcikowski President of the Management Board of PS and Mr. Bogdan Doliński Member of the Management Board of PS, employees of PS and persons from outside PROCOM SYSTEM not related to the Company.

The Company sold all shares of PROCOM SYSTEM S.A. owned by the Company, i.e. 3,000,000 shares (Shares). After the conclusion of the Sales Agreement, the Company does not hold any PS Shares.

The price per Share was PLN 3.03, i.e. PLN 9,090,000 in total for all Shares. The conclusion of the sale agreement was preceded by the payment of dividend by PROCOM SYSTEM S.A. in the amount of PLN 0.72 per Share, i.e. PLN 2,160,000.00 in total for all Shares. The dividend was paid from the reserve capital of PROCOM SYSTEM S.A., on the basis of a resolution adopted by the Extraordinary General Meeting of PS, preceded by a recommendation of the PS Management Board and after obtaining a positive opinion of the PS Supervisory Board.

Pursuant to the sale agreement, the price was/will be paid as follows::

- a) the amount of PLN 7,690,000.00 was paid to ELEKTROTIM S.A. together with the conclusion of the Share sale agreement;
- b) the amount of PLN 1,400,000.00 will be paid in two instalments, i.e.:
 - the first instalment of PLN 700,000.00 within 12 months from the date of conclusion of the sales contract, and
 - the second instalment of PLN 700,000.00 payable within 24 months from the date of conclusion of the sales contract.

The deferred payments are secured by blank promissory notes with promissory note declarations and a surety granted by PS with the consent of the PS Supervisory Board up to the amount of PLN 309,894.00.

The decision to sell the Shares was preceded by the strategic options review process, which ELEKTROTIM S.A. informed in the current report No. 12/2019 of July 10, 2019 for subsidiaries whose goal is to choose the best way to implement the long-term development of the ELEKTROTIM Capital Group, respecting the interests of all shareholders of ELEKTROTIM S.A.

The Company entered into an arm's length sale agreement in connection with a review of the available options made with business and legal advisors. The negotiated price for PROCOM SYSTEM corresponded to the fair value and was the highest offer obtained as part of the review of strategic options.

The decision to sell the Shares was made after conducting analyses regarding operating synergies and management structures for the Capital Group. On the basis of historical data and plans of the Capital Group Companies, no synergy effects were identified between the Subsidiary and other Group companies. In addition, there were significant costs of managing the expanded Capital Group and - in the light of the scale of growth in the activities of ELEKTROTIM S.A. – the need for increased working capital.

Impact of the sale of PROCOM SYSTEM S.A. shares PLN 2.5 million per standalone result. In the settlement of the sale of PROCOM SYSTEM S.A. at the consolidated level, goodwill in the amount of PLN 2,312 thousand was included in the costs.



5.2. Significant contracts for the activities of ELEKTROTIM S.A. and for the ELEKTROTIM Capital Group

The company, taking into account: the current portfolio of orders, the impact on the implementation of development plans, the scale and the related importance for the revenues of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group, made the following announcements public due to qualifying the conclusion of the agreements in question as price-setting information.

ELEKTROTIM S.A.

1. The contract concluded on March 24, 2022 with the **State Treasury - Commander-in-Chief of the Border Guard - is historically the largest contract ever concluded by ELEKTROTIM S.A., which is responsible for approx. 44% of revenues in 2022.**

The subject of the contract is the design and construction of an electronic barrier along with the accompanying infrastructure on the Polish-Belarusian border on the section of the Podlaskie Border Guard Unit with a length of approx. 202 km. The task is carried out in the "design and build" formula.

The agreement was concluded on the basis of the Act of October 29, 2021 on the construction of security at the state border.

On August 11, 2022, an annex to the Agreement was concluded, as a result of which the value of the agreements was increased from PLN 270,005,863.21 net to PLN 278,698,871.34 net.

As part of the contract, a very modern monitoring system for the Polish-Belarusian border was built using a variety of devices and technologies for detecting and analysing threats and violations. The construction of the perimeter barrier is a key investment for the security of the Polish state, especially in the current geopolitical conditions and due to the ongoing war between Russia and Ukraine.

2. **A package of nine advance payment guarantees** to secure the claims of the State Treasury - Commander-in-Chief of the Border Guard against the Company under the contract concluded on March 24, 2022.

The total value of advance payment guarantees obtained as at April 7, 2022 under the contract of March 24, 2022 for the construction of an electronic barrier on the Polish-Belarusian border was PLN 35 million, including PLN 31 million of insurance guarantees and PLN 4 million of bank guarantees.

Obtaining and delivering the above guarantees made it possible to finance the contract discussed in the first point. It was also a necessary condition for ELEKTROTIM's rational financial and security policy, in particular with regard to maintaining financial liquidity during the period of incurring intensive expenditures related to the implementation of the contract with the Border Guard..

3. Agreement concluded on July 8, 2022 with the **Municipality of Kąty Wrocławskie**

The agreement was concluded in a consortium of companies composed of: ELEKTROTIM S.A. (consortium leader) and Mabud s.c. Mariusz Chojecki, Andrzej Atras based in Wrocław (consortium partner).

The subject of the agreement is the revitalization of the Market Square in Kąty Wrocławskie consisting in the modernization of road infrastructure.



For the performance of the subject of the agreement, the consortium will receive a gross remuneration of PLN 21,197,337.04.

The special importance of this contract for ELEKTROTIM SA also results from the fact that it is one of the contracts related to the Company's Maintenance Division leaving the city of Wrocław and the execution of orders for the neighbouring communes, which fits in with the Company's currently implemented strategy.

4. Agreement concluded on July 27, 2022 with **PGE Dystrybucja S.A. based in Łódź**

The subject of the contract is the implementation of the task entitled: "Execution of construction works in the power industry in the area of operation of the Łódź RE Łowicz Branch: Modernization of the 110kV switchgear and extension of the line bay at the 110/15kV GZP Boryszew power station".

The remuneration for the performance of the subject of the Agreement is PLN 8,673,000.00 net..

5. Agreement concluded on August 2, 2022 with **PGE Dystrybucja S.A. based in Warsaw**

The subject of the contract is the implementation of the task entitled: "Performance of construction works for the construction of the 110 kV station "Małopole" gm. Dąbrówka with a 110 kV power line".

The remuneration for the performance of the subject of the Agreement is PLN 22,870,000.00 net..

6. Agreement concluded on August 8, 2022 with the **State Treasury - Ministry of National Defense - District Infrastructure Board in Wrocław**

The subject of the contract is the performance of works consisting in the modernization of the power connection of the military complex of the Military Unit in Opole.

The remuneration for the performance of the subject of the Agreement is PLN 12,800,000.00 net..

7. Agreement concluded on August 29, 2022 with **Nestlé Purina Manufacturing Operations Poland Sp. z o. o. with its registered office in Nowa Wieś Wrocławska**

The subject of the contract is "Execution of the detailed design and workshop drawings and delivery of all elements of the installation with devices, assembly and commissioning of the installation in the existing and newly built building (phase 8+) at the PURINA production plant in Nowa Wieś Wrocławska, at ul. R. Chomicza 11a".

The contract will be implemented by May 6, 2024.

The remuneration for the performance of the subject of the Agreement is PLN 79,500,000.00 net.

The contract of 2022 is another contract that the Company is implementing for Nestle Purina Manufacturing Operations Poland Sp. z o. o. as part of the expansion of the PURINA production plant in Nowa Wieś Wrocławska. Long-term cooperation with has been going on since 2015. The first contracts related to the expansion of the plant were concluded with Nestle Polska S.A. Customer satisfaction with the work performed so far by ELEKTROTIM S.A. of work translated into the acquisition of another contract. Up to 80% of the contract value will be completed by the end of 2023, which will translate into revenues in 2023.

8. Agreement concluded on November 29, 2022 with **PGE Dystrybucja S.A. based in Łódź**

The subject of the contract is the performance of the task entitled: "Construction of the 110 kV cable line RPZ Brzezińska - RPZ Radogoszcz".

The remuneration for the performance of the subject of the Agreement is PLN 29,950,000.00 net.

9. Agreements concluded on December 22, 2022 with **SOLARTECH Sp. z o. o. based in Warsaw**.

On December 22, 2022, ELEKTROTIM S.A. concluded two contracts for the construction of power connections for photovoltaic farms. The construction of photovoltaic farms is part of the PGE Group's investment program. The investor of the projects is PGE Energia Odnawialna S.A. based in Warsaw.

The subject of the first contract is the performance by ELEKTROTIM S.A. of part of the works under the task entitled: "Design and turnkey construction of PV Jeziórko 1 and PV Jeziórko 2 installations with a total capacity of up to 100 MW" (contract 1). Under the contract, 1 ELEKTROTIM will make a power connection in the form of a 110 kV cable line and a 110/20 kV GPO power station.

The subject of the second agreement is the performance by ELEKTROTIM S.A. of part of the works under the task entitled: "Design and turnkey construction of the Augustynka PV installation with a capacity of up to 25 MW" (contract 2). Under the contract 2, ELEKTROTIM will make a power connection in the form of a GPO 110/20 kV power station.

Agreement 1 will be performed by December 15, 2023.

Agreement 2 will be performed by December 31, 2023.

For the performance of Agreement 1, the Company will receive a net remuneration of approximately PLN 39 million. For the performance of Agreement 2, the Company will receive a net remuneration of approximately PLN 14 million.

These agreements, both in terms of their value and the fact that ELEKTROTIM performs large agreements for the renewable energy sources segment, can be considered as the beginning of a new stage in the development of ELEKTROTIM SA. thus ELEKTROTIM S.A. strives to achieve the goal of general contracting as part of investments for energy transformation, with particular emphasis on investments in large-scale photovoltaic installations and wind farm installations. ELEKTROTIM S.A. as a leading company with extensive experience in the power industry, it wants to be an active entity in the development of Green Energy, as well as a key partner for potential investors on the RES market as part of their investments..

Other significant agreements concerning companies from the Capital Group

1. Agreement concluded on July 14, 2022 by **ZEUS S.A.** with BUDIMEX S.A. based in Warsaw.

The subject of the Agreement is the performance by ZEUS S.A. construction works consisting in the installation and network of the electrical and teletechnical industry and ongoing electrical service, as part of the investment tasks "Construction of a sports hall building, a warehouse and social building, a sports field complex, a military kitchen-canteen building, two multi-branch warehouses, a workshop building, a car wash and petrol stations for military motor vehicles and accompanying infrastructure along with land development", the Investor of which is the State Treasury - Minister of National Defence, on behalf of and for which the North Atlantic Treaty Organization Investment Plant with its registered office in Warsaw operates. The net value of the contract is PLN 23,198,000.00.

2. Sale of PROCOM SYSTEM S.A. shares on December 12, 2022

Sale transaction of PROCOM SYSTEM S.A. shares is described in point 5.1. "Significant events affecting the operations of the Company and the Capital Group in 2022".

Significant cooperation agreements (supplies) concluded in 2022 by ELEKTROTIM S.A.

In 2022, ELEKTROTIM S.A. did not conclude new significant long-term cooperation agreements.

Licenses concluded in previous years and still valid:

On March 6, 2002, ELEKTROTIM S.A. concluded with Schneider Electric Industries S.A., a French company (the "Licensor") a license agreement for the OKKEN switchgear (the "Agreement"). On the basis of the Agreement, the Licensor granted ELEKTROTIM S.A. non-exclusive right to use application designs and to assemble OKKEN switchgear, and non-exclusive right to sell OKKEN switchgear. On the basis of the Agreement, ELEKTROTIM S.A. is entitled to use the OKKEN trade name/trademark, as a rule, in the manner agreed between the parties to the Agreement. The agreement provides for a number of detailed obligations of ELEKTROTIM S.A., including the promotion of OKKEN products. The contract is drawn up and performed in accordance with Swiss law.

II. CORPORATE GOVERNANCE

Statement of the Management Board of ELEKTROTIM S.A.

Management Board of ELEKTROTIM S.A. declares that the company ELEKTROTIM S.A. makes every effort to ensure that the recommendations and principles referred to in the document "Best Practices of WSE Listed Companies" are applied in the Company.

1. Indication of the set of corporate governance rules to which the Company is subject

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

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

2. Indication of corporate governance rules to the extent to which the Company has departed from the provisions of the set of corporate governance rules

On July 30, 2021, the Management Board of ELEKTROTIM S.A. pursuant to § 29 sec. 3 of the GPW Rules, via the EBI system, he provided information on the state of application by the Company of the rules contained in the Code of Best Practice for GPW Listed Companies 2021.

As at December 31, 2022, the Company did not apply 9 DPSN2021 rules, i.e.: 1.2.; 1.4.; 1.4.1.; 1.4.2.; 2.1; 2.2.; 2.11.6.; 4.1.; 4.3.

On April 14, 2023, a new Statement of the Company was submitted, according to which the Company does not apply 7 principles of DPSN2021, i.e. 1.2.; 1.4.2.; 2.1; 2.2.; 2.11.6.; 4.1.; 4.3. The new Statement was submitted due to the adoption by the Company of the Strategy for 2023-2025 and its publication on the website.

1.2. The company makes it possible to get acquainted with its financial results included in the periodic report as soon as possible after the end of the reporting period, and if it is not possible for justified reasons, it publishes at least preliminary estimated financial results as soon as possible.

The rule is not applied.

As a rule, the Company does not publish financial forecasts or preliminary estimated financial results. Financial results are presented in periodic reports submitted on dates published by the Company pursuant to § 80 sec. 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 as equivalent information required by the law of a non-member state. In the Company's opinion, the publication of preliminary estimated financial results (which could be significantly changed at the stage of subsequent verification) would entail a high probability of misleading investors. In the future, the

Company will strive to publish financial results contained in periodic reports as soon as possible after the end of the reporting period and obtaining verified data regarding the financial result achieved.

1.4.2. present the value of the equal pay index paid to its employees, calculated as a percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, together with the presentation of the related risks and the time horizon in which it is planned to achieve equality.

The rule is not applied.

Comment of the Company:

The equal pay index is not published. Equal remuneration may be used when comparing employees with identical qualifications, seniority and predispositions assigned to identical tasks. The Company identifies such situations as extremely rare and thus makes every effort to ensure that any statistical difference in the level of remuneration results only from differences in education, workload, skills and attitude of the employee and from the nature of the tasks assigned to him, and not due to the employee's gender.

2.1. The company should have a diversity policy towards the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy defines the goals and criteria of diversity, e.g. in such areas as gender, field of education, specialist knowledge, age and professional experience, and also indicates the date and method of monitoring the implementation of these goals. In terms of diversity in terms of gender, the condition for ensuring the diversity of the company's governing bodies is the minority share in a given governing body at a level not lower than 30%.

The rule is not applied.

Comment of the Company:

The Company does not have a "Diversity Policy" for the management board or the supervisory board. The principles of staff selection and composition of bodies do not refer to gender, but only to the qualifications and professional experience of candidates in order to attract the best people for filled positions, regardless of their gender.

2.2. Persons making decisions on the selection of members of the company's management board or supervisory board should ensure the versatility of these bodies by selecting persons to ensure diversity, enabling, among others, achieving the target ratio of the minimum share of minorities set at a level not lower than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1.

The rule is not applied.

Comment of the Company:

The company does not have a "Diversity Policy" for the management board or the supervisory board. The rules for selecting staff and composition of governing bodies do not refer to gender, but only to the qualifications and professional experience of candidates in order to attract the best people for positions, regardless of whether what gender are they.

2.11. In addition to activities resulting from the provisions of law, once a year the supervisory board prepares and submits to the ordinary general meeting for approval an annual report. The report referred to above includes at least:
(...)



2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the implementation of the objectives referred to in principle 2.1.

The rule is not applied.

Comment of the Company:

The rule is not applied. Company's comment: The company does not have a "Diversity Policy" for the management board or the supervisory board. The rules for selecting staff and composition of governing bodies do not refer to gender, but only to the qualifications and professional experience of candidates in order to attract the best people for positions, regardless of whether what gender are they.

4.1. The company should enable shareholders to participate in the general meeting using electronic means of communication (e-general meeting), if it is justified due to the expectations of shareholders reported to the company, provided that it is able to provide the technical infrastructure necessary to conduct such a general meeting.

The rule is not applied.

Comment of the Company:

The Company does not apply the above principle due to the risk of appeal against the resolutions of the General Meeting due to possible interruptions in access to the meeting due to failures or disruptions on the lines, and above all in order to eliminate transferring the risk to the shareholders in terms of receiving transmissions, communication or exercising the right voice. In 2016, the General Meeting of the Company adopted a resolution (Resolution No. 28/WZA/2016 of June 7, 2016 on the application of DPSN 2016 in ELEKTROTIM S.A.) to exclude from the application of the rules related to the above, i.e. concerning real-time two-way communication during the AGM.

4.3. The company provides publicly available transmission of general meetings in real time.

The rule is not applied.

Comment of the Company:

In 2016, the General Meeting of the Company adopted a resolution (Resolution No. 28/WZA/2016 of June 7, 2016 on the application of DPSN 2016 in ELEKTROTIM S.A.) to exclude from the application of the principle of ensuring publicly available real-time transmission of the General Meeting of Shareholders.

3. Description of the main features of the internal control and risk management systems used in the Company's enterprise in relation to 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 as equivalent information required by the law of a non-member state (Journal of Laws of 2018, item 757) The Management Board of ELEKTROTIM S.A. is responsible for the internal control system and its effectiveness in relation to the process of preparing financial statements.

The Company has an internal control and risk management system. As part of the implemented processes, the priority tasks include: care for the safety of the Group's employees and assets, and compliance of the actions taken with the law and the interests of shareholders. For the effective and efficient implementation of the above objectives, the Group has an Internal Control System. It is the totality of procedures, processes and activities implemented in current operations and used in the management and decision-making process, which is intended to prevent errors, abuses and other irregularities.

In order to increase the effectiveness of the entire system as well as to reduce the risk, a multi-level control mechanism has been implemented in the Group. The individual levels of the verification process are closely related and complement each other. The process consists of three main stages. Each stage plays a different role in the management and internal control process.

The first level of protection and control - OPERATIONAL MANAGEMENT

This stage is carried out by individual organizational units as part of their current activities. Managers of individual organizational units create and improve procedures containing control mechanisms limiting standard risks of current operations.

The second level of protection and control - MONITORING AND SUPERVISION

It includes risk management and compliance of solutions with expectations regarding the Group's goals and assumptions, as well as supervision over the effectiveness of managing the Group's assets. It is implemented in the management process by middle and senior managers through supervision, coordination and control of solutions developed in the first stage by managers and employees of organizational units. Activities under the second level of protection are carried out in close cooperation with persons operating at the first level and are adapted to the evolving goals of the organization and market requirements.

The third level of protection and control - AUDIT AND INTERNAL CONTROL

The internal audit is a supplementary element of the internal control system, the main purpose of which is to ensure the safety of the Group's assets and the compliance of the actions taken with the law and the interests of shareholders. The Group's internal audit is carried out by the Audit Committee of the Company's Supervisory Board and by a specialized audit and control unit. Due to the key role of Internal Audit in managing the organization, there is a dedicated organizational unit in the Group. Every year, in accordance with the audit plan, audits of key areas of the Group's operation are carried out.

In addition to planned audits, ad hoc audits are also planned, without prior notice, resulting from the specificity of a given area or a specific emergency.

The preparation of consolidated and separate financial statements is supervised by the person responsible for keeping the accounting books of the parent company, i.e. the Chief Accountant of the parent company. The Accounting Division operating in the parent company is responsible for the preparation of the separate and consolidated financial statements.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the financial statements of entities controlled by the parent company. The financial statements of the subsidiaries, taking into account the adjustments leading to compliance with the International Financial Reporting Standards ("IFRS"), are prepared on the basis of uniform accounting principles applied to transactions and economic events of a similar nature.

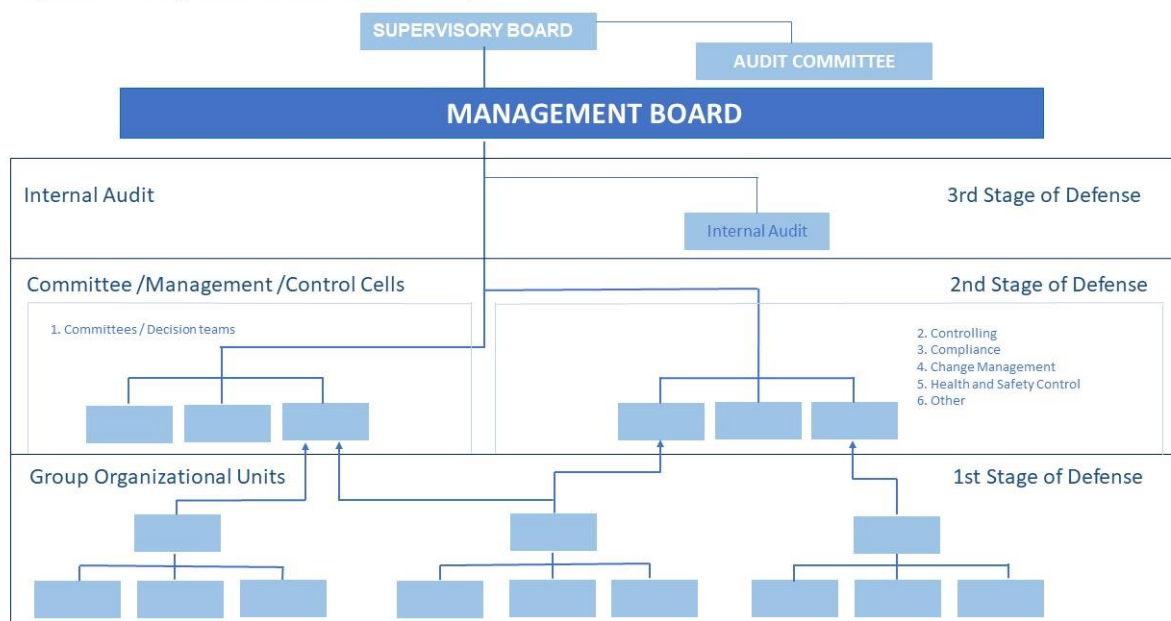
In order to ensure uniform accounting principles, the Accounting Policy functioning in the Company has been submitted for use by the companies of the ELEKTROTIM Capital Group when preparing consolidation packages. The published semi-annual and annual separate and consolidated financial statements as well as financial data being the basis for such reporting are reviewed or audited by a statutory auditor.

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

Organization of the Audit Committee at the Supervisory Board

- Members of the Audit Committee meet the independence criteria
- The main objective of the Audit Committee is to support the Supervisory Board as the statutory body of the Company in the performance of its control and supervisory duties.
- The tasks of the Audit Committee include, among others:
 - (i) monitoring the effectiveness of internal control, internal audit and risk management systems, including in the area of financial reporting,
 - (ii) controlling and monitoring the independence of the statutory auditor and the audit firm that audits the Company's financial statements,
 - (iii) submitting to the Supervisory Board and Recommendations to the Management Board aimed at ensuring the reliability of the financial reporting process in the Company.

Supervision and Organization of the Internal Control System



Issues related to shares and shareholding of ELEKTROTIM S.A.

4.1. Indication of shareholders holding, directly or indirectly, significant blocks of shares, together with an indication of the number of shares held by these entities, their percentage share in the share capital, the number of votes resulting from them 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 at December 31, 2022.

The Company's shares are not privileged as to voting rights. Each share entitles to one vote.

The list of shareholders was prepared according to shares in the share capital of the Company amounting to PLN 9,983,009.00.

Shares exceeding 5% of the share capital of ET S.A. as at December 31, 2022.

	Shareholder	The number of shares	Share in the share capital	Number of votes at the GM	Share in the total number of votes at the GM
1	Krzysztof Folta with his wife Ewa Folta	1 721 864	17,25%	1 721 864	17,25%
2	Krzysztof Wiczorkowski	1.319.534	13,22%	1.319.534	13,22%
3	OFE Drugi Allianz (previously: Aviva PTE Aviva Santander S.A.)	979.236	9,81%	979.236	9,81%
4	Mirosław Nowakowski	608.030	6,09%	608.030	6,09%
5	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 Art. 69 in conjunction with Art. 87 sec. 1 point 2b of the Act on Public Offering and the 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 Otwarty Fundusz Emerytalny, hereinafter Allianz OFE, managing Allianz Polska Dobrowolny Fundusz Emerytalny, hereinafter Allianz DFE, notification that as a result of the merger pursuant to Art. 67 of the Act of August 28, 1997 on the organization and operation of pension funds, i.e. Journal Laws of 2020, item 105 with later died; "Act on Pension Funds" and art. 492 § 1 point 1 of the Commercial Companies Code, on December 30, 2022. with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing the Second Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE), share in the share capital and in the total number of votes of ELEKTROTIM S.A. on Allianz OFE, Allianz DFE and Drugi Allianz OFE accounts increased above 5%.

According to the received notification - before the merger, the accounts of Allianz OFE and Allianz DFE had 0 shares in total, constituting 0.00% of the share capital of the Company, which gave the right to exercise 0 votes from shares representing 0.00% of the total number of votes at the General Meeting of the Company. On the account of the Second Allianz OFE, 979,236 shares were registered, constituting 9.81% of the share capital of the Company, which gave the right to exercise 979,236 votes from shares constituting 9.81% of the total number of votes at the General Meeting of Shareholders of the Company. According to the notification received - after the merger, the total balance on the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE reached the level of 979,236 shares, constituting 9.81% of the share capital of the Company, which gives the right to exercise 979,236 votes from shares constituting 9.81% share in the total number of votes at the General Meeting of Shareholders of the Company.

4.2. Specifying the total number and nominal value of all the Company's shares held by persons managing and supervising the Company

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

Persons managing ELEKTROTIM S.A. – as at December 31, 2022.

Surname, first name and function	Number of ELEKTROTIM SA shares	Percentage share in the Company's share capital (and votes at the AGM)
Dariusz Kozikowski – Member of the Management Board	4.980	0,05%

Persons supervising ELEKTROTIM S.A. – as at December 31, 2022

Surname, first name and function	Number of ELEKTROTIM SA shares	Percentage share in the Company's share capital (and votes at the AGM)
Jan Walulik	410.000	4,11%

In the period from December 31, 2021 to December 31, 2022, the number of shares held by the persons managing and supervising the Company did not change.

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

ELEKTROTIM S.A. is an entity related to ZEUS S.A. and OSTOYA-DataSystem Sp. z o. o.

As at December 31, 2022, Members of the Management Board of ELEKTROTIM S.A. they do not hold shares in affiliated entities of ELEKTROTIM S.A.

As at December 31, 2022, Members of the Supervisory Board of ELEKTROTIM S.A. they do not hold shares in affiliated entities of ELEKTROTIM S.A.

5. Indication of holders of any securities that grant special control rights, together with a description of these rights

None of the shareholders holding shares in ELEKTROTIM S.A. has no special control rights in relation to the Company.

6. Indication of any restrictions on the exercise of voting rights, such as restrictions on the exercise of voting rights by holders of a specific part or number of votes, time limits on the exercise of voting rights or provisions according to which, with the cooperation of the company, equity rights related to securities are separated from holding securities

IN ELEKTROTIM S.A. there are no restrictions on the exercise of voting rights.

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

As at December 31, 2022, there are no restrictions on the transfer of ownership of the Company's securities and there are no restrictions on the exercise of voting rights attached to the Company's shares.

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

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

9. Information on the control system for employee share programs

In 2022, no employee share schemes were conducted.

10. Description of the rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or redemption of shares

The Management Board of ELEKTROTIM S.A.

The managing body in ELEKTROTIM S.A. is the Company's Management Board, which operates on the basis of generally applicable laws, including the Code of Commercial Companies and the Company's Articles of Association and the Regulations of the Management Board.

In accordance with the statute, the Management Board of ELEKTROTIM S.A. consists of at least one and no more than five Members elected for a joint term of office by the Supervisory Board, one of whom is the President of the Management Board. The President of the Management Board manages the work of the Management 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 length of the term of office and remuneration of Members of the Management Board are determined by resolutions of the Supervisory Board.

The mandate of a Member of the Management Board expires:

- a) at the latest on the date of the general meeting approving the financial statements for the last full financial year of holding the position of a member of the management board,
- b) due to death,
- c) on appeal
- d) due to resignation.

The Supervisory Board or the General Meeting may suspend or dismiss a member of the management board before the end of the term of office.

The Management Board manages the Company's affairs and represents the Company. All matters not reserved under the provisions of law or the Articles of Association for the competence of other bodies of the Company fall within the scope of activity of the Management Board. To make statements on behalf of the Company, incur liabilities and sign contracts and other documents, in the case of a multi-person Management Board, the cooperation of two Management Board Members or one Management Board Member together with a proxy is required. Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of equality of votes, the vote of the President of the Management Board is decisive. The Regulations of the Management Board are adopted by the Company's Management Board and approved by the Supervisory Board. In a contract between the Company and a member of the Management Board, as well as in a dispute with him, the Company is represented by the Supervisory Board or a proxy appointed by a resolution of the General Meeting.

The powers of the Management Board include, among others:

1. appointing and recalling commercial proxies,
2. appointing and recalling proxies of the Management Board for individual matters,
3. submitting a request to the Supervisory Board to convene its meeting,
4. paying shareholders an advance on the expected dividend at the end of the financial year, after meeting the conditions and in the manner specified in Article 349 of the Code of Commercial Companies.
5. making decisions on all matters not reserved for the Supervisory Board and the General Meeting,

The Management Board is not authorized to decide on the issue or redemption of shares. Such powers are vested in the General Meeting and require adoption of an appropriate resolution in this respect.

In 2022, the Company did not buy back its own shares for redemption.

11. Description of the rules for amending the Company's Articles of Association.

To amend the Articles of Association, a resolution of the General Meeting adopted by a majority of three quarters of votes is required (Article 415 § 2 of the Commercial Companies Code) and an entry in the Register of Entrepreneurs of the National Court Register

12. The manner of operation of the General Meeting and its basic powers, as well as a description of the rights of shareholders and the manner of their exercise, in particular the rules resulting from the regulations of the general meeting, if such regulations have been adopted, unless information in this respect results directly from the provisions of law

General Meeting of ELEKTROTIM S.A. operates on the basis of:

- the Code of Commercial Companies,
- 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, ie by the end of June. In 2022, the Ordinary General Meeting of ELEKTROTIM S.A. took place on June 23, 2022.

The General Meeting (GM) is convened by the Management Board in cases provided for in the Articles of Association or the provisions of the Code of Commercial Companies.

The Extraordinary General Meeting:

- a) is convened by the Company's Management Board on its own initiative,
- b) may be convened by the Supervisory Board if it deems it advisable,
- c) it may be convened by Shareholders representing at least half of the share capital or at least half of the total votes in the company. The shareholders appoint the chairman of this meeting,
- d) it may be convened at the request of a shareholder or shareholders representing at least one twentieth of the share capital. These shareholder or shareholders may request that certain matters be included in the agenda of the meeting. A request to convene an extraordinary general meeting should be submitted to the management board in writing or in electronic form..

General meetings are held at the Company's registered office or elsewhere in the territory of the Republic of Poland, on the date indicated in the notice of convening the General Meeting.

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

- 1) consideration and approval of the Management Board's report on the Company's activities,
- 2) consideration and approval of the Company's financial statements,
- 3) consideration and approval of the report on the Capital Group's activities,
- 4) consideration and approval of the consolidated financial statements of the Capital Group,
- 5) adoption of a resolution on distribution of profit or coverage of loss,
- 6) discharging members of the Company's governing bodies from their duties,
- 7) change in the subject of the Company's activity,
- 8) amendment of the Company's articles of association,
- 9) provisions regarding claims for compensation for damage caused during the establishment of the Company or the exercise of supervision or management,
- 10) sale or lease of an enterprise or its organized part and the establishment of a limited property right thereon,
- 11) issue of convertible bonds or bonds with pre-emptive rights and issue of subscription warrants,
- 12) dissolution and liquidation of the Company,
- 13) merger with another Company,
- 14) election of the Chairman of the Supervisory Board and then Members of the Supervisory Board and determination of their remuneration,
- 15) dismissal before the end of the term of office or suspension of Members of the Management Board,
- 16) dismissal before the end of the term of office of Members of the Supervisory Board,
- 17) selection and dismissal of liquidators and determination of their remuneration,
- 18) determination of 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 allowed to limit the rights of shareholders or to favour them due to the number of shares they hold.

A shareholder's right to request items to be placed on the agenda

A shareholder or shareholders of a public company representing at least one-twentieth of the share capital may, prior to the date of the general meeting, submit to the company in writing or by means of electronic communication draft resolutions on matters included in the agenda of the general meeting or matters that are to be placed on the agenda. The Company immediately announces draft resolutions on its website.

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

Each of the shareholders may, during the general meeting, but not later than until the vote on the draft resolution is ordered, submit draft resolutions concerning matters included in the agenda. The draft resolution should be submitted in writing to the Chairman of the General Meeting. In the case of submitting a draft resolution that does not meet the formal requirements, the Chairman may refrain from putting the draft resolution to the vote or, after obtaining a legal opinion, may formulate the final wording of the submitted motion, or the final wording of the submitted motion will be made by the motion committee, which may be appointed by the Chairman in the case of a pending submission. deliberations of a significant number of proposals. The motion committee will carry out the final editing of draft resolutions to be voted on.

Power of attorney

Shareholders may participate in the general meeting and exercise their voting rights in person or by proxy. The power of attorney to participate in the general meeting of the Company and exercise the right to vote must be granted in writing or in electronic form under pain of nullity. Granting a power of attorney in electronic form does not require a secure electronic signature verified by means of a valid qualified certificate.

If the proxy at the general meeting of the Company 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 authorities or an employee of a company or cooperative dependent on the Company, the power of attorney may authorize representation only at one general meeting. The proxy is obliged to disclose to the shareholder the circumstances indicating the existence or the possibility of a conflict of interest. Granting further powers of attorney is excluded..

Participation in the Meeting of members of the Management Board

Supervisory Board and other persons 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, statutory auditors and experts may participate in the meeting, if their participation is expedient due to the need to present opinions to the participants on the matters under consideration. Media representatives who have been accredited by the Management Board of the Company have the right to enter the General Meeting. Accreditation is granted to representatives of the media who have notified the Management Board of their intention to participate in the General Meeting.

The General Meeting is valid and may adopt resolutions regardless of the number of shareholders and shares represented at it. Each share gives the right to one vote at the General Meeting.

13. Composition of the Company's governing bodies and changes in them during the last financial year and description of the operation of the Company's management, supervisory or administrative bodies and their committees



Management Board of ELEKTROTIM S.A.

In the period from 01/01/2022 to 13/12/2022, the Management Board of ELEKTROTIM S.A. was composed of:

- | | | |
|-----------------------|---|------------------------------------|
| 1. Ariusz Bober | - | President of the Management Board, |
| 2. Dariusz Kozikowski | - | Member of the Management Board, |
| 3. Artur Więżnowski | - | Member of the Management Board. |

On December 13, 2022, Mr. Ariusz Bober resigned from the position of the President of the Management Board.

On December 14, 2022, the Supervisory Board of the Company appointed Mr. Artur Więżnowski as President of the Management Board and appointed a new Member of the Management Board, Mr. Krzysztof Wójcikowski.

In the period from 14/12/2022 to 31/12/2022, the Management Board of ELEKTROTIM S.A. was composed of:

- | | | |
|--------------------------|---|------------------------------------|
| 1. Artur Więżnowski | - | 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 office of the Management Board will expire on the date of the Ordinary General Meeting of ELEKTROTIM S.A. approving the financial statements for 2024.

Any agreements concluded between the Company and managing persons, providing for compensation in the event of their resignation or dismissal from their position without a valid reason, or when their dismissal or dismissal occurs due to the merger of the Company by acquisition.

In ELEKTROTIM S.A. Members of the Management Board receive remuneration on the basis of the resolution on appointment..

Members of the Management Board who hold the positions of Directors of individual Divisions in the Company are employed by the Company on the basis of employment contracts. The employment contracts in question do not provide for any special benefits paid upon termination of employment with the above persons. Members of the Management Board who hold the positions of Directors of individual Divisions in the Company are parties to non-competition agreements during and after the employment relationship ends.

SUPERVISORY BOARD

The Supervisory Board functioning in ELEKTROTIM S.A. in the period from 01/01/2022 to 31/12/2022.

In the period from 01/01 - 31/12/2022, the Supervisory Board of ELEKTROTIM S.A. functioned in the following 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 day of the ordinary general meeting of ELEKTROTIM S.A. approving the Company's financial statements for 2021, held on June 23, 2022, the mandates of two Supervisory Board Members: Mr. Marek Gabryjelski and Mr. Lesław Kula expired. As a result of the elections, Mr. Marek Gabryjelski and Mr. Lesław Kula were reappointed to the Supervisory Board of ELEKTROTIM S.A.

As at December 31, 2022, the terms of office of the Members of the Supervisory Board were as follows:

- a) Chairman of the Supervisory Board Maciej Posadzy - was elected for a term of office that will expire on the date of the general meeting approving the Company's financial statements for 2022 at the latest,
- b) Member of the Supervisory Board Marek Gabryjelski - was elected for a term of office that will expire on the date of the general meeting approving the Company's financial statements for 2024 at the latest,
- c) Member of the Supervisory Board, Mr. Krzysztof Kaczmarczyk - was elected for a term of office that will expire at the latest on the date of the general meeting approving the Company's financial statements for 2023,
- d) Member of the Supervisory Board Mr. Lesław Kula - was elected for a term of office that will expire at the latest on the date of general meeting approving the Company's financial statements for 2024,
- e) Member of the Supervisory Board Jan Walulik - was elected for a term of office that will expire on the date of the general meeting approving the Company's financial statements for 2023 at the latest.

Supervisory Board of ELEKTROTIM S.A. operates on the basis of:

- the Code of Commercial Companies,
- the Articles of Association of ELEKTROTIM S.A.,
- the Regulations of the Supervisory Board of ELEKTROTIM S.A.

The Supervisory Board consists of five members. The General Meeting appoints and dismisses the Chairman of the Supervisory Board and its Members. The General Meeting appoints each member of the Supervisory Board by a separate resolution specifying his term of office. The term of office of a member of the Supervisory Board lasts no longer than 5 years. The term of office of each Member of the Supervisory Board, as well as the remuneration of the Chairman and Members of the Supervisory Board, are determined by resolutions of the General Meeting.

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its activity. Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board, and if the Chairman is unable to convene the meeting, the Vice-Chairman of the Supervisory Board or a person indicated by the Chairman. The Supervisory Board adopts resolutions if at least half of its members are present at the meeting and all its members have been invited. The Supervisory Board adopts resolutions by an absolute majority of votes. In the case of an equal number of votes, the vote of the Chairman of the Supervisory Board is decisive. It is allowed for the Supervisory Board to adopt resolutions in writing and using means of direct remote communication. Resolutions adopted in this mode are valid when all members of the Supervisory Board have been notified of the content of the draft resolution and at least half of the members of the Supervisory Board took part in adopting the resolution. Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by casting their votes in writing through another member of the Supervisory Board, except for matters introduced to the agenda at the meeting of the Supervisory Board.

In order to perform its duties, the Supervisory Board may examine all the Company's documents, review the company's assets and request the Management Board, proxies and persons employed in the Company to prepare or provide any information, documents, reports or

explanations concerning the Company, in particular its operations or assets.

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its activity.

The specific duties of the Supervisory Board include:

- 1) assessment of the Management Board's report on the Company's operations for the previous financial year in terms of compliance with the books and documents, as well as with the actual state,
- 2) assessment of the Company's financial statements for the previous financial year in terms of compliance with the books and documents as well as with the actual status for the previous financial year,
- 3) assessment of the report on the activities of the Capital Group for the previous financial year in terms of compliance with the books and documents, as well as with the actual status,
- 4) assessment of the consolidated financial statements of the Capital Group for the previous financial year in terms of compliance with the books and documents, as well as with the actual state,
- 5) assessment of the Management Board's motions regarding the distribution of profit or coverage of losses,
- 6) submitting to the General Meeting an annual written report on the activities of the Supervisory Board,
- 7) considering and giving opinions on matters that are to be the subject of resolutions of the General Meeting
- 8) selection of a statutory auditor to audit the financial statements of the Company and the Capital Group,
- 9) approval of annual business plans and long-term development plans of the company,
- 10) appointment and dismissal of Members of the Management Board and determination of their remuneration,
- 11) suspending, for important reasons, individual or all members of the management board,
- 12) delegating a member or members of the Supervisory Board, for a period not longer than three months, to temporarily perform the duties of members of the management board who have been dismissed, have resigned or cannot perform their duties for other reasons,
- 13) adopting the Regulations of the Supervisory Board,
- 14) approving of the Regulations of the Management Board,
- 15) granting consent to taking out a credit or loan, as well as issuing bonds, excluding the issue of convertible bonds or the issue of bonds with priority rights, with a total value exceeding 20% of the Company's equity shown in the last approved financial statement of the Company,
- 16) granting consent to purchase or sell fixed assets with a value exceeding 10% of the Company's equity shown in the last approved financial statement of the Company,
- 17) expressing consent to the acquisition, taking up and disposal of shares in commercial companies, as well as joining commercial and civil partnerships and leaving such companies,
- 18) consent to the acquisition or disposal of real estate, perpetual usufruct or a share in real estate or perpetual usufruct,
- 19) consent to the Company granting a loan, surety or other encumbrance of the Company's assets to third parties,
- 20) consent to the conclusion by the Company with a related entity of a significant, unusual, non-routine transaction/agreement concluded on terms other than market conditions,
- 21) other matters entrusted to the competence of the Supervisory Board by the mandatory provisions of law,
- 22) expressing consent for Members of the Management Board to sit in management boards

or supervisory boards of companies from outside the Company's Capital Group,

23) specifying - in the form of regulations, detailed rules for participation in the Management Board meeting using means of direct remote communication;

24) specifying – in the form of regulations, detailed rules for participation in the meeting of the Supervisory Board using means of direct remote communication;

25) defining – in the form of regulations, detailed rules for participation in the General Meeting with the use of means of electronic communication.

Remuneration of the Supervisory Board of ELEKTROTIM S.A.

1. Remuneration for 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 remuneration.
3. Detailed report on the remuneration of the Supervisory Board of ELEKTROTIM S.A. in 2022 is included in the "Report on Remuneration of Members of the Management Board and Supervisory Board for 2022", which is a separate document.

The table below presents the remuneration (in PLN) received by each member of the Supervisory Board in the period from January 1, 2022 to December 31, 2022, jointly for performing functions in the Supervisory Board and for performing functions in the Audit Committee:

Maciej Posadzy	Chairman of the Supervisory Board	67.780,00 PLN
Marek Gabryjelski	Member of the Supervisory Board	73.175,44 PLN
Krzysztof Kaczmarczyk	Member of the Supervisory Board	55.207,33 PLN
Lesław Kula	Member of the Supervisory Board	43.661,33 PLN
Jan Walulik	Member of the Supervisory Board	54.553,33 PLN

The total cost of remuneration of the Supervisory Board in 2022 is PLN 294,377.43.

Audit Committee

Composition of the Audit Committee in the period from January 1, 2022 to December 31, 2022.

In the period from 01/01/2022 to 31/12/2022, the Audit Committee operated in the following composition:

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 office of the Audit Committee began on July 5, 2022 and will end on the date of the Ordinary General Meeting of ELEKTROTIM S.A., approving the financial statements for 2023.

The Committee in the indicated composition met the criteria of independence and other requirements set out in Art. 129 sec. 1, 3, 5, and 6 of the Act on Statutory Auditors, Audit Firms and Public Oversight, i.e.:

- a) Mr. Marek Gabryjelski and Mr. Krzysztof Kaczmarczyk met the criterion of having 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), were independent from the Company.

In 2022, the Audit Committee held 5 meetings.

Audit firm selection policy

The policy for selecting an audit firm to conduct the audit is developed on the basis of the Act of 11 May 2017. on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089). The selection of the audit firm is made by the Supervisory Board of ELEKTROTIM S.A. When selecting an audit firm, the Supervisory Board takes into account the recommendation of the Audit Committee. The Audit Committee of the Company, in the case of initiating the procedure of selecting an audit firm to audit the Company's financial statements, evaluates the audit firms that submitted the offer, taking into account the existing relations of these firms and entities related to the Company. The Committee assesses the nature and degree of links between these entities. When making the assessment, the Company's Audit Committee analyzes the audit company's compliance with the rules of professional ethics, the ability of the audit team to maintain professional skepticism, as well as the ability to maintain independence when conducting audits with different legal qualifications regarding the same entity. The Audit Committee draws up a report on the assessment made, which is attached to the recommendation referred to above. On behalf of the Company, on the basis of the authorization of the Supervisory Board of ELEKTROTIM S.A., the agreement with the audit firm is concluded by the Management Board of the Company under the conditions specified by the Supervisory Board of ELEKTROTIM S.A. The agreement with the audit company The Company may be concluded for a maximum period of five years.

In view of the approaching end of the agreement concluded with Grant Thornton Polska Sp. z o. o. Spółka komandytowa z/s in Poznań for the years 2020-2021, the Supervisory Board, after receiving the recommendation of the Audit Committee, acting in accordance with the "Procedure for selecting an audit firm to audit financial statements of ELEKTROTIM S.A." approved on September 10, 2021 the audit firm Grant Thornton Polska Sp. z o. o. Spółka komandytowa z/s in Poznań, entered on the list of audit firms kept by the National Chamber of Statutory Auditors under number 4055, as an 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 audit for the years 2022-2024.

The policy for the provision by the audit firm conducting the audit, by entities related to that audit firm and by a member of the audit firm's network of permitted non-audit services is developed on the basis of the Act of 11 May 2017. on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089). In order to ensure the independence and objectivity of the audit firm that audits the financial statements of the Company and entities related to the audit firm, the Company, as a rule, does not entrust other financial audit services to the audit firm responsible for the indicated audits or to its affiliates. However, the company may entrust the same audit firm or its related entities with the performance of the so-called permitted audit services. The above services may be provided subject to the Company's Audit Committee assessing threats and safeguards to independence. When making the assessment, the Audit Committee of the Company analyzes the audit company's compliance with the rules of professional ethics, the ability of the audit team to maintain professional skepticism, as well as the ability to maintain independence when conducting audits with different legal qualifications regarding the same entity..

In 2022, they were provided to ELEKTROTIM S.A. by the audit company examining its financial statements, i.e. by Grant Thornton Polska Sp. z o. o. sp.k., other services other than auditing the financial statements. The audit firm Grant Thornton Polska Sp. z o. o. sp.k. was selected and assessed the "Report on Remuneration of Members of the Supervisory Board and the

Management Board of ELEKTROTIM S.A. for 2021" in terms of the completeness of the information contained therein required pursuant to Art. 90g sec. 1-5 and 8 of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to organized trading and on public companies (consolidated text: Journal of Laws of 2020, item 2080, as amended) (Act on public offer). Audit Committee of ELEKTROTIM S.A. assessed the audit company's compliance with the rules of professional ethics, the ability of the audit team to maintain professional skepticism, and, above all, assessed the independence when conducting audits with different legal qualifications regarding the same entity based on the statements submitted by Grant Thornton and consented to the provision of these services by an audit firm. The service was performed in accordance with the provisions of the National Standard on Assurance Engagements Other than Audit and Review 3000 (Z) as amended by the International Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other than Audit or Review of Historical Financial Information*, adopted by Resolution No. 3436/52e/2019 of the National of the Statutory Auditors of April 8, 2019, as amended (KSUA 3000 (Z)). The report was reviewed by the General Meeting of the Company on June 23, 2022 and received a positive opinion.

14. Description of the diversity policy applied to the administrative, management and supervisory bodies of the Company with regard to aspects such as age, gender or education and professional experience, the objectives of this diversity policy, the method of its implementation and the effects in a given reporting period; if the Company does not apply such a policy, an explanation of such a decision

In the report on the state of application by the Company of the principles contained in the Collection of Good Practices of Companies Listed on the Warsaw Stock Exchange 2021, the Company - in the explanation of the non-application of principle 2.1. - posted the following comment: The company does not have a "Diversity Policy" towards the management board or the supervisory board. The principles of staff selection and composition of bodies do not refer to gender, but only to the qualifications and professional experience of candidates in order to attract the best people to fill positions, regardless of their gender.

15. Investor Relations Information Policy

The shares of ELEKTROTIM S.A. Company have been listed on the main market of the Warsaw Stock Exchange since 2007. During this period, the Company has been pursuing the fundamental goal of its Investor Relations Information Policy, which is to ensure equal access to information about the Company, taking into account the needs of its stakeholders, while respecting legal regulations. An effective Information Policy enables potential investors to make investment decisions with a defined exposure to risk.

Through its Information Policy, the Company strives to provide investors with access to reliable data and information, aiming for the market valuation of its shares to reflect the current state of the Company, along with its potential opportunities. The Investor Relations Information Policy within the ELEKTROTIM Capital Group sets the standards for disclosing information about ELEKTROTIM S.A. and the Capital Group to the public, as well as the standards for communication with market participants.

ELEKTROTIM S.A.'s actions within the Investor Relations Information Policy include:

- 1) Reports submitted to the Polish Financial Supervision Authority, Warsaw Stock Exchange, and Polish Press Agency.
- 2) Written statements included in annual, semi-annual, and quarterly periodic reports.
- 3) Announcements.
- 4) Investor conferences.
- 5) Letters to shareholders.
- 6) Statements.

- 7) Press conferences.
- 8) Public meetings with analysts.
- 9) Presentations and other information published on the Company's website.

Recipients of the Investor Relations Information Policy

Actions resulting from the Investor Relations Information Policy are directed to the following stakeholder groups:

- 1) Company shareholders.
- 2) Individual and institutional investors and potential investors.
- 3) Regulatory authorities and organizers of the regulated market (Polish Financial Supervision Authority, Warsaw Stock Exchange, Krajowy Depozyt Papierów Wartościowych S.A.).
- 4) Financial and insurance institutions.
- 5) Market analysts.
- 6) Securities dealers.
- 7) Rating agencies.

Report on the Implementation of the Investor Relations Information Policy by ELEKTROTIM S.A. in 2022

In 2022, a total of 36 current reports were published, including 23 reports classified as price-sensitive information (confidential information - Article 17(1) of the Market Abuse Regulation), and one report disclosing delayed confidential information (commencement of negotiations for the sale of shares of the subsidiary company, PROCOM SYSTEM S.A.).

In 2022, after the publication of periodic reports, three press teleconferences and three open group teleconferences with investors and analysts/fund managers were held, during which the Management Board of ELEKTROTIM S.A. presented the current financial results, as well as the situation of the Company and the Capital Group. The Company also communicates with investors through other channels.

Corporate website, Investor Relations tab, including current and periodic reports. In 2022, 950 materials or mentions dedicated to the Company were published, both in print media and on the internet.

16. Remuneration policy- Report on "Remuneration policy"

Due to the statutory obligation arising from Article 90d of the Act of 29 July 2005 on Public Offering and the Conditions for Introducing Financial Instruments to Organized Trading and Public Companies, the Ordinary General Meeting of ELEKTROTIM S.A. on June 30, 2020, 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:

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 goal of the Policy is to create organizational frameworks for the compensation 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 coherent compensation system. The implementation of the Policy has also increased transparency in the remuneration

principles for the individuals managing and supervising the Company, which may have significant importance for current and future shareholders.

General information regarding the adopted remuneration system in the Company

The principles of remuneration for Members of the Management Board of ELEKTROTIM S.A. in 2022 were regulated by:

1. "Remuneration 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 by Resolution No. 26/WZA/2021 of the Ordinary General Meeting of ELEKTROTIM S.A. on June 24, 2021, and further amended by Resolution No. 26/WZA/2022 of the Ordinary General Meeting of ELEKTROTIM S.A. on June 23, 2022 (hereinafter referred to as the Compensation Policy).
2. Resolutions of the Supervisory Board.
3. Work Regulations of ELEKTROTIM S.A., Remuneration Regulations of ELEKTROTIM S.A. due to the employment of a specific Management Board Member as an employee (Managing Director) in the Company.

information on the terms and amount of remuneration of each member of the management board, broken down into fixed and variable remuneration components, with an indication of the key parameters for determining variable remuneration components and the rules for the payment of severance payments and other payments for termination of employment, mandate or other similar legal relationship – separately for the company and each entity included in the capital group

The main elements of the remuneration system for Members of the Management Board of ELEKTROTIM S.A. belong:

- a) fixed monthly remuneration for performing the function of a Member of the Management Board (fixed component),
- b) annual bonus depending on the achievement of a strategic goal (variable component),
- c) fixed monthly remuneration under an employment contract (fixed component),
- d) financing contributions to the Employee Pension Program and Employee Capital Plans (fixed component; derivative of remuneration for work)
- e) incentive benefits, addition of non-cash benefits (company car for private purposes) and other (variable component).

Detailed data on the remuneration received by individual Members of the Management Board of ELEKTROTIM S.A., broken down into the part of the remuneration received for performing functions in the management board and the part related to employment in the company on a job position (in PLN)

		Remuneration for the appointment (in PLN)		Remuneration under the employment contract (in PLN)		Total remuneration (in PLN)
		constatnt	variables	constatnt	variables	
Name of the Member of the Management Board/function	Term of office	1a	2a	1b	2b	
Ariusz Bober Chairman of the Board	01.01.2022 13.12.2022	245.117,20	196.308,00	325.350,29	27.018,88	793.794,37

Dariusz Kozikowski Member of the Board	01.01.2022 31.12.2022	144.933,34	128.299,00	281.648,29	34.800,00	589.680,63
Artur Więznowski Member of the Board up to 13.12.2022; Chairman of the Board from 14.12.2022	01.01.2022 31.12.2022	151.320,44	45.000,00	320.428,58	34.800,00	551.549,02
Krzysztof Wójcikowski Member of the Board	14.12.2022 31.12.2022	8.129,03	0,00	16.000,00	0,00	24.129,03
Dariusz Połetek	01.01.2021 31.12.2021*		83.299,00			83.299,00
TOTAL		549.500,01	452.906,00	943.427,16	96.618,88	2.042.452,05

* Mr Dariusz Połetek, who held the position from 01/01/2021 to 31/12/2021, received a bonus in 2022 for achieving the objectives of the Management Board for 2021..

Information on the value of remuneration received by Members of the Management Board of ELEKTROTIM S.A. for performing functions in the authorities of subordinated entities

YEAR 2022

Name of the Member of the Management Board function in the Supervisory Board	Name of the company from the Capital Group	Term of office	Total gross remuneration in PLN
Artur Więznowski Chairman of the Supervisory Board	ZEUS S.A.	13.06.2022 - 31.12.2022	500,00
Ariusz Bober Member of the Supervisory Board	ZEUS S.A.	13.06.2022 - 31.12.2022	500,00

Information on non-financial components of remuneration due to individual members of the Management Board and key managers

Cash and non-monetary benefits of Members of the Management Board of the Company who are employed under an employment contract in the Company's enterprise include:

1. incentive benefits, indicated in the resolution of the Supervisory Board, covering a specified amount money for own and immediate family expenses as well as expenses related to health, leisure, insurance, participation in sports activities, etc.;
2. using a company car for private purposes for an additional fee;
3. using technical devices such as a telephone and a company computer for free use for private purposes;
4. subsidies for learning foreign languages, in accordance with the rules applicable in the Company..

III. FINANCIAL DATA

1. 1. Evaluation of factors and unusual events affecting the result on operations for the financial year, specifying the degree of impact of these factors or unusual events on the result achieved;

In 2022, there were unusual events and factors affecting the standalone and consolidated financial results for 2022. The long-lasting SARS-Cov-2 coronavirus pandemic and the outbreak of war between Russia and Ukraine had a decisive influence on the uncertainty of the general economic and political situation in Poland. These factors resulted in rising interest rates and galloping inflation, which led to a slowdown in the investor market. A major challenge was the volatility of supply and uncertainty as to the continuity of supplies, which posed the risk of failing to meet the deadlines of the contracts being implemented.

In this difficult economic situation, ELEKTROTIM S.A. took preventive measures, among others, in the form of revaluation of contracts, pre-purchase of currencies in order to maintain the planned level of margin on contracts.

2. 2. Income and property situation of the Company

2.1. 2.1. Current and expected income situation - profit and loss account

Table - individual data in thousands PLN

	2021	2022	increase in %
Sales revenue	207 999	428 243	106%
The cost of producing materials and services	184 450	375 468	104%
Gross sales result	23 549	52 775	124%
Selling costs	6 475	7 886	22%
Management costs	5 929	9 598	62%
Operating result	11 292	29 519	161%
Gross result	11 012	30 517	177%
Net result	9 564	23 085	141%

The level of revenues in 2022 is more than twice as high as the revenues achieved in 2021, it is also the highest in history for ELEKTROTIM S.A. Such high revenues were achieved thanks to undertaking a wide-ranging offering campaign, acceptance of risks related to signing larger contracts than before and concentration of a significant part of revenues at one client. Some of the implemented projects were characterized by a large involvement of working capital, many were, from the Company's point of view, innovative, also due to the scale, new customers or innovative nature of the products. ELEKTROTIM S.A. undertook, among others implementation of a large contract with the Border Guard regarding the construction of an electronic barrier on the border with Belarus. Significant increases in turnover also occurred in the distribution, maintenance and traction divisions, and the increase in the scale of operations required securing financing. This goal was achieved through contractual solutions with investors and suppliers (milestones, advance payments, method of contract settlement and payment dates), as well as by securing credit limits in the total amount of PLN 51 million and insurance guarantee limits (including advance payment refund guarantees) for over PLN 200 million.

The level of production costs shows similar dynamics as sales revenues, this was achieved due to the fact that most of these costs are variable costs. In addition, through the implemented purchasing policy, concluding framework agreements and negotiating purchase prices, as well as signing annexes to contracts in order to index the prices of materials and services, an additional increase in business efficiency was achieved and these were actions limiting the increase in costs (the dynamics of production costs is 2 percentage points lower than revenue). And yet, the year 2022, especially during the first half of the year, showed abrupt and unforeseen increases in the prices of third-party materials and services, which particularly affected the construction industry. The discussed actions were aimed at reducing the negative impact of inflation on the profitability of contracts and thus allowed to maintain the planned margin on sales. Selling costs in 2022 showed a slight increase, thus maintaining the characteristics of fixed costs. This is due to the fact that contracts with a higher average value are obtained, which translates into lower costs of obtaining and handling target orders. Administrative expenses increased by 62% due to provisions for remuneration (including the effects of changes in the management board) and bonuses for the management board. The high operating result results from the sale of shares in PROCOM SYSTEM S.A. as well as an increase in the gross sales margin compared to 2021.

Effective tax rate	in thousands of PLN
	01.01.-31.12.2022
Result before tax	30 517
The tax rate applied by the Company	19%
Income tax at the Company's domestic rate	5 798
Reconciliation of income tax on account of:	
Non-taxable income (-)	9 293
Costs permanently not tax deductible (+)	11 039
Creation and reversal of temporary differences in income tax	-113
Debiting/crediting the result due to income tax	7 431
Effective tax rate	24,35%

The high effective tax rate in 2022 results from the created provisions (which are not tax deductible), due to penalties for warranty defects, penalties for withdrawal from implementation in the total amount (PLN 5,800,000). A provision was also created for a write-down on the value of shares in ZEUS S.A. (PLN 4,026,000) and write-downs on receivables (PLN 300,000).

The company generated a net profit of PLN 23,085 thousand. PLN, which is the Company's highest result since the beginning of its operations. The net return on sales for 2022 amounted to 5.4% and compared to 2021, the Company recorded an increase in average profitability by 0.8 percentage points.

The portfolio of orders and preliminary results in the first months of 2023 allow us to look to the future with optimism.

The company expects another very good year this year, and in accordance with the announced strategy, its results in 2023 and subsequent years will not fall below PLN 10 million net profit per year.

2.2. Current and expected financial situation - balance sheet

2.2.1 Current financial situation

Table - individual data in thousands PLN

	2021	2022	Change %
Balance sheet total	142 157	240 238	69%
Non-current assets	39 997	28 057	-30%
Assets	102 160	210 308	106%
Liabilities – Equity	68 529	91 498	34%
Liabilities - Liabilities and provisions for liabilities	73 627	148 740	102%

The value of fixed assets at the end of 2022 decreased to PLN 28,057 thousand. PLN for the sale of shares in PROCOM SYSTEM and the write-down of the revaluation of shares in ZEUS S.A. The value of current assets at the end of 2022 amounted to PLN 210,308 thousand. PLN and increased by 106% compared to 2021, i.e. in proportion to the increase in sales.

Asset structure:

	Share (%) 2021	Share (%) 2022
Non-current assets	28%	12%
Assets	72%	88%

In 2022, compared to 2021, the Company's current assets changed, among others:

1. Trade and other receivables (an increase of only 34%, with revenue dynamics of +106%). Lower the dynamics of changes results from the shortening of the rotation cycle by 54 days. This is the result of effective working capital management, shortening the sales cycle and average payment terms, intensifying debt collection activities and - on a smaller scale, dictated by the high payment discipline of customers - increasing the efficiency of debt collection.
2. Cash and cash equivalents (increase by 273%), which occurred due to the improvement of financial results and cash efficiency of profit, but also due to obtaining unsettled as at 31 December advance payments from contractors (amount of PLN 42,781,000), increase not overdue liabilities (subject to favourable payment terms obtained from suppliers). All the activities discussed are related to the adopted financial management strategy, ensuring the safety of order execution.

In 2022, compared to 2021, there were significant changes in the Company's liabilities:

- 1) equity increased (by 34%) due to the net result generated in 2022;
- 2) short-term liabilities increased (by 110%), e.g. resulting from more favourable payment terms and from unsettled advance payments for deliveries under implemented contracts.

2.3. Cash flow

Table - individual data in thousands PLN

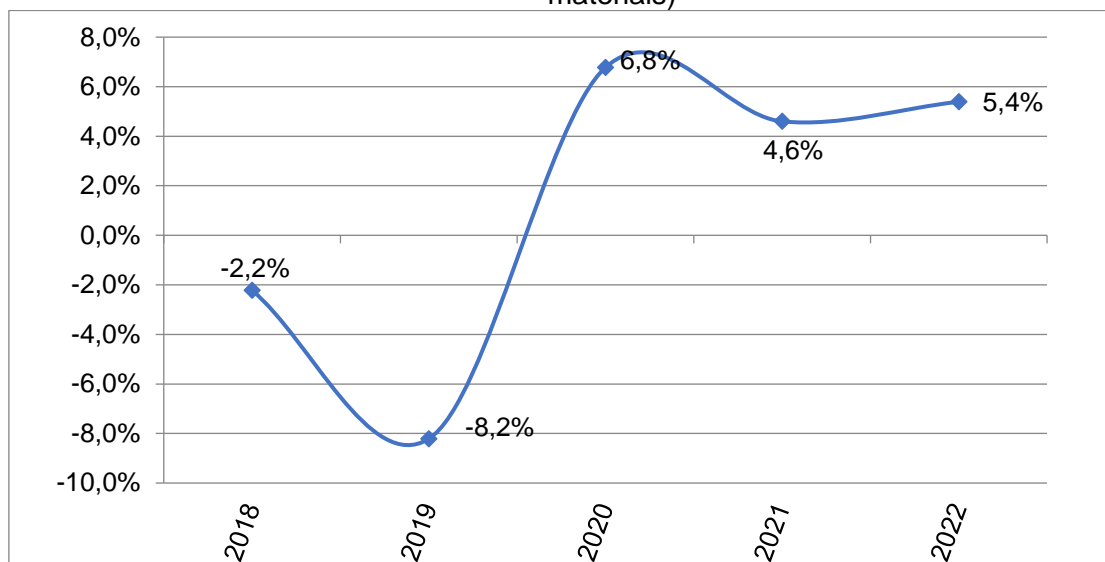
	2021	2022
Cash at end of period	14 625	54 652
Cash flows from operating activities	1 161	33 188
Cash flows from investing activities	-2 044	10 509
Cash flows from financial activities	-2 727	-3 669
Net cash flows	-3 610	40 027

In 2022, the Company generated positive cash flows at every level of activity. Significant factors influencing the value of cash flows from operations were:

- 1) Net result for 2022 at the level of PLN 30,517 thousand. PLN,
- 2) Change in liabilities excluding credits and loans (+) PLN 70,641 thousand,
- 3) Change in receivables (-) PLN 22,996 thousand , (the change in receivables and payables is the result of an effective working capital management policy, which allowed to extend the payment terms for deliveries and accelerate the turnover of receivables, these actions translate into increased financial security of the Company),
- 4) Change in accruals (-) PLN 45,607 thousand, mainly due to the valuation of contracts in the amount of PLN 44,093 thousand , this item indicates a much higher construction and service activity conducted by ELEKTROTIM S.A. at the end of 2022 compared to 2021, which resulted in a high valuation of unsold contracts.
- 5) A positive change in cash flows from investing activities results from the sale of shares in PROCOM SYSTEM S.A. – the proceeds on this account in 2022 of PLN 7,690 thousand and the dividend obtained from this company in the amount of PLN 2,160 thousand.
- 6) Cash flows from financing activities were influenced by lease payments (including property rental) in the amount of PLN 2,724 thousand, and expenses related to interest and commissions for financial liabilities in the amount of PLN 695 thousand..

2.4. Selected indicators:

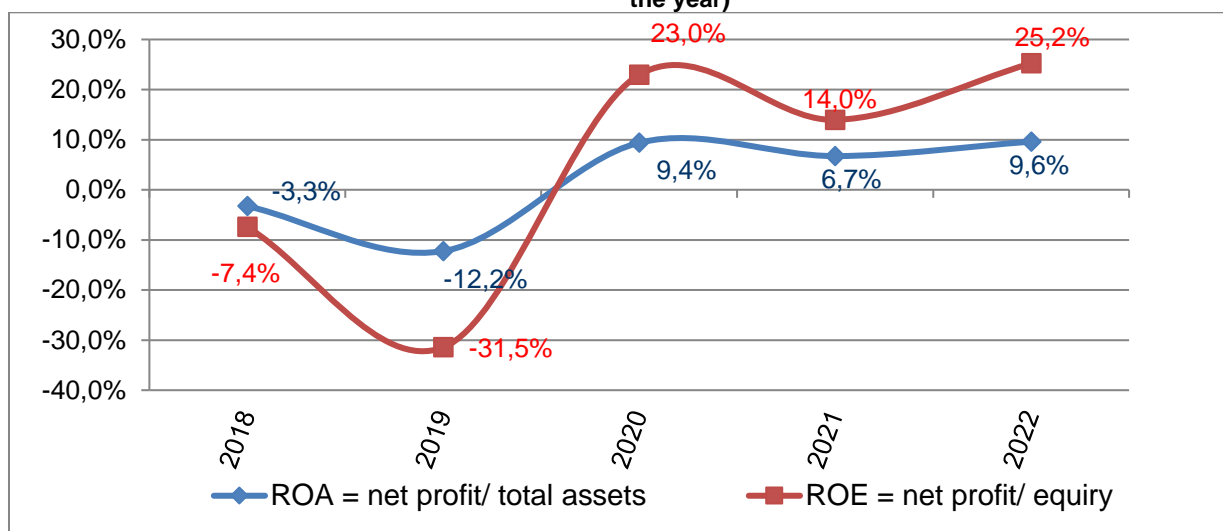
Net sales profitability at ELEKTROTIM S.A. in the years 2018 - 2022 (calculated as the ratio of the net result to net revenues from the sale of products, goods and materials)



In the last 3 years of operation, the Company maintained a stable level of profitability, which reflects the stability of key parameters such as margins and contract performance conditions, despite changes in the macroeconomic environment and on the markets on which the Company operates.

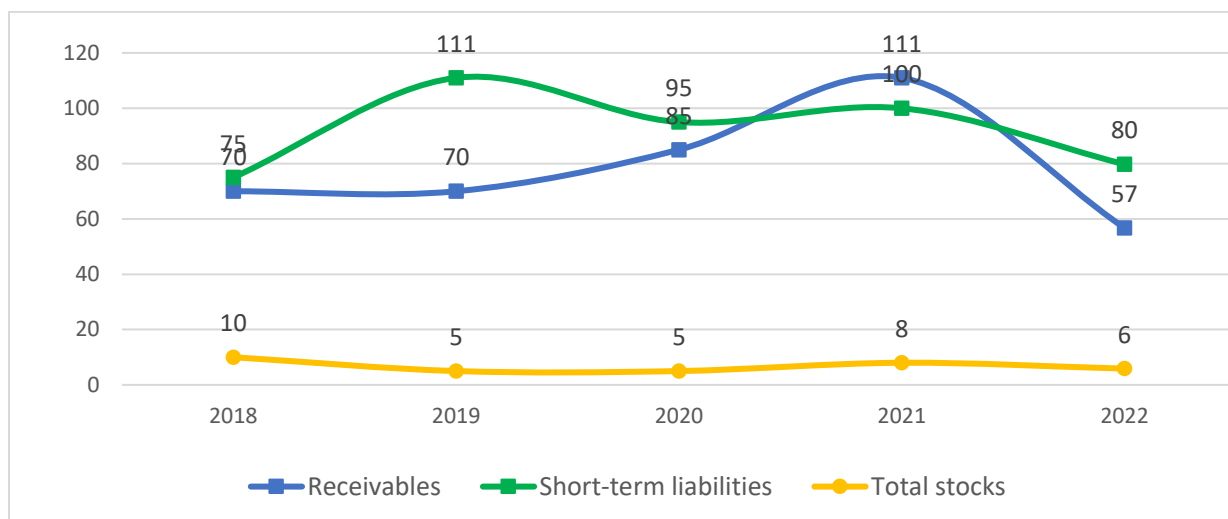
Return on assets and equity in 2018-2022

Profitability ratios (return on assets - ROA and return on equity) for ELEKTROTIM S.A. in the years 2018-2022 (calculated on the basis of balance sheet data prepared as at the last day of the year)



The effectiveness of asset management and the Company's ability to generate profits has been at a stable level for the last 3 years, which proves the good financial condition of the Company. Return on invested capital also remains at a stable high level of approx. 25% on an annual basis.

Rotation of receivables, payables and inventories in 2018-2022 Rotation rates in days



Inventory turnover remains at a stable level, resulting from the maintenance of materials for the current needs of the Maintenance Division. The decrease in the turnover of receivables by as much as 54 days is the result of the financial strategy and - as part of its implementation - the shortening of payment terms, as well as an independent result of the dynamics and increase in sales in the fourth quarter of 2022. The company reduced the time to pay its liabilities to suppliers by an average of 20 days, which results from the policy of accelerating payments in exchange for a discount (despite the originally obtained extended payment terms) and from the neutral seasonality of liabilities, opposite to revenues. In the first quarters of the year, the value of liabilities is usually higher than at the end of the year.

Average turnover ratios in days:

Turnover	2018	2019	2020	2021	2022
Receivables	70	70	85	111	57
Short-term liabilities	75	111	95	100	80
Total stocks	10	5	5	8	6

*Receivables turnover ratio = average short-term receivables / net sales * number of days in the audited period*

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

*Inventory turnover ratio = average inventory for four quarters / net sales * number days in the audited 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 analysed period and the number of quarters in this period

Turnover at the end of the financial year:

Turnover	2018	2019	2020	2021	2022
Receivables	115	80	103	120	78
Short-term liabilities	122	120	119	102	105
Total stocks	4	5	7	6	3

*Receivables turnover ratio = short-term receivables as at December 31 of the financial year / net sales * number of days in the audited period*

*Short-term liabilities turnover ratio = current liabilities as at December 31 of the financial year / net sales * number of days in the audited period*

*Inventory turnover ratio = inventory as at December 31 financial year / net sales * number of days in the audited period*

When analysing the turnover calculated only according to the data from the end of the year, a strong shortening of the receivables turnover period is still noticeable. However, the payables repayment period was extended compared to 2021 and the inventory rotation cycle was significantly shortened.

3. Income and property situation of the ELEKTROTIM Capital Group

The most important financial data as at 31 December 2022 for the ELEKTROTIM Capital Group are as follows:

1. Consolidated net revenues from the sale of products, goods and materials amounted to PLN 505,599 thousand. This means an increase in revenues by 85% compared to 2021.
2. The consolidated net result is PLN 22,439 thousand, which is more than three times more than in 2021..

3.1. PROFIT AND LOSS ACCOUNT OF THE ELEKTROTIM GROUP

Table 1 – selected items from the consolidated statement of comprehensive income

PLN thousands	2021	2022	Change
Net revenues from the sale of products, goods and materials	277 173	505 599	82%
Gross profit on sales	32 455	67 484	108%
Operating profit (EBIT)	9 256	33 191	259%
EBITDA	14 752	38 120	158%
Gross result	7 610	30 414	300%
Net result	6 468	22 439	247%

The ELEKTROTIM Group ended 2022 with a high net result, which is largely due to the high share of ELEKTROTIM S.A. in the group. The added value was also brought by OSTOYA-DataSystem Sp. z o.o., which conducts development and certification of IT systems and performs contracts in the field of implementation and development of security management systems and in 2022 is characterized by high profitability. On the other hand, the Group's result was negatively affected by the activities of ZEUS S.A., which ended 2022 with a loss.

Table 2 - Structure of revenues in the ELEKTROTIM Group (data in PLN thousand)

COMPANY	2021	2022	change	% share in 2022
ELEKTROTIM S.A.	207 986	427 810	106%	83%
PROCOM SYSTEM S.A.	34 484	43 266	25%	8%
ZEUS S.A.	33 224	32 947	-1%	8%
Ostoya-DataSystem Sp. z o.o.	1 479	1 576	7%	0,3%
REVENUE OF THE ELEKTROTIM GROUP	277 173	505 599	82%	

The level of production costs in the Group shows similar dynamics as sales revenues and is the result of maintaining the planned stable margin on ongoing contracts. The exception is ZEUS, which did not generate a positive result on operating activities due to the closing of contracts from 2020-2021, which were not indexed due to the increase in material prices and

other costs. This resulted in these contracts generating very low margins or only covering direct costs.

Selling and management costs in the Group, due to their quasi-fixed nature, increased by only 24% compared to 2021. This is the result of optimization of processes and thus costs in the Group.

3.2. BALANCE SHEET OF THE ELEKTROTIM GROUP

Table 3 - Selected items from the consolidated statement of financial position (data in PLN thousand)

PLN thousands	2021	2022	Change	Share in 2021	Share in 2022
Non-current assets	39 170	28 081	-28%	22%	10%
Assets	141 650	240 245	70%	78%	90%
Equity capital	77 945	99 120	27%	43%	37%
Liabilities and provisions for liabilities	102 875	169 206	64%	57%	63%
Balance sheet total	180 820	268 326	48%		

The increase in current assets in the Group results, among others, from the increase in the valuation of contracts in ELEKTROTIM S.A. and the increase in cash at the end of 2022. The Group shows a level of liabilities corresponding to the increased scale of economic activity.

3.3. CASH FLOWS OF THE ELEKTROTIM GROUP

Table 4 - Selected items from the consolidated statement of cash flows

PLN thousands	2021	2022
Net cash flows from operating activities	1 818	37 505
Net cash flow from investing activities	-200	5 479
Net cash flows from financing activities	-6 195	-4 982
Total net cash flows	-4 577	38 002

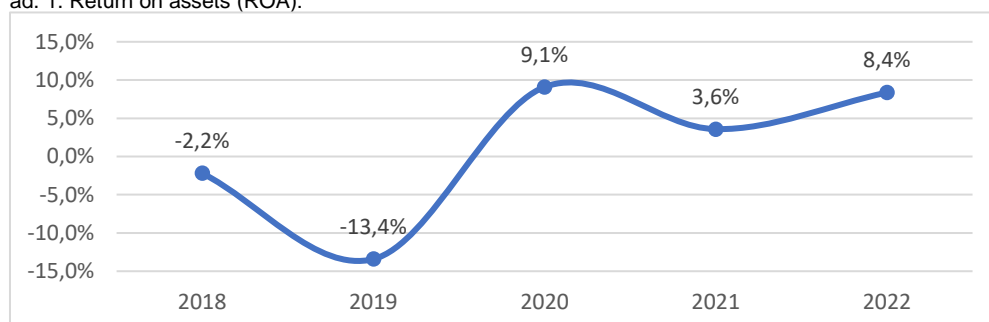
In 2022, the Group generated positive cash flows from operating and investing activities. Maintaining a stable positive margin on contracts in progress, with the effect of operating leverage related to the doubling of revenues, is a source of high cash flows from operating activities. Significant factors affecting the value of cash flows from investing activities was the sale of shares in PROCOM S.A. in the amount of PLN 7,690 thousand. PLN and expenses for the purchase of software and retrofitting with IT equipment (OSTOYA SYSTEM) and capital expenditures related to the current replacement of fixed assets in the Group. In the Group's financial activities, cash flows were affected by the dividend paid from PROCOM (not subject to consolidation elimination due to the fact that the dividend was paid after the sale of all shares held by ELEKTROTIM S.A.) and expenses under finance lease agreements.

3.4. SELECTED FINANCIAL RATIOS for the Capital Group

Table 5 - Selected financial ratios

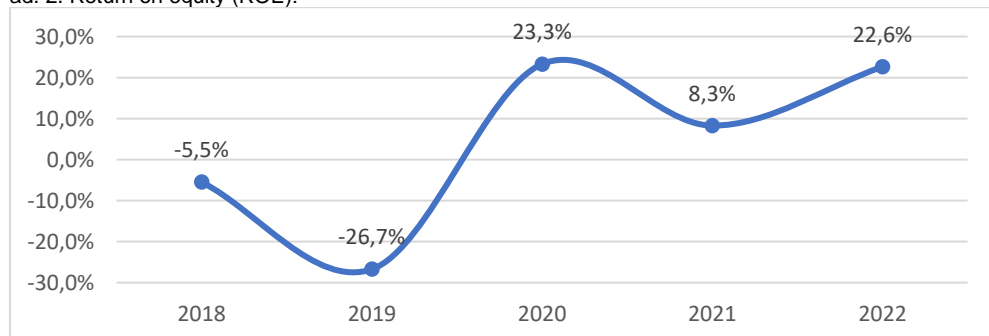
No.	Description	2018	2019	2020	2021	2022
1	Return on assets (ROA)	-2,2%	-13,4%	9,1%	3,6%	8,4%
2	Return on Equity (ROE)	-5,5%	-26,7%	23,3%	8,3%	22,6%
3	Operating Profitability (EBIT)	-0,4%	-6,2%	8,4%	3,3%	6,6%
4	Net Sales Profitability	-1,3%	-5,6%	6,0%	2,3%	4,4%
5	General Debt Ratio	60%	92%	61%	57%	63%
6	I degree liquidity ratio	1,5	1,9	1,6	1,7	1,5
7	II degree liquidity ratio	1,4	1,9	1,5	1,6	1,5
8	Short-term Receivables Turnover (in days)	106	95	103	128	67
9	Short-term Liabilities Turnover (in days)	112	117	114	110	115
10	Inventory Turnover (in days)	3	4	6	5	2

ad. 1. Return on assets (ROA):



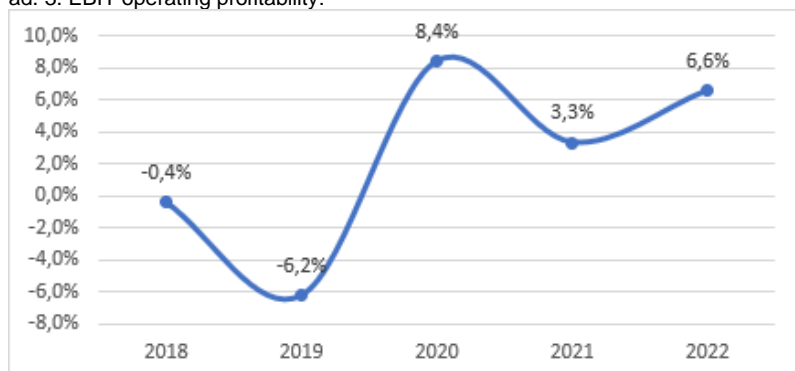
In 2022, the Group significantly improved its effective use of working capital and achieved a return on assets of 8.4%.

ad. 2. Return on equity (ROE):



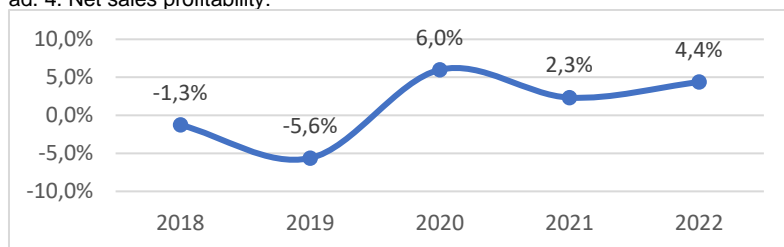
In 2022, the Group generated an increase in return on invested capital compared to 2021 and thus returned to the desired level of profitability from 2020. The results achieved indicate that the company achieves a full return on equity in just over 4 years.

ad. 3. EBIT operating profitability:



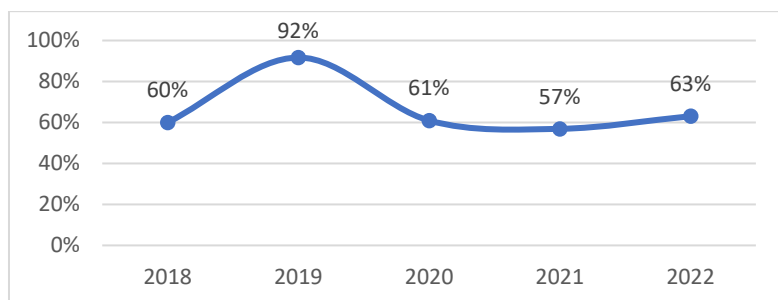
In 2022, the Group generated an increase in operating results and increased operating profitability by almost 100% compared to 2021.

ad. 4. Net sales profitability:



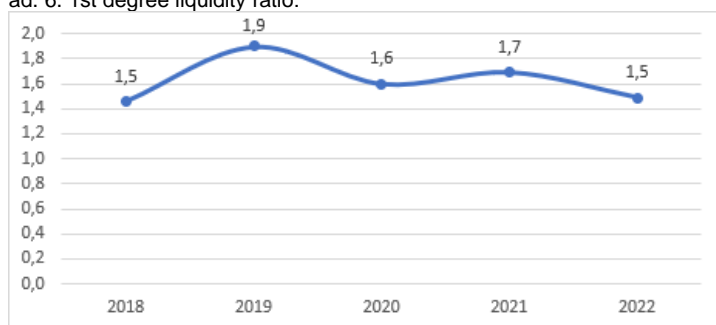
The profit generated in the Group and the increase in profitability from operations allow for the development and use of the current potential and ensure security for the coming years.

ad. 5. Total debt ratio:



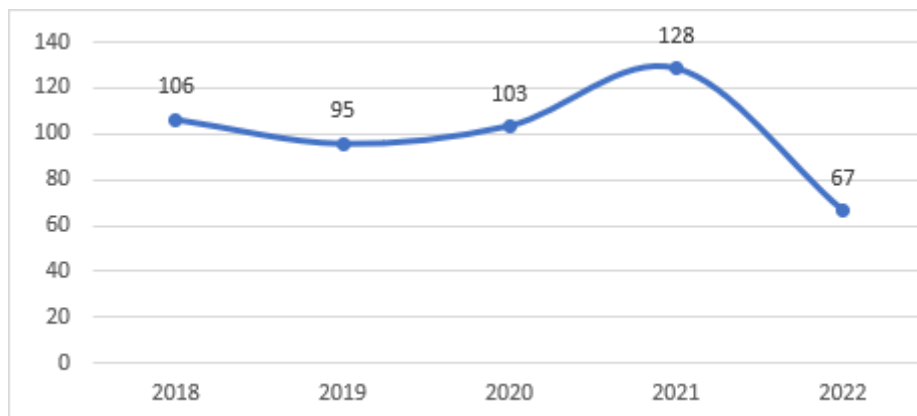
In the last 3 years, the Group maintained a constant level of general debt, which proves its good and stable financial condition.

ad. 6. 1st degree liquidity ratio:



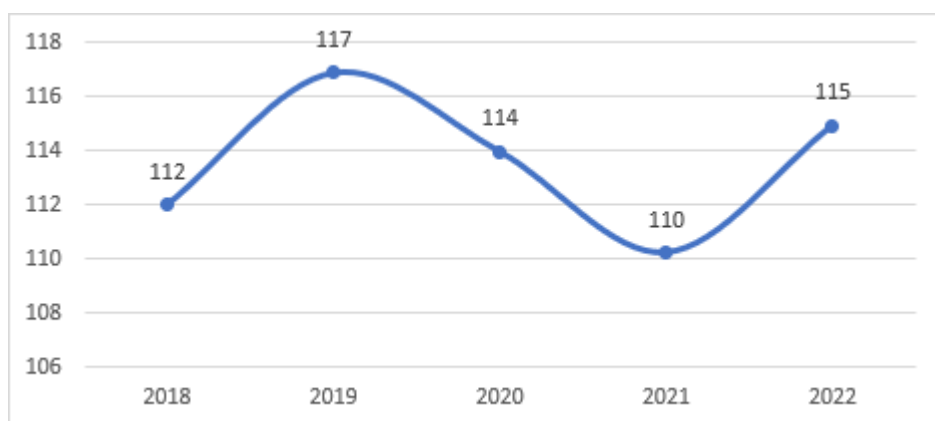
The current liquidity ratio of the ELEKTROTIM Group has remained at a safe and very stable level over the last 5 years. The Group achieved such results through appropriate working capital management.

ad. 7. Rotation of short-term receivables (in days):



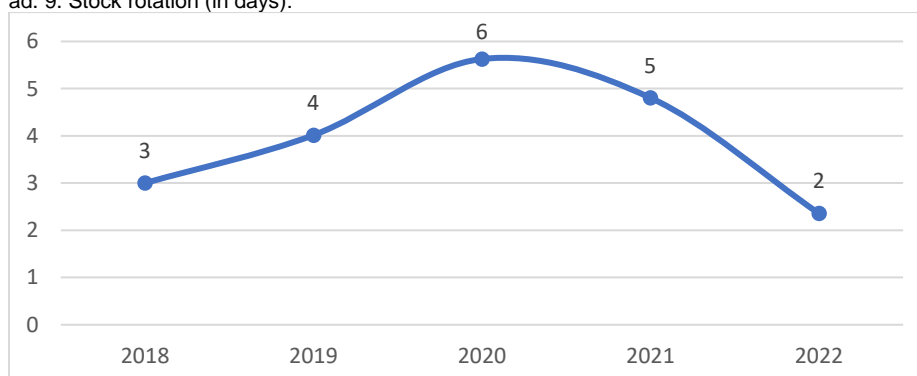
The receivables turnover ratio decreased by 61 days as a result of shortening payment terms and effective debt collection activities. This gave the Group the financial resources to face new challenges in 2022 and allowed for the smooth implementation of large contracts.

ad. 8. Rotation of short-term liabilities (in days):



The turnover of liabilities in the Group has remained at a constant level over the last 5 years.

ad. 9. Stock rotation (in days):



The inventory turnover ratio in the Group remains at a constant level, which is the result of low inventories of components. This is due to the characteristics of the industry in which companies operate, where material purchases are directly used in contracts.

Method of ratios calculation:

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

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

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

Net return on sales = net profit (loss) / net revenues from sales of products, goods and materials

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

1st degree liquidity ratio = current assets / short-term liabilities

Receivables turnover = short-term receivables at the end of the period / net sales x number of days in the audited period

Short-term liabilities turnover = short-term liabilities at the end of the period / net sales x number of days in the audited period

Inventory turnover = inventories at the end of the period / net sales x number of days in the audited period

4. Projected financial situation

The Management Board of the Company, taking into account the current portfolio of orders, which remains at the same level as in 2022, expects that the Company and the companies from the ELEKTROTIM Group will achieve better results than in the years preceding 2022.

5. Information on transactions concluded by ELEKTROTIM S.A. or its subsidiary with related entities on terms other than market conditions, together with their amounts and information specifying the nature of these transactions;

The Group did not conclude any transactions on terms differing from market conditions.

6. Information on credit and loan agreements concluded and terminated in a given financial year, specifying at least their amount, type and amount of interest rate, currency and due date;

The name of the financial institution	Product name/type	Currency	Granted limit in thousands	Final repayment date	Type and amount of the interest rate
Ing Bank Śląski	Multi-product line to be used in the form of a loan on a bank account and for guarantees	PLN	13 000	07.02.2024	Interest calculated on the basis of the variable WIBOR rate + bank's margin
mBank	Multi-product line to be used in the form of a loan on a bank account and for guarantees	PLN	18 000	24.11.2025	Interest calculated on the basis of the variable WIBOR rate + bank's margin
MILLENNIUM	Multi-product line to be used in the form of a loan on a bank account and for guarantees	PLN	20 000	09.05.2023	Interest calculated on the basis of the variable WIBOR rate + bank's margin

7. 7. Information on loans granted in a given financial year, with particular emphasis on loans granted to related entities of ELEKTROTIM S.A., specifying at least their amount, type and interest rate, currency and maturity date;

In 2022, the Company did not grant any loans.

8. Information on sureties and guarantees granted and received in a given financial year, with particular emphasis on sureties and guarantees granted to related entities of ELEKTROTIM S.A.;

Owned by ELEKTROTIM S.A. guarantee lines and their use: ELEKTROTIM S.A. as at December 31, 2022, has total limits for bid bonds, performance bonds, for the duration of the guarantee and warranty, and for advance payments in the amount of PLN 207,700 thousand. PLN and 3,000 thousand. EUR. The utilization of the limits as at 31.12.2022 amounted to PLN 102,621 thousand.

ZEUS S.A. uses two guarantees guaranteed by ELEKTROTIM S.A.:

1. for the removal of defects and faults for the amount of PLN 259,407.00 (valid until February 15, 2025)
2. for the proper performance of the contract for the amount of PLN 293,594.85 (valid until July 22, 2023 .),

ZEUS S.A. has, as at December 31, 2022, total - not guaranteed by ELEKTROTIM S.A. - limits for bid bonds, performance bonds, for the guarantee and warranty period and for the advance payment in the amount of PLN 4,437,000.

Utilization of limits as at December 31, 2022. amounted to PLN 4,437 thousand.

9. Description of the Company's use of proceeds from the issue of securities in the period covered by the report

In the period covered by the report, there was no issue of securities of ELEKTROTIM S.A.

10. Explanation of differences between the financial results disclosed in the annual report and previously published forecasts of results for 2022

The Management Board of the Company did not publish in 2022 the forecast of individual and consolidated financial results of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group for 2022.

11. Indication of proceedings pending before a court, a body competent for arbitration proceedings or a public administration body

In 2022, no proceedings were initiated against ELEKTROTIM S.A. any proceedings before a court, a body competent for arbitration proceedings or a public administration body regarding liabilities or receivables of ELEKTROTIM S.A. or a subsidiary whose value individually constitutes at least 10% of the Company's equity.

12. Insurance contracts.

List of significant insurance contracts as at 31 December 2022 to which the Company is a party:

- Third party liability insurance for conducting business activity
- Civil liability insurance architects and engineers
- Comprehensive insurance against all risks
- Insurance of construction equipment and machines
- Insurance of electronic equipment
- Insurance of construction and assembly risks
- Insurance of property in transport
- Insurance of trade receivables
- Civil liability insurance entrepreneurs providing bookkeeping services



- Civil Liability Insurance of a tax advisor
- Vehicle insurance: OC, NW, AC,

13. Evaluation of the possibility of implementing investment plans, including capital investments, compared to the amount of funds held, taking into account possible changes in the structure of financing this activity;

Assessment of financial resources management

The Company maintains cash resources sufficient to settle due liabilities. In the period covered by the Management Board Report on the activities of ELEKTROTIM S.A. for 2022, no liquidity threats were identified. In order to effectively manage its financial resources, the company prepares short-term and long-term cash flow forecasts, with which it controls inflows and outflows, including capital expenditures and cash flows from operating activities.

In order to ensure current liquidity, the company has the option of using overdrafts (within its limits) repaid from current inflows, while the generated cash surpluses are invested in bank deposits with various maturities. Banks' credit risk is mitigated by diversifying the funds invested..

INVESTMENT EXPENDITURE 2022 ELEKTROTIM S.A.	Implementation 31.12.2022 (PLN thousands)
Buildings and structures and related fixed assets	141
Machines, devices, means of transport	576
Intangible assets	86
Total	803

INVESTMENT EXPENDITURE 2022 OF THE ELEKTROTIM CAPITAL GROUP	Implementation 31.12.2022 (PLN thousands)
Buildings and structures and related fixed assets	224
Machines, devices, means of transport	1 077
Intangible assets	133
Total	1 369

The level of investments secured the needs of the Company and the Group in the field of activity and did not result in incurring liabilities or depletion of financial resources to the extent that it constituted a risk for the Company/Group.

Capital expenditures relate to the replacement of current assets in the scope of the main business.

IV. NON-FINANCIAL DATA

Statement of the ELEKTROTIM Capital Group on non-financial information

Introduction

Chapter IV of the Activity Report was prepared on the basis of Art. 55 sec. 2b point 3) in connection with Art. 49b sec. 2-8 of the Accounting Act (i.e. Journal of Laws of 2023, item 120) and is a separate part of the report on the activities of the Company and the ELEKTROTIM Capital Group for 2022.

The ELEKTROTIM Capital Group prepares a statement on non-financial information for 2022 according to the catalogue enumerated in art. 49b sec. 2-8 of the Accounting Act.

The ELEKTROTIM Capital Group presents non-financial information to the extent that it is necessary to assess the development, results and situation of the Group and the impact of its activities on social, employee, natural environment issues, respect for human rights and counteracting corruption.

The ELEKTROTIM Capital Group applies its own rules when preparing a statement on non-financial information.

ELEKTROTIM S.A. business model

ELEKTROTIM S.A. and companies from the ELEKTROTIM Capital Group obtain revenues from the sale of specialist construction services related to the application of solutions in the area of electrical engineering in the project management model (EPCM) and from the service and maintenance of such systems.

We are an organization with high flexibility of activities, credible towards stakeholders, with a stable financial situation, recognizable on the market and taking advantage of market opportunities. Through five major Profit Centres (Divisions), we are a risk-diversifying and counter-cyclical organization.

The clients of ELEKTROTIM S.A. are business entities conducting investments and repairs, local governments, media transmission and distribution companies and institutions from the broadly understood power ministries.

Companies from the Capital Group perform contracts as a result of the supplier selection procedure based on the Public Procurement Law or the Civil Code and internal regulations.

Companies from the ELEKTROTIM Group provide services by purchasing materials and production equipment from qualified suppliers. Complementary products, necessary to perform concluded contracts, are purchased from qualified sub-suppliers. ELEKTROTIM performs the dominant scope of works by using external services, which mainly concerns simple works and performed with the use of heavy construction equipment. ELEKTROTIM provides services provided by engineering staff with the highest competence in the supervision of design, subcontractors and deliveries, construction and broadly understood project management. In areas requiring access to classified information (critical infrastructure projects, power departments), the company has appropriate certificates allowing it to carry out tasks of this type.

Characteristics of external and internal factors significant for the development of ELEKTROTIM S.A. and the Capital Group

MACROECONOMIC INDICATORS – POLAND

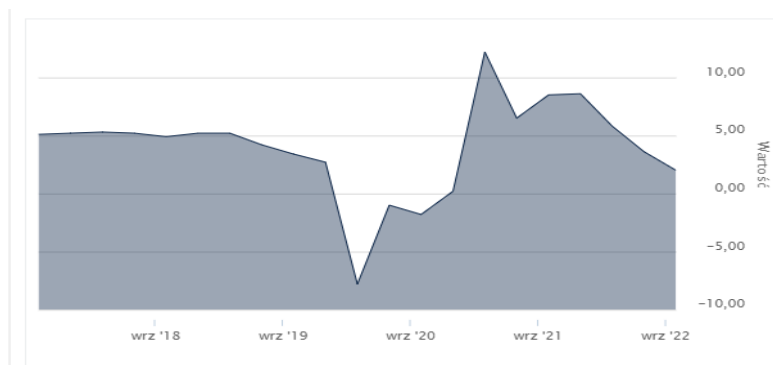
ELEKTROTIM S.A. operates on the domestic market of specialist construction. Individual divisions of the Company operate on the following markets: energy, industry, transport, power ministries, local government investments. For this reason, the key areas of analysis are macroeconomic parameters for the Polish economy, railway development, development of the Polish energy sector (generation and networks, RES), changes and directions of spending funds by local governments and expenditures of power ministries (MON and MSWiA), in particular in the field of electrical installations and solutions in the field of security systems.

Macroeconomic parameters of the Polish economy.

GDP

According to the preliminary estimates of the Central Statistical Office, the gross domestic product (GDP) in 2022 was 4.9% higher in real terms compared to 2021. Throughout the past year, the Polish economy continued to grow rapidly, but from quarter to quarter the GDP growth dynamics clearly slowed down. Domestic demand had the greatest impact on GDP growth in 2022, but it is starting to decrease significantly, which may mean that the first quarter of 2023 may bring a reduction in GDP growth. A positive surprise in 2022 was the scale of investment growth, which increased by 4.6% in real terms during the year.

GROSS DOMESTIC PRODUCT



Source: <https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/pkb-rdr-pol>

INFLATION

The main factors of uncertainty in 2022 were: the war in Ukraine, geopolitical instability, high inflation, the situation on the labour market, the exceptional increase in raw material prices and their limited availability. The increase in prices of consumer goods and services in 2022 compared to the previous year amounted to 14.4%.

INFLATION Y/Y



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

UNEMPLOYMENT RATE

According to data published by the Central Statistical Office in December 2022, the unemployment rate in Poland was 5.2%, compared to 5.4% in December 2021.

UNEMPLOYMENT RATE IN POLAND y/y



Source: <https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/stopa-bezrobocia-pol>

In 2022, the company felt the impact of the low unemployment rate in the form of stronger wage pressure, as well as difficulties in recruiting new employees. However, this did not affect staff turnover, which in 2022 amounted to 20%, as in previous years. ELEKTROTIM S.A. by adjusting the employment structure to the needs of the contracts being implemented, he coped with this situation by conducting an intensified recruitment campaign.

Characteristics of the activities of ELEKTROTIM S.A. in 2022 in served markets.

For ELEKTROTIM S.A., 2022 was a period of record results. Compared to the market, the Company coped with many negative factors that significantly hampered the activity of other entities. On the one hand, the Company obtained and implemented a contract related to national defence during this period, consisting in securing the Polish border with Belarus, which contributed to a significant increase in revenues. At the same time, the implementation of this project made it possible to take advantage of the synergy effect between ELEKTROTIM S.A.

and the subsidiary Ostoya-DataSystem, which offers an IT system that integrates and manages security systems.

ELEKTROTIM S.A. took care of financial security, enabling it to operate in times of increased risk. The geopolitical turmoil that appeared at that time, i.e. the conflict between Russia and Ukraine, which had an impact on the exceptional increase in the prices of raw materials, materials and services on the construction market, the Company managed to offset by actions leading to price stabilization at the level provided at the time of concluding contracts by placing binding orders (often secured with an advance payment) and pre-purchase of currencies. In the event that these actions did not fully secure the assumed margins, which was sometimes difficult or impossible, the Company sought to reevaluate contracts in order to maintain the expected profitability.

Recent years have brought many changes on the global and domestic energy markets. One of the aspirations that began to emerge in the course of these changes was a clear increase in interest in energy independence, security of energy supply, and optimization of electricity consumption.

The company, taking advantage of its specific activity, i.e. diversification of the markets served, took advantage of the situation by participating in many projects related to the energy sector. In 2022, this market gained exceptional importance in the era of energy independence from Russia and diversification of energy supply sources, which also requires significant adjustments on the part of transmission networks. In 2022, investments were made in the expansion and modernization of the power grid, including the construction of new modernization of the existing ones. The company implemented projects for distribution companies: ENEA Operator Sp. z o.o., PGE S.A., Tauron Dystrybucja S.A., Polskie Sieci Elektroenergetyczne S.A.

The company also joined projects related to the construction of wind farms, among others, for FW WARTA Sp. z o.o., whose development is related to the continuation of the program to increase the use of renewable energy sources in Poland.

In 2022, the energy market and power departments accounted for over 70% of the Company's sales revenues.

The transport infrastructure market brought ELEKTROTIM a 10% share in sales revenues. It is served by two divisions: the Maintenance Division and the Traction Division. In 2022, in the Lower Silesian Voivodship, municipalities invested in the modernization and reconstruction of communication and road lighting systems. Expenditures on road safety improvement systems have also increased due to the introduction of the government's Safe Road Infrastructure Programme. The aim of the program is to improve road safety on national roads managed by GDDKiA. Specific objectives include the protection of road users and the provision of road infrastructure that contributes to the increase in road safety by reducing the number of accidents and their victims. ELEKTROTIM S.A. designed and made elements of communication routes such as: bicycle paths, "Park & Drive" car parks, lighting for pedestrian crossings and other elements increasing the safety of communication.

In 2022, the Traction Division serving the railway market acquired tasks under the MUZa program. It is the largest investment program in the history of PKP Energetyka, related to the modernization of power supply systems for the traction network, modernization of existing power stations and electrification of new sections. Its value is estimated at approx. PLN 7 billion in total.

Despite the decline in investments in the industry sector, related to the sense of threat caused by the outbreak of the Russian-Ukrainian war, ELEKTROTIM S.A. gained contact in 2022 for the expansion of the Nestle Purina Manufacturing Operations Poland sp. z o.o. factory.

To sum up, despite many risk factors appearing on the market in 2022, ELEKTROTIM took advantage of its potential and market opportunities, increasing its revenues by 104% y/y.

For comparison, the value of the construction market in 2022 increased by only approx. 2%.

Construction and assembly production in Poland / companies employing more than 9 employees /



Source: SPECTIS

FORECASTS

Large contractors with an established position on the Polish market are definitely better prepared for the challenges that the construction industry will face in 2023. ELEKTROTIM S.A., which has a diversified portfolio of contracts in various construction segments and a full portfolio of orders for 2023, aspires to be such a company.

Forecasts assume that in 2023 the prices of materials and subcontracting services should stabilize, although there are still factors that may affect the costs of implementing investment projects, including double-digit and unstable inflation.

POWER ENGINEERING

The Polish energy sector is currently undergoing a decarbonisation process. At the same time, the entire transmission network in Poland is being modernized. An important document here is the Energy Policy of Poland until 2040. The updated energy strategy PEP 2040 provides for approximately PLN 500 billion for new transmission networks until 2040. Until 2030, the development plan includes PLN 60 billion. It allows, it's ELEKTROTIM S.A. on plans for organic development of the Distribution Division. In addition, the Company's long-term strategy assumes the development of competences enabling cooperation in the field of hydrogen and nuclear technology. PLN 200 billion has been planned for the construction of two nuclear power plants in Poland.

INDUSTRY

The development of nuclear energy, i.e. the construction of two nuclear power plants in Poland, and the plans to build small SMR reactors open up an opportunity for the Industry and Generation Division to become involved in the construction of infrastructure for the above-mentioned nuclear power plants. power plant. The Company's strategy for the years 2023-2025 assumes obtaining the necessary certificates enabling participation in such investments. The improving situation on the market will stabilize the manufacturing sector, which may result in launching suspended investments.

FORCE RESORTS

For the Special Division of ELEKTROTIM S.A. An important development factor is the huge potential of the market of power resorts, for which funds have increased significantly, to over PLN 85 billion in 2023, of which almost PLN 4.8 billion is allocated for construction investments. The Division is particularly interested in ICT and telecommunications networks as well as security and access control systems for military facilities and complexes, for which approximately PLN 400 million has been allocated.

TRANSPORT INFRASTRUCTURE

ROADS

Large road investments should remain a solid support for the Polish construction market in 2023. ELEKTROTIM S.A. in the Maintenance Division sees an opportunity in acquiring projects on the infrastructure market based on the planned expenditures for the Road Construction Program estimated at over PLN 290 billion. zloty. For 2023, GDDKiA has planned to announce tenders with a total value of approx. PLN 28.6 billion and a total length of nearly 565 km, of which approx. 480 km will be launched as part of PBDK, and the remaining 85 km will be announced as part of the 100 bypass construction program. In addition to the construction of new roads, GDDKiA also plans to announce over 170 tasks in 2023 as part of the Safe Road Infrastructure Programme, involving the extension of nearly 360 km of existing national roads. Proceedings launched in the "Build" and "Design and build" formula will concern, among others: construction of sidewalks, pedestrian and bicycle paths or lighting of pedestrian crossings..

RAIL

The National Railway Construction Program is estimated at over PLN 150 billion. In addition, the construction of the Central Communication Port together with the accompanying infrastructure will cost PLN 150 billion. PKP PLK announced the announcement of tenders worth PLN 15-20 billion in 2023. The potential of the Traction Division of ELEKTROTIM S.A. intends to use it in the coming years by participating in projects related to the construction and modernization of traction substations and the implementation of investments related to the installation of energy storage as part of the railway infrastructure and urban transport.

Analysis of the above-mentioned investments and programs planned on the markets served by ELEKTROTIM S.A. allowed to define in the Strategy of ELEKTROTIM S.A. for the years 2023-2025, a safe revenue forecast of PLN 350-400 million per year. In the opinion of the Management Board of ELEKTROTIM S.A. directions set out in the Strategy, i.e. taking advantage of market opportunities such as participation in RES investments, obtaining certificates entitling to start implementations related to the construction of nuclear power plants, participation in transport investments and investments of power ministries is a natural path for the Company's development.

Source: <https://pzpb.com.pl/wp-content/uploads/2023/01/PZPB-podsumowanie-2022-prognozy-na-2023.pdf>.
[Spectis](#)

Strategy of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group 2019-2022 and its execution

In 2018, the Management Board of the Company developed and implemented the "**Strategy of ELEKTROTIM S.A. for the years 2019-2022**". The company published Current Report No. 40/2018 on this matter.

Strategy of ELEKTROTIM S.A. for the years 2019-2022 has been focused on long-term, stable and sustainable development ensuring an increase in the Company's value.

In 2022, the Mission of ELEKTROTIM S.A. remains valid. with the content "We ensure the security of our clients' operations by providing innovative solutions based on the latest technologies."

Information on the implementation of the Strategy is a component of the "**Management Board's report on the Company's activities**" in each subsequent year of its validity, which the Company informed about in current report No. 40/2018.

Taking into account the fact that 2022 was the last year of the Strategy's validity, the Management Board presents below the settlement of the goals adopted in 2018 for implementation under the title: "**2022 Vision**":

1. **ELEKTROTIM S.A. will be a company specializing in electroinformatics. Tasks currently performed by automation systems will be performed by IT systems.**

Execution 2022: in 2022, the Company obtained the highest (historically record) value of revenues, i.e. approx. PLN 200 million, from the implementation of the contract for the construction of an electronic barrier on the Polish-Belarusian border, i.e. the integration of video security systems in the day and night bands within the IT system - **the goal has been achieved**

2. **ELEKTROTIM S.A. will offer installations, electrical networks and power substations with rated voltages up to 400kV and more and more products related to IT for power installations, networks and substations.**

Execution 2022: ELEKTROTIM S.A. has the personal competence and equipment resources to implement projects with a rated voltage of up to 400kV. **The company offers and participates in tender procedures on the high voltage market.** During the term of the 2019-2022 Strategy, the Company performed and continues to implement a long-term contract on 110kV high-voltage lines (maintenance of the network in two areas - north and west of Poland). The above goal is one of the strategic tasks of the Distribution Division included in the Strategy for 2023-2025 - **the goal in terms of offering and preparing production has been achieved**

3. **ELEKTROTIM S.A. will maintain the communication infrastructure and will provide investment products for road and railway construction.**

Execution 2022: over the last two years, the Company has created from scratch a Division dealing with investment products for railway construction (traction); currently, the portfolio of orders for these products oscillates around PLN 100 million, we are implementing projects in the field of road construction and communication infrastructure maintenance - **the goal has been achieved**

4. The company will generate revenues in the range of PLN 230 - 270 million.

Execution 2022: ELEKTROTIM S.A. generated revenues of **over PLN 428** million for 2022 - **the goal was achieved**



5. The Capital Group will generate revenues in the range of PLN 340 - 400 million

Execution by 2022: The ELEKTROTIM Capital Group generated revenues of **over PLN 505 million** for 2022 - **the goal has been achieved**

6. Since 2019, the ELEKTROTIM Capital Group has been reviewing strategic options, taking into account the structure of the group, its development plans, the possibility of attracting investors or disinvestment in order to finance development opportunities.

Execution 2022: in 2022, ELEKTROTIM S.A. sold all shares of PROCOM SYSTEM S.A. – **the goal has been achieved – the review of strategic options has not been closed.**

The Management Board positively assesses the implementation of the Strategy in 2019-2022. Despite the difficult period (2018-2019 - particularly difficult for the Company) and then, from 2020, the COVID-19 pandemic and the outbreak of war in Ukraine in 2022, the Company has achieved significant success by achieving all the goals formulated in 2018 for the ELEKTROTIM Strategy for 2019-2022.

Expected development of the Company and the Capital Group ELEKTROTIM Strategy for 2023-2025

In the first quarter of 2023, the Company adopted and published in the current report the **Strategy for 2023-2025**.

The aim of the strategy of ELEKTROTIM S.A. for the years 2023 - 2025 is the organic development of the Company. Based on the analysis of the potential of the markets served and internal project implementation capabilities, we assume that achieving annual revenues of PLN 350-450 million is realistic without external takeovers and acquisitions.

The Management Board assumes annual sales of not less than PLN 350 million and at least PLN 10 million of net profit with an EBIT of not less than PLN 15 million. Other indicators of the effectiveness of the adopted Strategy are the current liquidity higher than 1 and the ratio of net financial debt to assets not more than 25%.

The dividend policy adopted by the Management Board and approved by the Supervisory Board assumes the payment of dividend at the level of at least 50% net profit.

Territorial development will consist in even greater expansion on the domestic market. The current Strategy does not provide for development towards the export of services. Technical and human resources aspects as well as the specificity of foreign markets involve excessive risks for shareholders, and the potential of the Polish market is so large that it is possible to realize growth on the Polish market in a much more effective and safe way.

The strength of ELEKTROTIM S.A. is the diversification of activities. The Strategy shows the path of development for each of the Divisions. This is an action that increases the safety of the Company in the event of any turbulence on any market, as sales on other markets will compensate for these possible decreases.

The company observes the development of the distribution area (network) and the growing demand for its services.

The Rail Division is characterized by dynamic growth. The expected launch of local government investments in the area of powering urban transport (trams, trolleybuses, metro, overground railways) will allow to further develop this attractive new segment of activity.

Special Division, which supports the so-called power departments (military, border guard), in a very responsible and consistent way responded to the need that resulted and still results from the situation beyond the eastern border of Poland. The Company will continue to develop this market, which is characterized by high growth potential.

One of the Company's activities planned in the Strategy is also to obtain certificates for the construction of infrastructure for a nuclear power plant. The company assumes that the entire formal, legal and organizational process will take place over the next two years.

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

According to the current report No. 7/2023, the Management Board of ELEKTROTIM S.A. in the annual activity report, it will inform about the degree of implementation of the adopted Strategy according to the adopted indicators..

Value for Shareholders	dividend	≥50% of net profit
Financial perspective	net profit	>10 million PLN
	EBIT	>15 million PLN
	current liquidity	higher than 1
	debt to assets	<0,7
	Net financial debt to assets ratio	not higher than 25 %
Customer perspective	annual sales	≥350 million PLN
The perspective of internal processes	obtaining certificates for nuclear energy	✓
People and skills perspective	training value per employee	>2 tsd. PLN

Major achievements in research and development

In 2022, the Company carried out R&D works, which are both a continuation of works from previous periods and new ones, which are an extension of previous activities.

In terms of continuation, works related to the dedicated construction of a perimetry system in the border area of the Podlasie section of the external border of the European Union have been undertaken.

Based on the results of the work related to the completed project of building a mobile energy storage device for use in urban traction, activities were undertaken to develop a system of modular energy storage systems for use in distributed energy generation systems in prosumer installations on the secondary distribution side of the National Power System. This action is the basis for the preparation of a comprehensive product and service offer of the Company, for the modernization of the distribution network of the Distribution System Operators.

As part of ensuring the comprehensiveness of services, activities related to the acquisition / transfer of technology enabling the creation of a product under a private label in the form of a charging station for the provision of electromobility infrastructure are also carried out.

A separate area of R&D in the activity of ELEKTROTIM S.A. is to develop dedicated algorithms for power protection units for cooperation with large-scale generating installations of Renewable Energy Sources.

ELEKTROTIM S.A. also conducts development work in the area of work organization and project management, which results in the extension of the service offer in the form of organizational preparation for the implementation of works in the right-of-way with high traffic volume..

The 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:

1. Construction and executive designs, including:

- 1) designs of power and light electrical installations for industrial, service and commercial facilities,
- 2) designs of HV, MV and LV cable power lines,
- 3) designs of HV/MV and MV/LV transformer stations,
- 4) EAZ designs,
- 5) road lighting designs , streets and squares,
- 6) traffic light designs,
- 7) architectural illumination designs,
- 8) holiday illumination designs,
- 9) sanitary installation designs,
- 10) low voltage installation designs.

2. Construction of electrical installations, including:

- 1) Construction of MV and LV transformer stations,
- 2) Construction of electrical power and light installations,
- 3) Illumination of buildings..

3. Installation, assembly and production services for electric switchgears, including:

- 1) OKKEN type LV MCC switchgears,
- 2) PRISMA type LV switchgears for electricity distribution,
- 3) X-ENERGY type switchgears,
- 4) meter boards.

4. Services in the field of low-voltage installations, including:

- 1) computer systems integrating BMS and SMS,
- 2) structured cabling systems,
- 3) fire alarm systems,
- 4) access control systems,
- 5) CCTV systems,
- 6) technical protection systems,
- 7) installations building automation,
- 8) time and attendance systems,
- 9) perimeter security systems,
- 10) EiB systems,
- 11) telecommunications systems.

5. Service of electrical installations and devices, including:

- 1) service of low-voltage apparatus,
- 2) measurement and control works of station and dispatch telemechanics,
- 3) electrical measurements.

6. Electrical network services, including:

- 1) traffic lights,
- 2) road lighting,
- 3) illumination of facilities,
- 4) navigation lighting for airports,
- 5) navigation lighting for landing sites,
- 6) MV and LV cable lines,



- 7) teletechnical networks,
 - 8) MV and LV transformer stations,
 - 9) navigation lighting systems
- 7. Construction, modernization and service of telecommunications networks, including:**
- 1) teletechnical ducts,
 - 2) copper telecommunications lines,
 - 3) fiber-optic telecommunications lines,
 - 4) special networks (MIL-WAN, SEC-WAN, PCLU, ICC).
- 8. Services in the field of high voltage stations and networks, including:**
- 1) HV overhead power lines,
 - 2) HV cable power lines,
 - 3) HV/MV stations,
 - 4) power automatic protection (EAZ),
 - 5) telemechanics,
 - 6) superior systems,
 - 7) service of LV devices.
- 9. Implementation of road infrastructure elements, including:**
- 1) thin- and thick-layer road and street markings,
 - 2) vertical markings,
 - 3) road traffic organization: temporary and permanent,
 - 4) road safety devices,
 - 5) traffic organization projects.
- 10. Signalling and lighting service, including:**
- 1) operation, modernization and maintenance of traffic lights,
 - 2) operation and maintenance of road and square lighting,
 - 3) operation, modernization and maintenance of external lighting and illumination of buildings,
 - 4) maintenance of light power installations,
 - 5) traffic light controllers.
- 11. Services in the field of security systems:**
- 1) monitoring systems and service of installations in buildings,
 - 2) data centre.
- 12. Services in the area of airport systems:**
- 1) helipads,
 - 2) airport navigation lighting,
 - 3) obstacle lighting,
 - 4) luggage transport systems,
 - 5) aircraft braking systems,
 - 6) radio navigation,
 - 7) antenna systems,
 - 8) weather systems
 - 9) electrical and teletechnical installations,
 - 10) concrete prefabricated elements,
 - 11) edge lamp markers,
 - 12) wind direction indicators,
 - 13) security systems,
 - 14) maintenance services.



13. Construction and modernization of traction networks, including:

- 1) tram traction network,
- 2) railway traction network,
- 3) monitoring of traction devices.

14. Project management:

Implementation of multi-sector tasks of high value and complexity in the field of construction:

- 1) military,
- 2) industrial,
- 3) hydrotechnical,
- 4) airport infrastructure,
- 5) road,
- 6) railway.

Key non-financial performance indicators related to the activities of the ELEKTROTIM Capital Group

Non-financial indicators from the Strategy of the ELEKTROTIM Capital Group (GET) for 2019-2022:

INDICATOR	DESCRIPTION	Value in 2022	Achievement of the goal
Customer perspective	The value of works (works) remaining for sale in GET, determined on the basis of: a) an inventory of the order portfolio* as of January 1 of a given year and b) contracts concluded after the inventory of the portfolio - reduced by the value of net sales realized after the inventory	>330.000 tys. PLN	PLN 558.336 tsd. (31.12.2022) goal accomplished
GET order book			
People and skills perspective	Average annual value of expenditure on training in a given year in relation to the average number of GET employees in a given year	1.800 PLN/pers.	PLN 1.014/ pers. goal not accomplished
The value of expenditure on training			

Other data that illustrate key non-financial performance indicators in ELEKTROTIM S.A. and in the ELEKTROTIM Capital Group (supporting local communities, employing people over 50, employing employees from Ukraine, etc.) are presented in the further part of this Statement (description of the results of applying the policies).

Sales structure of ELEKTROTIM S.A.

Main recipients of ELEKTROTIM S.A. in 2022

No.	Customer	Share (%)
1	Komenda Główna Straży Granicznej	44
2	ENEA Operator Sp. z o.o. Oddział Dystrybucji Szczecin	6
3	SK Hi-Tech Battery Materials Poland sp. z o.o.	6
4	Nestle Purina Manufacturing Operations Poland sp. z o.o.	4
5	Tauron Dystrybucja S.A.	3
6	Skarb Państwa – Centrum Zasobów Cyberprzestrzeni Sił Zbrojnych	3
7	FW WARTA Sp. z o.o.	3
8	Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji S.A.	3
9	Others	28

The year 2022 was marked by an exceptionally high share in sales for one customer, the Border Guard Headquarters (44%). In the opinion of the Management Board of ELEKTROTIM S.A. the decision to proceed with the execution of the contract for this client allowed the Company to enter a higher level of revenue, gain new experience, use the synergy effect by using the product offered by Ostoya-Datasystem Sp. z o. o. Nevertheless, the Company treats this event as a one-off event and in the future intends to strive for greater diversification of revenues in relation to individual clients, which will minimize the risk of cumulating problems related to the implementation of individual tasks.

Product sales structure of ELEKTROTIM S.A. in 2022

No.	Product groups	Share (%)
1	Security systems	51
2	Power stations	17
3	Electrical Installations	8
4	Municipal networks	5
5	Power grids	5
6	Signalling and lighting	4
7	Traffic engineering	3
8	Traction power supply	3
9	Service	3
10	Airport systems	1

A significant focus in 2022 on the product group - services in the field of security and monitoring systems, was the result of the contract on the Polish-Belarusian border for the Border Guard Headquarters, another group with a high share in sales were products offered to the energy market. In the future, the Company assumes a more even distribution of sales in the main groups of products offered.

Territorial sales structure of ELEKTROTIM S.A. in 2022

No.	Voivodeship	Share (%)
1	podlaskie	45
2	dolnośląskie	26
3	śląskie	9
4	zachodniopomorskie	7
5	mazowieckie	4
6	łódzkie	3
7	warmińsko-mazurskie	2
8	opolskie	1
9	others	3

In 2022, the products and services offered by ELEKTROTIM S.A. were sold only on the domestic market. The Company's activities in 2022 focused particularly in the Podlaskie Voivodeship, which resulted from the implementation of the contract on the Polish-Belarusian border.

The company is analysing the possibility of joining projects related to the reconstruction of Ukraine, but currently notices too many risks and uncertainties. Everything will depend on who will be the investor, who will be the main contractor, how the contracts will be settled and what the organizational and financial structure of such investments will be. The cost of rebuilding Ukraine is estimated at PLN 172-200 billion.

Sales structure of ELEKTROTIM S.A. in 2022 on individual markets:

ELEKTROTIM S.A. distinguishes 6 markets of activity:

1. **Industry** - industrial buildings, assembly of process lines, infrastructure for buildings and process lines in industrial facilities
2. **Transport infrastructure** - motorways, expressways, streets and other roads, street furniture, bridges, viaducts, overpasses, tunnels and overpasses and underground passages, airport roads, tram traction, tram traction substations, railway lines, railway stations, railway traction stations and substations, railway traction
3. **Force departments** - army, security services and border protection
4. **Environmental protection** - water treatment plants and sewage, incineration plants, hydrotechnical construction
5. **Power industry** - energy generation, energy transmission, energy distribution
6. **Social infrastructure** - publicly accessible cultural facilities, educational buildings, hospital and medical care facilities as well as sports and recreation buildings, housing, office buildings, commercial and service buildings, hotels and tourist accommodation buildings, logistics facilities

No.	Market	Share (%)
1	Departments of Force	51
2	Power engineering	25
3	Transport infrastructure	10
4	Industry	7
5	Environmental Protection	5
6	Social infrastructure*	2

* Social infrastructure, i.e.: sport, education, culture, health care, housing, commercial and service buildings, logistics facilities, etc.

In 2022, the largest share of sales was achieved by the market of strength resorts, as much as 51% of sales. The energy market allowed the Company to generate sales constituting 25% of the total implementation. In the following years, the Company expects an increased share in revenues on the energy and industrial markets.

Seasonality of sales of ELEKTROTIM S.A. in 2022

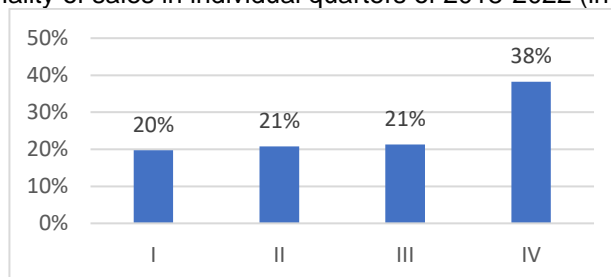
Sales revenues fluctuate seasonally throughout the year, which is usually due to the nature of work on the construction market. A lower level of revenues in the first quarter of the year is noticeable, which is related to the inability to perform work due to weather conditions. As a standard, each subsequent quarter increases the share in revenues, which is also associated with weather conditions and increased performance of contracts in the second half of the year. Most of the Company's clients operate in the perspective of annual budgets, so the first quarter is devoted to announcing tenders, which are carried out in the following months. A noticeable disturbance in this trend was the years 2019-2021, where the COVID-19 pandemic had a clear impact on the performance of contracts.

Seasonality of sales of ELEKTROTIM S.A. in the years 2018 – 2022, broken down by quarters (in %)

Quarter	2018	2019	2020	2021	2022	Average
I	12%	23%	18%	26%	8%	20%
II	22%	25%	17%	19%	14%	21%
III	20%	21%	26%	18%	29%	21%
IV	46%	31%	39%	37%	49%	38%
Total	100%	100%	100%	100%	100%	100%

In 2022, the Company, in accordance with the specificity of the construction market and customer characteristics, generated the lowest revenues in the first quarter and recorded an increase in revenues in the next period. A significant increase in revenues in the 4th quarter results from the implementation of the largest contract with the Border Guard.

Drawing. Average seasonality of sales in individual quarters of 2018-2022 (in %)



The average share of sales in 2018-2022 shows a constant distribution in the sales volume in the first 3 quarters and an increase in the last quarter. This picture of the sales structure was decisively influenced by the pandemic period in 2019-2021.

Deviations

Quarter	Average from 2018-2022	Year 2022	Deviation from the mean
I	20%	8%	-12pp
II	21%	14%	-7 pp
III	21%	29%	+8 pp
IV	38%	49%	+11 pp
Total	100%	100%	

Sales structure of the ELEKTROTIM Capital Group

Due to the small share of subsidiaries in the level of activity of the group, the structures and classifications given below in most cases follow the scheme discussed for the main entity of the Group, i.e. for ELEKTROTIM S.A.

Main recipients of the ELEKTROTIM Capital Group in 2022

Recipient	Share
Komenda Główna Straży Granicznej	41%
ENEA Operator Sp. z o.o. Oddział Dystrybucji Szczecin	6%
SK Hi-Tech Battery Materials Poland sp. z o.o.	6%
Nestle Purina Manufacturing Operations Poland sp. z o.o.	4%
FW WARTA Sp. z o.o.	3%
Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji S.A.	3%
Skarb Państwa – Centrum Zasobów Cyberprzestrzeni Sił Zbrojnych	3%
Tauron Dystrybucja S.A.	3%
Others	32%
SUMMARY	100%

The analysis of the structure of the largest recipients of the ELEKTROTIM Capital Group for 2022 clearly indicates a different share (41%) of the Border Guard Headquarters, which reflects the amount of the contract implemented by all the Capital Group companies (ELEKTROTIM, OSTOYA-DataSystem and ZEUS) on the Polish border -Belarusian. The share of other entities significant for sales in 2022 in the ELEKTROTIM Capital Group oscillates between 6% and 3%.

Product sales structure of the ELEKTROTIM Capital Group in 2022

Product group	Share
Security systems	50%
High voltage stations	13%
Electrical Installations	10%
Municipal networks	4%
Signalling and lighting	4%
Electrical and telecommunication networks	4%
Traffic engineering	4%
High voltage lines	3%
Projects of electrical grids and installations	2%
Traction power	2%
Service	2%
Airport systems	1%
Others	1%
SUMMARY	100%

A decisive share (50%) in the sale of security systems by the ELEKTROTIM Capital Group is a consequence of the contract being implemented on the market of power resorts. Another product group with a high share in sales (13%) are high-voltage stations, products offered for

the energy market, electrical installations with a share (10%) are most often made for the industry market.

Territorial sales structure of the ELEKTROTIM Capital Group in 2022

Voivodeship	Share
Podlaskie	44%
Dolnośląskie	24%
Śląskie	8%
Zachodnio-pomorskie	7%
Mazowieckie	6%
Pozostali	3%
Łódzkie	3%
Warmińsko-mazurskie	2%
Pomorskie	2%
Opolskie	1%
Wielkopolskie	1%
SUMMARY	100%

The territorial structure of sales of the ELEKTROTIM Capital Group indicates that in 2022 as much as 44% of sales were made by the Group in the Podlaskie Voivodeship, in previous years the definitely highest share of sales was carried out in the Dolnośląskie Voivodeship, which in 2022 had a 24% share in sales, ahead of Silesian Voivodeship (8%).

Market structure of sales of the ELEKTROTIM Capital Group in 2022

Market	Share
Departments of Force	53%
Power engineering	23%
Industry	9%
Transport infrastructure	9%
Environmental Protection	5%
Social infrastructure	2%
Summary	100%

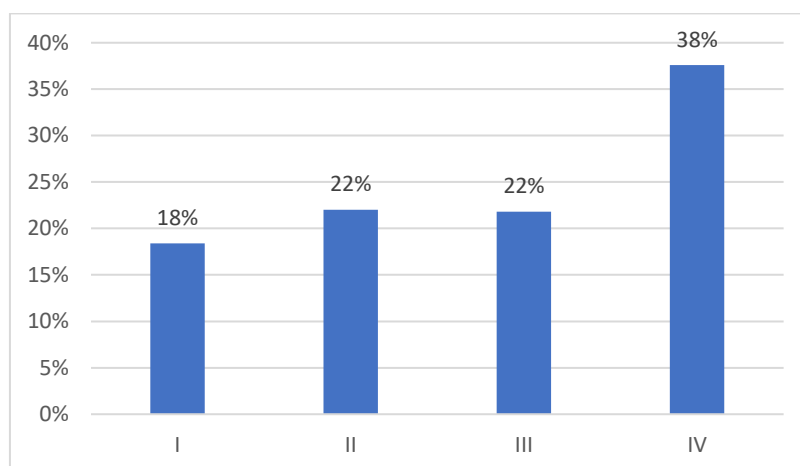
In 2022, the most important markets for the ELEKTROTIM Capital Group, having the greatest impact on the share in the Group's sales, were power departments with a share of 53%, energy sector with a share of 23%, and industry and transport infrastructure with a share of 9% each.

Seasonality of sales of the ELEKTROTIM Capital Group in 2022

Seasonality of sales of the ELEKTROTIM Capital Group in the years 2018 - 2022, broken down by quarters

Quarter	2018	2019	2020	2021	2022
I	13%	22%	16%	24%	17%
II	22%	25%	22%	19%	22%
III	22%	21%	25%	18%	23%
IV	43%	32%	36%	39%	38%
Total	100%	100%	100%	100%	100%

Average seasonality of sales of the ELEKTROTIM Capital Group in 2018-2022



Sources of supplies at ELEKTROTIM S.A. and in the ELEKTROTIM Capital Group

Sources of supplies at ELEKTROTIM S.A.

ELEKTROTIM S.A. strives to diversify sources of supply, acting in accordance with the accepted procedures of the ISO 9001:2015-10 Quality Management System, establishes and maintains cooperation with suppliers who, after meeting strictly defined requirements, are placed on the list of qualified suppliers. The company's principle is that it has at least two suppliers for each product (material, service, product).

Such action guarantees the provision of services with the highest standards and optimizes the benefits of the scale effect. The implemented procurement procedures reduce the likelihood of dependence on the supplier and create a solid basis for long-term cooperation with suppliers based on respect for the interests of the parties.

Main suppliers of materials ELEKTROTIM S.A. in 2022

No.	NAME OF MATERIAL SUPPLIER	Share (%)
1	ELEKTRO-INVEST HURT Sp. z o.o. Sp. komandytowa	11
2	RABAN Popenda Sp. Komandytowa	8
3	Linc Polska Sp. z o.o.	7
4	TIM S.A.	6
5	SCHNEIDER ELECTRIC POLSKA Sp. z o.o.	5
6	POLTEL TELECOM Sp. z o.o. Sp. k.	5
7	Honeywell Sp. z o.o.	5
8	BITSTREAM Sp. z o.o.	4
9	Raban Sp. z o.o.	4
10	OTHERS	45
	TOTAL	100

In accordance with the assumptions as at December 31, 2022, for ELEKTROTIM S.A. there is a medium risk of dependence on the supplier of Elektro-Invest Hurt Sp. z o. o. Sp. komandytowa, whose share in deliveries is 11%. According to the adopted criterion, there is a low risk of ELEKTROTIM S.A. becoming addicted to from other suppliers.

Domestic deliveries accounted for 97% of total deliveries. 3% of deliveries were made as imports. Some of the purchases (ca. PLN 50 million) were made in foreign currencies.

None of the service providers exceeded 10% share.

Main suppliers of materials in the ELEKTROTIM Capital Group in 2022

No.	NAME OF MATERIAL SUPPLIER	Share (%)
1	ELEKTRO-INVEST HURT Sp. z o.o. Sp. komandytowa	9
2	RABAN Popena Sp. Komandytowa	7
3	Linc Polska Sp. z o.o.	6
4	TIM S.A.	5
5	SCHNEIDER ELECTRIC POLSKA Sp. z o.o.	4
6	POLTEL TELECOM Sp. z o.o. Sp. k.	4
7	Honeywell Sp. z o.o.	4
8	BITSTREAM Sp. z o.o.	3
9	Raban Sp. z o.o.	3
10	Grupa Eltron sp. z o.o.	2
11	OTHERS	52
	TOTAL	100

According to the assumptions as at 31.12.2022, for the ELEKTROTIM Capital Group there is a low risk of becoming dependent on suppliers, because none of the suppliers of materials exceeded 10% of the total purchases (share above 10% is adopted as a medium risk criterion).

Employment at ELEKTROTIM S.A. in 2022

The purpose of the personnel policy of the Management Board of ELEKTROTIM S.A. is to in 2022 was to adjust the level and structure of employment, in terms of quantity, knowledge and skills, to the needs related to the implementation of existing and obtainable orders. We provide employees with support and development, as well as retention and building know-how, we prepare new staff, we work on adapting competences to market requirements in the third decade of the 21st century..

Employment and employment structure

In 2022, the average full-time employment amounted to: **279 FTEs**.

As at December 31, 2022 at ELEKTROTIM S.A. **285 people were employed** on the basis of an employment contract.

Compared to 2021, in 2022 there was an increase in employment due to the number of contracts being performed. The company is rebuilding its staff potential after years caused by the COVID-19 pandemic.

	2018	2019	2020	2021	2022
Number of jobs	323	348	307	275	279
Number of people	335	347	295	272	285

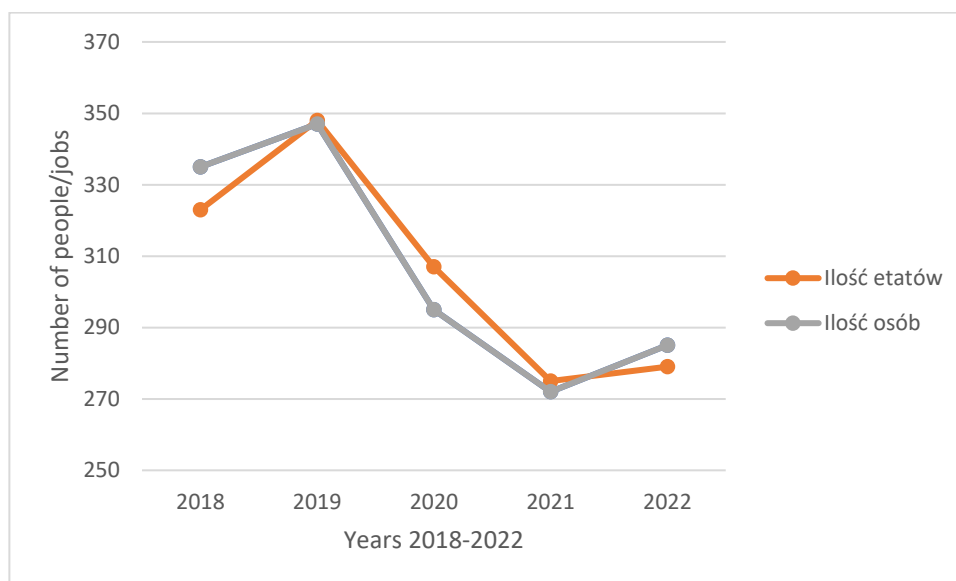


Fig. Average employment in 2018-2022 in ELEKTROTIM SA.

EMPLOYMENT STRUCTURE BY AGE

Employment structure	2018	2019	2020	2021	2022
Up to 30 years of age	95	96	56	41	49
31 - 40 years of age	101	101	95	80	76
41 - 50 years of age	67	72	75	75	80
51 - 60 years of age	42	44	39	45	45
over 60 years of age	30	34	30	31	35

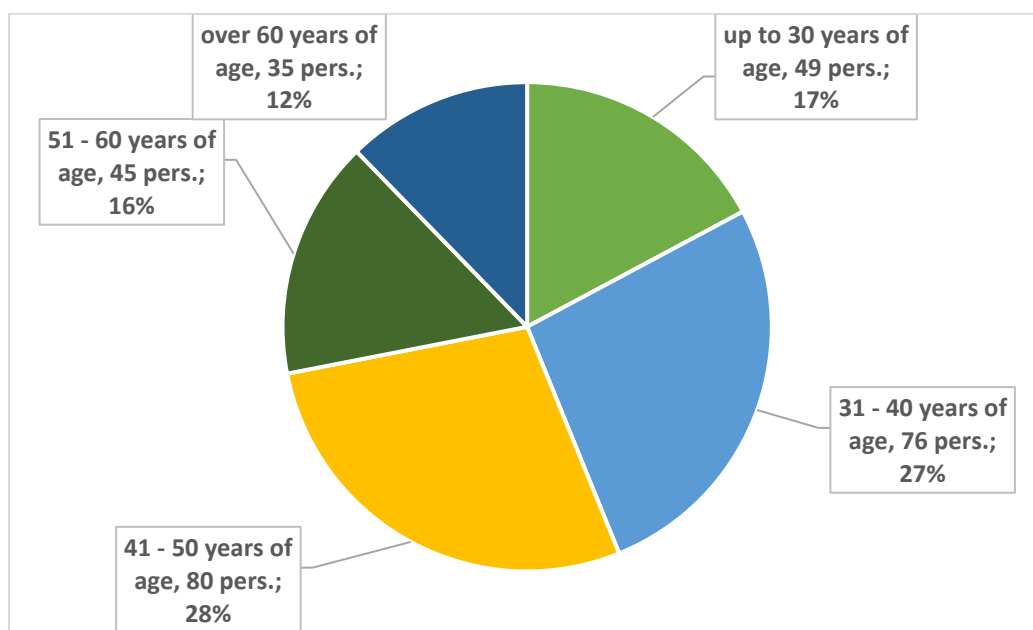


Fig. Employment structure by age in ELEKTROTIM SA - as of December 31, 2022.

More than 70% of the Company's employees are experienced employees (in a wide range of 31-60 years), with qualifications and authorizations that have been repeatedly confirmed by work results, ensuring stability for high-efficiency projects carried out in the company.

40% of the staff are people whose seniority in the Company is over 10 years (including approx. 30% of people who have been working for the Company for over 20 years).

EMPLOYMENT STRUCTURE BY EDUCATION

Type of education	2018	2019	2020	2021	2022
primary	6	4	4	11	13
basic vocational	50	52	49	42	42
vocational secondary	74	85	68	61	52
general secondary	17	19	13	10	14
post-secondary vocational	7	7	6	3	4
higher	181	180	155	145	160

ELEKTROTIM S.A. focuses on knowledge and qualifications, we are one of the companies with the highest qualifications of a stable staff. Employees with higher education account for more than half of the total workforce.

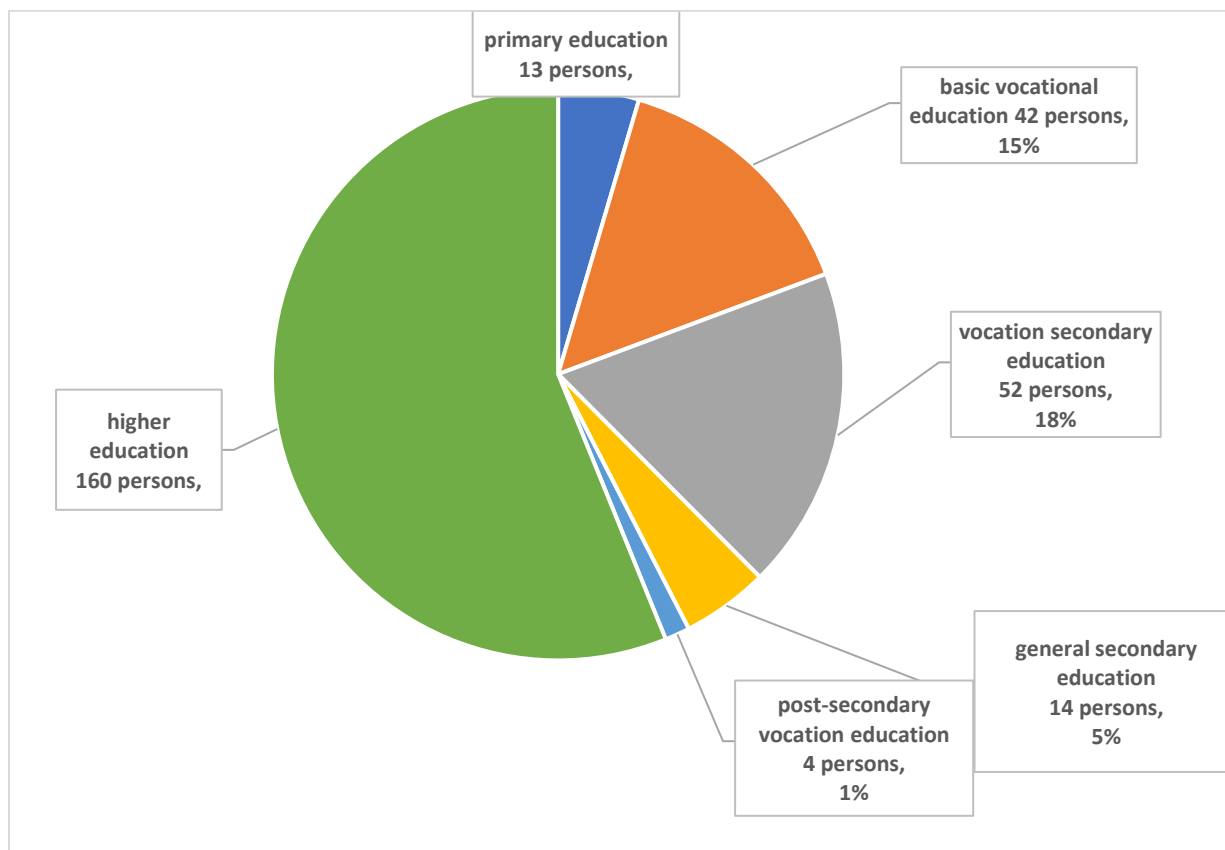


Fig. Employment structure by education in ELEKTROTIM SA - as of December 31, 2022.

EMPLOYMENT STRUCTURE BY GENDER

gender	2018	2019	2020	2021	2022
Female	59	60	53	51	57
Male	276	287	242	221	228

IN ELEKTROTIM S.A. due to the qualifications and business profile of the company (specialist construction), 80% of the employees are men. The number of employed women remains at a similar level (approx. 50-60 persons).

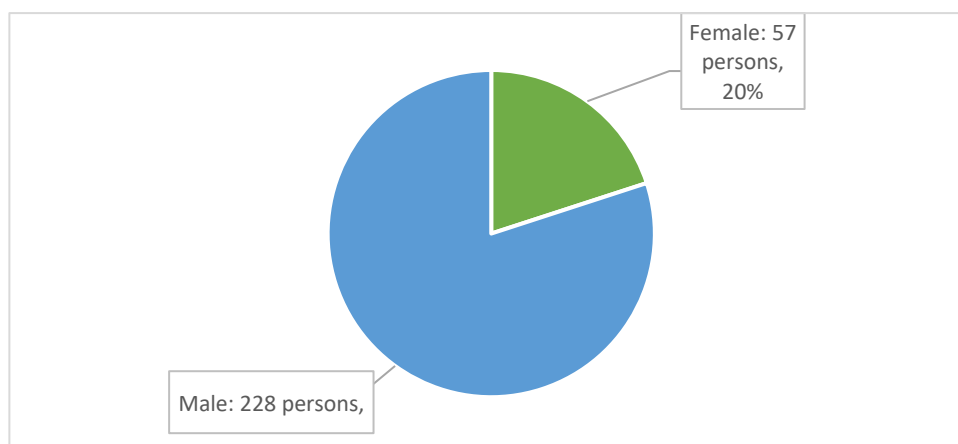


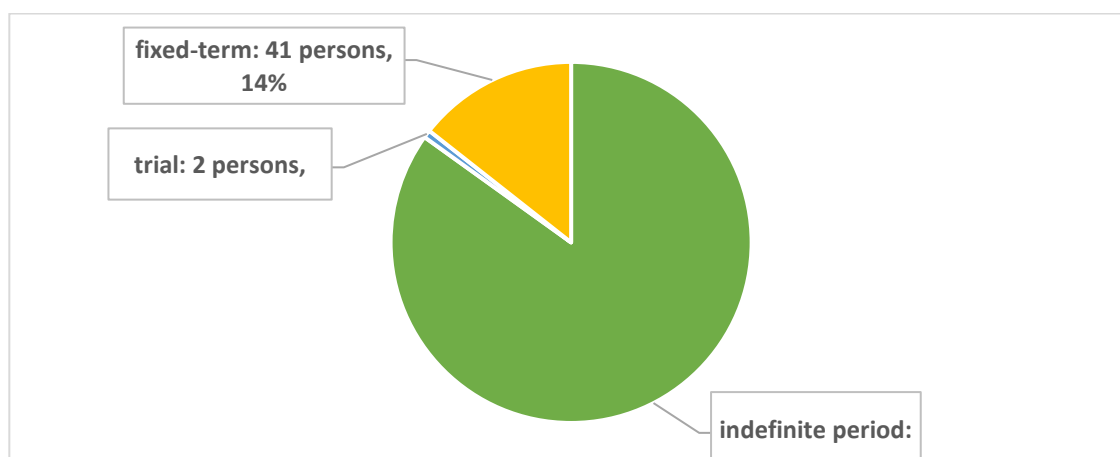
Fig. Employment structure by gender in ELEKTROTIM SA - as of December 31, 2022.

EMPLOYMENT STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT

type of contract	2018	2019	2020	2021	2022
trial	9	8	3	9	2
Fixed-term	78	83	46	35	41
indefinite period of time	248	256	246	228	242

ELEKTROTIM S.A. ensures the security of stable employment based on an employment contract.

Since 2014, the company has been recruiting and employing foreigners, especially Ukrainians, helping with the procedure of obtaining the necessary permits, especially in the current international situation..



Employment structure by type of employment contract concluded in ELEKTROTIM SA - as at December 31, 2022.

Average salary in the company

The average gross salary in the entire Company in 2022 was **PLN 9,578.61**. Compared to 2021, the average gross salary increased by 6%.

The average gross salary in the Company is higher than the average monthly salary in the enterprise sector in December 2022 (PLN 7,329.96 gross) by 30%, and the average monthly salary in the enterprise sector in 2022 (PLN 6,653.67 gross) by 44%. This means that following the above-average qualifications of the employed employees of ELEKTROTIM S.A. provides its staff with market-attractive salaries, higher than those of many competitors.

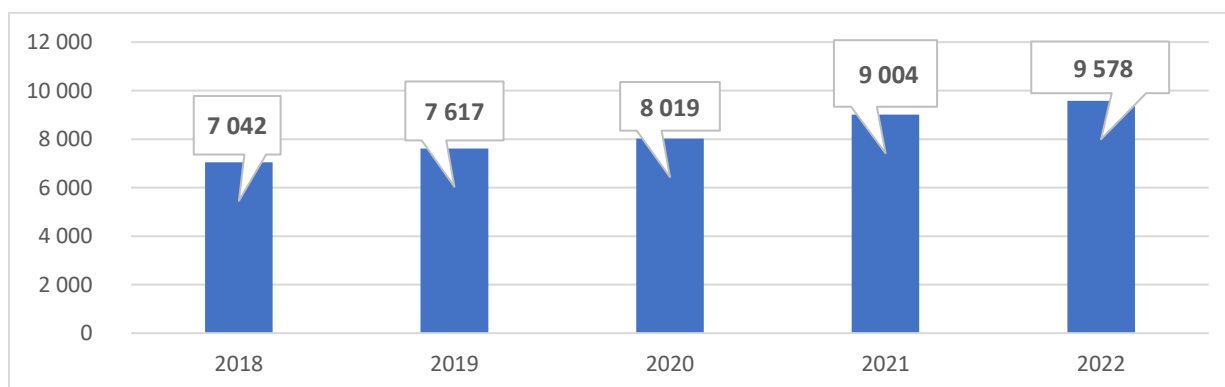


Fig. The level of the average gross remuneration in PLN in ELEKTROTIM SA in the years 2010 – 2022.

The year 2022 brought another increase in the minimum wage in Poland. ELEKTROTIM had to face wage pressure against the background of an uncertain market situation, rapidly growing inflation (in 2022 it amounted to 14.4% compared to 2021) and a slowdown in economic growth. Systematic shortages of employees and the prospect of an economic recovery in the coming years encourage employers to maintain employment. Eliminating jobs at a given moment means the risk of problems with filling vacancies in the next year. A higher salary alone will not necessarily be a decisive factor, the whole of the proposed working conditions is important. When planning activities in the area of wages and employment and taking into account the market situation, ELEKTROTIM S.A. there was an increase in salaries in 2022 compared to 2021 by 6.3%. Partial adjustment of wages was necessary. The growth rate of salaries is still lower than inflation, but it is an acceptable compromise for both shareholders and employees. It is not possible for the company to compensate for price increases with price increases, but for the safe functioning of the company and the provision of qualified staff at the appropriate level, the amount of wage increases is currently optimal.

Social Fund at ELEKTROTIM S.A.

The company has a company social benefits fund. The write-down made allows for the allocation of funds in a manner consistent with the assumptions and for co-financing holiday holidays for children and youth under 18, for helping people affected by random accidents and for employees in a particularly difficult financial situation.

Pension programs in ELEKTROTIM

The company has been running the Employee Pension Program in ELEKTROTIM since 2014. In September 2014, ELEKTROTIM S.A. concluded a Company Agreement with the Employee Representation, under which ELEKTROTIM S.A. the **Employee Pension Program** (PPE) was created (Act of 20 April 2004 on employee pension programs). The program is run in cooperation with Towarzystwo Funduszy Inwestycyjnych PZU S.A. PPE is supervised by the Polish Financial Supervision Authority, which entered the program in the register of occupational pension schemes.

The right to participate in PPE is granted to Persons employed in the Company, on a part-time or full-time basis, on the basis of an employment contract, who have three years of service in the Company.

The company has been running **Employee Capital Plans** in ELEKTROTIM since 2019.

In October 2019, the Company concluded an Agreement for the management of the Employee Capital Plan with PPK in PZU Specjalny Fundusz Inwestycyjny Otwarty.

Employment in the ELEKTROTIM Capital Group in 2022

In 2022, the average full-time employment amounted to: **382 FTEs**.

As at December 31, 2022 In 2018, **395 people** were employed in the ELEKTROTIM Group on the basis of an employment contract.

	2018	2019	2020	2021	2022
Number of jobs	590	575	516	454	382
Number of people	605	599	508	475	395

The employment status as at December 31, 2022 does not include Employees working at PROCOM SYSTEM S.A. due to the sale of the company in December 2022, hence the reduction in the number of people working in the Capital Group by 80 people compared to December 2021.

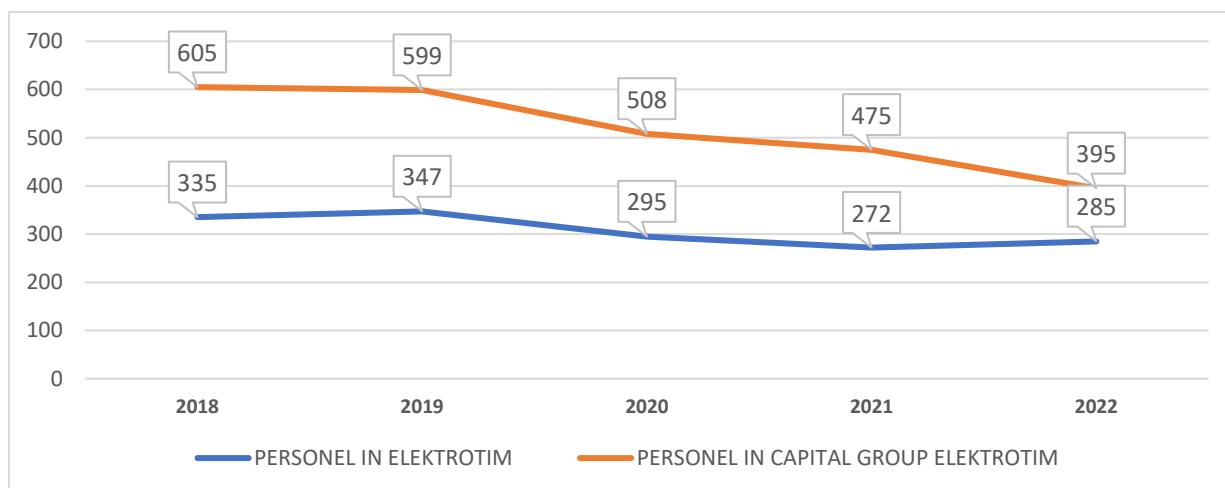


Fig. Employment level in the ELEKTROTIM and in the Capital Group ELEKTROTIM - as of December 31, 2022.

EMPLOYMENT STRUCTURE BY EDUCATION IN THE CAPITAL GROUP

Type of education	2018	2019	2020	2021	2022
primary	11	11	8	14	16
basic vocational	75	94	75	63	62
vocational secondary	118	111	100	98	81
general secondary	27	27	24	21	20
post-secondary vocational	9	11	8	6	9
higher	365	345	293	273	207
Total:	605	598	506	475	395

The ELEKTROTIM Capital Group focuses on the knowledge and qualifications of its employees. Employees with higher education account for more than half of the total workforce.

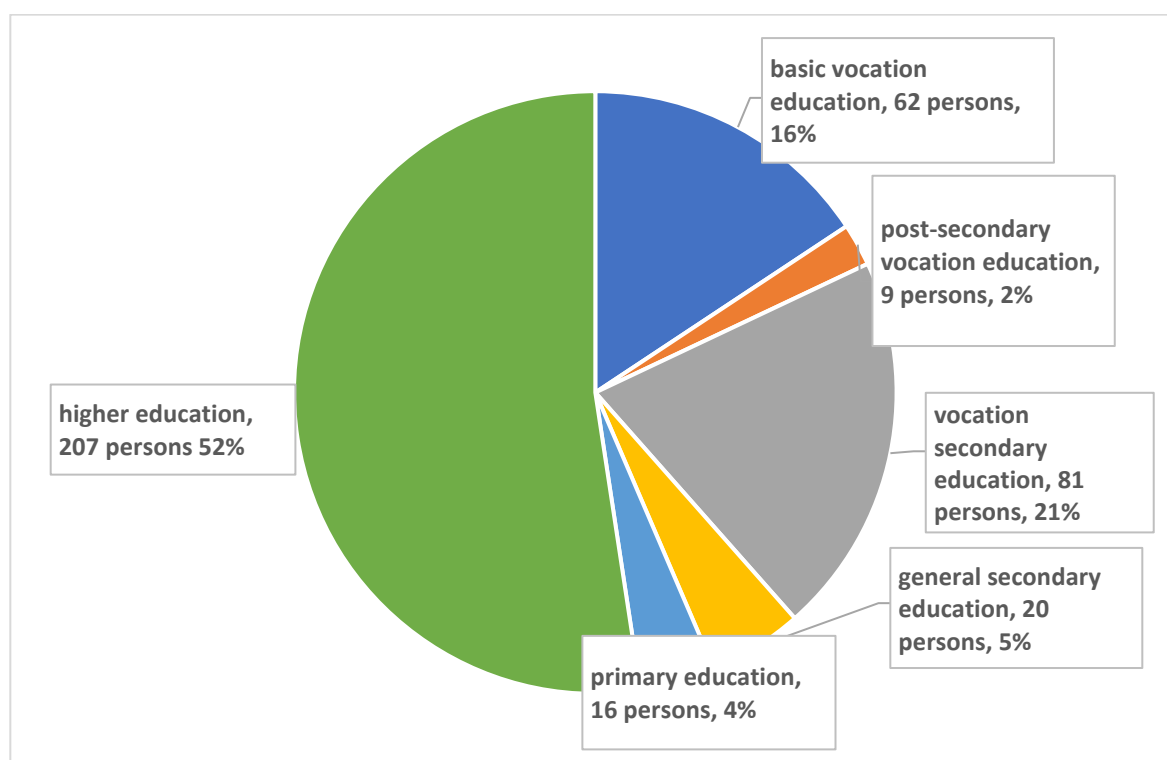


Fig. Employment structure by education in the ELEKTROTIM Group - as of December 31, 2022.

EMPLOYMENT STRUCTURE BY AGE IN THE CAPITAL GROUP

Age	2018	2019	2020	2021	2022
Up to 30 years	174	164	115	102	72
30 - 40 years old	185	184	166	149	113
40 - 50 years old	122	122	119	113	108
50 - 60 years old	70	73	63	68	61
over 60 years old	54	56	45	43	41

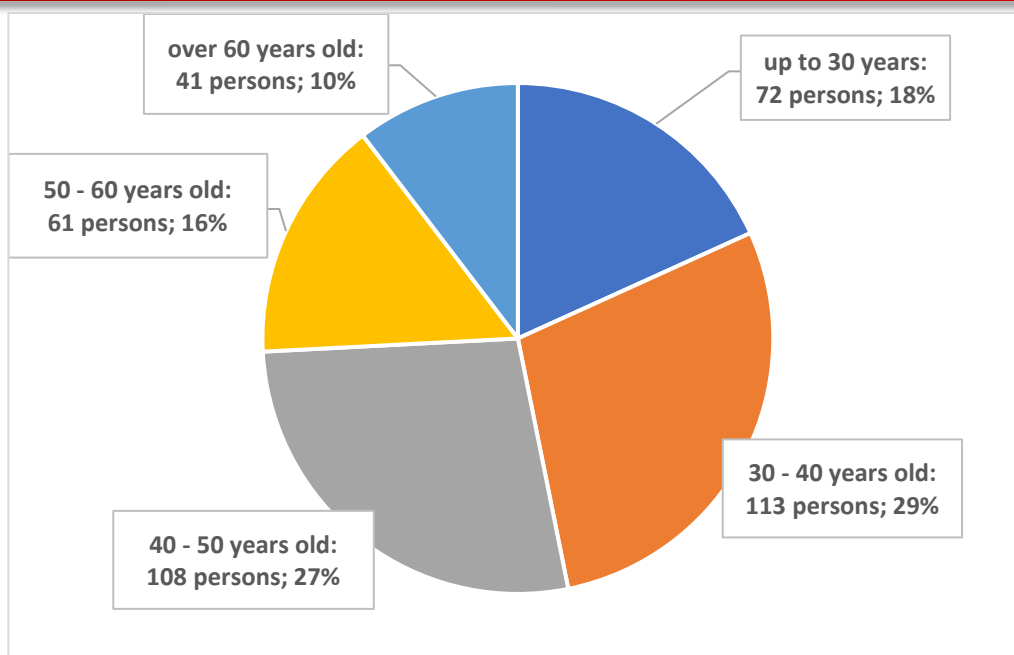
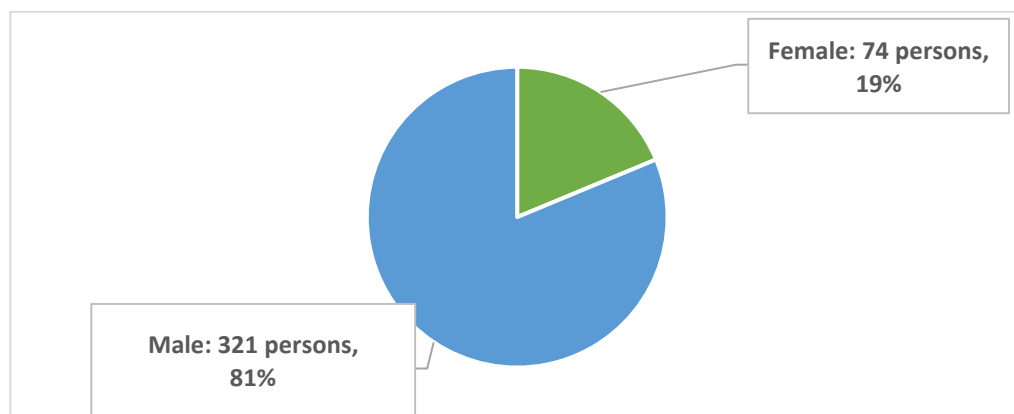


Fig. Employment structure by age in the ELEKTROTIM Group - as of December 31, 2022.

EMPLOYMENT STRUCTURE BY GENDER IN THE CAPITAL GROUP

Gender	2018	2019	2020	2021	2022
Female	102	101	89	85	74
Male	503	498	419	390	321

In the ELEKTROTIM Capital Group, due to their qualifications and business profile - 81% of employment are men.



Employment structure by gender in the ELEKTROTIM Group - as of December 31, 2022..

EMPLOYMENT STRUCTURE BY TYPE OF EMPLOYMENT CONTRACT IN THE CAPITAL GROUP

Type of contract	2018	2019	2020	2021	2022
Trial	20	21	10	14	10
Fixed-term	139	139	79	72	67
Indefinite period of time	446	439	419	389	318

The ELEKTROTIM Capital Group ensures the security of stable employment based on an employment contract. Agreements concluded for an indefinite period constitute 80% of all agreements..

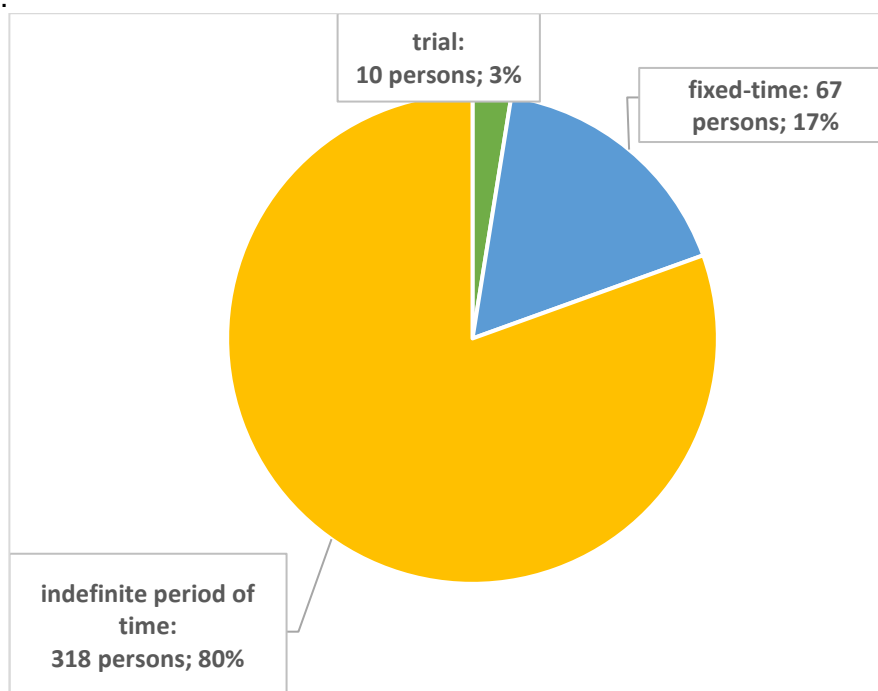


Fig. Employment structure by type of employment contract in the ELEKTROTIM Group - as at December 31, 2022..

Average salary in the ELEKTROTIM Group

The average gross salary per employee in the ELEKTROTIM Group in 2022 was PLN **8,865.14**. Compared to 2021, the average gross wage increased by 6%.

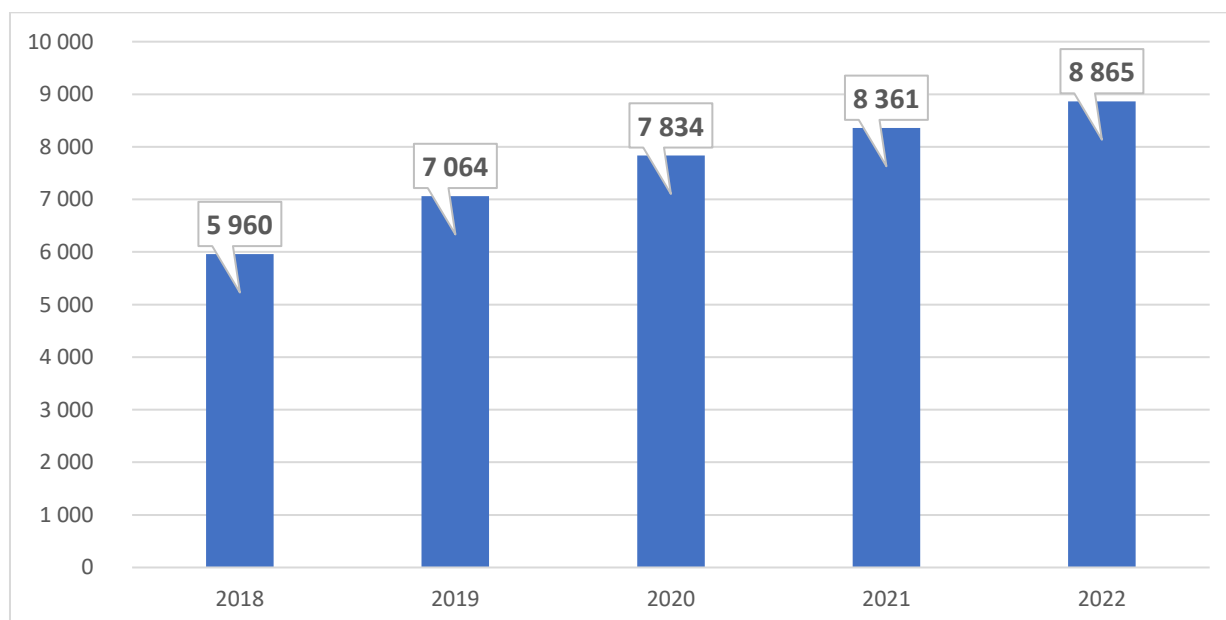


Fig. Average gross remuneration per employee in the ELEKTROTIM Group in 2018 – 2022, in PLN.

OHS status at ELEKTROTIM S.A. in 2022

All newly hired employees underwent initial OHS training (general and specific) and were familiarized with the occupational risk assessment at the workplace. The OHS service carried out inspections at construction sites and in individual plants in accordance with the Inspection Schedule for 2022. 61 inspections were carried out in accordance with the plan.

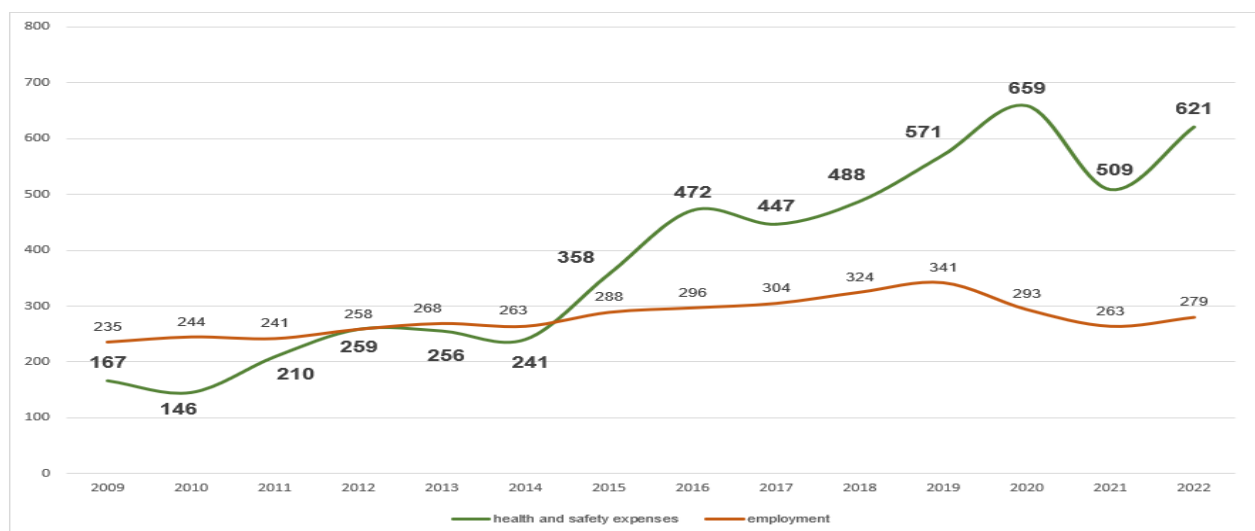
In 2022, the Company had 4 minor accidents at work, 0 serious accidents at work, and 0 fatal accidents.

The table below lists the causes of accidents:

No.	Type of accident	Cause of the accident
accident number 1	light	Incorrect behaviour of the employee due to insufficient concentration of attention on the activity performed (code 225)
accident number 2	light	Improper stability of the material medium (code 004)
accident number 3	light	Incorrect behaviour of the employee due to insufficient concentration of attention on the activity performed (code 225)
accident number 4	light	Other, unspecified or unspecified irregularities in the organization of the workplace (code 139)

Expenses on health and safety in 2022 amounted to: PLN 621,304.84, which is an increase of 22% compared to the expenses incurred in 2021.

Both for the employer, ELEKTROTIM S.A., and for its employees, work safety is a value. The actions taken by the management, including the expenses incurred, are focused on the development and achievement of the intended goals aimed at shaping the right attitudes and improving employees' awareness of health and safety issues. The company successively adjusts safety issues to the changing environment and real needs expressed by employees.



The level of expenditure on health and safety at ELEKTROTIM SA in the years 2009 - 2022 in thous. PLN in relation to employment

In 2022, the accident rate remained at a constant, low level. A downward trend in the severity index was also noted.

Trainings at ELEKTROTIM S.A. and in the Capital Group in 2022

Trainings at ELEKTROTIM S.A. in 2022

In 2022, training expenses increased by 108% compared to 2021. In 2022, the cost of training per employee was PLN 1,014; for comparison, in 2021 it was PLN 495.

Training in 2022 was carried out based on a training plan developed on the basis of training needs reported by individual organizational units.

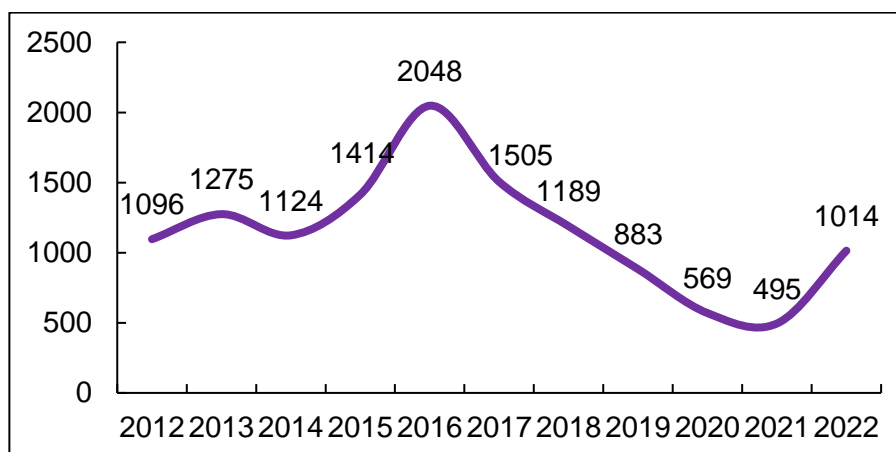
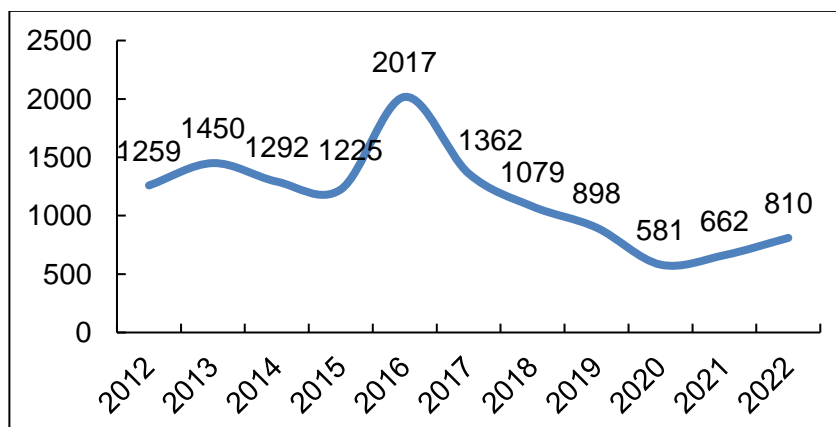


Fig.: The level of training expenditures in PLN per person in the years 2012-2022.

The increase in expenditure on training in 2022 was mainly due to the introduction of the competency development program for the Company's employees.

Training in the ELEKTROTIM Capital Group in 2022

Expenditure on training per 1 employee amounted to approx. PLN 810. Training in 2022 was carried out based on training plans developed on the basis of training needs reported by individual organizational units. The presented data do not include data from PROCOM SYSTEM S.A. due to the lack of this Entity in the Group on December 31, 2022.



The level of training expenses in PLN per person in the years 2012 - 2022 in the Capital Group

The increase in expenditure on training in 2022 in the Capital Group was related to the increase in expenditure on this area in ELEKTROTIM S.A.

Selected human capital indicators

Indicator - added value of human capital: calculated as the quotient of the sum of the result on operating activities and labour costs in relation to the average number of employees in the year..

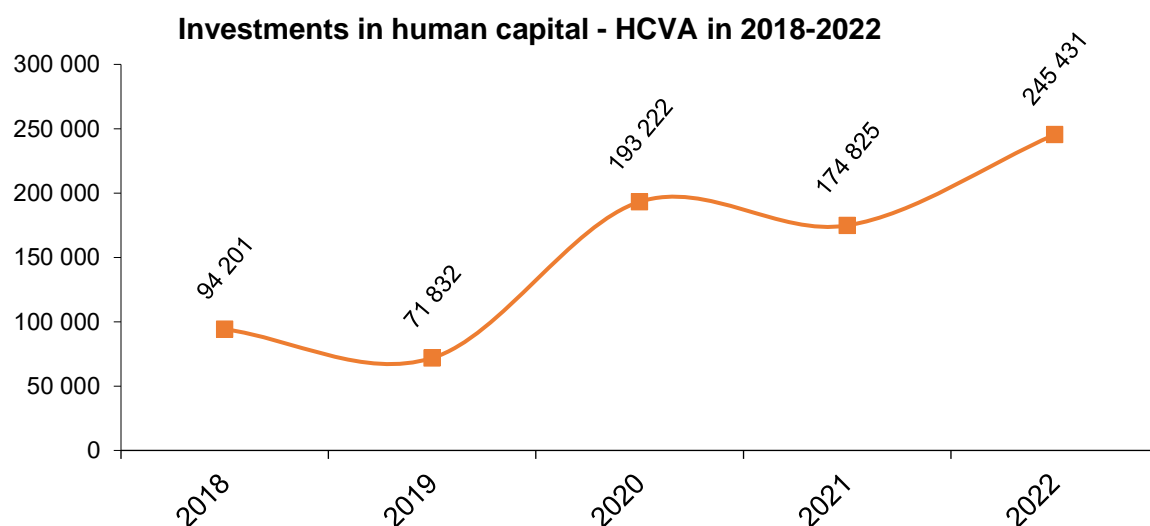


Fig. Investments in human capital - indicator in 2018-2022

In 2022, the Company recorded a 40% increase in operating profit per employee, which is the result of an increased number of contracts and profits generated per employee, while implementing the employment optimization process.

Indicator - return on investment in human capital: calculated as the sum of operating profit (Zo) and labor costs (Kp) in relation to labor costs.

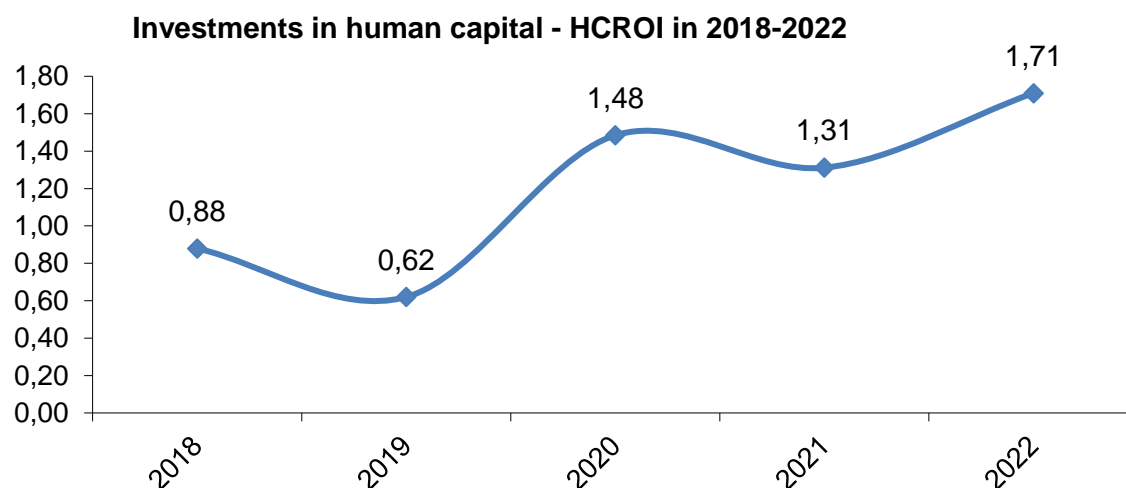


Fig. Investments in human capital - indicator in 2018-2022

In the last 3 years, we have observed an increase in the effectiveness of human resources management in the Company, the return on investment in human capital clearly translates into the ability to complete very difficult contracts with highly qualified staff at our disposal.

Indicator - revenues per employee: calculated as the quotient of the sum of sales (ΣS) to the average number of employees at the end of the year

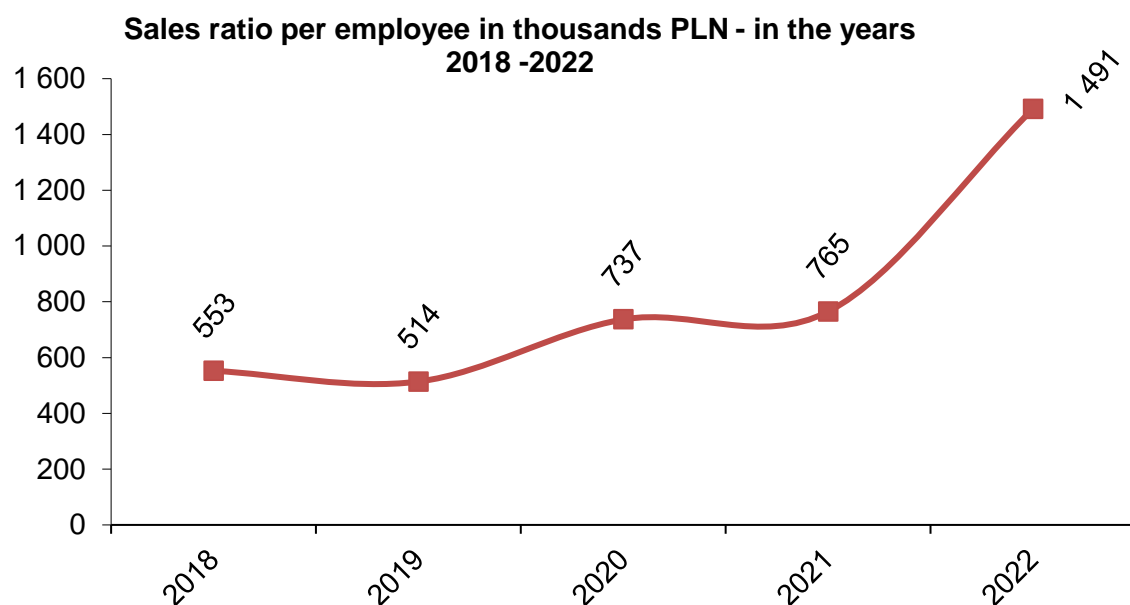


Fig. Revenue per employee in thous. PLN - HC REV in 2018-2022

The values of the HC-REV ratio in the years 2018-2021 are stable and a constant trend, only in 2022 a significant increase in revenues per employee is recorded, resulting from an increase in revenues by 104% compared to 2021 with only 5%.

Description of the policies applied by the Capital Group in relation to social, employee, natural environment, respect for human rights and counteracting corruption, as well as a description of the results of applying these policies.

Social issues

From CSR to ESG - this is how we operate!

The corporate social responsibility (CSR) policy, which resulted from the ELEKTROTIM Strategy for 2019-2022, will be extended in accordance with the new Strategy for 2023-2025 to include actions taken by the Company from the point of view of their impact on environmental protection, social responsibility and corporate governance (Environmental , Social, Governance; ESG). These three categories allow us to better understand and measure the impact of the Company's activities on the social and environmental area throughout the life cycle of products and services.

Corporate social responsibility results from the awareness of employees and their willingness to join in solving socially significant problems, such as: unemployment, poverty, unequal opportunities on the labour market, as well as insufficient level of environmental protection.

CSR activities are carried out in a systematic and planned manner. The activities carried out under CSR take into account both economic aspects and social or ecological interests, between which there should be a balance.

The Capital Group is an effectively managed organization that achieves the intended financial results, taking into account the needs of stakeholders and ethics in action.

The Group companies support and respect human rights accepted by the international community.

Group companies do not hire children.

Group companies respect the right of employees to associate.

The Group companies effectively counteract discrimination in the field of employment.

The Group companies care for the natural environment. The applied technical, technological and organizational solutions comply with applicable standards and are preventive in nature.

The Group companies apply fair market practices.

The Group companies run active social programs through financial and material support for the most needy local communities.

Description of the results of applying the Corporate Social Responsibility (CSR) Policy in 2019-2022

Activities implemented as part of corporate social responsibility (CSR) in the Capital Group are not only part of the relationship with the company's environment, but also result from the high social awareness of the entrepreneur and his deeper need to join in solving socially significant

problems, such as: unemployment, poverty, unequal opportunities in the labour market as well as insufficient level of environmental protection.

CSR activities are carried out in a way that takes into account both economic aspects and social or ecological interests, between which there should be a balance. The CSR strategy implements in practice the postulate of striving for sustainable development, in which economics, ecology and social issues are equally important.

ELEKTROTIM S.A. is involved in the affairs of the local community and supports selected initiatives. The company conducts activities mainly in the field of education, health protection and promotion of culture and sport.

IN ELEKTROTIM S.A. in 2022, the total amount of approx. PLN 40,000 was spent for CSR, including financial support for the following programs: "Education" approx. PLN 34 000, "Health" approx. PLN 5 000 and "Sport" approx. PLN 1 000.

Activities in 2022 include the following projects:

Within the scope of the "Education" program, ELEKTROTIM has implemented the following activities:

1. Continuation of the "ELEKTROTIM SZKOŁOM" program initiated in October 2007, initially addressed to students of technical secondary schools in Wrocław, each year expanded to include new facilities throughout the country. The main objective of the activities is to promote vocational education and increase the recognition of the ELEKTROTIM brand, and consequently to attract and employ new, creative and committed employees after completing the education process.

Under the ELEKTROTIM SZKOŁOM programme, the following activities were implemented:

- 1.1. patronage of the third class in the profession of ICT Technician at the Teleinformatics and Electronics School Complex in Wrocław at ul. Hauke-Bosaka. The cooperation is expressed, among others, by implementation of the program for the profession of ICT technician, equipping the school workshop with the latest technical devices, equipping students with working clothes, funding cash prizes for the best students, organization of apprenticeships, submitting job offers as an assistant fitter 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 program "ELEKTROTIM UCZELNIOM", under which student internships were organized for students of the third year of the Wrocław University of Technology.
- 1.4. The company's participation in the Job Fair organized in two editions a year: in spring and autumn by the Wrocław University of Technology..

In terms of the programs: "Sport", "Health" and "Culture"

In 2022, ELEKTROTIM participated in the following ESG projects:

1. assisted in the organization of educational, theatrical and therapeutic performances for children-patients from the Lower Silesian Specialist Hospital named after T. Marciniak in Wrocław;
2. supported the Foundation for the Development of Wrocław University of Science and Technology in the form of a financial donation, allocating funds to help students;
3. supported the Academy of Physical Education in the organization of a sports competition for children affected by cancer "ONKOIGRZYSKA 2022";
4. Supported the organization of a sports event - the Badminton Tournament, which took place in the sports hall of Młodzieżowego Centrum Sportu i Rekreacji Trzebnica- Zdrój.



Employee issues

Personal politics

The purpose of the personnel policy is to attract and retain employees in the right number and with appropriate qualifications. As a result, the Group companies gain a sustainable competitive advantage that is difficult to imitate. The result of a sustainable and difficult to imitate competitive advantage is and will be obtaining the expected return on capital.

In November 2019, the Company adopted the "**ELEKTROTIM S.A. Code of Conduct.**" containing the values of ELEKTROTIM S.A. and the "Anti-Corruption Policy"..

Ethical principles - ethical principles in the workplace

1. Rules and principles applicable at ELEKTROTIM S.A. are known and accepted.
2. No one has the right to discriminate against Employees for any reason, including due to: gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, denomination, sexual orientation, social status (knowledge, education).
3. Employees work together and help each other.
4. All Employees of ELEKTROTIM S.A. are fairly and fairly assessed according to objective criteria.
5. Work and duties entrusted to Employees create harmony between skills and knowledge as well as willingness, possibilities and commitment.
6. ELEKTROTIM S.A. strives to ensure that the methods used to evaluate and promote Employees result in the overlapping of formal authorities, i.e. authorities resulting from the position in the company, with informal authorities, i.e. authorities resulting from the internal assessment of Associates.
7. Those Employees whose mental characteristics, knowledge and skills are the most appropriate for a given position are promoted horizontally and vertically.
8. Employees' remuneration depends on the results of their work.
9. Employees have the right to inform their superiors about inappropriate behaviour and improper work of their superiors and co-workers.
10. Employees are loyal to ELEKTROTIM S.A., i.e., among others: a) they respect official and state secrets, as well as the provisions regarding the violation of business secrets, b) they take care to maintain their own competences at the level desired by their superiors, colleagues and clients c) take care of the entrusted property, d) perform the assigned tasks with due diligence.
11. Prior to issuing an order, the superior must assess the purpose, possibility of executing the order and its effects.
12. Employees are obliged to comply with the instructions of their superiors regarding work, if they are not contrary to the law or the employment contract.
13. The superior should understand the personal problems of subordinates and help, as far as possible, in solving them.
14. ELEKTROTIM S.A. creates opportunities for self-realization for Employees by acquiring knowledge and developing their skills.

Description of the results of applying the Personnel Policy

Partial objectives of the Personnel Policy for 2019-2022:

1. Employees know the Company's Mission and identify with the activities carried out for its optimal implementation.

The achievement of the objective is measured by a survey verifying the knowledge of the Company's Mission conducted as part of the job satisfaction survey once a year.

2. The organizational culture fosters individual creativity of employees and creates a solid foundation for teamwork. It is common to create "creative teams" for the development of new ideas in particular market segments.

The measure of the achievement of the goal is the number of applications submitted to the "Let's build a better company" competition in a calendar year

3. Each Employee acts in accordance with the law and observes ethical principles.

The measure of the achievement of the goal is the number of court cases settled to the disadvantage of companies or disciplinary penalties imposed on an employee, the subject of which was non-compliance with the established provisions of generally applicable law and ethical principles set out in the Code of ELEKTROTIM S.A.

4. IN ELEKTROTIM S.A. a systematic personnel management process is carried out to ensure that the organization has the right people in the right positions at the right time. above activities implement the strategic goal: INCREASING THE EFFICIENCY OF THE ORGANIZATION.

The measure of achieving the goal is the appropriate level of indicators HC ROI - return on investment in human capital and HC REV - profitability ratio of human resources, the value of which is annually determined by a resolution of the Management Board of the Company.

5. Employees at ELEKTROTIM S.A. constantly improve the level of their competences by implementing the strategic goal: DEVELOP THE COMPETENCES OF EMPLOYEES, set out in the Company's Strategy Map.

The increase in employee competencies at the workplace is associated with an increase in occupational risk awareness, which affects the implementation of the INCREASING WORK SAFETY objective.

At least once a year, each employee participates in training to improve their professional qualifications.

The measure of the achievement of the goal is:
VALUE OF TRAINING EXPENDITURE/per person,
ACCIDENT RATE, SEVERITY INDEX, the amount of which is determined annually by a resolution of the Company's Management Board.

6. Employees of ELEKTROTIM SA are committed to their work.

The result of personnel activities that build the level of commitment to work is the implementation of the strategic goal: HAVE GOOD EMPLOYEES. The measure of the implementation of the above goals is the ABSENCE rate per person for the last 12 months and the level of SATISFACTION from work, the target value of which is determined annually by a resolution of the Management Board of the Company.

7. The Human Resources Department analyses and diagnoses key competencies for individual groups of positions, together with the management staff, determines what is the Company's strength and how it can gain a competitive advantage.

The effect of the above activities is the implementation of the goal:

HAVE GOOD EMPLOYEES.

The measure of achieving the goal is the LEVEL OF STRATEGIC PERSONNEL RESOURCES, the target value of which is determined annually by a resolution of the Company's Management Board.

Environmental issues

THE VISION OF ELEKTROTIM S.A. 2019-2022 in relation to the natural environment from the Environmental Policy

The Group companies care for the natural environment. The applied technical, technological and organizational solutions comply with applicable standards and are preventive in nature.

Integrated Management System compliant with the standards PN-EN ISO 9001:2015-10 and AQAP 2110:2016, PN-EN ISO/IEC 27001:2017-06, PN-ISO 45001:2018-06, PN-EN ISO 14001:2015- 09.

In order to implement the above mission, ELEKTROTIM S.A. has implemented an Integrated Management System compliant with the standards listed above, whose task is the continuous development of the organization.

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

Awareness of the impact of the business activity on the natural environment and the strong need to protect it is a very important element of the functioning of ELEKTROTIM S.A. at the moment.

The Management Board of the Company, as part of the developed strategy, applies the best practices in the field of environmental protection in relation to all its activities and areas of activity in order to reduce the negative impact of ELEKTROTIM S.A. on the environment. In particular, it undertakes to:

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

We implement the above obligations by:

- complying with legal requirements and other environmental regulations applicable to our operations,
- continuous improvement of the implemented EMS as the basic tool for planning and coordinating activities aimed at environmental protection,
- raising employees' awareness of ecology and promoting pro-ecological behaviour.

Employees at all levels of the company's management are actively involved in the implementation of strategic environmental goals and monitoring the level of their implementation..

We believe that consistency in complying with self-imposed obligations will result in a cleaner and greener environment in the future.

Description of the result of applying the Environmental Policy

Impact of conducted activity on the environment

The impact of the business activity on the natural environment 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 in:

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

Actions taken to protect the environment

The company concluded a contract for the collection and disposal of segregated waste and hazardous waste with specialized companies. The implementation of this agreement fully secured the Company's needs in 2022. The Company has a certificate of compliance with the requirements of the PN-EN ISO 14001:2015-09 standard on Environmental Management. The company thus declares that it meets the requirements in the field of environmental protection, with particular emphasis on counteracting pollution and rational management of available resources.

Human rights issues

THE VISION OF ELEKTROTIM S.A. 2019 - 2022 in relation to human rights from the Corporate Social Responsibility (CSR) Policy.

The Group companies support and respect human rights accepted by the international community.

Group companies do not employ children.

Group companies respect the right of employees to associate.

The Group companies effectively counteract discrimination in the field of employment.

Description of the result of applying the Human Rights Policy

In 2022, there were no incidents related to the lack of respect for human rights..

Anti-corruption issues

ELEKTROTIM S.A. Code of Conduct indicates that our actions and decisions are always taken in accordance with the law, and we make all types of cooperation decisions only on the basis of substantive premises. This means that we categorically oppose any activities bearing the hallmarks of corruption and actively prevent its occurrence. Therefore, each Employee is obliged 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 attitude to this type of practice.

The purpose of the "Anti-Corruption Policy" adopted in November 2019 is to reduce the risk of corruption both in external and internal relations of the company

PRINCIPLES APPLIED IN AREAS OF POTENTIAL RISK OF CORRUPTION

Gifts and other manifestations of hospitality

It is forbidden to give financial benefits in order to persuade the person for whom they are intended to take action for the benefit of ELEKTROTIM S.A. or prevent it from acting unfavourably for ELEKTROTIM. It is within our policy to receive/give customary official gifts. Accepting/giving such a gift cannot affect the impartiality of relations with a given contractor. If the value of gifts received from one contractor over a period of 12 months exceeds PLN 200, this fact should be reported in writing to the supervisor.

Organization and participation in business meetings

Business meetings combined with accommodation at the Company's expense are organized solely for promotional or training purposes, and the possible invitation of participants to sports, cultural or entertainment events should only be an appropriate supplement to such meetings or serve to celebrate an anniversary celebrated by the Company, jubilee or other important event for a given Company. Incurring costs for possible accompanying persons is possible only when it is a commonly used custom on the market or in a given environment. Participation in such a business meeting cannot be associated with the expectation or necessity of any consideration for the Company by the participants of the meeting.

Do not accept invitations to business meetings, conferences, training sessions, workshops, etc., the main element of which is participation in a sports, cultural or entertainment event, unless the meeting was organized by the contractor on the occasion of an anniversary, jubilee or another important event for a given organization. Accepting the benefits in the form of covering the costs of accommodation by the organizer of a business meeting, conference, training, workshop and

similar events is possible only when it is a common practice on the market or in a given environment.

Donations

Donations may only be granted as part of programs and projects officially run by the company in accordance with Resolutions of the Management Board. The principles of making donations are regulated by Resolutions of the Management Board.

Relationships with government officials

Relationships with government officials must fully comply with the rules and regulations of the country in which they are located. For the avoidance of doubt, it is forbidden to provide any gifts to public officials and to conduct conversations regarding business matters outside the seat of a given public institution or ELEKTROTIM SA. An exception to this rule is giving a gift during official celebrations related to an anniversary, jubilee or other important event for a given public institution.

Support for political purposes

ELEKTROTIM does not make donations for political purposes.

Nepotism and other prohibited practices in the area of employee relations

The company avoids employing family members in the same team, and in particular, assigning positions where the employee is directly subordinated to his family members.

It is forbidden to offer, transfer or accept personal and material benefits in exchange for a promise or actual promotion, employment, unreasonable reduction of official duties without affecting the employee's level of remuneration or releasing the employee from liability for breach of employment duties.

Contractors

It is forbidden to accept material or personal benefits from current and potential Contractors. It is necessary to ensure that relations with contractors are based on professionalism and mutual trust, and that all types of cooperation decisions are made solely on the basis of substantive premises. ELEKTROTIM S.A. cooperates with Contractors only on the basis of written contracts or orders, and the transfer of goods or services is documented.

Accounting system

ELEKTROTIM S.A. maintains a reliable and transparent accounting system in accordance with applicable law, preventing off-book transactions, recording non-existent expenses, using false documents and deliberate destruction of accounting documentation before the expiry of the period provided for by law.

Description of the result of applying the Anti-Corruption Policy

In 2022, no corruption incidents were reported.



Description of due diligence procedures - if the entity applies them as part of the policies referred to above

In order to implement the mission of ELEKTROTIM S.A. implemented the **Integrated Management System** compliant with the standards PN-EN ISO 9001:2015-10 and AQAP 2110:2016, PN-ISO/IEC 27001:2014-12, PN-N-18001:2004, PN-EN ISO 14001:2015-09 whose task is the **continuous development of the organization**.

Responsibility for our commitments and business activities requires us to constantly improve our activities. We strive to achieve customer satisfaction, not only by efficient and professional performance of tasks, but also by making **every effort to comply with applicable ethical principles and lawful conduct in every field of activity**.

We assure you that the information processed at ELEKTROTIM S.A. are protected while maintaining confidentiality, availability and integrity.

All employees make every effort to maintain safety at their workplaces, and we also take care to minimize our adverse impact on the natural environment.



V. RISKS

Description of significant risks related to the entity's operations that may have an adverse effect on the issues referred to above, including risks related to the entity's products or its relations with the external environment, including contractors, as well as a description of the management of these risks.

The document regulating the area related to risk management in the ELEKTROTIM Capital Group is the Risk Management Policy. It was 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 Risk Management Policy is designed to integrate the activities carried out in the Companies related to risk management in individual areas of operational, financial and corporate activity.

The ELEKTROTIM Capital Group reviews the risks once a year. Risks are reviewed for prospects, categories and partial risks. During the review, a risk assessment is carried out, which includes identification, analysis and evaluation of risks. Their relevance, usefulness and effectiveness are checked. Committees and commissions have been appointed to monitor selected risk categories, i.e.: the Audit Committee of the ET Supervisory Board, the ET Risk Committee, the Financial Risk Committee, the Executive Risk Committee, the Information Security Committee and the Health and Safety Committee.

Risk management systems in the Capital Group companies 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, risk categories are analysed, which include risks (threats) that may materialize over a period of more than 24 months, i.e.:

- **category of political risks** - within this category, partial risks are analysed that relate to the possibility of interference by state authorities in individual countries or in the international arena, both in relation to the entire economy and in its individual sectors.
- **category of economic risks** - within this category, partial risks are analysed that take into account the impact of external economic factors on the company.
- **category of long-term market risks** - this category analyses partial risks related to the industry in which the ELEKTROTIM Capital Group operates. These risks are related to customers, suppliers and products offered by the Companies. These risks may materialize in no less than 24 months.
- **corporate risk category** - within this category, partial risks are considered, which relate to uncertainty related to risk and opportunities in terms of bringing benefits to the company's shareholders.

2. Operational perspective - within this perspective, risk categories are analysed, which include risks (threats) that relate to current issues of the functioning of the ELEKTROTIM Capital Group, i.e.:

- **category of personal risks** - within this category, partial risks related to the management of the company's human capital are analysed.
- **category of short-term market risks** - this category analyses partial risks related to the industry in which the ELEKTROTIM Capital Group operates. These risks are related to customers, suppliers and products offered by the Group. These risks may materialize in less than 24 months.
- **execution risk category** - this category analyses partial risks on the implemented project, not recognized in the current budget, which may cause a negative deviation of the M1 margin from the value of the M1z (verified) margin.
- **category of financial risks** - within this category, partial risks are analysed, which result in a reduction in remuneration or a decrease in the value of remuneration in the domestic currency.
- **category of information security risks** - within this category, partial risks are analysed that relate to the possibility of loss, destruction and unauthorized access to important information held, processed and sent by the ELEKTROTIM Capital Group. Information security is understood as information constituting a secret of the Company and the Group as well as classified information within the meaning of the Act on the Protection of Classified Information.
- **category of occupational safety risks** - within this category, risks are analysed that relate to the effects of enabling work inconsistent with OHS regulations.
- **category of risks related to environmental protection** - within this category, risks related to unlawful impact on the natural environment are analysed..

3. Financial reporting perspective - under this perspective, risk categories are analysed, which include risks (threats) that relate to the recognition and interpretation of the current financial and payment situation, relate to the current operations of the ELEKTROTIM Capital Group, i.e.;

- **category of financial reporting risks** - within this category, partial risks are analysed that relate to the recognition and interpretation of the current financial and payment situation, relate to the current activity of the ELEKTROTIM Capital Group..

4. Compliance perspective - under this perspective, risk categories are analysed, which include risks (threats) resulting from legal obligations related to the functioning of the ELEKTROTIM Capital Group and its business activity and membership in public interest entities..

- **compliance risk category** - this category analyses such partial risks that may materialize in the event of non-compliance with the law, internal regulations and standards of conduct adopted by the organization..

Within individual risk categories, partial risks are also distinguished, which are regularly identified.

1. Risks - strategic perspective.

Political risk category

Financial results of ELEKTROTIM S.A. and Companies from the ELEKTROTIM Capital Group depend on the macroeconomic situation of Poland. The year 2023, which is the year of the parliamentary elections, poses a risk of excessive money supply on the market, which may have a direct impact on growth and maintaining a high level of inflation. There is a probability of changes in economic structures on a macro and microeconomic scale, which may significantly worsen the conditions and violate the legal principles of operation of the ELEKTROTIM Capital Group.

Poland's location in the immediate vicinity of Ukraine (a country at war) poses a risk related to: escalation of the conflict to neighbouring countries, direct involvement in military operations, decrease in investments in the country, reduction of the available workforce, reduction in the availability of raw materials, capital, threat of terrorist attacks including cyberattacks on critical state infrastructure.

Category of economic risks.

Risk of deterioration of financial results due to the collapse of the global economy.

There is a risk of deterioration or collapse of the global economy. The source of the collapse of the global economy may be, for example: the still felt effects of the COVID-19 pandemic, a potential crisis in the banking sector, economic recession, escalation of the conflict in Ukraine, a potential conflict in the Far East.

In connection with the above, the ELEKTROTIM Capital Group sees the risk of a deterioration in the economic situation for the services provided by the Companies. The deterioration or collapse of the world economy may cause deterioration of the financial situation of the ELEKTROTIM Capital Group.

Risk of deterioration of financial results due to the collapse of Polish public finances.

Deterioration of the economic situation, high costs of the government's social policy, ending support programs (anti-inflation shield, energy shields), lower absorption of EU funds may cause deterioration of Polish government and local government public finances, which may result in freezing investments or withdrawal of the government and/or local government (s) from realized investments. In an extreme situation, public investors may suspend or refuse to pay for delivered products. Receivables from budget recipients are not insured. In addition, political and social tensions resulting from the internal and external situation of the country (the war in Ukraine and its global consequences) may have a significant impact on the financial results achieved by the Companies. The above-mentioned events may affect the deterioration of the financial results of the ELEKTROTIM Capital Group.

The risk of reducing the value of financial and tangible assets as a result of inflation.

The current economic situation in the country and persistent inflation may have an impact on the decrease in the value of financial and tangible assets. As a result of inflation, the money held by the ELEKTROTIM Capital Group may depreciate, which may result in a decrease in the Company's capitalization.

Category of long-term market risks

Risk of deterioration of financial results as a result of the global economic crisis as a result of an epidemiological threat / epidemic / pandemic.

The situation related to the development of the epidemiological threat has a significant impact on the financial condition of many business entities, affecting global market trends. In terms of the identified risk, it is necessary to introduce habits limiting the risk of transferring threats, monitor the health of employees and optimize overheads by matching them to the expected margin.

Risk of deterioration of financial results due to changes in market trends - long-term, strategic perspective (over 24 months)..

The factor affecting the operations of the ELEKTROTIM Capital Group is the dependence of the Group's financial result on the economic situation in the country and in the world. The ELEKTROTIM Group operates on the construction market related to the implementation of infrastructural investments. Weakening economic growth (decrease in GDP in the fourth quarter by 2.4% compared to the third quarter) and the economic situation in the construction sector may adversely affect the implementation of the Group's strategic goals in the long term. The main barriers that the Group will notice are: increase in inflation to 14.4% in 2022, increased costs of obtaining financial capital, increase in the NBP reference rate, increase in employment costs, increase in the cost of purchasing materials and services, increase in energy and fuel prices, lower demand for investment products related, among others, withholding funds from the National Reconstruction Plan (KPO).

Risk of lack of new products in the Capital Group.

The lack of new products adapted to the changing needs of customers may result in a decrease in sales and, consequently, may lead to a deterioration of the results of the ELEKTROTIM Capital Group.

The risk of losing regular (loyal) customers.

The sale of the ELEKTROTIM Capital Group to loyal customers constitutes a significant share in total sales. Changing the shopping preferences of loyal customers may cause a decrease in sales and an increase in selling costs, which in turn may lead to a deterioration of the financial results of the ELEKTROTIM Capital Group..

Corporate risk category.

Management risk.

There is a risk regarding the appointment of new members of the Management Board of Companies in the ELEKTROTIM Capital Group.

2. Risks – Operational perspective.

Operational perspective – category of personal risks.

Risk of lack of staff.

Poland is a country with one of the lowest unemployment rates in the EU. The harmonized unemployment rate, calculated according to the definition adopted by Eurostat, amounted to 3% in October 2022 in Poland against 6% in the EU and 6.5% in the EURO zone. The registered unemployment rate estimated by the Ministry of Labor and Social Policy at the end of 2022 was 5.2% (a decrease of 0.6 pp. by 2021, respectively). The stable situation on the labour market and the continuing phenomenon of the labour market may be a significant risk for construction companies, due to the limited availability of both lower-level and higher-level employees.

In the business activity conducted by the ELEKTROTIM Capital Group, there is a risk related to the lack of personnel in sufficient numbers and with appropriate competences to perform the commissioned works or works that could be commissioned. The lack of personnel may result in the failure to perform the ordered works within the agreed time or the refusal to accept the proposed works for execution. The result of the lack of personnel may be an increase in costs and/or a decrease in revenues, and consequently a decrease in the result of the ELEKTROTIM Capital Group..

The risk of wage pressure.

Persistently high inflation, rising energy prices and unfavourable macroeconomic conditions may cause the trend in the labour market related to the growing wage pressure to continue in 2023. Rising inflation affects wage expectations as the purchasing power of money continues to diminish. In addition, further increases in the minimum wage are expected in 2023 (an increase of 19.6% compared to the minimum wage in force in the previous year) and an increase in the average gross remuneration in the enterprise sector (in December 2022 an increase of 10.3% compared to the previous year, December 2021).

Due to the large unbalance of supply and demand on the labour market in technical professions, there is a risk of expectations for much higher salaries of employees of the ELEKTROTIM Capital Group and potential employees. The need to increase salaries above the increase in employee productivity may increase costs and, consequently, reduce the result of the ELEKTROTIM Capital Group..

Risk of key personnel absconding.

The key staff in the ELEKTROTIM Capital Group are experienced experts, engineers and project managers. The companies also employ a qualified team of employees who not only have extensive professional experience in the field of services provided, but also the necessary qualifications in the field of design, execution and project management.

Due to the growing competition on the construction market, there is a risk that key persons from the Group's qualified staff may decide to change their employer. This risk may affect: inability to react quickly to dynamic market changes, inability to implement new projects, improper fulfilment of obligations under concluded contracts, incurring additional costs related to acquiring new employees on the market, which in turn may translate into to a decrease in the result of the ELEKTROTIM Capital Group.

Risk of mobbing or discrimination.

The company analyses the situation in interpersonal relations among the company's staff on an ongoing basis. The company has adopted and implemented internal regulations containing procedures and procedures for reporting suspected mobbing and discrimination in the company.

Operational perspective - category of short-term market risks.

The risk of dynamic changes in market trends.

The activity of the ELEKTROTIM Capital Group is strongly dependent on changes in market trends both in the construction industry related to the implementation of infrastructural investments and the economic situation on the domestic and foreign markets. There is a risk of dynamic changes in market trends, which may result in an increase in costs and thus a decrease in sales profitability. The above-mentioned events may affect the deterioration of the results of the ELEKTROTIM Capital Group.

Operational perspective - execution risk category.

There is a risk of fortuitous events, the effects of which will not be fully or partially covered by insurance by insurance companies. The above-mentioned events may affect the deterioration of the results of the ELEKTROTIM Capital Group..

Risk of dependence on recipients.

The ELEKTROTIM Capital Group applies the following principle of estimating the risk of dependence on recipients:

- a) if the share of sales to a given customer in the sales of the ELEKTROTIM Capital Group is not more than 5% - there is no risk of dependence on the customer,
- b) if the share of sales to a given customer in the sales of the ELEKTROTIM Capital Group is more than 5%, but not more than 10% - there is a small risk of addiction to the recipient.
- c) if the share of sales to a given customer in the sales of the ELEKTROTIM Capital Group is more than 10%, but not more than 20% - there is a medium risk of becoming dependent on the customer;
- d) if the share of sales to a given recipient in the sales of the ELEKTROTIM Capital Group is more than 20% - there is a high risk of becoming dependent on the recipient.

According to the above-mentioned assumptions, there is a high risk for the ELEKTROTIM Capital Group of becoming dependent on the Border Guard Headquarters.

The risk of becoming dependent on suppliers.

Companies from the ELEKTROTIM Capital Group attach great importance to the issue of supply as an important sphere of the company's activity, having a direct impact on the operating costs, quality and timeliness of services provided, and thus the competitive position on the market and the risk of becoming dependent on the supplier.

In the ELEKTROTIM Capital Group, in order to better control the sources of supply and minimize the risk of dependence on suppliers, it was assumed that:

- a) if the share of purchases from a given counterparty in total purchases is not more than 5%, there is no risk of dependence on the supplier;
- b) if the share of purchases from a given contractor in total purchases is more than 5%, but not more than 10%, there is a low risk of dependence on the supplier;
- c) if the share of purchases from a given contractor in total purchases is more than 10%, but not more than 20%, there is a medium risk of dependence on the supplier;
- d) if the share of purchases from a given contractor in total purchases is more than 20%, there is a high risk of becoming dependent on the supplier.

According to the assumptions as at 31.12.2022, for the ELEKTROTIM Capital Group there is a low risk of becoming dependent on suppliers, because none of the suppliers of materials exceeded 10% of the total purchases.

The risk of a decrease in the PLN margin during project implementation due to a change in the scope of works and/or implementation time..

There is a risk of changing the scope of work due to a change in the client's needs communicated by the client during the implementation. There is a risk that a change in the need (increasing the scope of the project) will result in an increase in direct costs and/or the implementation period, and the change in remuneration will not cover the increase in costs to a sufficient extent to maintain the profitability of the project. The above-mentioned situation may affect the deterioration of the results of the ELEKTROTIM Capital Group.

The risk of a decrease in the PLN margin due to additional costs on projects not taken into account at the offer stage.

The risk of a decrease in the PLN margin due to additional costs on projects not taken into account at the offer stage (underestimation of contract prices) may occur in the case of works that are difficult to identify at the stage of preparing the offer. There is also a risk of changing the scope of work due to incorrect identification of the client's needs before submitting the offer. The need to supply products in the right range may increase costs. The above-mentioned situation may affect the deterioration of the results of the ELEKTROTIM Capital Group.

The risk of deterioration of financial results due to changes in the exchange rate.

In the operations of the ELEKTROTIM Capital Group, there is a risk of currency fluctuations. Most transactions are carried out in the Polish currency PLN, however some transactions are carried out in foreign currencies. The Group is exposed primarily to the risk related to the EUR and USD currencies. The source of transaction exposure to currency risk are supply contracts, 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 not worse than those assumed in the implementation budgets and to balance the value of assets and liabilities expressed in a given currency. Exposure to currency risk changes during the year depending on the volume of transactions carried out in the currency and the value of currency payments accumulated. As at December 31, 2022, the risk is limited by linking liabilities and assets denominated in foreign currencies (natural – balance sheet hedging).

The risk of deterioration of the financial result related to liabilities arising from quality guarantees.

The activity of the ELEKTROTIM Capital Group is exposed to the risk related to guarantee obligations. The companies provide guarantees for the products delivered to the Recipients. During the guarantee period, the Companies bear the costs resulting from the guarantee obligations. Due to the unique nature of products and customers' expectations regarding longer and longer warranty periods, the amount of costs related to the fulfilment of warranty obligations is difficult to estimate.

Companies from the ELEKTROTIM Capital Group create provisions for guarantee liabilities based on historical statistical data. There is a risk that the guarantee liabilities actually incurred in the future will exceed the provisions established. The above-mentioned event may affect the deterioration of the results of the ELEKTROTIM Capital Group.

Risk of failure, accident, catastrophe.

During the implementation of construction projects, there is a risk of random events such as failures, accidents and catastrophes. The speech of the above fortuitous events may result in failure to meet the deadlines for the execution of the subject of concluded contracts or increase

in production costs. As a consequence, this will reduce the revenues and deteriorate the results of the ELEKTROTIM Capital Group.

The risk of key competences being taken over by subcontractors.

In the production of products and services provided to customers, the companies of the ELEKTROTIM Capital Group cooperate with subcontractors. During the process of manufacturing products and services, employees of subcontractors perform various activities, including activities related to the key competences of the ELEKTROTIM Capital Group. There is a risk that employees of subcontractors will acquire key competences, and subcontractors will want to use them in competition with the ELEKTROTIM Capital Group. Such a situation may cause a decrease in sales and, consequently, deterioration of the results of the ELEKTROTIM Capital Group.

Risk of lack of providers of complementary services.

In order to deliver the products on offer, the ELEKTROTIM Capital Group must also deliver the products of other companies in order to fulfil its contractual obligations. The gaps between demand and supply on the construction services market may result in the inability to purchase complementary services within the expected time limit, which may result in the inability to meet the assumed obligations. Such a situation may result in the need to pay penalties and, as a consequence, may cause deterioration of the results of the ELEKTROTIM Capital Group..

The risk of the impact of energy prices on the operating costs of enterprises.

The ELEKTROTIM Capital Group, while fulfilling its contractual obligations, takes into account the anticipated increase in electricity prices. In this regard, analyses of the structures of suppliers and recipients are made in order to limit the impact of the phenomenon on the operating costs of the Group's companies. There is a risk of increased costs due to an increase in energy prices, which may adversely affect the Group's financial results.

Operational perspective - Category of financial risks.

Risk of changes in commodity prices (copper, aluminium, steel).

The greatest risk for maintaining the stability of commodity prices in 2023 may be insufficient production volumes. Production may not meet the growing demand caused, among others, by the reopening of the Chinese economy and better than expected growth of the industrial sector in Europe. The expected depreciation of the US dollar will also stimulate global demand.

Some of the materials and equipment used in the production process are purchased by the ELEKTROTIM Capital Group companies abroad, paying in EUR or USD. There is a risk that despite the use of risk hedging financial products, the cost of materials and equipment purchased in the EUR or USD zone, converted into the domestic currency, will be higher than assumed in the budget, which may increase costs and, consequently, deteriorate the results of the ELEKTROTIM Capital Group.

Risk related to the production process.

The activity conducted by the ELEKTROTIM Capital Group is related to the risk generated by the production process. Most of the products we sell are unique, complex systems. The Group's employees manufacture products using:

- the current state of technical knowledge,
- management methodology, e.g. Project Management,
- standardized solutions and procedures.

Products are created as a result of a continuous exchange of views between the Companies of the ELEKTROTIM Capital Group and the recipient on the needs and possibilities. In the course of each project, there are changes that are introduced in a more or less formalized way. The products of the ELEKTROTIM Capital Group are manufactured in a period not shorter than a few weeks and not longer than a few years. During the production of the product, the prices of the means of production and applicable regulations may change.

Considering the above, the activities of the ELEKTROTIM Capital Group include, among others, the following risks related to the production process:

- incorrect recognition of customer needs,
- incorrect estimation of production costs,
- changes in production costs during the product manufacturing process,
- errors in production management,
- errors in change management,
- errors in technical and technological solutions.

The above risks may result in a decrease in revenues and/or an increase in costs, and consequently a decrease in the result of the ELEKTROTIM Capital Group.

Risk of deterioration of financial results or liquidity related to non-payment of receivables by the recipient.

The ELEKTROTIM Capital Group is exposed to risks related to non-payment by the recipient. The recipients are commercial law companies, including companies with the share of the State Treasury, natural persons conducting business activity, state and local government institutions. Group companies sell their products with deferred payment (trade credit). When using such a settlement formula, despite insuring trade receivables, there is a risk of non-payment of receivables, which may cause deterioration of the results of the ELEKTROTIM Capital Group.

The risk of going bankrupt by the customer(s) with the simultaneous collapse of the insurer.

A rapid deterioration of the economic situation may lead to the bankruptcy of business entities and to the collapse of institutions insuring receivables. For the companies of the ELEKTROTIM Capital Group, insurance of receivables is an important element of the trade credit management system granted to customers. The collapse of the client (s) with the simultaneous collapse of the insurer may cause deterioration of the results of the ELEKTROTIM Capital Group.

The risk of a decrease in sales.

Deterioration of the economic situation as a result of the global economic recession or the escalation of war conflicts may cause a decrease in demand. Reducing the demand for products offered by the Companies with stable supply may cause a decrease in sales and, consequently, may cause deterioration of the results of the ELEKTROTIM Capital Group.

The risk of a decrease in the percentage margin.

The level of initially assumed margins may be affected by a number of factors, i.e.; persistently high inflation, delays in project implementation, increase in labour costs, increase in the cost of energy, fuels, raw materials, subcontractor services and other events/costs unforeseen at the contract valuation stage. A decrease in the percentage margin may cause deterioration of the results of the ELEKTROTIM Capital Group.

The risk of deterioration of financial results as a result of changes in the interest rate.

There is a risk of deterioration of financial results due to changes in interest rates. This risk arises in connection with the Group's use of bank credits, loans and leasing services bearing variable interest rates. The Group manages this risk by maintaining appropriate monitoring of debt. Interest rate risk management focuses on minimizing fluctuations in interest flows on financial assets and liabilities bearing variable interest rates. In the event of deepening inflation in 2023, there is a risk of an increase in interest rates, which will directly translate into an increase in the cost of borrowed money. Due to the small share of financing with interest-bearing debt, the Group does not analyse the sensitivity to changes in interest rates.

Risk related to penalties for non-performance or improper performance of contracts.

In the business activity conducted by the Companies from the ELEKTROTIM Capital Group, there is a risk related to penalties for non-performance or improper performance of contracts. The companies run many independent contracts in parallel. Most of the contracts implemented by the Companies are projects - unique undertakings, led by the Project Manager, with their own budget, scope and deadline. Timely or untimely performance of obligations arising from contracts is the result of the impact of many factors dependent and independent of the contractor. In view of the above, there is a risk related to penalties for non-performance or improper performance of obligations under concluded contracts.

The consequences of this risk may include: loss of customer trust, deterioration of the image of the ELEKTROTIM Capital Group and/or contractual penalties, which may consequently deteriorate the financial situation of the ELEKTROTIM Capital Group.

Risk of bankruptcy of subsidiaries.

As at December 31, 2022, ELEKTROTIM S.A. owned: 88.12% of shares in ZEUS S.A. and 82% of shares in OSTOYA-Data System Sp. z o. o. There is a risk of bankruptcy of business entities whose shares are held by the Company. The consequence of a possible bankruptcy is the risk of reducing long-term financial assets and the potential coverage of liabilities in order to limit image losses. If the risk described above materializes, the results of ELEKTROTIM S.A. will deteriorate.

Risk of lowering the value of subsidiaries.

As at December 31, 2022, ELEKTROTIM S.A. owned: 88.12% of shares in ZEUS S.A. and 82% of shares in OSTOYA-Data System Sp. z o. o. There is a risk of a reduction or loss of the value of the purchased shares of the above-mentioned economic entities. The consequence of a possible decrease in the value of purchased shares of entities is the risk of a decrease in the value of long-term financial assets, which will reduce the financial result of the ELEKTROTIM Capital Group.

Risk of termination of credit and insurance contracts.

In their operations, the companies of the ELEKTROTIM Capital Group use financial products such as working capital loans, bid bonds and performance bonds. If the Companies record financial losses, there is a risk that both banks and insurance companies will limit the availability of financing sources or terminate contracts, which may result in a reduction in the scale of operations and, consequently, in a deterioration of the result of the ELEKTROTIM Capital Group.

The risk of reducing the ability to compete as a result of reducing the ability to submit offers and conclude contracts, as a result of reducing the availability of financial products.

The nature of the implemented projects often involves the need to engage significant working capital due to their relatively high value and long-time of their implementation. The contracts concluded by the Companies from the ELEKTROTIM Capital Group also provide for the obligation to establish securities for the proper and timely performance of the subject of the contract and to remove defects and faults in the form of bank or insurance guarantees. In the event of limiting the availability of financial products, there is a risk of reducing the possibility of competition due to the reduction of the possibility of submitting offers and concluding contracts. In order to minimize the risk, the Group intends to: focus on short-term projects with a high margin, rationally manage collateral, limit guarantee periods, secure liabilities with other products, adjust the scale of operations, increase the value of working capital and secure "good performance" with a write-down on receivables.

Risk of loss or reduction of financial liquidity.

The macro and microeconomic situation and the conflict in Ukraine may affect the risk of loss or reduction of financial liquidity. The ELEKTROTIM Capital Group is exposed to the risk of losing liquidity, i.e. the ability to pay financial liabilities on time. The Group manages the risk by: monitoring payment dates and the demand for cash, maintaining an appropriate amount of reserve capital, using banking services and available credit lines.

Risk related to the excessive value of unsold production.

In order to mitigate the risk, the Companies strive to conclude agreements that should enable the monthly sale of the completed production, and if sales are not possible - suspend the implementation of the task.

Risk of deterioration of financial results as a result of a significant deterioration of the situation of distribution companies, in particular of the TAURON Group.

In order to mitigate the risk, the Companies strive to diversify orders and not to incur expenditure on tasks that cannot be sold on a monthly basis.

Risk of incorrect estimates.

Due to the specific nature of the activities of the ELEKTROTIM Capital Group, in the course of project implementation, some assumptions are based on estimates. The use of the estimation method is subject to error.

Operational perspective - Category of information security risks.

Risk of: a) loss of information, b) changes in information integrity, c) access by unauthorized persons to important information held, processed and sent by ET (PN-EN ISO/IEC 27001:2017-06).

In the conducted activity of ELEKTROTIM S.A. collects, processes and provides sensitive information relevant to the Company. Activities are carried out in accordance with the requirements of the implemented management system for compliance with the above. standard. The materialization of the estimated risk may result in an increase in costs or a decrease in revenues and, consequently, deterioration of the results of ELEKTROTIM S.A. In extreme situations - loss of classified information, the company could lose the right to process it and thus fall out of its strategic market segments and lose the ability to provide services.

Cyber Threat Risk.

In the era of digital transformation and process automation as well as migration to cloud environments, there are more and more threats in the area of cybersecurity. Cyber risks such as IT outages, ransomware attacks or data breaches rank as the top risk in the world for the second year in a row. In addition, the conflict in Ukraine and growing geopolitical tensions increase the risk of a large-scale cyberattack. In order to minimize the risk, the Group has implemented security rules in accordance with the requirements of the ISO 27001 standard.

Risk of losing the ability to protect classified information.

ELEKTROTIM S.A. implements projects regulated by the Act on the Protection of Classified Information of August 5, 2010. The condition for starting the implementation of projects regulated by the Act on the Protection of Classified Information is the possession of appropriate certificates (personal security, industrial security, etc.). There is a risk that, despite due diligence, there will be indications that will result in the loss or non-renewal of the certificates held. The result of the above may be an increase in costs or a decrease in revenues, and as a consequence, deterioration of the results of ELEKTROTIM S.A. But also the loss of the ability to provide services to strategic clients, exit from the market, problems with the implementation of signed contracts, image problems, collapse of the strategy implementation.

3. Financial reporting perspective.

Financial reporting category.

Risk of incorrect estimation of the value of subsidiaries.

As at December 31, 2022, ELEKTROTIM S.A. owned: 88.12% of shares in ZEUS S.A. and 82% of shares in OSTOYA-Data System Sp. Z o. o. The Company performs impairment tests of subsidiaries. There is a risk of incorrect estimation of the value of Subsidiaries due to incorrect recognition of the value of the Companies and incorrect presentation of the results of ELEKTROTIM S.A. Incorrect estimates may result in biased presentation of the results of the ELEKTROTIM Capital Group.

Risk of incorrect presentation of financial results due to incorrect accounting estimates (biased presentation of ET results).

Standalone and consolidated financial results of ELEKTROTIM S.A. are presented in accordance with IAS/IFRS. The Management Boards of the Companies make revaluation write-offs and create provisions in accordance with the formalized "Accounting Policy". The valuation of unsold production and the valuation of contracts is made according to formalized procedures using IT tools. There is a risk that, despite the exercise of due diligence, with the functioning of properly organized internal control, accounting estimates will be made incorrectly. Incorrect estimates may result in biased presentation of the results of the ELEKTROTIM Capital Group.

Risk of incorrect interpretation of stock levels.

In its operations, the Group purchases materials and equipment for production. Materials from the central warehouse are released directly to production or to a warehouse established for a given project. Unused materials are sold from a given project or transferred to the returns warehouse after prior estimation of the market value. The status of materials in stock is examined in terms of time spent in the warehouse. A write-down is made for materials held in stock for more than 12 months.

There is a risk that the stock level will be incorrectly diagnosed, which may result in incorrect recognition of costs or incorrect recognition of write-downs, which in turn may result in incorrect recognition of the results of the ELEKTROTIM Capital Group.

Risk of untimely preparation of Financial Statement.

Risk of lack of staff in the financial area.

The ELEKTROTIM Capital Group is obliged to prepare, audit and publish consolidated financial statements in a timely manner in accordance with the International Financial Reporting Standards ("IAS/IFRS"). The preparation of consolidated financial statements is a multi-stage process, limited in time and requiring many systematic actions. The activities that need to be performed require extensive knowledge in the field of accounting and an appropriate number of staff in the financial area. Considering the above, there is a risk of untimely preparation of the financial statements, which would expose the Company to the risk of penal fiscal consequences.

4. Compliance perspective.

Companies from the Capital Group analyse the legal status on an ongoing basis and immediately adapt organizations to the requirements of national and EU regulations. There is a risk that despite exercising due diligence, due to possible interpretation discrepancies or lack of transparency and consistency of the introduced legal changes, the Company will not adapt within the specified period to the changing legal status, which may result in financial consequences that may affect the results of the ELEKTROTIM Capital Group and/or capitalization of the Company.

Legal compliance category.

In the structures of the Companies from the ELEKTROTIM Capital Group, formalized units responsible for the implementation of tasks in the compliance supervision system have not been separated. In accordance with the law, the tasks of supervision of activities are carried out by employees employed in various positions (legal department, management office, financial department and contracts department).

ELEKTROTIM S.A. as a public interest entity, it is subject to the legal requirements of a large number of laws and regulations. Some of them, with enumerated financial sanctions, are described below.



Risk of financial penalties being imposed on the company by the Polish Financial Supervision Authority for failure to comply with disclosure obligations or violation of other regulations related to the Company's listing on the Warsaw Stock Exchange S.A.

The company is exposed to administrative sanctions for failure to comply with disclosure obligations or other obligations of a public company specified in the regulations, which include:

- a) Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125 /EC and 2004/72/EC (MAR Regulation), which, in addition to non-pecuniary sanctions in the case of violations by a legal person, provides for pecuniary sanctions in the maximum amount of:
 - up to EUR 1,000,000 in the event of violations of art. 18, 19 and 20 of the MAR Regulation,
 - up to EUR 2,500,000 or 2% of the total annual turnover based on the last available report approved by the managing body in the event of violations of Art. 16 and 17 of the MAR Regulation, - up to EUR 15,000,000 or 15% of the total annual turnover of the legal entity based on the last available report approved by the managing body in the case of violations of art. 14 and 15 of the MAR Regulation,
- b) The Act on Trading in Financial Instruments provides for the possibility of imposing by the Polish Financial Supervision Authority on anyone who has not performed or improperly performed the obligation referred to in Art. 19 sec. 1-7 of the MAR Regulation, a fine in the maximum amount of:
 - up to PLN 2,072,800 in the case of natural persons,
 - up to PLN 4,145,600 in the case of other entities,
- c) The Act on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, which, in addition to non-pecuniary sanctions, provides for various pecuniary sanctions, including pecuniary sanctions up to the maximum amount of:
 - PLN 10,364,000 or an amount equivalent to 2% of the total annual revenue shown in the last audited financial statement for the financial year, if it exceeds PLN 10,364,000, or apply both sanctions jointly.

Risk of imposing financial penalties on the Company resulting from tax regulations.

In the course of its business activity, the Company is exposed to financial penalties resulting from the following legal acts:

- a) The Act on tax on goods and services, which provides for the possibility of imposing sanctions, which, depending on the error, may amount to 15%, 20%, 30% and 100% of the amount of understatement of tax liability, overstatement of tax difference refund, input tax refund or tax difference to reduce the tax due for the next settlement periods,
- b) The Tax Ordinance Act and the Fiscal Penal Code provide for tax and fiscal penal sanctions for non-compliance with the transfer pricing regulations in the amount of:
 - from 10% to 30% of the sum of the unduly disclosed or overstated tax loss and the taxable income not disclosed in whole or in part,
 - penalty fines up to 720 daily rates.

Risk of imposing financial penalties on the Company resulting from other applicable laws.

In the course of its business activity, the Company is exposed to financial penalties resulting from the following legal acts:

- a) The Act on the Liability of Collective Entities for Acts Prohibited under Penalty, which provides for a court to impose a fine in the amount of PLN 1,000 to PLN 5,000,000, but not more than 3% of the revenue earned in the financial year in which the prohibited act,
- b) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation data - GDPR), which provides for an administrative fine of up to EUR 20,000,000, and in the case of a company - up to 4% of its total annual worldwide turnover from the previous financial year, with the higher amount applicable,
- c) The Act on competition and consumer protection, which provides for the possibility of imposing a fine up to a maximum of 10% of the turnover achieved in the financial year preceding the year in which the fine is imposed.

Risk of incorrect risk identification.

The dynamics of change results in a rapid increase in the impact of previously unknown factors on the company's results. There is a risk of not defining the factor(s) (risk) having a significant impact on the company's results.

Risk of incorrect estimation of the identified risk.

There is a risk that the previously defined risk will change materially. A change in the previously defined risk level may result in a change in the results of the ELEKTROTIM Capital Group and/or the Company's capitalization.

The risk of the Company's operations in the context of the current situation in Ukraine.

The risk is diagnosed as penetrating all risk perspectives identified in the Company. Due to the fact that the situation in Ukraine, which is developing dynamically in many areas - military, economic, social, political and other, it should be recognized that it may have an impact on the items presented in the Company's financial statements.

The situation in Ukraine has an impact on areas important for the Company in the area of e.g. prices of raw materials, transport and labour prices, which may result in rising project costs, and thus lowering the resultant margin. The situation in Ukraine may have an impact on the growing investments in Poland in the field of defence. In this area, the Company is competent to implement specialized projects, which may have a positive impact on the generated results..

Significant risks identified for 2023:

The main threats that the ELEKTROTIM Capital Group sees in 2023 are the following risks:

- Risk related to the macroeconomic and geopolitical situation.
- Risk related to the political cycle.
- Risk related to sales concentration.
- Risk related to the form of contract settlement (payment after project completion).
- Risk resulting from entering new markets
- Cybersecurity risks.

VI. INFORMATION ON AGREEMENTS CONCLUDED WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS (2021-2022)

Information on contracts concluded with the entity authorized to audit financial statements and the amount of remuneration received or due for 2021 and 2022

ELEKTROTIM S.A. - year 2021

ELEKTROTIM S.A. concluded on November 13, 2019 with the entity authorized to audit financial statements, i.e. Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań, an agreement for the performance of standalone reviews of interim financial statements for the years 2020-2021 and audits of annual standalone statements for the years 2020-2021.

The remuneration for the services for 2021 was set at a total amount of PLN 88.8 thousand. PLN net, including Grant Thornton Polska Sp. z o. o. Spółka komandytowa received remuneration in the amount of PLN 33,000 for the review of the separate and consolidated statements for the first half of 2021. PLN net, and will receive PLN 55.8 thousand for the audit in 2021. PLN 55,8 thousand net.

In 2021, it was provided to ELEKTROTIM S.A. by Grant Thornton Polska Sp. z o.o. Spółka komandytowa with its registered office in Poznań another service that is not an audit, i.e. an assurance service regarding the assessment of the report on remuneration of the Management Board and the Supervisory Board for the years 2019 and 2020 in terms of including information required pursuant to Art. 90g of the Act on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies.

ELEKTROTIM S.A. - year 2022

ELEKTROTIM S.A. concluded on November 2, 2021 with the entity authorized to audit financial statements, i.e. Grant Thornton Polska Prosta Spółka Akcyjna (previously: Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa) with its registered office in Poznań, an agreement for the performance of standalone reviews of interim financial statements for the years 2022-2024 and audits of the annual separate financial statements for the years 2022-2024.

The remuneration for the services for 2022 was set at a total amount of PLN 113,000 net, including Grant Thornton Polska P.S.A. for the review of the separate and consolidated statements for the first half of 2022, she received remuneration in the amount of PLN 52 thousand net, and will receive PLN 61,000 for the audit in 2022.

In 2022, it was provided to ELEKTROTIM S.A. by Grant Thornton Polska P.S.A. with its registered office in Poznań, another non-audit service, i.e. an assurance service regarding the assessment of the report on the remuneration of the Management Board and the Supervisory Board for 2021 in terms of including information required under Art. 90g of the Act on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies.

ZEUS S.A. - 2022 and 2023

An agreement was concluded with Moore Polska Audyt sp. z o.o. - contract for the audit of financial statements for the reporting period from 01/01/2022 to 31/12/2022 and from 01/01/2023 to 31/12/2023. The remuneration for the services in the scope of auditing the separate annual financial statements for each financial year (2022 and 2023) was set at PLN 22,500.00 net each time. The optional fee for providing services to the group auditor was set at PLN 300.00 net.

OSTOYA-DataSystem Sp. z o. o. - 2021 and 2022

OSTOYA-DataSystem Sp. z o. o. concluded with J&P Audyt Kancelaria Biegły Rewidentów Sp. z o. o. on December 7, 2021. contract, the subject of which was the audit of the financial statements prepared for the financial year ending December 31, 2021, the total remuneration for the services provided was set at PLN 6,500.00 for the annual audit.

OSTOYA-DataSystem Sp. z o. o. concluded with J&P Audyt Kancelaria Biegły Rewidentów Sp. z o. o. on December 8, 2022. an agreement, the subject of which was the audit of the financial statements prepared for the financial year ending December 31, 2022. The total remuneration for the services provided was set at PLN 7,800.00 net for the annual audit..

VII. Discussion of the prospects for the development of ELEKTROTIM S.A. activity (Company) and the ELEKTROTIM Capital Group (Group) in the next financial year

ELEKTROTIM Group in the period from 01.01.2022. until December 31, 2022 acquired orders worth **PLN 702,635 thousand**.

ELEKTROTIM Group in the period from 01.01.2021. until December 31, 2021 acquired orders worth **PLN 321,061 thousand**.

The dynamics of the acquired orders of the ELEKTROTIM Group in the period from 01/01/2022 to 31/12/2022 in relation to the period from 01/01/2021 to 31/12/2021 is **219%**.

As at December 31, 2022, the ELEKTROTIM Group had an order portfolio of approx. **PLN 558,336 thousand**. ELEKTROTIM Group as at December 31, 2021. had a portfolio of orders in the amount of approx. **PLN 326,736 thousand**.

The order portfolio of the ELEKTROTIM Group has increased since December 31, 2021. until December 31, 2022 by **71%**.

ELEKTROTIM S.A. in the period from 01.01.2022. until December 31, 2022 acquired orders worth **PLN 676,697 thousand**.

ELEKTROTIM S.A. in the period from 01.01.2021. until December 31, 2021 acquired orders worth **PLN 191,248 thousand**.

Dynamics of the value of acquired orders in the period from January 1, 2022. until December 31, 2022 compared to the period from January 1, 2021. until December 31, 2021 is **354%**.

ELEKTROTIM S.A. as at December 31, 2022 had a portfolio of orders in the amount of approx. **PLN 524,385 thousand**.

ELEKTROTIM S.A. as at December 31, 2021 had a portfolio of orders in the amount of approx. **PLN 223,852 thousand**.

The value of the order portfolio of ELEKTROTIM S.A. has increased since December 31, 2021. until December 31, 2022 by **134%**.

After a very good 2022 for the Company and the Group, we are entering 2023 with a significant and diversified portfolio of new contracts. This portfolio includes both services that were the basis of our activity in previous years, concerning medium and high voltage networks, security and monitoring systems, signalling systems or switchgear assembly, as well as products new to us, recently introduced to our offer. These new product groups are primarily cooperation in the field of services related to renewable energy sources (connection to the grid of photovoltaic farms, wind farms), energy storage facilities offered to public transport companies, power supply services for railways or increasingly modern systems for the army and other power departments

The portfolio presented above is a source of optimism for us, which the company shared with the market by publishing the strategy for 2023-2025 at the beginning of 2023. The belief in good development prospects is firmly rooted in the discussed group of contracts, as well as in the expected level of contract margins. Importantly, the increase in results is not and will not be achieved through an increase in unit margins. Similarly, the increase in revenues was not achieved at the expense of lower margins. The Company's goal is to maintain unit margins at a stable level, using the events and processes taking place in the environment of ELEKTROTIM S.A., of which ELEKTROTIM is the beneficiary. Thanks to this, despite the high level of instability caused by the geopolitical situation (Ukraine, Taiwan, election year), macroeconomic instability (decrease in the GDP growth rate, inflation, which overlaps with the employee's market), the Company can forecast favourable financial results. These good business results will largely be the result of operating leverage, i.e. increasing the scale of operations. Which, with a significant



share of fixed costs (personnel costs, rents, leases), results in an increase in profitability with a stable level of margins..

Due to the high level of interest rates, the Company does not intend to use financial leverage - therefore, it is not in our plans to introduce significant interest-bearing debt as a permanent source of financing for the Company. We do not rule out such action in the future - if interest rates drop significantly - which would allow ELEKTROTIM to take advantage of emerging market potentials to a greater extent and faster. In this way, ELEKTROTIM could obtain, by changing the financing structure, additional tools to increase the return on equity. However, in today's conditions, the credit limits obtained (which the Company will want to at least maintain - with an option to extend - in 2023) are to serve as a buffer, short-term assurance of contract financing liquidity. Thus, in the balance sheet they are to occur only sporadically, in periods of the greatest involvement of working capital (2nd and 3rd quarter in a typical year).

Observing the current market trends, we see that this additional financing is for ELEKTROTIM S.A. necessary in order to safely take advantage of the potential for achieving much higher revenues than before 2022 for our stakeholders. These trends are necessary investments in the reconstruction of Poland's energy model, related to the inclusion of more renewable energy sources in the system, and in the long term nuclear energy, with a decreasing share of conventional coal-based energy. This trend is accompanied by the preparation of the economy for a significant increase in costs and the introduction of restrictions in road transport (Fit for 55), and therefore the transfer of a larger part of transport to rail transport. This entails the need to expand Poland's railway network, which in turn fits into the concept of building a network of land connections for the Central Airport.

Finally, Russia's aggression against Ukraine forces Poland and our NATO allies to increase military spending, including on the infrastructure of the armed forces (bases, airports, command posts, ports, logistics centres, etc.). ELEKTROTIM S.A., thanks to its concessions, certificates and references, is the partner of choice in the implementation of these investments in the field of security and monitoring systems. This allows the Company to anticipate further significant importance of the special division. Similar requirements regarding security and protection procedures also appeared in relation to the country's critical infrastructure (power grids, power plants, railways, strategic industrial plants such as KGHM or Grupa Azoty). It is a favourable circumstance that we are talking about a group of our Company's clients again.

In accordance with the dividend policy published in the first quarter of 2023, the Company wants its shareholders to be permanent and regular beneficiaries of its successes. Therefore, 50% to 75% of net profits will be allocated to dividends, and a transparent and predictable information policy is intended to increase the value of shares, along with the subsequent years of implementing the new strategy..

STATEMENTS OF THE MANAGEMENT BOARD OF ELEKTROTIM S.A.

The truth and reliability of the report

Management Board of ELEKTROTIM S.A. declares that, to the best of its knowledge, the financial statements of ELEKTROTIM S.A. for 2022 and the Consolidated Financial Statements of the ELEKTROTIM Capital Group for 2022 - containing financial information for the period from January 1, 2022 to December 31, 2022 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 executive regulations of the European Commission, as well as applicable accounting principles. Moreover, they reflect in a true, reliable and clear way the property and financial situation of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group and their financial result.

Management Board of ELEKTROTIM S.A. also declares that the Report of the Management Board on the activities of the ELEKTROTIM Capital Group for 2022, containing the Report of the Management Board on the activities of ELEKTROTIM S.A. for 2022, contains a true picture of the development, achievements and situation (including a description of basic threats and risks) of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group.

Impartiality and independence of the entity authorized to audit financial statements

Management Board of ELEKTROTIM S.A. declares that the entity authorized to audit financial statements, conducting the audit of the financial statements of ELEKTROTIM S.A. for 2022 and the Consolidated Financial Statement of the ELEKTROTIM Capital Group for 2022, was selected in accordance with the law, including the selection and selection procedure of the audit firm, and that:

- a) the audit firm and members of the team performing the audit met the conditions for the preparation of an impartial and independent report on the audit of the annual financial statements in accordance with applicable law, professional standards and professional ethics;
- b) the applicable regulations regarding the rotation of the audit firm and the key statutory auditor and the applicable grace periods are complied with;
- c) ELEKTROTIM S.A. has a policy on the selection of an audit firm and a policy on providing ELEKTROTIM S.A. with by the audit firm, an entity related to the audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the ban on providing by the audit firm.

Management Board of ELEKTROTIM S.A.

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