



REPORT ON THE ACTIVITIES OF THE ELEKTROTIM CAPITAL GROUP for the first half of 2023



containing the Management
Board Report of
ELEKTROTIM S.A.
from the Company's activities



Industry and
Manufacturing



Maintenance



Special



Distribution



Traction

ELEKTROTIM S.A.

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BASIC INFORMATION ABOUT THE COMPANY AND THE CAPITAL GROUP

Parent company: ELEKTROTIM S.A. based at ul. Stargardzka 8 in Wrocław.

ELEKTROTIM S.A. company was established on November 13, 1998. and started its operations on January 1, 1999. Currently, the Company operates based on the following production divisions: Industry and Manufacturing Division, Distribution Division, Special Division, Maintenance Division and Traction Division.

ELEKTROTIM S.A. is an entity listed on the Warsaw Stock Exchange S.A., therefore the Management Board and support units of the Company (including the management office, legal department, accounting) ensure professional, compliant and transparent communication with Investors and ensure the security of operations and financing.

The ELEKTROTIM Capital Group (GET) was established on April 30, 2007. as a result of the transaction of purchasing 100% of the shares of „Przedsiębiorstwo Projektowania i Usług PROCOM-System” S.A. Currently, it consists of 3 companies with defined goals and scopes of activity. In the first half of 2023, no changes were made in the functioning of the ELEKTROTIM Capital Group.

Organizational chart of the ELEKTROTIM CAPITAL GROUP as of June 30, 2023.



Subsidiaries:

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

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, energy and telecommunications installations.

ELEKTROTIM S.A. owns 88.12% of the shares of ZEUS S.A.

As part of the process of reviewing strategic options, ZEUS S.A. is included in the consolidated statements as an asset held for sale.

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

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

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

SUPERVISORY BOARD OF ELEKTROTIM S.A. – personnel as of June 30, 2023



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

ELEKTROTIM S.A. MANAGEMENT BOARD – personnel as of June 30, 2023



ARTUR WIĘZNOWSKI
CHAIRMAN OF THE BOARD



DARIUSZ KOZIKOWSKI
MEMBER OF THE BOARD



KRZYSZTOF WÓJCIKOWSKI
MEMBER OF THE BOARD

The joint three-year term of office of the Management Board began on the day of the Ordinary General Meeting approving the financial statements of ELEKTROTIM S.A. for 2021, i.e. on June 24, 2022 and will expire on the date of the Ordinary General Meeting of ELEKTROTIM S.A. approving the financial statements for 2024.

SELECTED FINANCIAL DATA OF THE ELEKTROTIM CAPITAL GROUP

SELECTED FINANCIAL DATA in thousands PLN and after conversion into tsd. EUR	in thousands PLN		in thousands EUR	
	01.01.- 30.06.2023/ 30.06.2023	01.01.- 30.06.2022/ 31.12.2022	01.01.- 30.06.2023/ 30.06.2023	01.01.- 30.06.2022/ 31.12.2022
I. Net revenues from the sale of products, goods and materials	225 785	128 862	48 945	27 756
II. Profit (loss) from operations	22 316	-4 992	4 838	-1 075
III. Profit (loss) Gross	22 076	-5 051	4 786	-1 088
IV. Net profit (loss)	16 941	-4 726	3 672	-1 018
V. Net cash flow from operating activities	-66 492	9 437	-14 414	2 033
VI. Net cash flow from investing activities	1 490	381	323	82
VII. Net cash flow from financing activities	15 944	288	3 456	62
VIII. Net cash flow, total	-49 058	10 106	-10 635	2 177
IX. Total assets	253 908	268 326	57 054	57 214
X. Liabilities and provisions for liabilities	153 542	169 206	34 501	36 079
XI. Long-term liabilities	7 107	7 803	1 597	1 664
XII. Current liabilities	146 435	161 403	32 905	34 415
XIII. Equity capital	100 366	99 120	22 553	21 135
XIV. Share capital	9 983	9 983	2 243	2 129
XV. Number of shares (pcs)	9 983 009	9 983 009	9 983 009	9 983 009
XVI. Profit (loss) per ordinary share (in PLN/EUR)	1,70	-0,47	0,37	-0,10
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	1,70	-0,47	0,37	-0,10
XVIII. Book value per share (in PLN/EUR)	10,05	9,93	2,26	2,12
XIX. Diluted book value per share (in PLN/EUR)	10,05	9,93	2,26	2,12
XX. Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

The EUR rates used for conversions	30.06.2023	30.06.2022	31.12.2022
average annual rate	4,613	4,6427	4,6883
exchange rate on the last day of the reporting period	4,4503	4,6806	4,6899

SELECTED FINANCIAL DATA OF ELEKTROTIM S.A.

SELECTED FINANCIAL DATA in thousands PLN and after conversion into tsd. EUR	in thousands PLN		in thousands EUR	
	01.01.- 30.06.2023/ 30.06.2023	01.01.- 30.06.2022/ 31.12.2022	01.01.- 30.06.2023/ 30.06.2023	01.01.- 30.06.2022/ 31.12.2022
I. Net revenues from the sale of products, goods and materials	213 472	92 261	46 276	19 872
II. Profit (loss) from operations	24 080	-2 883	5 350	-621
III. Profit (loss) Gross	24 279	-2 692	5 263	-580
IV. Net profit (loss)	19 014	-2 279	4 122	-491
V. Net cash flow from operating activities	-64 462	7 395	-13 974	1 593
VI. Net cash flow from investing activities	2 234	476	484	103
VII. Net cash flow from financing activities	13 462	1 429	2 918	308
VIII. Net cash flow, total	-48 766	9 300	-10 571	2 003
IX. Total assets	230 151	240 239	51 716	51 225
X. Liabilities and provisions for liabilities	134 615	148 742	30 249	31 715
XI. Long-term liabilities	6 781	7 515	1 524	1 602
XII. Current liabilities	127 834	141 227	28 725	30 113
XIII. Equity capital	95 536	91 497	21 467	19 509
XIV. Share capital	9 983	9 983	2 243	2 129
XV. Number of shares (pcs)	9 983 009	9 983 009	9 983 009	9 983 009
XVI. Profit (loss) per ordinary share (in PLN/EUR)	1,90	-0,23	0,41	-0,05
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	1,90	-0,23	0,41	-0,05
XVIII. Book value per share (in PLN/EUR)	9,57	9,17	2,15	1,96
XIX. Diluted book value per share (in PLN/EUR)	9,57	9,17	2,15	1,96
XX. Declared or paid dividend per share (in PLN/EUR)	1,50		0,33	

The EUR rates used for conversions	30.06.2023	30.06.2022	31.12.2022
average annual rate	4,613	4,6427	4,6883
exchange rate on the last day of the reporting period	4,4503	4,6806	4,6899

SUMMARY OF THE 1st HALF OF 2023 IN THE COMPANY AND THE CAPITAL GROUP

1. Sales revenues of the ELEKTROTIM Capital Group in the first half of 2023 amounted to PLN 226 million, which means an almost doubled increase in revenues compared to the consolidated sales revenues achieved in the first half of 2022 (PLN 129 million).
2. In the first half of 2023, the ELEKTROTIM Capital Group achieved an operating profit of PLN 22.3 million, compared to a loss of almost PLN 5 million in the same period of the previous year.
3. At the level of net result, the Group achieved a net profit of almost PLN 17 million, which, taking into account the negative impact of the result of the subsidiary ZEUS S.A. (as discussed below), is a very satisfactory result.
4. The company - individually - generated a net profit of over PLN 19.0 million as of June 30, 2023, achieving a sales profitability of 8.9%.
5. The negative trend of poor financial results was continued by ZEUS SA, which had problems with implementing another recovery plan over the last 4 years and significantly deviated from its budget. ZEUS S.A. showed a significant loss at the level of gross and net result. In order to enable the sale of the company, it received financial support in the form of a loan in the amount of PLN 2.5 million, and as part of the ongoing review of strategic options, processes are currently underway regarding the potential sale of a majority stake in the share capital of Zeus S.A.. At this stage, the Management Board of ELEKTROTIM S.A. is unable to estimate the probability of a positive outcome of this process. Despite obtaining a loan from Zeus S.A. is currently in a difficult and deteriorating financial and liquidity situation.
6. In the first half of 2023, the payment situation of ELEKTROTIM was determined by the increase in production in progress, in connection with the significantly increased scale of operations, for the financing of which the Company uses previously prepared loan agreements, fully securing the needs related to financing increased processing in implemented projects. An important factor ensuring working capital, given the scale of operations achieved and the Company's reliable sharing with investors (dividend), were the funds obtained from the sale of Procom System SA shares.
7. The existing order portfolio should contribute to further improvement of the Group's results in the subsequent quarters of 2023. The additional expenditure on the departments of force declared by the government, with limited exposure to the direct effects of Russian aggression against Ukraine (sanctions, sales markets), creates an opportunity to increase the scale of operations and further improve the Group's results in the following years, which is, of course, conditioned by the general macroeconomic situation and efficiency. organizational structure of the Group companies.
8. The Company carefully analyses its market and the structural changes taking place there (energy transformation), and the implementation of the new Strategy for 2023-2025 influences its dynamic placement in profitable market segments.
9. This year, for the first time since 2017, a dividend was paid to the Company's Shareholders. On June 20, 2023, the Ordinary General Meeting of the Company allocated the amount of PLN 14,974,513.50, i.e. PLN 1.50 per 1 share of ELEKTROTIM S.A., for the payment of dividend to Shareholders. The dividend was paid to Shareholders on July 28, 2023.

DESCRIPTION OF THE MACROECONOMIC SITUATION, OPERATING MARKETS, AND THE RESULTS OF THE COMPANY AND THE CAPITAL GROUP

MACROECONOMIC SITUATION

Selected economic indicators

1. Inflation rate 1H 2023 to 1H 2022	15,00%
2. Inflation rate June 2023 to June 2022.	11,50%
3. WIBOR 1Y as at June 30, 2023	6,98% ²⁾
4. WIBOR 1M as at June 30, 2023	6,86% ²⁾
5. Changes in construction and assembly production in the period January - June 2023 including:	+3,8% ¹⁾
- construction of buildings	-5,3%
- construction of civil and water engineering structures	+10,8%
- specialized construction works	+6,6%
6. Average monthly salary in the corporate sector excluding profit bonuses in June 2023.	PLN 7,334 ¹⁾

1) The above data comes from the Central Statistical Office

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

DESCRIPTION OF THE ENVIRONMENT AND MARKET TRENDS

MACROECONOMIC INDICATORS – POLAND

ELEKTROTIM S.A. operates on the domestic specialist construction market. The company's individual divisions operate on the following markets: energy, industry, power departments, local government investments and traction. 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, renewable energy sources), changes and directions of spending of funds by local governments and expenditure of the ministries of power (Ministry of National Defence and Ministry of Interior and Administration), in particular in the field of electrical installations and solutions in the field of security systems. ELEKTROTIM S.A. monitors on an ongoing basis factors affecting the broadly understood activities of the company and the level of results achieved. Analysis of the economic and market situation enables making proactive business decisions to take advantage of opportunities and eliminate threats.

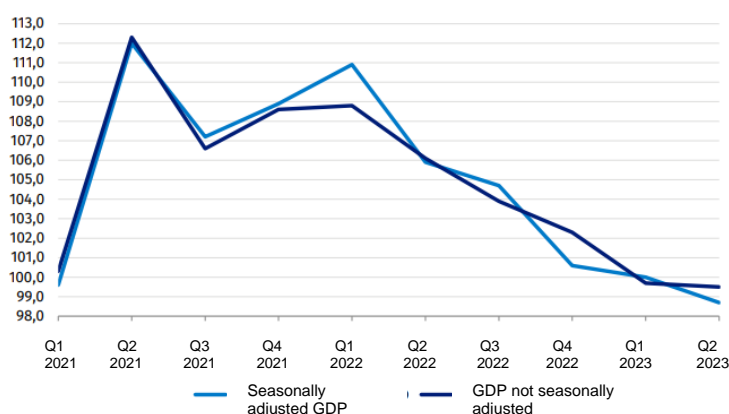
GDP

According to preliminary data (so-called quick estimate) of the Central Statistical Office, the seasonally unadjusted gross domestic product (GDP) in the second quarter of 2023 decreased in real terms by 0.5% year-on-year compared to an increase of 6.1% in the corresponding period of 2022. This is the second consecutive quarter of negative GDP change; in the first quarter of 2023, national GDP contracted by 0.3%. According to Bank Pekao analysts, the most important role in the GDP decline was played by the deepening decline in private consumption from -2 to -2.8% y/y.

Despite the positive forecasts of PKO BP analysts regarding the return to positive GDP dynamics from the third quarter of 2023, caused, among other things, by the finalization of projects financed from the previous EU budget perspective, ELEKTROTIM S.A. notes the potential risk of temporary freezing of investments resulting from the parliamentary elections scheduled for October 2023, which may result in the extension of investment decisions in the near future.

Chart: **Real dynamics of gross domestic product**
(corresponding period of the previous year = 100)

Source: Central Statistical Office



INFLATION

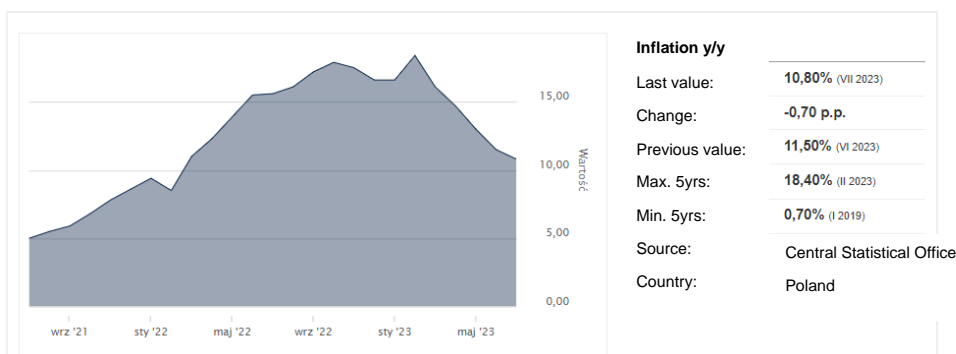
According to the National Bank of Poland, in June 2023, inflation excluding food and energy prices amounted to 11.1% y/y. The CPI index in the analysed period amounted to 11.5% y/y. In the first half of 2023, inflation had a downward trend, which indicates the stabilization of prices, which had increased at record levels in previous periods. The dynamics of building materials prices in June 2023 on an annual basis turned out to be the lowest since February 2021 - Polish Press Agency reported based on RynekPierwotny.pl data.

For ELEKTROTIM S.A. an important element, often determining the profitability of projects, is the stable and predictable level of prices of materials and services. Taking into account the significant scale of price increases observed in previous quarters, the Company conducts negotiation processes resulting in the valorisation of signed contracts and protection of achieved margins.

Inflation y/y (Poland)

10,80% -0,70 p.p.

VII 2023

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

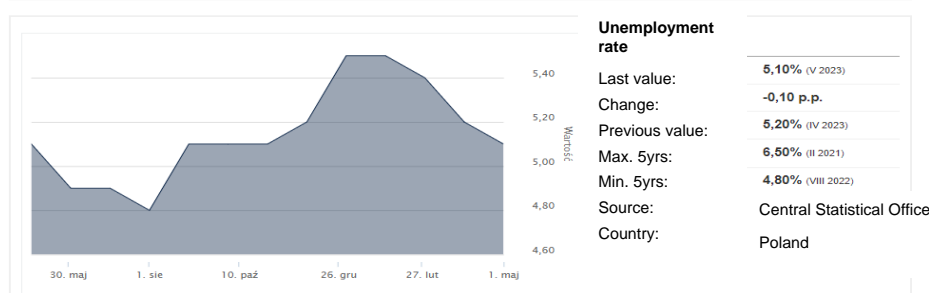
UNEMPLOYMENT RATE

According to data published by the Central Statistical Office, the unemployment rate in June 2023 was 5% compared to 5.1% recorded a month earlier. Throughout the first half of 2023, 623.4 thousand new unemployed were registered at labour offices, 1.7% more year-on-year.

Unemployment rate (Poland)

5,10% -0,10 p.p.

V 2023

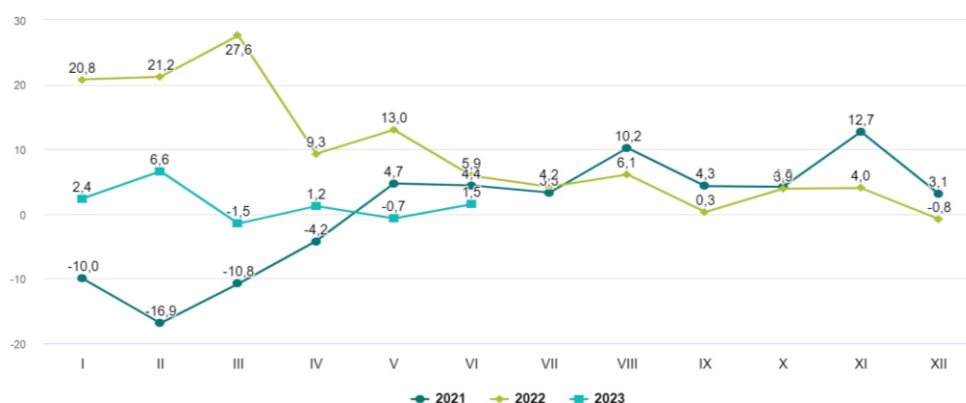
Source: <https://www.bankier.pl/gospodarka/wskazniki-makroekonomiczne/stopa-bezrobocia-pol>

In the first half of 2023, the company felt the effects of the low unemployment rate and high inflation, among other things, due to the growing salary expectations of employees.

CONSTRUCTION MARKET

According to data from the Central Statistical Office, in June 2023, the value of construction and assembly production (at constant prices), including investment and renovation works, carried out in Poland by construction companies employing more than 9 employees, was 1.5% higher compared to June 2022 and 7.6% higher compared to May 2023. In June 2023, an increase in construction and assembly production was recorded in units specializing in the construction of civil and water engineering structures (+11.1% y/y), in the case of companies engaged in the construction of buildings (5.6%) and in enterprises performing mainly specialized works, which includes ELEKTROTIM S.A. (+4.4% y/y). In the period January - June 2023, the dynamics of construction and assembly production increased by 3.8%, and for specialized construction works it amounted to (+6.6% y/y).

Changes in construction and assembly production in Poland (% y/y), January 2021 - June 2023

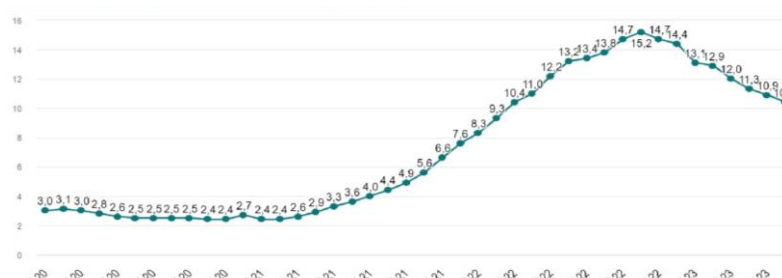


Source: PMR based on Central Statistical Office data, 2023



Prices of construction and assembly production increased by 10.4% y/y in June 2023 - according to data from the Central Statistical Office. On a month-to-month basis, the growth rate was 1.0%. Compared to June 2022, prices for the units specializing in the construction of civil and water engineering structures were increased by 11.4%, for the construction of buildings by 9.8% and for specialized construction works by 9.8%. Data published by the Central Statistical Office for June 2023 indicate the continuation of the downward trend that started over half a year earlier, which reversed the upward trend in construction and assembly production prices that had been prevailing for almost two years.

Construction and assembly production price index (% y/y), January 2020 - June 2023



Source: Central Statistical Office, 2023



In terms of investment financing, EU funds from the National Reconstruction Plan, amounting to EUR 35.4 billion, will still be a major risk factor and at the same time a major opportunity, blocked by a political dispute. Their launch would be a strong impulse to increase investment. However, EU funds from programs launched under cohesion policy and regional development for 2021-2027 are not at risk - the amount of funds is EUR 76 billion.

Analysing the previously mentioned parameters, it can be noticed that in the demanding market, ELEKTROTIM S.A. did very well in the first half of 2023. Distinctive features among other companies of a similar format that determine the Company's success include, among others, product diversification and a safe financial policy enabling development and increasing the scale of operations. The company increasingly undertakes high-value topics that require a secure financial base. Another important factor affecting the results achieved is the expert knowledge of the Company's employees, which in many cases ensures participation in more complex projects on which higher margins can be obtained.

Characteristics of the activities of ELEKTROTIM S.A. in the first half of 2023 in supported markets.

The first half of 2023 was for ELEKTROTIM S.A. continuation of good results, as well as the acquisition of further interesting contracts. ELEKTROTIM S.A. order portfolio as of June 30, 2023, has increased by 4.5% y/y and reached a value of approx. PLN 567,864 thousand net.

The sales volume was mainly influenced by contracts in the departments of force sector (40% share in sales), energy (32%) and industry (18%), which in total accounted for 90% of the Company's sales. The local government investment market in this period contributed to the sales of ELEKTROTIM S.A. at the level of 10%.

In terms of products, the highest share in sales in the first half of 2023 was achieved by security systems, amounting to 39%, which reflects the involvement of the Special Division of ELEKTROTIM S.A. in the construction of an electronic barrier at the border for the Border Guard Headquarters. The next product group with a share of 30% was power stations. In the first half of 2023, the Distribution Division carried out projects for PGE Dystrybucja S.A. and ENEA Operator Sp. z o. o. projects related to the modernization and expansion of electricity networks. Conducted for Nestle Purina Manufacturing Operations Poland sp. z o.o. modernization and expansion of the production plant resulted in a significant 16% share in the Company's sales of the product group: electrical installations.

Forecasts for the markets in which the Company and the Capital Group operate

According to PKO BP S.A. economists GDP is expected to increase by 0.7% in 2023 and 3.2% in 2024. The main driver of the rebound will be improvement in consumption, revival of investment and solid net exports.

DEPARTMENTS OF FORCE MARKET

The Departments of Force Resorts market remains in the area of interest of the Special Division of ELEKTROTIM S.A. According to S&P Global Ratings analysts, one of the important factors of economic growth in Poland next year 2024, will be the increase in spending on securing the country's defence. The tense situation beyond the eastern border, forces increased spending on military investments. Decision-makers see the need to seal Polish borders and provide appropriate infrastructure for the Polish and NATO armed forces. According to the report of the president of the Public Procurement Office, an increased number of orders was recorded on this market. Many tasks are worth several hundred million zlotys. Two types of construction are developing dynamically: modernization of training grounds in the infrastructure part and expansion of garrison buildings. ELEKTROTIM S.A. has extensive experience in conducting projects for force resorts, and has credentials and certificates that enable the company to apply for participation in such projects. Increasing expenditure in this sector should actually translate into the value of revenues generated in the Company's Special Division.

POWER ENGINEERING

The recently updated (March 2022) PEP 2040 energy strategy envisaged investments in the industry at the level of approximately PLN 500 billion for new transmission networks by 2040, of which PLN 60 billion was envisaged in the development plan by 2030. Analytical work is currently underway, the result of which will be the publication of an update of the PEP 2040 strategy. The main factor that forced relatively radical changes in the strategy is the need to reduce the priority of using natural gas as a transition fuel during the energy transformation period.

In July and August 2023 Two key legal acts have been adopted that enable further development of the energy sector in a zero-emission direction, despite the dynamically changing environment. Both acts significantly regulate aspects related to the need to change the paradigm of managing the operation of the National Power System.

ELEKTROTIM S.A. actively monitors draft laws from the moment they are initiated. The adopted regulations are fully consistent with those adopted and implemented in the first quarter of 2023 strategies of ELEKTROTIM S.A. for the years 2023 - 2025. The company's development goals were created in a direction consistent with the adopted regulations, so that the emerging new business areas enable synergistic, organic development of the Distribution Division and the Industry and Manufacturing Division. Additionally, the Company has started the process of preparing the organization to meet the requirements for participation in the nuclear energy supply chain according to the PN-EN ISO 19443 standard. Activities in this direction are carried out in cooperation with national and global competence centres, and in the first stage, staff training and the establishment of the Implementation Team are carried out. In the next stages, the necessary organizational changes will be implemented under the supervision of selected, independent implementation and certification units. PLN 200 billion was planned for the construction of two nuclear power plants in Poland.

The Spectis analytical company reports that in 2023, the total value of the 960 largest ongoing and planned investments in 16 regions of Poland is estimated at PLN 865 billion, compared to PLN 690 billion a year earlier. PLN 152 billion is allocated to implemented projects, and PLN 713 billion to planned projects. The increase in value is mainly the result of an increase in energy investments, which are definitely of interest to ELEKTROTIM S.A.

INDUSTRY

Due to changes in the European Union's climate policy regarding the increased goal of reducing CO2 emissions, many industrial plants are planning investments in self-produced energy. Plans to build small SMR reactors and the development of nuclear energy provide an opportunity for the Industry and Manufacturing Division to get involved in the construction of infrastructure for the above-mentioned plants.

On the other hand, Polish industrial construction may be a beneficiary of the global tendency to shorten supply chains, as a result of which many corporations move part of their production to Europe, including Poland.

TRACTION

In August 2023, the government adopted a railway investment program worth PLN 80 billion. By 2030, it is planned to electrify almost 1,400 km of railway lines. This is a good prospect for the Traction Division of ELEKTROTIM S.A., which specializes in powering railway and city traction. New tenders and the commencement of successful tenders may have to wait because there is a lack of EU funds, including from the National Reconstruction Plan.

Poland is facing the implementation of the so-called „megainvestment”: construction of nuclear power plants and the Central Communication Port, i.e. an airport with a road and rail component. These are projects that have started to move from the planning phase to preparatory work. In the opinion of ELEKTROTIM S.A. the scale of these tasks will allow us to obtain contracts in the future that will allow us to use the experience and potential of the Company's diversified offer. These projects may involve the following divisions in the Company: Distribution, Traction, Industry and Generation. Until they start, ELEKTROTIM S.A. has time to prepare for the challenges associated with their implementation.

LOCAL GOVERNMENT INVESTMENT MARKET

There is a noticeable revival in the construction market for local governments; due to the election year, investment expenditure increased by 20-25%.

As part of the Safe Road Infrastructure Program for 2021-2024, another 140 tenders will be announced for the implementation of tasks, under which 1,200 pedestrian crossings will be illuminated and 110 km of sidewalks will be built. Maintenance Division of ELEKTROTIM S.A. has already completed many tasks under this program, having experience and references has a chance to participate in these topics. An opportunity for new contracts for the Maintenance Division are topics of interest to local governments, related to improving energy efficiency on roads, e.g. replacement of light sources, installation of lighting control systems. In its activities, ELEKTROTIM SA takes into account that due to problems in the housing construction market, many companies are trying their hand at the local government market. The Maintenance Division notices an increase in competition in its area of activity. This situation may result in a reduction in markups.

Sources:

<https://www.wnp.pl/finanse/drugi-kwartal-slaby-ale-w-calym-2023-r-pkb-polski-ma-wzrosnac,741641.html> 16.08.2023r.

https://www.wnp.pl/budownictwo/firmy-budowlane-ida-na-rekord-upadlosci,741572.html?utm_source=newsletter&utm_medium=email&utm_campaign=wnp17-08-2023

COMMENTARY ON THE RESULTS OF ELEKTROTIM S.A. IN THE FIRST HALF OF 2023

In the first half of 2023, we continue to feel the impact of the ongoing war between Russia and Ukraine, which translates into the uncertainty of the geopolitical situation in Poland and around the world.

Faced with the difficult economic situation, ELEKTROTIM S.A. continued the strategy of managing and counteracting the negative effects of the economic weakening in Poland, launched in 2022, by conducting the process of revaluation of concluded contracts.

Additionally, in order to avoid the unfavourable impact of exchange rate fluctuations, the Company made advance purchases of currencies. Concluding framework agreements, effective negotiation of purchase prices and an attractive portfolio of contracts allowed for achieving satisfactory half-year results despite the observed increases in energy prices, persistent inflation and high interest rates.

PROFIT AND LOSS STATEMENT OF ELEKTROTIM S.A.

Table 1 – Selected items from the profit and loss account, data in PLN thousand

Item description	1H 2023	1H 2022	change
Sales revenues	213 472	92 261	121 211
Materials and services production costs	179 297	89 563	89 734
Gross sales result	34 175	2 698	31 477
Profitability of gross sales result	16,0%	2,9%	13,1 pp.
Sales costs	4 080	3 645	435
Management costs	4 158	3 278	880
Operating result (EBIT)	24 080	-2 883	26 963
EBITDA	25 892	-1 157	27 049
Gross result	24 279	-2 692	26 971
Net result	19 014	-2 279	21 293
Profitability of the net result	8,9%	-2,5%	11,4 pp.

In the first half of 2023, despite the difficult market situation, the Company achieved more than twice as much revenue as in the same period of 2022. This is largely the result of sales on the contract for the construction of an electronic barrier on the Polish-Belarusian border (22% share) and on the expansion contract on Nestle Purina production plant (12% share). However, it should be emphasized that all divisions of the Company contributed to the significant increase in revenues. The generated revenue translated into a very good gross sales result of PLN 34,175 thousand with a profitability of 16.0% (i.e. 13.1 pp. higher than in the same period last year) and a satisfactory net result of PLN 19,014 thousand with a profitability of 8.9% (compared to negative profitability in the first half of 2022). Through effective contract management, maintaining cost discipline and optimizing financing costs, the Company has significantly improved its ability to generate profit, and the acquired portfolio of contracts allows for an optimistic look at the implementation of the announced strategy for 2023-2025 and - along with ensuring financing for implemented contracts - at the same time ensures security for investors.

BALANCE SHEET OF ELEKTROTIM S.A.
Table 2 – Selected asset items, data in PLN thousand.

Item description	30.06.2023	31.12.2022	change	%
Fixed assets, including:	27 809	28 058	-249	-1%
Company value	2 396	2 396	0	0%
Property, plant and equipment	12 581	12 088	493	4%
Long term investments	7 084	7 096	-12	0%
Deferred tax assets	4 064	4 900	-835	-17%
Current assets, including:	202 342	212 181	-9 839	-5%
Inventory	11 015	3 357	7 658	228%
Short-term receivables	104 793	94 654	10 139	11%
Contract assets	78 748	57 645	21 103	37%
Cash and cash equivalents	5 886	54 652	-48 766	-89%
Balance sheet total	230 151	240 239	-10 088	-4%

The largest balance sheet changes were recorded in the following items:

1. Inventories (increase by 228%) and contract assets (increase by 37%) - Significant increases in the discussed items result from the increase in the scale of economic activity of ELEKTROTIM SA and the seasonality of operations, which means that the peak of investment-construction activity falls in the summer months. In accordance with the adopted material and quantity schedule, purchased materials will be allocated to contracts and recognized in the income statement in subsequent reporting periods.
2. Short-term receivables - increased by PLN 10,139 thousand, which is an increase of 11% compared to the end of 2022. The significantly lower receivables growth dynamics relative to revenues is a reflection of effective management of working capital, shortening of the sales cycle and average payment terms, and is a derivative of the production cycle in which in the middle of the year construction and assembly works are cumulated, in the third quarter the annual maximum level of sales is reached, therefore in the fourth quarter the highest level of receivables is reached and in the first quarter - the cash balance. Of course, this model is modified by the dynamics of the implementation of individual, large contracts, which may differ from the presented assumptions.
3. Cash and cash equivalents - decreased by 89% as a result of financing ongoing projects that will be invoiced in subsequent periods. Additionally, advance payments from contractors were also settled and, as a result, short-term liabilities were reduced. The change in this item is in line with expectations, and maintaining a low level of funds results from the optimization of debt management (at the same time, the balance of available and unused credit and revolving lines as at June 30, 2023 is PLN 62,431,000, which fully ensures financing liquidity).

Table 3 – Selected liabilities items, data in PLN thousand

<i>Item description</i>	30.06.2023	31.12.2022	<i>change</i>	<i>%</i>
Equity capital	95 536	91 498	4 038	4%
Liabilities and provisions for liabilities	134 615	148 742	-14 127	-9%
Long-term liabilities	6 781	7 514	-733	-10%
Current liabilities	127 834	141 226	-13 392	-9%
Total liabilities	230 151	240 239	-10 088	-4%

The largest changes in liabilities items compared to the end of 2022 were recorded in items:

1. Equity - increase by 4%, which resulted from (+) increase in the net result generated during the period and (-) decision to pay dividend in the amount of PLN 14,975 thousand.
2. Short-term liabilities - decrease by 9% resulting from, among others, from the settlement of advance payments from contractors in the amount of PLN 29,477 thousand.

<i>Item description</i>	30.06.2023	31.12.2022
Liquidity ratio 1st degree	1,58	1,50
Liquidity ratio 2nd degree	1,50	1,48
Net debt	16 739	-48 610
Net financial debt	0,18	-0,53
Total debt ratio	0,58	0,62

Net financial debt ratio = (interest-bearing debt - cash balance)/equity

Total debt ratio = external capital/total assets

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

Liquidity ratio 2nd degree = (current assets - inventories) / short-term liabilities

As of June 30, 2023, the Company recorded a positive net debt value (a significant change compared to the end of 2022, when net debt was negative). The change is caused by the increased scale of operations and, therefore, a higher number of contracts requiring financing. The company has unused credit limits as at the balance sheet date, which guarantee proper financial service of the contracted works while optimizing financing costs.

With the involvement of foreign capital in the activities, ELEKTROTIM S.A. achieved an improvement in the overall debt ratio and liquidity ratios by optimizing the use of working capital.

COMMENTARY ON THE RESULTS OF THE ELEKTROTIM CAPITAL GROUP FOR THE FIRST HALF OF 2023

CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE ELEKTROTIM GROUP

Table 1 – Selected items from the consolidated profit and loss account, data in PLN thousand.

Item description	1H 2023	1H 2022	change
Sales revenues	225 785	128 862	96 923
Gross sales result	34 947	5 475	29 472
<i>Profitability of gross sales result</i>	15,5%	4,2%	11,3 pp.
Operating result (EBIT)	22 316	-4 992	27 308
EBITDA	24 537	-2 314	26 851
Gross result	22 076	-5 051	27 127
Netto result	16 672	-5 015	21 687
<i>Profitability of the net result</i>	7,4%	-3,9%	11,3 pp.

In the first half of 2023, the ET Group recorded an almost double increase in revenues compared to the same period in 2022 and generated a positive result on gross sales of PLN 34,947 thousand with a profitability of 15.5%, higher by 11.3 percentage points in relation to the first half of 2022. The increase in revenues was achieved despite the sale of the subsidiary Procom System S.A. in December 2022, and therefore the lack of sales in this company in the comparable period.

At the net result level, taking into account the negative impact of the results achieved by ZEUS S.A., which is the subject of the review of strategic options, the ELEKTROTIM Group generated PLN 16,672 thousand with a profitability of 7.4%. The levels achieved, both in terms of result and profitability, are significantly higher than in the same period last year.

Table 2 – Revenue structure in the ELEKTROTIM Group, data in PLN thousand.

COMPANY	1H 2023	1H 2022	change	% of share 1H 2023	% of share 1H 2022
ELEKTROTIM S.A.	213 472	92 186	132%	95%	72%
PROCOM SYSTEM S.A.	0	23 137	-100%	0%	18%
ZEUS S.A.	12 184	12 315	-1%	5%	10%
Ostoya-DataSystem Sp. z o.o.	129	1 224	-89%	0,1%	1%
Total	225 785	128 862	75%	100%	100%

After the sale of the subsidiary Procom System S.A., the structure of the Group's revenues changed. ELEKTROTIM S.A. increased its share in the Group from 72% to 95%.

CONSOLIDATED BALANCE SHEET OF THE ELEKTROTIM GROUP

Table 3 – Selected asset items, data in PLN thousand.

Item description	30.06.2023	31.12.2022	change	%
Fixed assets, including:	27 740	28 081	-341	-1%
Company value	6 394	6 394	0	0%
Property, plant and equipment	12 900	12 432	468	4%
Long term investments	2 440	2 452	-12	0%
Deferred tax assets	4 108	4 976	-868	-17%
Current assets, including:	226 168	240 245	-14 077	-6%
Inventory	11 015	3 358	7 657	228%
Short-term receivables	104 063	93 506	10 557	11%
Contract assets	78 772	57 649	21 123	37%
Cash and cash equivalents	7 675	56 733	-49 058	-86%
Balance sheet total	253 908	268 326	-14 418	-5%

The largest balance sheet changes in assets were recorded in the following items:

1. Inventories (increase by 228%) and contract assets (increase by 37%) - changes apply to ELEKTROTIM S.A. and result from the purchase of materials and the activation of costs of implemented projects. The remaining companies in the Group did not significantly contribute to changes in the level of inventories and contract assets.
2. Short-term receivables - increased by PLN 10,557 thousand, which is an increase of 11% compared to the previous year. The change is a reflection of the production cycle and seasonality in the industry as well as effective management of working capital (including shortening payment terms for receivables).
3. Cash and cash equivalents - decreased by 86% to the level of PLN 7,675 thousand, which is the result of increasing the scale of operations and financing contracts which, according to the agreements, will be a source of further sales growth in future periods. The procedures introduced for effective management of working capital and debt allowed for safe maintenance of financial liquidity with low use of available credit limits.

Table 4 – Selected liabilities items, data in PLN thousand.

Item description	30.06.2023	31.12.2022	change	%
Equity capital	100 366	99 120	1 246	1%
Liabilities and provisions for liabilities	153 542	169 206	-15 664	-9%
Long-term liabilities	7 107	7 803	-696	-9%
Current liabilities	146 435	161 403	-14 968	-9%
Total liabilities	253 908	268 326	-14 418	-5%

Significant changes in liabilities items compared to the end of 2022 were recorded in items:

1. Equity - an increase of 1%, which resulted from a (+) increase in the net result of ELEKTROTIM S.A. and OSTOYA- DataSystem sp. z o.o. generated in the period. (-) loss on the operations of the subsidiary ZEUS S.A. and (-) decision to pay dividend in the amount of PLN 14,975 thousand.
2. Short-term liabilities - decrease by 9% resulting from, among others, from the settlement of part of the advance payments from contractors.

CONSOLIDATED CASH FLOWS OF THE ELEKTROTIM GROUP

Table 5 – Selected items from the consolidated cash flow statement, data in PLN thousand.

Item description	1H 2023	1H 2022	change
Cash at the beginning of the period	56 773	18 731	38 042
Cash flows from operating activities	-66 492	9 437	-75 929
Cash flows from investing activities	1 490	381	1 109
Cash flows from financial activities	15 944	288	15 656
Total net cash flows from activities	-49 058	10 106	-59 164
Cash at the end of the period	7 675	28 837	-21 162

The negative balance of cash flows from operating activities is related to the increase in the scale of the Group's operations and, consequently, the higher demand for working capital. The higher level of inventories and contract assets will be reflected in the Group's income statement over the next quarters. At the same time, significant advance payments from the largest contractors were settled during the period, with a simultaneous slight increase in receivables due to the dynamic growth in sales. The increase in the need for funds at the operational level was financed using external capital, while optimizing financial costs. When analysing the cash balance at the end of the period, one should also take into account the available credit/revolving credit lines in current accounts (as at June 30, 2023, only 21% of the available limits were used), which the Group may use at any time.

WYBRANE WSKAŹNIKI FINANSOWE

Item description	30.06.2023	31.12.2022
Liquidity ratio 1st degree	1,54	1,49
Liquidity ratio 2nd degree	1,47	1,47
Net debt	15 173	-50 501
Net financial debt	0,15	-0,51
Total debt ratio	0,60	0,63

Net financial debt ratio = (interest-bearing debt - cash balance)/equity

Total debt ratio = external capital/total assets

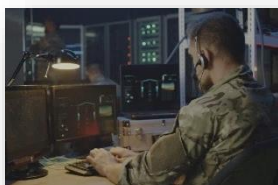
Liquidity ratio 1st degree = current assets / short-term liabilities

Liquidity ratio 2nd degree = (current assets - inventories) / short-term liabilities

The positive value of net financial debt at the end of June 2023 is the result of the dynamic growth of operations and the ability to implement ambitious projects that required the involvement of financial resources. These activities will be recognized as revenues and financial inflows from future periods. Through effective management of working capital, the Group improved the value of the general debt ratio despite the involvement of foreign capital in operating activities.

OPERATIONS OF THE CAPITAL GROUP IN THE FIRST HALF OF 2023

THE LARGEST PROJECTS WITH SALES COMPLETED IN THE FIRST HALF OF 2023 (UNFINISHED PROJECTS)



BORDER GUARDS

Construction of state border security on the 202 km long section of the Podlasie Border Guard Unit.

Sales value in H1 2023: PLN 82.9 M

NESTLE PURINA SP. Z O.O.

Design and delivery of all installation elements together with devices, assembly and commissioning (phase 8+).

Sales value in H1 2023: PLN 24 M



ENEA OPERATOR SP. Z O.O.

Modernization of the 110 kV switchgear; 110/15 kV Żnin power station - connection to the Żnin and Damasławki Wind Farms.

Sales value in H1 2023: PLN 9.6 M

SOLARTECH SP. Z O.O.

Design and turnkey construction of a HV connection for the Jeziórko 1 and 2 PV installation with a total capacity of up to 100 MW.

Sales value in H1 2023: PLN 8.7 M



PGE DYSTRYBUCJA S.A.

Construction of a 110 kV wire line RPZ Brzezińska – RPZ Radogoszcz.

Sales value in H1 2023: PLN 8.4 M

PGE DYSTRYBUCJA S.A.

Construction of the „Małopole” 110 kV station with a 110 KV power line in Dąbrówka commune.

Sales value in H1 2023: PLN 5.6 M



SOLARTECH SP. Z O.O.

Turnkey design and construction of a HV connection for the Augustynka PV installation with a capacity of up to 25 MW.

Sales value in H1 2023: PLN 3.2 M

SK HI-TECH BATTERY MATERIALS POLAND SP. Z O.O.

Construction of a 110kV wire line and grid connection point to power the lithium-ion battery separator production plant in Dąbrowa Górnicza.

Sales value in H1 2023: PLN 2.7 M



PROJECTS COMPLETED IN THE FIRST HALF OF 2023



TAURON DYSTRYBUCJA S.A.

Comprehensive modernization of the Wieczysta grid operator's substation in Wrocław. **Value: PLN 6.4 MILLION**

CENTRALNE BIURO ANTYKORUPCYJNE

Reconstruction of the headquarters of the Central Anti-Corruption Bureau Branch in Wrocław. **Value: PLN 4.7 MILLION**



ENEA OPERATOR SP. Z O.O.

Modernization of the 110 kV Bytnica – Leśniów grid. **Value: PLN 3 MILLION**



POLSKIE POMIDORY S.A.

Construction of electrical installations in the warehouse with a social and office area. **Value: PLN 2.8 MILLION**



GENERALNA DYREKCJA DRÓG KRAJOWYCH I AUTOSTRAD

Improving road traffic safety. Illumination of pedestrian crossings. **Value: PLN 2.5 MILLION**



STRABAG SP. Z O.O.

Design and construction of an athletics hall for the Śląska club. **Value: PLN 2.5 MILLION**



PGE DYSTRYBUCJA S.A.

Budowa pola liniowego w sekcji 1 rozdzielni 110 kV stacji 110/15kV Zduńska Wola. **Wartość 1,4 MLN PLN**



ENERGA - OPERATOR S.A.

Construction of a connection for PV Kalisz1 on a turnkey basis in Stara Korytnica. **Value: PLN 1.2 MILLION**



ZABERD SP. Z O.O.

Maintenance of road markings for ZDiUM in 2021-2023. **Value: PLN 1.1 MILLION**

MERCEDES-BENZ MANUFACTURING POLAND SP. Z O.O.

Construction of technical infrastructure for vehicle charging stations. **Value: PLN 0.6 M**



AGREEMENTS SIGNIFICANT FOR THE OPERATIONS OF THE ELEKTROTIM CAPITAL GROUP CONCLUDED IN THE FIRST HALF OF 2023

The company, taking into account the current order portfolio, 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 the classification of the conclusion of the agreements in question as price-related information.

Contracts concluded by ELEKTROTIM S.A.

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

The subject of the first contract is the performance of the task titled: „Performance of construction and assembly works related to the construction of the PT Lublinek traction substation along with all accompanying infrastructure.” For the implementation of the Contract, the Company will receive a net remuneration of approximately PLN 17.5 million.

The subject of the second contract is the performance of the task titled: „Performance of construction and assembly works related to the construction of the PT Zduńska Wola Karsznice traction substation along with all accompanying infrastructure.” For the implementation of the Agreement, the Company will receive a net remuneration of approximately PLN 36.8 million.

The total value of the above two Contracts is PLN 54.3 million.

The tasks are carried out as part of the framework agreement signed with PKP Energetyka (currently PGE Energetyka Kolejowa) regarding the MUZ project, i.e. Modernization of the power supply systems of the traction grid, which is related to the modernization of existing power stations and electrification of new sections and is one of the largest investments in the history of the railway power industry.

2. Contract concluded on February 28, 2023 with **TAURON Dystrybucja S.A. with its seat in Kraków**

The subject of the contract is the development of technical documentation and the implementation of works based on it at the R-Uczniowska station in Wałbrzych, consisting in the expansion of: the station area, the 110 kV switchgear and the 20 kV switchgear, along with connection to the existing station infrastructure for the needs of TAURON Dystrybucja S.A. Branch in Wałbrzych.

For the implementation of the Contract, the Company will receive a net remuneration of PLN 14.7 million.

As part of the above task, ELEKTROTIM SA performs work related to increasing the connection capacity for the TOYOTA production plant.

The company, as an investment contractor for Tauron Dystrybucja, contributes to the development of the power grid, including the grid of the Lower Silesia agglomeration, through the task it carries out.

3. Contract concluded on March 27, 2023 with PGE Energetyka Kolejowa S.A. (previously: PKP Energetyka S.A.)

The subject of the contract is the performance of the task titled: „Performance of construction and assembly works related to the construction of the PT Knyszyn and RS Knyszyn rail traction substation along with all accompanying infrastructure.”

For the implementation of the Contract, the Company will receive a net remuneration of approximately PLN 24.2 million.

4. Contract concluded on May 19, 2023 with the State Treasury - Cyberspace Resource Center of the Armed Forces in Warsaw

The subject of the contract is the construction of fiber optic lines between the complexes in Gdynia, Rumia, Łężyce, Wejherowo, Rzucewo, along with obtaining the necessary consents, arrangements, decisions and permits.

For the implementation of the Contract, the Company will receive a net remuneration of PLN 15 million.

5. Contract concluded on May 31, 2023 with PGE Dystrybucja S.A. Branch in Warsaw

The subject of the contract is the performance of construction works for the construction of the 110 kV station „Krasnosielc” with a 110 kV power line in Krasnosielc commune.

For the implementation of the Contract, the Company will receive a net remuneration of PLN 21.8 million.

This is another implementation related to the construction of a 110 kV power station for PGE Dystrybucja, which is a key customer of the Distribution Division. It increases the transmission capacity of electricity for current and future customers and improves the possibilities of connecting renewable energy sources.

Contracts concluded by Subsidiaries

Contract concluded by ZEUS S.A. on March 31, 2023 as part of a consortium whose Partner is ZEUS S.A. and the State Treasury - District Infrastructure Management Board in Gdynia.

The subject of the Contract is the performance by a consortium consisting of ZEUS S.A. works in the „design and build” system, tasks called „Reconstruction of buildings No. 61, 66, 68, 403 and 406-407 and the Social and Technical Security Building at the Gdynia Naval Port as part of the implementation of investment task No. 17002”.

The value of the contract is approximately PLN 38.9 million gross, including the work of ZEUS S.A. approx. PLN 18 million gross.

Loan contracts concluded by ELEKTROTIM S.A.

- a) Bank Millennium S.A. - annex to the multi-product line contract of May 9, 2023.

The subject of the contract is an overdraft facility in PLN, which is used to finance the Company's current operations, in the amount of PLN 20 million and a line for bank guarantees up to PLN 10 million.

- b) ING Bank Śląski S.A. – new multi-product contract and two annexes to the contracts of May 24, 2023.

The subject of the new contract is the use of a revolving credit limit of PLN 7 million.

After concluding the Contract of May 24, 2023, the Company has in ING Bank Śląski S.A.:

- a) loan in the amount of PLN 13 million until February 6, 2024;
- b) loan in the amount of PLN 7 million until May 15, 2025;
- c) limit for guarantees in the amount of PLN 12 million until May 23, 2025.

- c) Credit Agricole Bank Polska S.A. – contract for the credit line of June 7, 2023.

The subject of the Contract is an overdraft facility in PLN, which will be used to finance the Company's current operations in the amount of PLN 11 million, and a line for bank guarantees in the amount of PLN 5 million.

- d) Bank Millennium - revolving loan contract of July 13, 2023 [contract after June 30]

The subject of the Contract is a PLN loan in the amount of PLN 10 million, which will be used to finance the Company's current operations.

As of August 31, 2023, the Company has credit limits in all financial institutions in the total amount of PLN 79 million, including unused credit limits in the amount of PLN 62 million.

DIVIDEND POLICY AND DIVIDEND

Description of the Dividend Payment Policy

In the first half of 2023 (March 31, 2023), the Company adopted a new dividend payment policy as part of the Strategy for 2023-2025.

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

When determining the value of the dividend paid, which is recommended by the Management Board, among others the following factors are taken into account: business assessment, development prospects and related investment needs of the Company and the Group, liquidity situation, cost of debt financing, possibility of obtaining financing for existing and future liabilities and the need to maintain debt at a safe level, as well as analysis of the current and forecast market situation.

Dividend payment

On June 20, 2023, the Ordinary General Meeting of the Company allocated the amount of PLN 14,974,513.50, i.e. PLN 1.50 per 1 share of ELEKTROTIM S.A., for the payment of dividend to shareholders, which constituted approximately 65% of the net profit of ELEKTROTIM S.A. for 2022.

The dividend was paid on July 28, 2023, and Shareholders who held the Company's shares on July 7, 2023 were entitled to receive it.

This year's dividend was the first paid by the Company since 2017.

Main product groups of the Company and the Capital Group

AT ELEKTROTIM S.A. and the Capital Group, the following most important product groups can be distinguished:

1. Construction and executive designs, including:

- 1) designs of electrical power and light installations for industrial and service and commercial facilities,
- 2) designs of HV, MV and LV wire power lines,
- 3) designs of HV/MV and MV/LV transformer stations,
- 4) power protection automation projects,
- 5) lighting designs for roads, streets and squares,
- 6) traffic light designs,
- 7) illumination designs for objects of architectural value,
- 8) Christmas illumination designs,
- 9) sanitary installation designs,
- 10) designs of low-current installations.

2. Electrical installation construction services, including:

- 1) construction of MV and LV transformer stations,
- 2) construction of electrical power and light installations,
- 3) illuminations of objects.

3. Construction, assembly and production services of electrical switchboards, including:

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

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

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

5. Service of electrical installations and devices, including:

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

6. Electrical network services, including:

- 1) traffic lights,
- 2) road lighting,
- 3) illuminations of objects,
- 4) airport navigation lighting,

- 5) navigation lighting for landing areas,
- 6) MV and LV grids,
- 7) telecommunications networks,
- 8) MV and LV transformer stations
- 9) navigation lighting systems

7. Construction, modernization and service of telecommunications networks, including:

- 1. telecommunication sewage systems,
- 2. copper telecommunications lines,
- 3. fibre optic telecommunications lines,
- 4. special networks (MIL-WAN, SEC-WAN, PCŁU, ICC).

8. High voltage station and network services, including:

- 1) overhead HV power lines,
- 2) wire HV power lines,
- 3) HV/MV stations,
- 4) power protection automation,
- 5) telemechanics,
- 6) master 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 final,
- 4) road traffic 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 facilities,
- 4) maintenance of the light force installation,
- 5) traffic light controllers.

11. Security systems services:

- 1) monitoring systems and installation service in buildings,
- 2) data centre.

12. Services in the area of airport systems:

- 1) helicopter landing pads,
- 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 telecommunications installations,
- 10) prefabricated concrete 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 overhead contact network,
- 2) railway traction network,
- 3) monitoring of traction devices.

14. Project Management:

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

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

Sales structure of ELEKTROTIM S.A.

Main Customers of ELEKTROTIM S.A. 1H2023

No.	Customer	Share (%)
1	Border Guard Headquarters	43
2	Nestle Purina Manufacturing Operations Poland sp. z o. o.	13
3	PGE Dystrybucja S.A.	10
4	ENEA Operator Sp. z o.o.	6
5	Solartech Sp. z o.o.	5
6	Tauron Dystrybucja S.A.	3
7	Wrocław Commune	2
8	Other entities	19

In the first half of 2023, the highest, 43% share in sales of ELEKTROTIM S.A. had the Border Guard Headquarters in connection with the implementation of the project of building an electronic barrier on the Polish-Belarusian border. Nestle Purina Manufacturing Operations Poland Sp. z o.o. had a significant 13% share in sales, for which ELEKTROTIM S.A. designs and performs installations, including delivery, assembly and commissioning of equipment in existing and newly constructed production plant buildings. PGE Dystrybucja S.A. had a 10% share in sales, for which ELEKTROTIM S.A. carries out tasks related to the modernization and development of power equipment and networks.

Product sales structure of ELEKTROTIM S.A. 1H2023

No.	Product group	Share (%)
1	Security systems	39
2	Power stations	30
3	Electrical Installations	16
4	Signaling and lighting	8
5	Municipal networks	3
6	High voltage lines	2
7	Airport systems	1
8	Service	1

The highest share in sales in terms of products in the first half of 2023 was recorded by security systems (39%), which reflects the involvement of ELEKTROTIM S.A. in the task of building an electronic barrier on the Polish-Belarusian border. Another product group with a 30% share in sales in a given period are power stations, such a high share is related to numerous projects related to the modernization and expansion of power grids, resulting mainly from investments related to the energy transformation in Poland.

Territorial sales structure of ELEKTROTIM S.A. 1H2023

No.	Voivodeship	Share (%)
1	Podlasie	38
2	Lower Silesia	31
3	Masovian Voivodeship	11
4	Kuyavian-Pomeranian Voivodeship	5
5	Łódź province	4
6	Greater Poland Voivodeship	3
7	Silesian	2
8	Lesser Poland Voivodeship	2
9	the remaining	4

The highest percentage share in sales of ELEKTROTIM S.A. in the first half of 2023 belonged to the Podlaskie and Lower Silesian voivodeships, in which the Company achieved almost 70% of sales. This is due to the construction of state border security in this area on the section of the Podlasie Border Guard Unit and the fact that the Lower Silesian Voivodeship is the Company's home voivodeship.

Market structure of ELEKTROTIM sales in H1 2023

Due to the implementation of the new strategy of ELEKTROTIM S.A. for the years 2023 - 2025 ELEKTROTIM S.A. verified the Company's operating markets, defining 6 markets served by the Company:

ELEKTROTIM S.A. distinguishes 6 activity markets (distinguished according to customer and product criteria):

1. Industry - infrastructure for industrial plants,
2. Energy - energy generation, energy transmission, energy distribution.
3. Local governments - road infrastructure, urban infrastructure, traffic engineering, municipal infrastructure
4. Departments of force - army, security services, border protection, airports
5. Traction - power supply infrastructure for railway and city traction
6. Other – public buildings, logistics facilities, office buildings, commercial and service facilities, others.

No.	Market	Share (%)
1.	Departments of force	40
2.	Energy	32
3.	Industry	18
4.	Local governments	10

In the first half of 2023, the market of departments of force provided the highest share in sales of ELEKTROTIM S.A. (40%). The energy market also had a significant - 32% share in the Company's sales. There were no sales in the traction department, and there were no implementations in the area of other services.

Sales structure of the ELEKTROTIM Capital Group

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

Main Customers of the ELEKTROTIM Capital Group in H1 2023

Customer	Share (%)
Border Guard Headquarters	41
Nestle Purina Manufacturing Operations Poland sp. z o.o.	12
PGE Dystrybucja S.A.	9
ENEA Operator Sp. z o.o.	5
Solartech Sp. z o.o.	4
Local governments	3
TAURON Dystrybucja S.A.	3
Generalna Dyrekcja Dróg Krajowych i Autostrad	2
BUDIMEX S.A.	3
Other entities	24
PODSUMOWANIE	100

In the first half of 2023, the % share of sales in the ET Group for the customer: Border Guard Command remains at the dominant level. This is due to the fact that works related to the completion of the barrier project on the Polish-Belarusian border are being finalized, in which other companies of the Capital Group also participate. Another customer with a significant impact on the sales structure is Nestle Purina. The above-mentioned recipients constitute 48% of the share in sales in the first half of 2023.

Product sales structure of the ELEKTROTIM Capital Group in H1 2023

Product group	Share (%)
Systems and security	38
High voltage stations	27
Electrical Installations	17
Signaling and lighting	7
Municipal networks	6
High voltage lines	2
Airport systems	2
Service	1
SUMMARY	100

The implementation of the contract on the Polish-Belarusian border also translates into the product structure and accounts for 38% of sales. Another group with a high share are products offered to the energy market, which in total constitute 46%. The above-mentioned product groups have a decisive impact on the portfolio of generated revenues and constitute 84% of all turnover.

Territorial sales structure of the ELEKTROTIM Capital Group in H1 2023

Voivodeship	Share (%)
Podlasie	37
Lower Silesia	28
Masovian Voivodeship	13
Kuyavian-Pomeranian Voivodeship	5
Łódź province	4
Greater Poland Voivodeship	3
Pomeranian Voivodeship	2
Silesian	2
the remaining	4
SUMMARY	100

The sales of products and services offered by the Capital Group focus exclusively on the territory of Poland. The concentration of sales is currently focused on the area of 3 voivodeships, with the dominant share in the Podlaskie Voivodeship being the result of the completion of work on the contract with the Border Guard.

The Capital Group assumes the possibility of joining projects related to the reconstruction of Ukraine and expanding its operations in new markets, however, this will depend on the organizational and financial structure and the method of settling contracts.

Market sales structure of the ELEKTROTIM Capital Group in H1 2023

The segment	Share (%)
Departments of force	43
Power engineering	29
Industry	19
Local governments	9
SUMMARY	100

In H1 2023, the departments of force had the largest share of sales, as much as 43% of sales. The energy market allowed the Group to generate sales constituting 29% of the total implementation. In the coming years, the Group expects an increased share in revenues on the energy and industrial markets.

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

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

The rule is that for each product (material, service, product) the Group companies have at least two suppliers. Such action guarantees the provision of services to the highest standards and optimizes the benefits resulting from the scale effect. The implemented purchasing procedures reduce the likelihood of supplier dependence and create a solid basis for long-term cooperation with suppliers based on respect for the interests of the parties.

Main material suppliers in the first half of 2023

Material suppliers	Share in ELEKTROTIM	Share in Capital Group
Tele-Fonika Kable S.A.	8%	7%
RABAN Popenda sp. Komandytowa	5%	5%
Natipol Energy Sp. z o.o.	4%	3%
Schneider Electric Polska Sp. z o.o.	3%	3%
Linc Polska Sp. z o.o.	3%	3%
ELEKTRO-INVEST HURT Sp. z o.o. Sp. Komandytowa	3%	3%
Hitachi Energy Poland Sp. z o.o.	2%	2%
PKE Polska Sp. z o.o.	2%	2%
G. Majchrowski Usługi telekomunikacyjne	2%	2%
TIM SA	2%	2%
OTHERS	65%	69%
SUMMARY	100%	100%

In the first half of 2023, the Capital Group companies achieved a high degree of supplier diversification, which translates into minimizing the risk of becoming dependent on one supplier. None of the suppliers exceeded 10% of the share in total purchases, which we accept as a medium risk criterion.

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

MACROECONOMIC FACTORS

With a positive impact on the situation of the Company/Group

- increase in demand in the special segment, reported by the departments of force and the arms sector;
- maintaining demand in the conventional energy segment, where due to the restructuring of fuel and energy supply sources, the transformation of the generation segment creates a unique opportunity for the company for an innovative transformation, mainly taking into account the following factors:
 - investments by TAURON Dystrybucja S.A. in power networks at the level of PLN 2.4 billion in 2023, which is the largest financial stream in recent years directed to the distribution segment; the funds are intended for connecting new customers (including RES) and for the modernization and reconstruction of power grids;
 - adoption on July 7, 2023 of the Act amending the Act on the preparation and implementation of strategic investments in the field of transmission networks, aimed at accelerating and simplifying investment procedures (this will allow for the effective connection of RES installations);
- ambitious programs of some large customers from the chemical and petrochemical sectors;
- opening new sales markets related to other transformations in the energy sector;
- investments by private enterprises in the broadly defined industrial sector, high investor activity in economic zones;
- slow stabilization of prices of materials and subcontractors' services, especially in recent months;
- improvement in the mood of construction companies shown in industry reports (including PMR Construction Insight – Poland; Monthly No. 7 of July 23, 2023);;

With a potentially negative impact on the situation of the Company/Group

- persistently high inflation and the associated risk of destabilization of macroeconomic conditions; in June 2023, inflation excluding food and energy prices was 11.1% and the CPI index was 11.5% y/y;
- constantly increasing employment costs and limited availability of qualified employees;
- election cycle, which may result in suspension or slowdown of tenders, revision of strategic assumptions and personnel changes among decision-makers in the public sector and among companies controlled by the State Treasury;
- significant funds from EU funds (KPO) are permanently blocked and unavailable to Poland;
- the prolonged state of war beyond Poland's eastern border, the risk of Poland being drawn into the ongoing conflict;
- risk of unfavourable macroeconomic trends, including global recession;

FACTORS RESULTING FROM THE OPERATIONS OF THE COMPANY AND THE GROUP

According to the forecasts of the Management Board of ELEKTROTIM S.A. the most important factors affecting the results achieved by the Company and the ELEKTROTIM Capital Group in the coming quarters will be:

- Continued implementation and sale of works related to 4 key contracts with PGE Energetyka Kolejowa;
- Execution of contracts by the Distribution Division;
- Completion and settlement of the contract with the Border Guard for the construction of a perimeter barrier on the Polish-Belarusian border;
- Results of the review of strategic options for ZEUS S.A. and the situation of this company in the coming months, including the risk of aggravation of the company's problems;
- Implementation of renewable energy contracts;
- Progress of work on the contract with Nestle Purina Manufacturing Operations Poland sp. z o. o.;
- Conclusion of an agreement with the State Treasury - Cyberspace Resource Center of the Armed Forces in Warsaw, the subject of which is the construction of fiber optic lines between the complexes in Gdynia, Rumia, Łężyce, Wejherowo, Rzucewo, along with obtaining the necessary consents, arrangements, decisions and permits;
- Efficient implementation of the remaining approximately 200 active projects in which ELEKTROTIM is involved;
- Business-related risks of potentially higher write-offs for receivables and higher values of provisions, e.g. for court cases or guarantees (due to the increase in the scale of operations and, therefore, the higher value of implemented projects)
- Supplementing the order portfolio for 2024 and 2025 - in this respect, changes taking place in the markets where ELEKTROTIM operates will have a decisive impact.

ORDERS OBTAINED/ORDER PORTFOLIO

ELEKTROTIM S.A. company in the period from July 1, 2022 to June 30, 2023, obtained orders with a total value of PLN **496,785 thousand** net, compared to PLN 487,074 thousand net in the period from July 1, 2021 to June 30, 2022, which means an increase in the total value of contracts obtained by 2%.

ELEKTROTIM S.A., as of June 30, 2023, had an order portfolio of approx. PLN **567,864 thousand** net compared to PLN **542,307 thousand** net as of June 30, 2022, which means an increase in the order portfolio by 4.5%.

The ELEKTROTIM Group in the period from July 1, 2022 to June 30, 2023 obtained orders worth PLN **576,333 thousand** net, compared to PLN 591,281 thousand net in the period from July 1, 2021 to June 30, 2022, which means a decrease in the total value of contracts obtained by 2.5% and is directly related to the sale in 2022 of the subsidiary PROCOM SYSTEM S.A., whose share in the Group's orders was approx. 11% (i.e. PLN 65,714 thousand). Without taking into account the orders of the sold unit, there was an increase in the orders of the ELEKTROTIM S.A. Group. at 9%.

As of June 30, 2023, the ELEKTROTIM Group has an order portfolio of approx. PLN **626,402 thousand** net compared to PLN **638,826 thousand** net as of June 30, 2022 (PLN 573,918 thousand excluding the sold company PROCOM SYSTEM S.A.). In comparable terms, excluding the value of the sold subsidiary, the portfolio of companies remaining in the Group in 2023 is 9% higher than at the end of June 2022.

RISK MANAGEMENT

Presented below are significant risk factors and threats for the ELEKTROTIM Capital Group, which may affect the development of the Group and its financial results. The order of individual groups and individual factors within the groups is not presented in the order of probability of their occurrence or importance of impact on the business. Information regarding the risk management system and the risk management methods adopted by the Group are included in the Management Board's Report on operations and in the Consolidated Financial Statements for the year ended December 31, 2022.

As part of the Strategic Perspective:

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

The financial results of the companies of the ELEKTROTIM Capital Group depend on the economic situation in the country and abroad. The ELEKTROTIM Capital Group operates on the construction market related to the implementation of infrastructure investments, therefore the slowdown in economic growth and the economic situation in the construction sector may adversely affect the implementation of the Group's strategic goals in the long term.

The continuing uncertainty related to the tense geopolitical situation, mainly caused by the conflict in Ukraine, affects the Group's important business areas, including: raw material prices, transport, labour costs, which may result in an increase in the costs of ongoing projects and a reduction in the planned margin. The Group also recognizes that the situation in Ukraine and Belarus may affect the increase in defense investments in Poland, but may also lead to capital outflow and instability of interest rates and macroeconomic conditions.

The companies of the Capital Group constantly monitor the macroeconomic and geopolitical situation and its impact on the Group's operations. In particular, they analyze economic data, observe financial markets, changes in prices of raw materials and currencies, track changes and expected industry trends, and monitor geopolitical events. Monitoring these aspects enables the Group to react earlier to changes and make informed business decisions and minimize risks.

- **Risks related to the political cycle**

The ELEKTROTIM Capital Group recognizes risks related to the political cycle - changes in politics, the dynamics of the democratic process and the related potential adjustment of key strategies and policies that may occur in election cycles or during new government terms.

The year 2023, being a year of parliamentary elections, poses many significant risks that may affect the economy and investment decisions of enterprises. Uncertainty related to elections or potential changes in government may cause investors to delay or completely suspend investment decisions. The new government and administration may introduce changes in trade, fiscal and tax policy, and legal regulations that will affect the functioning of companies and industries. Potential unrest, protests or conflicts may create instability in society and lead to disruptions in economic activity.

- **Risk related to the epidemiological threat**

The risk related to the epidemiological threat and the possibility of occurrence and spread of infectious diseases, such as pandemics and epidemics, have a significant impact on the financial condition of many economic entities, affecting global market trends. On July 1, 2023, the state of epidemic threat introduced in Poland due to the SARS-CoV-2 virus infection was cancelled. The cancellation of the state of epidemic threat resulted in the abolition of special solutions and restrictions and the restoration of the legal status before March 14, 2020. Currently, in the Group's assessment, the effects of the COVID-19 pandemic may be felt to a small extent. However, the Group recognizes the risk of the emergence of new strains of viruses, which may worsen the market situation in the future and, consequently, cause negative financial or organizational effects.

- **Risks associated to development**

Risks related to development include: market risk related to expansion into new markets or sectors and technological risk of implementing new technologies and processes. ELEKTROTIM S.A. company in its development strategy, it plans to expand its offer in the field of renewable energy, energy storage, SMART GRID, railway and urban infrastructure, as well as to cooperate in the field of hydrogen and nuclear technologies. The Company's growth and development may require significant financial outlays, such as investments in new technology, working capital, employment of staff or development of new products and services. The risk resulting from entering new markets may generate threats related to ignorance of market conditions, competition and customer preferences. In order to minimize the risk, the Company conducts analyses, adjusts its internal processes and organizational structure, organizes access to external financing, improves employee competences and applies a flexible approach to changes.

- **Risk related to increasing competition**

The ELEKTROTIM Capital Group operates on a competitive market where both entities specializing in specific services and entities from the broadly understood construction industry operate. An increase in the level of competition may have a negative impact on the Group's turnover and its financial result. Additionally, growing competition may lead to rapid changes in customer expectations and preferences. In an atmosphere of increasing competition, companies may be forced to lower the prices of their services, which may lead to reduced margins. In order to minimize the risk, the Group companies diversify sales segments, undertake marketing and promotional activities, establish consortiums and introduce innovations in order to gain a competitive advantage.

As part of the Operational Perspective:

- **Personnel risks**

Personnel risks include risks related to staff shortages, loss of qualified employees, as well as the risk of increased personnel costs as a result of wage pressure.

Poland is a country with one of the lowest unemployment rates in the European Union. The harmonized unemployment rate, calculated according to the definition adopted by Eurostat, amounted to 2.7% in June 2023 in Poland compared to 5.9% in the EU and 6.4% in the EURO zone. The unemployment rate estimated by the Ministry of Family and Social Policy was recorded in June this year. amounted to 5% (decrease by 0.2 percentage points until June 2022). The stable situation on the labour market and the continuing phenomenon of the „employee market” is a significant risk for construction companies due to the limited availability of qualified employees. Additionally, persistently high inflation, rising energy prices and

unfavourable macroeconomic conditions may cause the trend of increasing wage pressure to continue in 2023. Further increases in the minimum wage are expected in 2024, which may also result in expectations for much higher wages on the part of employees of the ELEKTROTIM Capital Group and potential employees. Difficulties in recruitment, loss of key employees, low employee commitment or the need to increase remuneration above the increase in productivity may affect the efficiency and quality of work, which may consequently translate into a decrease in the financial result of the ELEKTROTIM Capital Group.

- **Construction and post-construction risks**

Construction and post-construction risks include: risk related to changes in the scope of work and/or implementation time, risk of additional costs not included at the offer stage, risk related to untimely or improper performance of contracts, risk of failure, accident, disaster and risk of changes in raw material prices, which may result in negative deviations from the originally planned margin.

In the business activities conducted by the companies of the ELEKTROTIM Capital Group, there is a risk related to non-performance or improper performance of contracts. The companies run many independent contracts in parallel. Most of them are unique projects, led by the Project Manager, with their own budget, scope and deadline. Timely and proper performance of obligations arising from contracts is the result of the influence of many factors dependent and independent of the contractor. Despite the introduction of control mechanisms and protection of certain risks (credit, currency, insurance), there is a possibility of threats resulting in the execution of the contract with a margin lower than originally planned, which may include:

- changes in the scope of the project or technology not included at the offer stage,
- increase in prices of materials and services,
- increase in costs resulting from warranty obligations,
- limited availability of subcontractors or poor quality of services provided,
- delays in timely completion of projects,
- delays in obtaining appropriate administrative decisions,
- unfavourable weather or ground conditions,
- occurrence of random phenomena such as: failures, accidents, disasters.

These risks may result in: a decrease in margin, loss of customer trust, deterioration of the image, which may consequently translate into deterioration of the Group's financial results.

- **Risk related to the production process**

The activities conducted by the ELEKTROTIM Capital Group are related to the risk generated by the production process. Most of the products sold are unique, innovative and complex systems. The Group's employees provide services using the current state of technical knowledge, the latest technologies, project management methodology, standardized solutions and procedures according to international quality standards. The service offer is created as a result of continuous exchange of views and experiences between the Company and the recipient regarding the needs and technical possibilities. Orders are completed in periods of no less than several weeks and no longer than several years. During each project, changes occur and are introduced in a more or less formalized way, generating the following risks related to the implementation process::

- incorrect identification of the customer's needs;
- incorrect estimation of production costs,
- changes in production costs during the production process,
- changes in legal provisions,
- management errors,

- errors in shift management,
- errors in technical and technological solutions.

The risks related to the service providing process may result in a decrease in revenues and/or an increase in costs, which may consequently lead to a decrease in the result of the ELEKTROTIM Capital Group. These risks may have different sources and nature, and their impact on the financial result may be more or less significant.

- **Financial risks**

Financial risks include risks related to changes in exchange rates, changes in interest rates, loss or reduction of financial liquidity and credit risk.

There is currency risk in the Capital Group. The group is primarily exposed to the risk related to EUR/PLN and USD/PLN exchange rates. The source of transaction exposure to currency risk are contracts for the supply of materials and raw materials, resulting in flows whose value in the base currency depends on future levels of foreign exchange rates. The Group strives to purchase foreign currencies on terms no worse than those assumed in the implementation budgets and to balance the value of assets and liabilities expressed in a given currency. Exposure to currency risk changes throughout the year, depending on the volume of transactions carried out in the currency and the value of currencies collected for payments. There is a risk that, despite the use of security mechanisms, the cost of materials and equipment purchased in foreign currency when converted into the domestic currency will be higher than assumed in the budget, which may result in an increase in costs and a reduction in the margin originally planned.

The risk of changes in interest rates occurs mainly in connection with the use by the Group companies of bank loans, loans and leasing services with variable interest rates. The Group manages these risks by maintaining appropriate debt monitoring. Management of the risk of changes in interest rates focuses on optimizing the level of debt, using trade credit to the extent determined by the market and taking into account financial costs in management calculations regarding the financing of contracts and realized margins.

The ELEKTROTIM Capital Group is also exposed to temporary disruption or eventual loss of the ability to settle liabilities within specified periods. This may be due to sudden changes in market conditions, the form of contract settlement (payment after project completion), untimely fulfilment of obligations by recipients to the Group, bankruptcy of recipients and limited availability of financing sources. The Group manages liquidity risk by: monitoring payment dates and demand for cash, maintaining an appropriate amount of reserve capital, using banking services and available credit lines, including trade receivables insurance.

The specificity of construction activities means that the Group is exposed to concentration of credit risk. The nature of the implemented projects often requires the involvement of significant working capital due to their relatively high value and long implementation time. The contracts concluded by the ELEKTROTIM Capital Group companies also provide for the obligation to establish security 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. Additionally, prolonged acceptance procedures for completed works, the obligation to settle liabilities towards subcontractors within a specified period and the payment terms adopted after the completion of the entire contract result in a large involvement of funds in current operations. In the event of a potential limitation in the availability of financing sources or termination of credit and insurance agreements, there is a risk of reducing the scale of operations due to a reduction in the possibility of submitting offers, which may consequently translate into the amount of turnover and financial results. In order to minimize the risk, the Group intends to: focus on short-term projects with high

margins, rationally manage security and guarantees, increase the value of working capital and diversify sales segments.

- **Risk of decreased value and/or bankruptcy of subsidiaries**

The risk of decreased value and/or bankruptcy of subsidiaries is related to the activities of individual companies of the Capital Group and factors affecting their financial results (decrease in revenues, profits, difficulties in operations, changes in the market environment, high competition, changes in legal regulations, over-indebtedness). As of June 30, 2023, ELEKTROTIM S.A. owned: 88.12% of ZUES S.A. shares and 82% of shares in OSTOYA-Data System Sp. z o. o. The risk of decline in value and/or bankruptcy may affect the valuation of the entire Group and potentially the value of the parent company's shares, including deterioration of the Group's financial result.

- **Risks related to information security, i.e. loss of information, change in information integrity, access of unauthorized persons to important information**

In the activities of the ELEKTROTIM Capital Group, there is a risk related to information security relating to threats that may affect the confidentiality, integrity and availability of data and IT systems. Group companies collect, process and share sensitive information. These activities are carried out in accordance with the requirements of the implemented management system according to the PN-EN ISO/IEC 27001:2017 standard. In order to minimize the risk related to information security, the Group applies appropriate security practices, such as: regular software updates, use of strong passwords, implementation of anti-virus solutions and firewalls, training employees in information security, creating plans to respond to security incidents.

- **Risk related to cyber threats**

In the era of digital transformation and process automation as well as migration to cloud environments, there are more and more potential threats resulting from attacks or IT incidents. Cyber risks such as IT failures, system intrusions, ransomware attacks or data breaches are the world's most important risk for the second year in a row. Additionally, the conflict in Ukraine and growing geopolitical tensions increase the risk of a large-scale cyber-attack. In order to minimize the risk, the Group has implemented security rules according to the requirements of the PN-EN ISO/IEC 27001:2017 standard, conducts regular audits and training, monitors network activity and responds to any incidents.

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

Companies from the ELEKTROTIM Capital Group implement projects that are subject to the provisions of the Act on the Protection of Classified Information of August 5, 2010. The condition for implementing these projects is to have appropriate certificates (personal security, industrial security, etc.). There is a risk that despite due diligence, circumstances will arise that will result in the loss or non-renewal of existing certificates. The consequence of the above may be the loss of the ability to provide services to strategic clients, problems with the implementation of signed contracts, which will result in a decline in sales and the Group's financial result.

As part of the Financial Reporting Perspective:

- **Risk of incorrect presentation of financial results due to incorrect estimates**

ELEKTROTIM S.A. company presents separate and consolidated financial results according to IAS/IFRS. The reports are audited by an independent auditor and the audit report is published together with the earnings report. There is a risk that, despite due diligence and the functioning of properly organized internal control, accounting estimates may contain errors in the valuation of unsold production, valuation of contracts, incorrect recognition of revenues from contracts with customers, and impairment of intangible assets. Incorrect estimates may result in significant distortion of the presented results. In order to minimize risk, the Group uses appropriate estimation methods and techniques, taking into account the best accounting and financial practices, ensures appropriate control and supervision of accounting and financial reporting processes, and regularly conducts reviews and audits.

As part of the Legal Compliance Perspective:

- **Regulatory risk (compliance with law)**

Regulatory risk refers to potential negative effects that may result from non-compliance or changes in laws and regulations relating to the activities of the Group Companies or the economic sector. The companies of the ELEKTROTIM Capital Group analyse the legal status on an ongoing basis and immediately adapt the 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 coherence of the introduced legal changes, the Companies will not adapt to the changing legal status within the specified deadline. Amendments to regulations that are important from the point of view of the Companies' operations may result in an increase in operating costs, because the changes may require adjustments to the activities and processes taking place in the Companies. Litigation or financial penalties imposed for failure to fulfil obligations arising from regulations, e.g. tax, information of companies listed on the WSE, personal data protection, etc., may lead to loss of income and customer trust. To minimize risk, the Companies monitor changes in the law and adapt their activities and procedures to remain compliant with regulatory requirements.

- **Litigation risk**

The risk of litigation relates to potential negative outcomes of court proceedings in which companies from the Capital Group are a party to the proceedings. The consequences of this risk include: losses related to criminal, civil and administrative liability as well as loss of reputation. In order to minimize the risk, the Companies first take steps to avoid resolving disputes in court.

CORPORATE INFORMATION

Shares and shareholding

Identification of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting, along 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 - as at the date of the periodic report.

Shares of ELEKTROTIM S.A. are not privileged as to voting rights - each share entitles to one vote.

List of shareholders of the Parent Company, i.e. ELEKTROTIM S.A. holding **at least 5%** of the total number of votes at the general meeting according to the information available to the Company **as at the date of publication of this report**.

Lp.	Shareholder	Number of shares	Share in the share capital	Number of votes at the General Meeting	Share in the total number of votes at the General Meeting
1	Krzysztof Folta with his wife Ewa Folta	1 721 864	17,25%	1 721 864	17,25%
2	Krzysztof Wieczorkowski	1 319 534	13,22%	1 319 534	13,22%
3	Allianz Polska OFE	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%

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

Indication of changes in the ownership structure of significant blocks of shares of the issuer in the period since the submission of the previous periodic report:

On January 9, 2023, the Company received a notification prepared pursuant to Art. 69 in connection with Art. 87 section 1 point 2b of the Act on public offering and conditions governing the introduction of financial instruments to organized trading and on public companies, from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing Allianz Polska Open Pension Fund, hereinafter Allianz OFE, managing Allianz Polska Voluntary Pension Fund, hereinafter Allianz DFE, notification that as a result of the merger pursuant to Art. 67 of the Act of 28 August 1997 on the organization and operation of pension funds, i.e. Journal Laws of 2020, item 105 as amended; „Act on Pension Funds” and Art. 492 § 1 point 1 of the Commercial Companies Code, on December 30, 2022 with the company Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing the Drugi 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 the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased above 5%.

According to the received notification - before the merger, the accounts of Allianz OFE and Allianz DFE contained a total of 0 shares, constituting 0.00% of the share capital of the

Company, which gave the right to exercise 0 votes from shares constituting 0.00% of the total number of votes at the Company's General Meeting.

The account of the Second Allianz OFE had 979,236 shares registered, constituting 9.81% of the share capital of the Company, which gave the right to exercise 979,236 votes from the shares constituting 9.81% of the total number of votes at the Company's General Meeting.

According to the received notification - 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 the shares constituting 9.81% share in the total number of votes at the Company's General Meeting.

On May 16, 2023, the Company received a notification prepared pursuant to Art. 69 in connection with Art. 87 section 1 point 2b of the Act on public offering and conditions governing the introduction of financial instruments to organized trading and on public companies, from Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna with its registered office in Warsaw, managing the Allianz Polska Open Pension Fund, that pursuant to Art. 69 section 1 of the Act of August 28, 1997 on the organization and operation of pension funds (consolidated text: Journal of Laws of 2022, item 2342, as amended) on May 12, 2023, as a result of the liquidation of the Drugi Allianz Polska Otwarty Fundusz Emerytalny (hereinafter: Second Allianz OFE) by transferring its assets to Allianz OFE, share in the total number of votes of ELEKTROTIM S.A. on Allianz OFE accounts it was above 5%.

According to the received notification - before the liquidation of the Second Allianz OFE, the total balance on the accounts of Allianz OFE and the Second Allianz OFE was 979,236 shares of the Company, which constituted a total of 9.81% of the share capital of the Company and gave the right to exercise 979,236 votes, constituting 9.81% of the share in the total number of votes at the Company's General Meeting.

According to the received notification - after the liquidation of the Second Allianz OFE, 979,236 shares were registered on the Allianz OFE account, constituting 9.81% of the share capital of the Company, which gives the right to exercise 979,236 votes from the shares constituting 9.81% of the total number of votes at the Company's General Meeting.

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

Managers of ELEKTROTIM S.A.

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

Persons supervising ELEKTROTIM S.A.

Nazwisko i imię oraz funkcja	Number of ELEKTROTIM SA shares	Percentage share in the Company's share capital (and votes at the General Meeting of Shareholders)
Jan Walulik – Member of the Supervisory Board	410.000	4,11%

Agreements concluded between shareholders

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

OTHER DISCLOSURES REQUIRED BY LAW

Indication of factors and events, including those of an unusual nature, having a significant impact on the financial statements

In the first half of 2023, there were no single factors and events that had a significant impact on the condensed financial statements, except for the settlement of the percentage of advances obtained for the implementation of the perimeter barrier on the Polish-Belarusian border and the continuation of the negative trend related to the deterioration of the financial situation of the subsidiary ZEUS ARE. Due to its business profile and a very high degree of independence in the scope of activities carried out, this company is subject to a review of strategic options and has been prepared for sale outside the Group. Due to the difficult situation of ZEUS SA, the parent company (ELEKTROTIM SA) wrote off 100% of the value of the subsidiary's shares held by it in the separate financial statements.

Moreover, the good results achieved are the result of the implementation of a diversified project portfolio in the Group's companies, including five divisions of ELEKTROTIM S.A. and therefore these results are not the result of single events, especially of an unusual nature.

The Management Board's position regarding the possibility of achieving previously published forecast results for a given year, in the light of the results presented in the report in relation to the forecast results

The Company's Management Board did not publish the forecast of the separate and consolidated financial results of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group due to the dynamic changes in market trends occurring in 2023, as well as the scale of these changes in the future, which is difficult to estimate.

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

In the period covered by this interim report, no proceedings were initiated for the Issuer or the entire Capital Group before a court, a body competent for arbitration proceedings or a public administration body regarding liabilities or receivables whose value constitutes at least 10% of the Company's equity.

Indication of events that occurred after the date on which the condensed quarterly financial report was prepared, not included in this report, and which may significantly affect the future financial results of the issuer;

After the balance sheet date, there were no significant events not included in the financial statements of the Capital Group.

Information about the conclusion by the issuer or its subsidiary of one or more transactions with related entities, if individually or collectively they are significant and were concluded on terms other than market conditions.

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

Information on the granting by the issuer or its subsidiary of credit or loan guarantees or granting guarantees - jointly to one entity or a subsidiary of this entity, if the total value of the existing sureties or guarantees is significant, specifying:

- a) name (company name) of the entity to which the sureties or guarantees were granted,
- b) the total amount of credits or loans which, in whole or in part, has been adequately guaranteed or guaranteed,
- c) the period for which the sureties or guarantees were granted,
- d) financial conditions under which the sureties or guarantees were granted, indicating the remuneration of the issuer or its subsidiary for granting the sureties or guarantees,
- e) the nature of the connections existing between the issuer and the entity that took out the credits or loans;

Owned by ELEKTROTIM S.A. warranty lines and their use:

As at June 30, 2023, ELEKTROTIM S.A. has total limits for deposit guarantees, performance guarantees, guarantee and warranty periods and advance payments in the amount of PLN 222,773,891.78 and EUR 6,000,000.00. The utilization of limits as at June 30, 2023 amounted to PLN 83,550,957.14.

ZEUS S.A. benefits from two guarantees guaranteed by ELEKTROTIM S.A.:

1. for the removal of defects in the amount of PLN 259,407.00 (valid until February 15, 2025);
2. for proper performance of the contract in the amount of PLN 349,502.04 (valid until January 4, 2024).

Total: PLN 608,909.04.

In connection with the review of strategic options, including the preparation of ZEUS SA for the sale transaction, in order to ensure its uninterrupted continuation of operations during the key period of negotiations with potential buyers, in June ELEKTROTIM S.A. granted a loan to this Company in the amount of PLN 2,500 thousand. Due to the difficult situation of the subsidiary, in the report of ELEKTROTIM S.A. the increased risk for this asset, which is a subordinated loan, was taken into account.

Moreover, as part of the contractual conditions regarding the contract implemented for ELEKTROTIM by ZEUS S.A. As at June 30, 2023, he had an unsettled advance payment in the amount of PLN 913,835.15 net.

Information that, in the opinion of the Issuer, is important for the assessment of its personnel, property and financial situation, financial result and their changes, as well as information that is important for assessing the ability of the Issuer to fulfill its obligations

Information important for the assessment of the Issuer's situation, along with potential risks, is included in these financial statements, in particular in the summary on page 8 of this Report.

STATEMENTS OF THE MANAGEMENT BOARD OF ELEKTROTIM S.A.

Truthfulness and reliability of the report

Management Board of ELEKTROTIM S.A. declares that, to the best of its knowledge, the interim consolidated financial statements of the ELEKTROTIM Capital Group for the period from January 1, 2023 to June 30, 2023 - containing the financial statements of ELEKTROTIM S.A. for the period from January 1, 2023 to June 30, 2023 and data for the comparable reporting period - was prepared in accordance with International Accounting Standards, International Financial Reporting Standards (IAS/IFRS) and related interpretations announced in the form of implementing regulations of the European Commission, as well as applicable accounting principles. Moreover, it reflects in a true, reliable and clear manner the property and financial situation of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group and their financial result.

Management Board of ELEKTROTIM S.A. declares that the Management Board's Report on the activities of the ELEKTROTIM Capital Group for the first half of 2023 contains a true picture of the development, achievements and situation (including a description of the basic threats and risks) of ELEKTROTIM S.A. and the ELEKTROTIM Capital Group, including their financial results.

ELEKTROTIM S.A. MANAGEMENT BOARD

Chairman of the Board – Artur Więznowski	
Member of the Board – Dariusz Kozikowski	
Member of the Board – Krzysztof Wójcikowski	