



MIRBUD CAPITAL GROUP

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE MIRBUD
CAPITAL GROUP

1 JANUARY – 31 DECEMBER 2019

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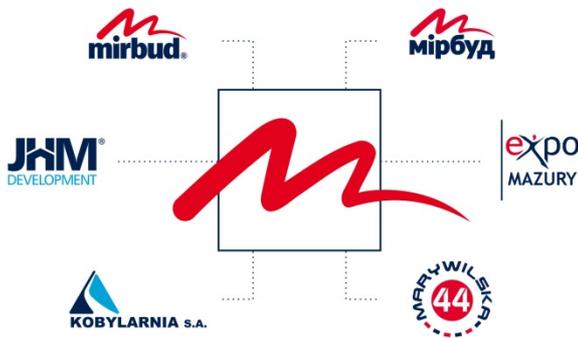
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1. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS



The presented financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), in particular in compliance with IAS 27 “Consolidated and Separate Financial Statements” and with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by the issuers of securities, and in accordance with the appropriate accounting standards applicable to the interim financial reporting, as adopted by the European Union, published and binding at the time of preparation of the interim financial statements.

The consolidated financial statements were drawn up on the assumption of continuation of business activities by MIRBUD S.A. and the companies belonging to the Capital Group in the foreseeable future. As of the day of these financial statements’ approval there are no circumstances indicating a threat to the continuation of the Group’s Companies’ activities.



The financial statements have been prepared in PLN thousand (PLN thousand), and all values, unless indicated otherwise, are given in PLN thousand. Any differences between the total amounts and the sum of their components are due to rounding.

The accounting policies adopted in the preparation of the financial statements have been presented in detail in the introduction to the financial statements for 2019.

2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

2.1. Description of the Capital Group and its core activities

The MIRBUD Capital Group employs 800 employees, including highly qualified engineering staff with various specialisations in the construction industry. The Company’s advantage is also a well-developed machine park which ensures performance of most of the work on the basis of its own facilities.

Since 2008, **MIRBUD S.A.** has been successively building a stable Capital Group with a diversified range of activities. Investment tasks in the field of housing construction in the developer system were taken over by a company separated from the structures of MIRBUD S.A. and listed on the Warsaw Stock Exchange - JHM Development S.A., and the shares purchased in 2010 in Przedsiębiorstwo Budowy Dróg i Mostów Kobylarnia S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] from Bydgoszcz allowed to extend the scope of activities to road and bridge works and production of bituminous masses.

Moreover, the MIRBUD Capital Group includes Marywiłska 44 Sp. z o.o., the owner and manager of the largest shopping centre in Warsaw, and Expo Mazury S.A., the manager of the congress and exhibition centre in Ostróda.

In November 2017 the Management Board of MIRBUD S.A. made a decision concerning the establishment of a sole proprietorship company under the name of: МІРБУД Limited liability company (abbreviated name: ТОВ «МІРБУД») with its registered office in Kiev. The company was registered on 25 January 2018.

MIRBUD S.A. is the parent and prepares consolidated financial statements consisting of the statements of the parent and subsidiaries - **the JHM DEVELOPMENT Capital Group, PBDiM KOBYLARNIA S.A., EXPO MAZURY S.A.**

Basic data of the Parent

MIRBUD S.A. was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the Code of Commercial Companies. The Company was registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000270385 on 22 December 2006. The Company is established for indefinite term.



Name of the issuer:	MIRBUD S.A.
Issuer's registered office:	Skierniewice
Legal form:	joint-stock company
Country of registered office:	Poland
Tax Identification Number (NIP):	836-170-22-07
REGON:	750772302
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
Telephone - headquarters:	+ 48 (46) 833 98 65
Fax:	+ 48 (46) 833 97 32
E-mail:	sekretariat@mirbud.pl
Website:	www.mirbud.pl

Subsidiary of MIRBUD S.A. - JHM DEVELOPMENT S.A.

The company was established on 27/05/2008 on the basis of the notarial deed Repertory "A" No. 3299/2008, and then transformed on 10/12/2010 into a joint-stock company. JHM DEVELOPMENT S.A. was registered in the Register of Entrepreneurs of the National Court Register under the KRS number 0000372753.



Full name of the entity:	JHM DEVELOPMENT S.A.
Entity's registered office:	Skierniewice
Legal form:	joint-stock company
Tax Identification Number (NIP):	836-181-24-27
REGON:	100522155
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
tel/fax	+48 (46) 833-61-28
E-mail:	sekretariat@jhmdevelopment.pl
Website:	www.jhmdevelopment.pl
Country of registered office:	Poland

Subsidiary of MIRBUD S.A. - Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.]

On 03/10/2011, the District Court in Bydgoszcz, 13th Commercial Division of the National Court Register entered the transformation of Przedsiębiorstwo Budowy Dróg i Mostów Spółki z o.o. [Road and Bridge Construction Enterprise] – a subsidiary of MIRBUD S.A., into Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] to the Register of Entrepreneurs of the National Court Register, under the KRS number 0000396760



Full name of the entity:	Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.]
Entity's registered office:	Kobylarnia
Legal form:	joint-stock company
Tax Identification Number (NIP):	953-22-34-789
REGON:	091631706
Address details:	Kobylarnia 8 86-051 Brzoza
tel/fax	+48(52) 381-06-10
E-mail:	pbdim@kobylarnia.pl
Website:	www.kobylarnia.pl
Country of registered office:	Poland

Subsidiary of MIRBUD S.A. - ТОВ «МІРБУД»

The ТОВ «МІРБУД» Company was entered into the Uniform National Register of Enterprises and Organisations of Ukraine on 25 January 2018 under number 41887344.

The Company conducts business activities in Ukraine in the area of, among others, construction of residential and non-residential buildings, construction of roads and railways, performance of specialist construction works, finishing and architectural works.

The share capital of ТОВ «МІРБУД» is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2018, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09.



Full name of the entity:	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «МІРБУД» (MIRBUD sp. z o.o.)
Entity's registered office:	Kiev
Legal form:	limited liability company
Tax Identification Number (NIP):	418873426552
REGON (ЄДРПОУ Code):	41887344
Address details:	6 Oleny Telihy street, building 8, room 302, 04112 Kiev,
Country of registered office:	Ukraine

Subsidiary of MIRBUD S.A. – EXPO MAZURY S.A.

The company was established as a result of transformation of “Demuth Alfa” spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna [limited liability company, limited joint-stock company] with its registered office in Gdańsk into EXPO ARENA Spółka Akcyjna with its registered office in Ostróda based on the resolution of the General Meeting dated 12/05/2014 (notarial deed REP. A. 6450/2014) and of 20/05/2014 (notarial deed REP. A 6840/2014).

The company was entered in the National Court Register kept by the District Court for Olsztyn, 7th Commercial Division of the National Court Register, under the KRS number 0000513712, on 01/07/2014.

On 29 June 2015, the parent MIRBUD S.A. concluded a contract with “DEMUTH SIGMA” Spółka Komandytowo-Akcyjna [limited joint-stock company] with its registered office in Gdynia for the purchase of shares in that company.

On 14/01/2016, the Company changed its name from EXPO ARENA S.A. to EXPO MAZURY S.A.



Full name of the entity:	EXPO MAZURY S.A.
Entity's registered office:	Ostróda
Legal form:	joint-stock company
Tax Identification Number (NIP):	839-27-67-573
REGON:	771485919
Address details:	ul. Grunwaldzka 55, Ostróda
tel/fax	+48(89) 506-58-00 / +48(89) 647-78-77
E-mail:	sekretariat@expomazury.pl
Website:	www.expomazury.pl
Country of registered office:	Poland

Subsidiary of JHM DEVELOPMENT S.A. - MARYWILSKA 44 Sp. z o.o.

The company was established on 15/06/2010 based on the notarial deed Repertory “A” No. 6480/2010. The company was entered in the National Court Register kept by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under the KRS number 0000359265, on 23/06/2010.



Full name of the entity:	MARYWILSKA 44 Sp. z o.o.
Entity's registered office:	Warsaw
Legal form:	limited liability company
Tax Identification Number (NIP):	524-271-14-28
REGON:	142434636
Address details:	ul. Marywilska 44, 03-042 Warsaw
tel/fax	+48(22) 423-10-00
E-mail:	sekretariat@marywilska44.waw.pl
Website:	www.marywilska44.waw.pl

Country of registered office: Poland

Subsidiary of JHM DEVELOPMENT S.A. - JHM 1 Sp. z o.o.

The company was established on 13/09/2011 on the basis of the notarial deed Repertory "A" No. 4812/2011. The company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000396588, on 20/09/2011.

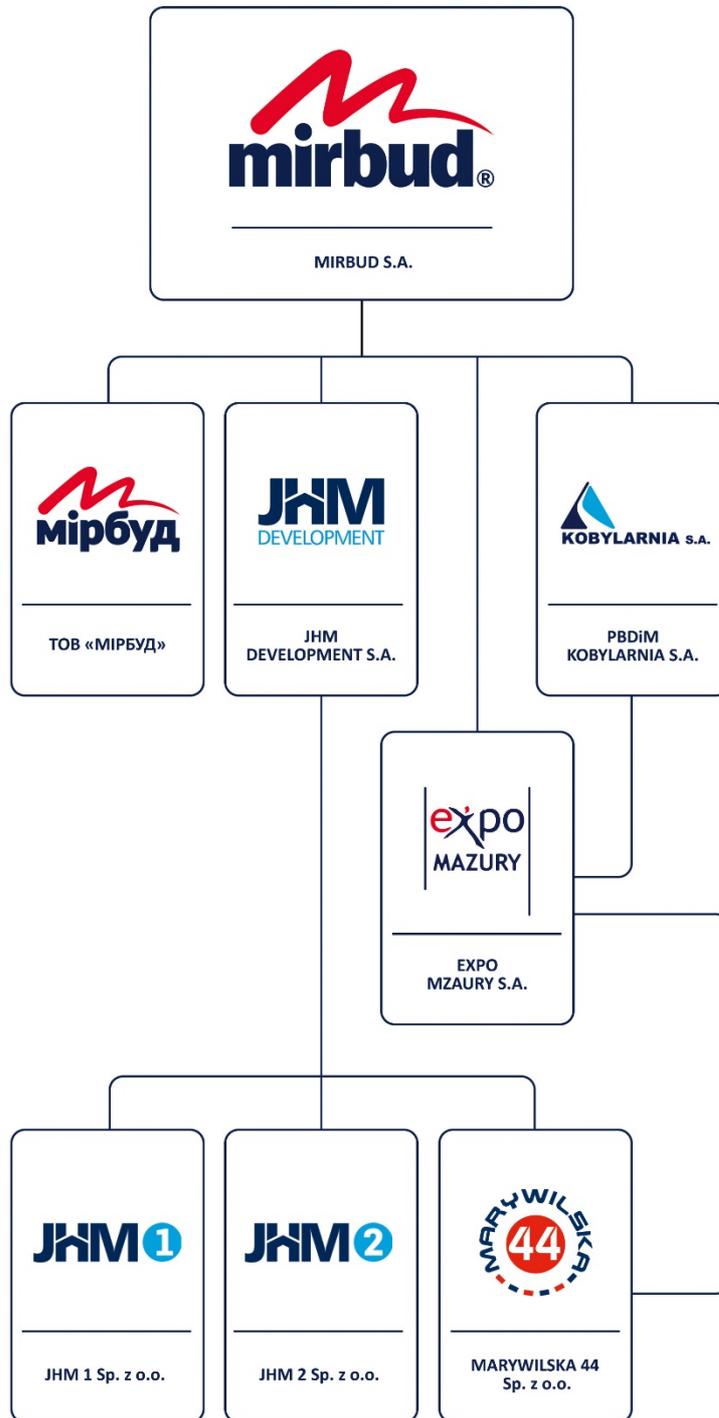
Full name of the entity:	JHM 1 Sp. z o.o.
Entity's registered office:	Skierniewice
Legal form:	limited liability company
Tax Identification Number (NIP):	836-185-59-68
REGON:	101288135
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46) 833 95 89

Subsidiary of JHM DEVELOPMENT S.A. - JHM 2 Sp. z o.o.

The company was established on 16/02/2012 based on the notarial deed Repertory "A" No. 785/2012. The company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000415335, on 22/03/2012.

Full name of the entity:	JHM 2 Sp. z o.o.
Entity's registered office:	Skierniewice
Legal form:	limited liability company
Tax Identification Number (NIP):	836-185-64-65
REGON:	101387140
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46) 833 95 89

Diagram: The MIRBUD Capital Group structure as at 31/12/2019



MIRBUD S.A. is not affiliated with other entities in terms of organisation or capital.

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share of MIRBUD S.A. in the share capital
JHM DEVELOPMENT S.A.	173,000	100%
PBDiM KOBYLARNIA S.A.	21,000	100%
EXPO MAZURY S.A.*	132,928	67.71%
ТОВ «МІРБУД»	304	100%

*Total direct and indirect share of MIRBUD S.A. in the share capital 100%

JHM DEVELOPEMENT S.A.

On 12 July 2019, as a result of the conclusion and settlement of the transaction of acquisition of shares in the Issuer's subsidiary, JHM DEVELOPMENT S.A. ("Subsidiary"), resulting from the purchase of the Subsidiary's shares by the Issuer, the Issuer purchased 1,939,926 (in words: one million nine hundred and thirty-nine thousand nine hundred and twenty-six) shares of the Subsidiary, representing approximately 2.80 percent of all its shares.

On 24 September 2019, as a result of the conclusion and settlement of the transaction of acquisition of shares in the Issuer's subsidiary, JHM DEVELOPMENT S.A. ("Subsidiary"), resulting from the purchase of the Subsidiary's shares by the Issuer, the Issuer purchased 4,304,984 (in words: four million three hundred and four thousand nine hundred and eighty-four) shares of the Subsidiary, representing approximately 6.22 percent of all its shares.

On 20 December 2019, as a result of the settlement of the compulsory buyout (squeeze-out) of shares of the Issuer's subsidiary, JHM DEVELOPMENT S.A., the Issuer purchased 3,022,758 (three million twenty-two thousand seven hundred and fifty-eight) shares of the Subsidiary, representing approximately 4.37% of all its shares.

As a result of the above transactions, as at 20 December 2019 the Issuer achieved 100.00% of shares in JHM DEVELOPMENT S.A.

PBDiM KOBYLARNIA S.A.

On 26 April 2019, the Ordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A., by virtue of Resolution No. 17/2019 (Repertory A No. 3761/2019), resolved to increase the Company's share capital from PLN 1,000,000.00 to PLN 6,000,000.00 by issuing 50,000,000 series C registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 20 May 2019. On 31/07/2019, the Register Court in Bydgoszcz, 13th Commercial Division of the National Court Register, registered the increase in the company's share capital to the amount of PLN 6,000,000.00. The shares of the new issue have been acquired by MIRBUD S.A. in full.

On 17 June 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 4/2019 (Repertory A No. 5323/2019), resolved to increase the Company's share capital from PLN 6,000,000.00 to PLN 11,000,000.00 by issuing 50,000,000 series D registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 05 August 2019. The shares were fully taken up by MIRBUD S.A. On 27/08/2019 the Registry Court in Bydgoszcz, 13th Commercial Division of the National Court Register did not register the increase in the share capital to the amount of PLN 11,000,000.00.

On 11 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 7615/2019), resolved to increase the Company's share capital from PLN 11,000,000.00 to PLN 16,000,000.00 by issuing 50,000,000 series E registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 30 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 8212/2019), resolved to increase the Company's share capital from PLN 16,000,000.00 to PLN 21,000,000.00 by issuing 50,000,000 series F registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 09 December 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 10321/2019), resolved to increase the Company's share capital from PLN 21,000,000.00 to PLN 25,000,000.00 by issuing 40,000,000 series G registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A. The capital increase was entered in the National Court Register on 19 February 2020.

EXPO MAZURY S.A.

On 10 August 2018, the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted a resolution to amend the Company's Articles of Association with respect to granting the Company's Management Board the authorisation to increase the share capital within the limits of the authorised capital and the right to deprive the existing shareholders of the right to take up subscription within the limits of the authorised capital.

On 31 October 2018, the Management Board of EXPO MAZURY S.A. adopted a resolution on increasing the Company's share capital by PLN 7,000,000 through the issue of new F series ordinary registered shares with a nominal value of PLN 1.00 each, as part of a private subscription and exclusion of pre-emptive rights.

On 22 January 2019, EXPO MAZURY S.A. concluded an agreement with MIRBUD S.A. to take up 7,000,000 F series shares by way of a private subscription.

On 16 May 2019, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the increase of the share capital.

On 26 April 2019, by Notarial Deed (Rep. A No. 3768/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 137,928,000.00, i.e. by the amount of PLN 7,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The capital increase in question was not fully paid up and was therefore also not registered.

On 15 November 2019, by Notarial Deed (Rep. A No. 4957/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 135,928,000.00, i.e. by the amount of PLN 3,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The Court entered the capital increase in the National Court Register on 22 January 2020.

ТОВ «МІРБУД»

The share capital of ТОВ “МІРБУД” is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2018, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09. The entity is not consolidated due to its immaterial character.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as at 31/12/2019

Name of the entity	Share capital	Nominal value of shares	Share of JHM DEVELOPMENT S.A. in the share capital
MARYWILSKA 44 Spółka z o.o.	70,000	*66,990	100.0%
JHM 1 Spółka z o.o.	9,001	9,001	100.0%
JHM 2 Spółka z o.o.	10,300	10,300	100.0%

* The difference results from the redemption of shares with a nominal value of PLN 3,010 thousand. PLN

Table: Structure of shares of Marywilaska 44 Sp. z o.o. in subsidiaries and affiliates as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share in the share capital
EXPO MAZURY S.A.	3,500	2.57%

Table: Structure of shares of PBDiM Kobylarnia S.A. in subsidiaries and affiliates as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share in the share capital
EXPO MAZURY S.A.	39,427.9	29.01%

Core activities



MIRBUD S.A. operates primarily as a general contractor in all segments of construction.

The company's trademark is its thirty years' experience and nearly 500 completed investment projects, most of which are prestigious construction contracts in the field of:

- industrial construction (manufacturing, commercial and service buildings);
- public utilities construction (sports halls, stadiums, hospitals, public administration offices);
- commercial construction (shopping centres, large-area shops, exhibition and fair halls)
- engineering and road infrastructure construction (motorways, national, voivodeship and county roads, elements of the urban transport infrastructure, bridges and railway sidings);
- housing construction (single-family, terraced and multi-family residential buildings).

MIRBUD S.A. guarantees the highest quality of services, efficient organisation, fast pace of work based on the highest standards and professional technical staff. The core activities of the parent **MIRBUD S. A.**, consistent with its Articles of Association and the entry in the National Court Register, are:

- General construction and civil engineering
- Freight transport by road
- Rental of construction and demolition equipment with operator service
- Advertising and publishing activities
- Renting of premises for own account
- Wholesale of materials for the construction industry



Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] is a subsidiary of MIRBUD S.A., specialising in the comprehensive execution of road and bridge works. It is also a producer of mineral-bituminous and concrete masses, owning modern bitumen mass factories in:

- Kobylarnia - Teltomat production plant with a capacity of 240 Mg/h and Teltomat 120 production plant with a capacity of 160Mg/h,
- Bogusławice - Teltomat 160 production plant with a capacity of 200 Mg/h,
- Miękinia near Wrocław - the Amman Uniwersal production plant with a capacity of 240 mg/h,

Provides services also in the scope of renting construction equipment and specialised means of transport.

PBDiM Kobylarnia S.A. has many years of experience and has completed several road engineering projects.

PBDiM Kobylarnia S.A. employs over 200 employees, including qualified technical staff.

According to the Polish Classification of Businesses, the core activities of **PBDiM Kobylarnia S.A.** are:

- Execution of road and bridge works
- Production of mineral-bituminous and concrete masses
- Construction equipment rental

According to the Polish Classification of Businesses, the core activities of the subsidiary **TOB «MIRBUD»** are:

- General construction and civil engineering

The company was established for the purpose of conducting business activity in Ukraine. Currently, it analyses the market potential, participates in tenders and recognises the possibilities of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine. It is not subject to consolidation, as MIRBUD S.A. did not exert any significant influence on the activity of this Company.



EXPO MAZURY S.A. (formerly EXPO ARENA S.A.) is a company managing the congress and exhibition centre in Ostróda. It is the largest facility of this type in north-eastern Poland. The area of the centre currently amounts to nearly 58 thousand square metres (exhibition area: over 40 thousand square metres), and conference area: over 2 thousand square metres. The core activities of the subsidiary **EXPO MAZURY S.A. (formerly EXPO ARENA S.A.)** according to the Polish Classification of Businesses are:

- The activities connected with the organisation of trade fairs, exhibitions and congresses
- Short- and long-term space lease

JHM DEVELOPMENT S.A. carries out investments in the construction and sale of single-family and multi-family residential buildings. It also deals with the purchase and sale of property on its own account, as well as the rental and management of property. The establishment of the Company in 2008 initiated the process of



building the MIRBUD Capital Group. According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM DEVELOPMENT S.A.** are:

- the implementation of building projects related to erection of buildings
- construction works related to erection of residential and non-residential buildings
- buying and selling of property on own account
- rental and management of property



Marywilka 44 sp. z o.o., as a subsidiary of JHM DEVELOPMENT S.A., is the owner and manager of the largest shopping centre within the capital city of Warsaw. The establishment of the Company in 2010 initiated the process of building the JHM DEVELOPMENT Capital Group.

The core activities of the subsidiary **Marywilka 44 Sp. z o.o.** according to the Polish Classification of Businesses are:

- The implementation of building projects related to erection of buildings
- Rental and management of own or leased property.

According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM 1 Sp. z o.o.** are:

- Rental and management of own or leased property.

According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM 2 Sp. z o.o.** are:

- The implementation of building projects related to erection of buildings
- Rental and management of own or leased property.

3. FINANCIAL SITUATION OF THE MIRBUD CAPITAL GROUP

3.1. Discussion of selected items of the consolidated financial statements of the MIRBUD Capital Group as at 31/12/2019 and 31/12/2018.

Table: Selected items of the Group's assets as at 31 December 2019 and 31 December 2018 in PLN thousand

Specification	31/12/2019	% share in total assets	31/12/2018	% share in total assets	Change in PLN thousand	Change in %
Fixed assets, including:	518,632	45%	515,431	48%	3,201	1%
Tangible fixed assets	217,546	19%	207,041	19%	10,505	5%
Investment property	249,649	22%	254,064	24%	- 4,415	0%
Intangible assets	15,496	1%	16,159	1%	- 663	-4%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	482	0%	339	0%	143	0%
Investments measured using the equity method	0	0%	0	0%	-	0%
Long-term trading and other receivables	12,276	1%	14,482	1%	- 2,206	
biological assets	0	0%	0	0%	-	
Deferred income tax assets	23,061	2%	22,293	2%	768	3%
Other fixed assets not classified elsewhere (including prepayments and accruals)	122	0%	1,053	0%	- 931	-88%
Current assets, including:	627,799	55%	564,127	52%	63,672	11%
Inventories	260,958	23%	216,939	20%	44,019	20%
Receivables on account of the income tax	0	0%	0	0%	-	0%
Trading receivables and other receivables	256,792	22%	279,303	26%	- 22,511	-8%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	0	0%	478	0%	-478	-100%
Cash and cash equivalents	108,151	9%	64,145	6%	44006	69%
Other current assets n.e.c.	1,898	0%	3,262	0%	-1364	-42%
fixed assets held for sale	-	0%	-	0%	0	
Total assets	1,146,431	100%	1,079,558	100%	66,873	6%

As at 31/12/2019, compared to the end of 2018, the value of the balance sheet total and the structure of assets of the MIRBUD Group changed significantly.

The dominating value are the current assets, which as at 31/12/2019 constitute 55% of the Group's total assets (increase in the share of current assets in the balance sheet total by 3 p.p. compared to the end of 2018).

The following remain significant items of current assets: trade receivables and other receivables accounting for 22% of total assets (a decrease in the share of total assets by 4 p.p. compared to 2018), inventories (mainly land and residential premises at JHM DEVELOPMENT S.A.), whose share in total assets increased by 3 p.p. compared to 2018 and accounts for 23% of total assets, and cash and cash equivalents accounting for 9% of the Group's assets.

As at 31/12/2020, fixed assets constitute 45% of the total assets of the MIRBUD Group (a decrease by 3 p.p. compared to the end of 2018).

Fixed assets comprise mainly tangible fixed assets constituting 19% of the assets (a decrease in the balance sheet total by 1 p.p. versus 2018) and investment property (which constitute mainly property of Centrum Targowe [Market Centre] Marywilaska 44, NOMI - JHM 1 sp z o.o. market and Galeria Handlowa [Shopping Centre] together with Biedronka in Rumia - JHM 2 sp. z o.o.) constituting 22% of the total assets (a decrease in the share by 2 p.p. compared to 2018).

The changes in the structure of assets were mainly caused by:

- commissioning of developer investments in Skierniewice, Rumia and Konin in the last quarter of 2019 (an increase in finished products by approx. PLN 47 million)
- MIRBUD S.A. receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net.

Table: Selected items of liabilities as at 31 December 2019 and 31 December 2018 in PLN thousand.

Specification	31/12/2019	% share in total liabilities	31/12/2018	% share in total liabilities	Change in PLN thousand	Change in %
Equity	405,250	35%	382,622	35%	22,628	6%
Issued share capital	9,174	1%	8,249	1%	925	11%
Gain (loss) attributable to owners of the entity	28,124	2%	24,644	2%	3,480	14%
Other capitals	367,952	32%	293,073	27%	74,879	26%
Capital attributable to non-controlling shares	0	0%	56,656	5%	-56,656	-100%
Long-term liabilities and provisions for liabilities	347,178	30%	274,641	25%	72,537	26%
- Provisions under deferred income tax	34,180	3%	30,859	3%	3,321	11%
- other provisions for long-term liabilities	3,221	0%	2,526	0%	695	28%
- long-term financial liabilities for trading liabilities and other liabilities	164,322	14%	170,196	16%	-5,874	-3%
- long-term trading and other liabilities	122,115	11%	47,720	4%	74,395	156%
- other long-term liabilities and provisions n.e.c.	23,340	2%	23,340	2%	0	0%
Short-term liabilities and provisions for liabilities	394,003	34%	422,295	39%	-28,292	-7%
- Provisions for short-term liabilities	3,147	0%	3,267	0%	-120	-4%
- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	98,219	9%	66,889	6%	31,330	47%
- trading and other liabilities	263,366	23%	322,839	30%	-59,473	-18%

- liabilities under deferred income tax	2,410	0%	2,709	0%	-299	-11%
Other long-term liabilities and provisions n.e.c.	26,861	2%	26,591	2%	270	0%
Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
Total liabilities	1,146,431	100%	1,079,558	100%	66,873	6.2%

The activity of the MIRBUD Capital Group is financed in 35% from own funds, and in 65% from external capital. The share of long-term liabilities in financing amounted to 30% (an increase in the share of financing by 5 p.p. compared to 2018), while the share of short-term liabilities decreased by 5 percentage points compared to 2018 and stood at 34%.

The change in the structure of liabilities resulted mainly from:

- partial repayment of a loan in ARP S.A.;
- MIRBUD S.A. receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net, most part of which will be settled in a period of over 12 months;
- achievement of 100% shareholding in JHM DEVELOPEMENT S.A. through share buy-back and buyout (squeeze-out) of shares in the subsidiary;
- increase of the use of long-term credits for development investments;
- increase of the use of credits by PBDiM Kobylarnia granted for the execution of road contracts;
- changes in market conditions for the supply of materials forcing early payment or advance payments, which resulted in increased use of available working capital credits;
- in connection with the progress of construction work on development projects, the amount of payments made by purchasers of residential units to JHM DEVELOPEMENT S.A. under development contracts has increased.

Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2019 to 31/12/2019 and 01/01/2018 to 31/12/2018 in PLN thousand

Specification	Period from 01/01/2019 to 31/12/2019	Profitability	Period from 01/01/2018 to 31/12/2018	Profitability	Change in PLN thousand	Change in %
Sales revenue	949,104	-----	1,143,128	-----	-194,024	-17%
Gain from sales	100,572	10.60%	93,204	8.15%	7,368	8%
Operating gain EBIT	52,218	5.50%	51,046	4.47%	1,172	2%
Pre-tax gain	36,995	3.90%	33,411	2.92%	3,584	11%
Net gain	28,124	2.96%	27,036	2.37%	1,088	4%

In 2019, the MIRBUD Group generated revenue which were 17% lower than in 2018. This resulted mainly from a significant decrease in sales revenue from construction and assembly activities in the segment of production, commercial and service buildings and engineering and road works. Profitability on sales in this period increased by 2.45 p.p. compared to 2018, while net profitability was 0.59 p.p. higher than in 2018.

The Group Companies achieved a positive financial result generated on the basis of newly executed contracts, as well as increasing sales and profitability from development activities and lease of commercial spaces.

The profitability of the Group Companies in 2019 was influenced by the following factors:

- maintaining the profitability of JHM DEVELOPMENT S.A.;
- reduction of profitability of road contracts executed by PBDiM KOBYLARNIA S.A., which were completed in 2019 or first half of 2020;
- maintaining high profitability of MARYWILSKA 44 sp. z o.o.

3.2. Assessment of financial resources and liquidity management

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 65% based on foreign capital through:

- credits,
- loans,
- advances,
- leasing,
- factoring.

The Companies make efforts to diversify their third-party financing, both in terms of the financing institution and the financial products used.

The Parent Management Board is responsible for managing financial liquidity in the Group. The main objectives of the Group's financial resources and liquidity management are as follows:

- ensuring stable and effective financing of the Group's operations,
- continuous monitoring of the Group's debt level,
- effective management of working capital,
- the Parent's coordination of liquidity management processes at the Group Companies.

They are implemented in response to changing economic and business conditions through effective management of credit, interest rate and currency risks.

The Group's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing in the coming years, and for a gradual reduction of debt in the long-term perspective.

Monitoring of the effectiveness of financial resources management is carried out, among others, using the following ratios:

Table: MIRBUD Group debt ratios

Specification	31/12/2019	31/12/2018
Total debt ratio <i>Total debts / Assets</i>	0.65	0.65
Long-term debt ratio <i>Long-term liabilities / Assets</i>	0.30	0.25
Short-term debt ratio <i>Short-term liabilities / Assets</i>	0.34	0.39
Debt to equity ratio <i>Liabilities / Equity</i>	1.83	1.82

In the reporting period, the level of debt remained unchanged, but its structure changed (the share of long-term debt increased by 5 p.p. and the share of short-term debt decreased), which was the result of:

- MIRBUD S.A. receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net, most part of which will be settled in a period of over 12 months;
- gradual use by JHM DEVELOPMENT S.A. of credits granted to finance the execution of development projects;
- rollover of the working capital credit taken out by MIRBUD S.A. in mbank S.A. for the next 24 months;
- changes in market conditions for the supply of materials forcing early payment or advance payments, which resulted in increased use of available working capital credits.

The Group's debt level in the perspective of 2020 will be influenced by the scale of new development investments (e.g. investments in Bydgoszcz, Łódź or Zakopane) and the implemented strategy of financing large road contracts with advances from the Contracting Authority.

Table: Company liquidity ratios

Specification	31/12/2019	31/12/2018
Current liquidity ratio <i>Current assets / Short-term liabilities</i>	1.59	1.34
Accelerated liquidity ratio <i>(Current assets - Inventories - Short-term prepayments)/Current liabilities</i>	0.93	0.82
Cash liquidity ratio <i>Cash / Short-term liabilities</i>	0.27	0.15

As at 31/12/2019, the MIRBUD Capital Group improved the levels of all current liquidity ratios.

4. MIRBUD S.A. GROUP ACTIVITIES AND DEVELOPMENT PROSPECTS

4.1. Specificity of the market

In May 2018, the European Commission published a proposal to allocate European funds to individual Member States as part of the Cohesion Policy during the EU's next financial perspective for 2021-2027. The proposed value of funds allocated to Poland is lower than the current financial perspective and amounts to EUR 73 billion in current prices. The structure of the division of allocations for individual measures is still unknown, but the scale of support in the area of infrastructure projects will most probably allow to maintain a significant role of EU funds in the development of the Polish construction sector in the coming years.

In 2019, the Polish economy began to slow down. According to the Central Statistical Office's estimates, the gross domestic product growth was 4.0% year-on-year compared to 5.1% in 2018. The slowdown was particularly felt in the last quarter of 2019, when economic growth was 3.1% compared to 3.9% in the third and 4.6% in the second quarter. In addition, according to the Central Statistical Office (GUS), inflation has been at its highest level since October 2012, which was caused, i.a., by increasing food prices. The last quarter also saw an acceleration in consumer price growth, with the consumer inflation rate reaching 3.4%, compared to 1.1% a year earlier. Overall, the average annual consumer price index reached 2.3%, compared to 1.6% in 2018.

In July last year the Council of Ministers adopted an update of the National Roads Construction Programme for 2014-2023 (with a view to 2025) submitted by the Ministry of Infrastructure and Construction. The amended document prioritises road investment tasks, taking into account the new limit available for investments implemented on the national road network. The National Roads Construction Programme assumes construction of approx. 3,900 km of motorways and expressways between 2014 and 2023 (with a perspective until 2025). Between 2019 and 2020 an accumulation of investments in road construction is expected. According to the list of contracts to be announced in 2019, published in January 2019, GDDKiA will announce tenders for construction works for 17 sections with a total length of 435 kilometres, including several sections of the planned S19 expressway with a total length of over 170 kilometres.

In accordance with the resolution of the Council of Ministers of 20 June 2017, the financial limit of the National Roads Construction Programme was increased from PLN 107 billion to PLN 135 billion. A decrease in expenditure is to take place from 2020, but with the next EU perspective from 2021 further sources of road financing are to come.

Even at the beginning of 2020, experts predicted that the downward trend in the annual production growth rate will be maintained in the coming quarters, however, activity in the construction industry will remain high, which will be mainly related to the expiry of the cycle in public investments.

At the beginning of March 2020, Poland faced a new, hitherto unknown, threat of the collapse of the world economy as a result of the coronavirus epidemic and the COVID-19 disease. At the time of writing this report, OECD economists' forecasts indicate that the shock to the world economy caused by the pandemic is greater than that of the global economic crisis in 2008. At the end of March, a vast majority of financial institutions significantly lowered their forecasts for Polish GDP growth in 2020. The range of measurements is currently so wide that it is difficult to determine even roughly the direction of further developments. The economists' estimates range from +3.0% to -3.7% of GDP growth in 2020 (and even to -5.6% in more pessimistic scenarios).

Taking into account preliminary forecasts of the scale of the recession in the United States and Western Europe, a 3% drop in GDP growth in Poland in 2020 is possible, especially in the context of the projected recession in Germany, which is the main recipient of manufacturing goods in Poland. On the other hand, however, there are also opinions among economists that the Polish economy will react relatively mildly to the global crisis due to Poland's low level of economic integration with the countries most affected by the epidemic, the relatively small contribution of the tourism and catering industry to Poland's GDP and the exceptionally early implementation of radical measures to prevent the spread of coronavirus, i.e. closing down schools and commercial and service facilities. The observation of the disease curve in individual European countries allows us to assume that the scale of the epidemic will not be as large in Poland as in Italy and Spain.

According to the opinion of economists, the current economic crisis will be completely different from the previous world crises. During previous crises, the service sector was the downturn-stabilising element. In the current situation, the service sector is the one most affected by the recession and the manufacturing and construction sectors are taking over the role of the downturn-stabilising factor. According to assurances published in early April by the government, the epidemic will not stop public investment in road and rail infrastructure. Subsidies for local governments for the development of local roads are also to be maintained.

Currently, construction companies in Poland work at approx. 80% of their capacity. This is a good result compared to other branches of the economy. Their biggest problem is the growing absenteeism of employees, mainly from Ukraine, and logistics problems in the supply chains, which may have an effect on timely completion of contracts. However, the most important factor which will affect the condition of the Polish economy will be the government's decision on further actions to counteract the epidemic. In Western Europe, the largest construction companies have decided to temporarily close their construction sites. If construction companies in Poland were forced to make a similar move, the domestic construction market would be threatened with a collapse similar to that observed in the tourism or service sector. If the continuity of the construction industry is maintained, the current situation creates an opportunity for construction companies operating exclusively on the Polish market to realise margins at higher than expected levels.

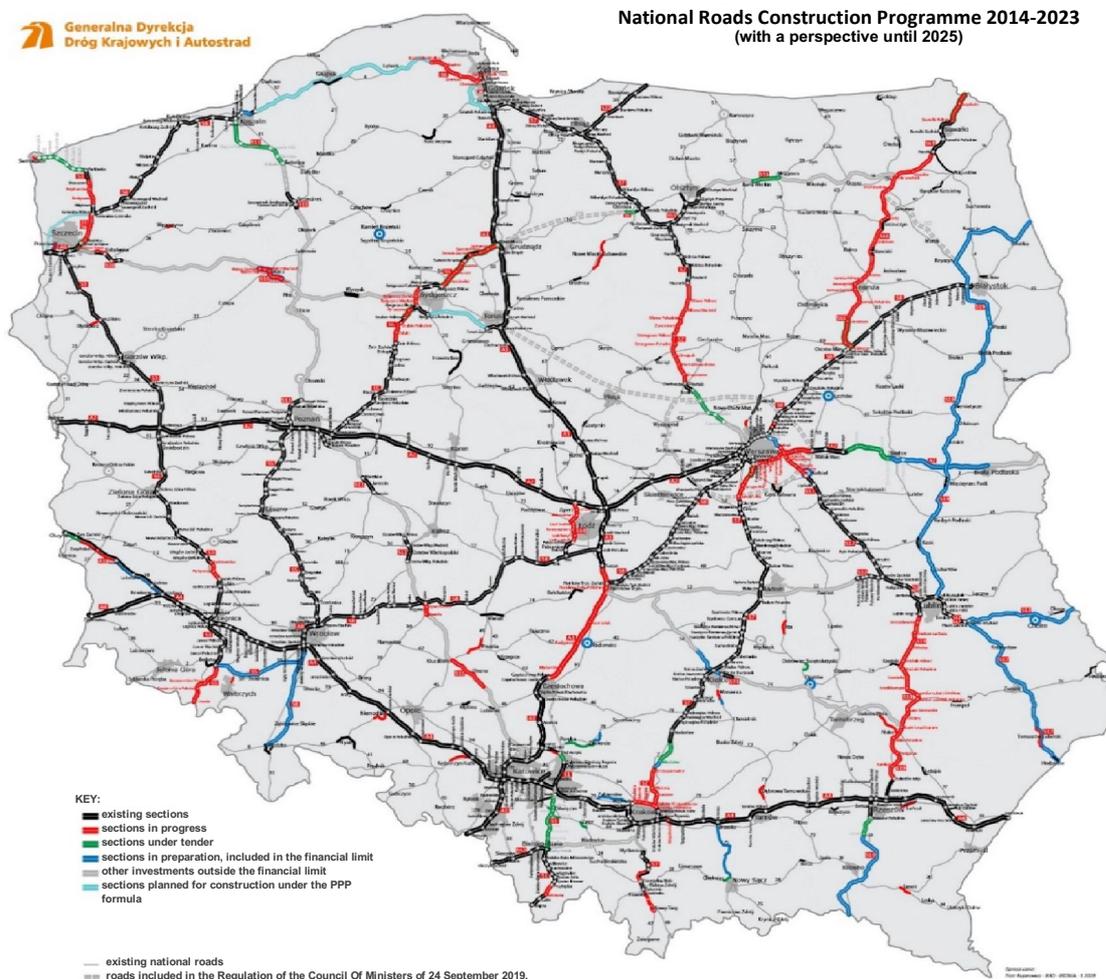
In the area of housing construction, 2019 was a successful year. The data on building permits and commenced housing investments for February this year were very good and probably marked the peak in the housing boom which has continued for several years and is coming to an end. Unfortunately, the outbreak of the COVID-19 epidemic will also revolutionise this market. In the following months, what is expected is banks further tightening their credit policy, and a significant drop in demand for housing purchases. According to cautious forecasts, sales of apartments and commercial premises will drop by 20-30%.

4.2. **Market prospects**

Assuming the continuity of construction and assembly production is maintained in 2020, the construction market will continue to be driven by expenditure on infrastructure investments carried out by the largest clients, including in particular the General Directorate for National Roads and Motorways (GDDKiA).

In 2019, GDDKiA completed 80 tasks with a total length of over 960 km. This year, 460 km of new roads were opened to traffic. Currently, drivers have 4,146.4 km of expressways at their disposal, including 1,696.2 km of motorways and 2,450.3 km of expressways. In addition to the roads put into operation, in 2019 GDDKiA signed 9 contracts for a total of 160.8 km and announced 34 tender procedures for tasks with a total length of 480.3 km. Taking into account the current completion time for road investments, they will be commissioned in a few years.

In parallel with the ongoing investment activities, GDDKiA is preparing a multi-faceted analysis of further development of the national road network in Poland. This includes the target network of express routes, i.e. new and existing motorways and expressways. Another scope of the analysis is the comprehensive coverage of the entire network, i.e. connection of fast routes with other national roads. In particular, this concerns the development of the programme of city bypasses - taking into account the current state of road infrastructure and the development needs of the country, a Programme for the Construction of 100 Ring Roads for 2020-2030 was developed - and towns and other road sections throughout the country. As part of the National Roads Construction Programme 2014-2023 (with a perspective until 2025), GDDKiA has already announced tenders for construction works for 192 sections with a total length of 2530.2 km. Contracts for construction works were signed for 166 sections with a total length of 2193 km and a value of approx. PLN 70 billion, of which over 1164.7 km of new roads were incorporated into traffic. The National Roads Construction Programme 2014-2023 (with a perspective until 2025), updated in September 2019, is estimated at PLN 142.2 billion and assumes the construction of 3568.1 km of new roads.



Maintaining continuity in the execution of government infrastructure investments may prove to be an opportunity to maintain the pace of development for those construction companies which, having a comfortable order portfolio on the verge of the prevailing pandemic, will be able to carry out contracts based on their own material and equipment base without major disruption. As at 31 December 2019, MIRBUD S.A. and PBDiM KOBYLARNIA S.A. had a portfolio of orders with a total net value exceeding PLN 3.5 billion net to

be executed by 2023. At the time of writing this report, the value of this portfolio increased to PLN 4.5 billion net, of which the value of the road contract portfolio is PLN 3.7 billion net.

Currently, the Company is not active in the sector of railway construction, waterways and power engineering, which is why the significant outlays planned in these areas under the “National Railway Programme until 2023”, “Assumptions to the plans for the development of inland waterways in the years 2016-2030” and plans of the Ministry of Energy will not translate into the financial results achieved by the Company in the 2020 perspective.

4.3. Description of activities of companies from the MIRBUD Group in 2019

4.3.1 Description of material achievements and failures of the Issuer during the period covered by the report, along with information on related key events

The most important achievements of the companies from the MIRBUD Capital Group in the reporting period include:

- conclusion of construction contracts for: A1 motorway, Olesno bypass, a fragment of the S1 expressway, a fragment of the A18 motorway, Poręba and Zawiercie bypass, a fragment of the S11 Koszalin-Szczecinek road, a fragment of the S5 expressway for the total net amount of PLN 2 billion 904 million net;
- completion of a fragment of the S5 expressway, the Bolków bypass;
- entering the Warsaw general contractor market, and construction of three public buildings (2 schools and an office building) in the capital;
- maintaining high commercialisation level of CH MARYWILSKA 44 Sp. z o.o. (approx. 95%).

The most important failures of the companies from the MIRBUD Capital Group the reporting period include:

- the profitability of road contracts concluded by PBDiM Kobylnia S.A. in 2015-2017, which are planned to be completed in 2020, has been significantly reduced.

Detailed information on the activities of the Companies from the MIRBUD Group in the reporting period and perspectives for 2019 are presented in the further part of this report.

MIRBUD S.A.

In 2019, the Company continued to provide a wide range of construction and assembly services in the area of industrial, building, residential and engineering and road construction performed under the general contractor system, and to a lesser extent it conducted transport activities, leased machinery, construction equipment and rolling stock, and publishing activities. In connection with the dynamic development, significant expansion of the business area and in order to improve the construction process, the Company has separated the Regions subordinate to technical directors. At present, there are Central, North-West and South Regions, and in the future an Eastern Region will also be created, all of which will benefit from the experience of local engineer staff.

Thanks to the consistent policy of selecting short-term profitable contracts and securing the prices of key materials, applied in the past years, the company has been less affected by the difficult situation on the construction market, related to the over-regulatory increase in prices of materials and services.

Despite the noticeable slowdown in the market for investments in storage halls and logistics halls, the storage and industrial hall segment remained a significant component of the Company’s revenue in 2019. MIRBUD

S.A. intensively develops cooperation with international warehouse space developers: Panattoni, MLP, which in 2019 provided approx. 60% of the Company's revenue, and thanks to their short lead time (up to 6 months) are not burdened with the risk of changes in prices of materials and services.

By the time of publication of this Report, contracts were concluded for the execution of 18 new investments (as a general contractor or consortium leader), including 15 contracts with a total value of approx. PLN 3.5 billion in 2019. The road construction area dominates in value among the contracts signed - as at 31/12/2019 MIRBUD S.A.'s order portfolio included 3 contracts concluded with the GDDKiA for the construction of the A1 motorway, the Olesno bypass, a fragment of the S1 expressway, for a total amount of approx. PLN 2.3 billion net.

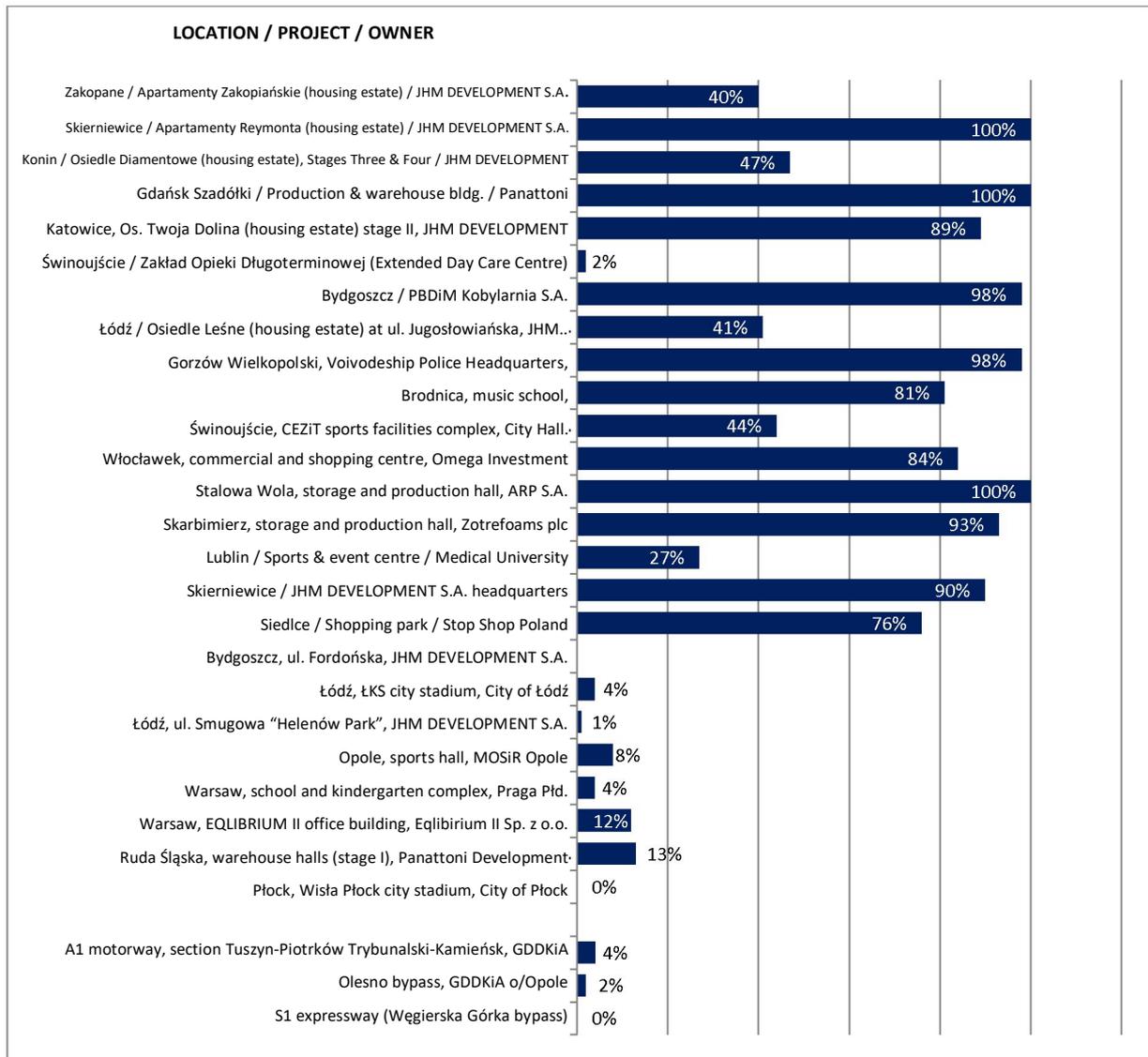
Compared to previous years, the share of contracts for the construction of storage halls in the portfolio of new contracts has decreased, while the number of contracts for the construction of public facilities has increased - contracts were signed for the construction of two sports halls, a stadium as well as a school and an office building.

The total value of contracts signed in 2019 amounted to PLN 3.5 billion net, and the value of the order portfolio as at 31 December 2019 amounted to approx. PLN 3.05 billion, including almost PLN 950 million to be invoiced in 2020.

In addition, the Company carries out residential investments for its subsidiary JHM DEVELOPMENT S.A. in Zakopane, Skierniewice and Łódź, as well as subsequent stages of investments in Konin and Katowice.

All investments were carried out according to the schedule. For the most time, the Company maintained a constant level of investment execution, more than 20 executed constructions.

Below we present a summary of the investments carried out as at the end of December 2019.



In the period from 01/01/2019 to 31/12/2019, the Company participated in 188 non-public tender procedures and 65 public tenders in Poland with a total value of PLN 10.23 billion. 18 of them ended with the selection of the Issuer's bid.

In the period from 01/01/2019 to 31/12/2019, the Company has participated in 11 tender procedures in Ukraine with a total value of approx. EUR 264 million.

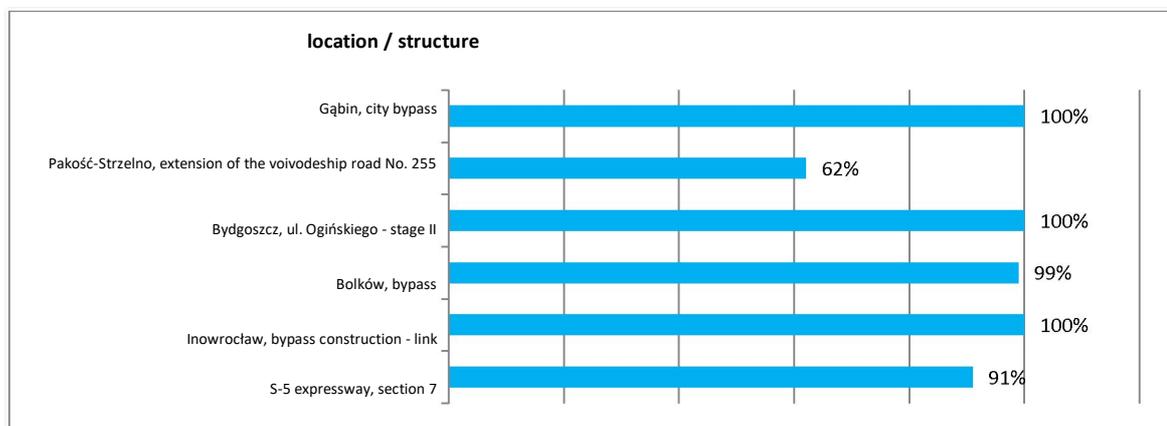
PBDiM KOBYLARNIA S.A.

In 2019, the recovery in the infrastructure market continued, which translated into the number of successful tenders.

In 2019, the Company performed the following tasks:

- Design and construction of the S-5 expressway, a section from the border of the Wielkopolskie Voivodeship to the Jaroszewo interchange, commissioned by the Directorate of National Roads and Motorways (GDDKiA). The works continue according to the schedule. A contract valued at: PLN 421,818 thousand.
- Design and construction of the Inowrocław bypass, stage II (link) - commissioned by GDDKiA. The works continue according to the schedule. A contract valued at: PLN 93,972 thousand.
- Construction of the Bolków bypass. The works continue according to the schedule A contract valued at: PLN 73,451 thousand
- Ogińskiego - construction. A contract valued at: PLN 27,800 thousand
- Construction of the Gąbin bypass. A contract valued at: PLN 36,790 thousand
- Expansion of the voivodeship road No. 255 Pakość-Strzelno A contract valued at: PLN 15,900 thousand
- Execution of several dozen smaller tasks, which involved the necessity to gradually increase the personnel and equipment potential. Despite the significant number of tasks, the Company fulfilled all the concluded contracts. On smaller contracts, work is carried out on all possible fronts, depending on the advancement, demolition, earthworks, paving and industrial works were carried out.

The progress of work on major construction sites at the end of 2019 is shown in the chart below:



In 2019, the Company participated in 204 tenders with a total gross value of PLN 10.16 billion, 23 of which ended with the selection of the bid with a total gross value of PLN 1.65 billion by the date of the report.

EXPO MAZURY

In 2019, as in previous years, the Company's scope of activity included the organisation of fair events covering a wide range of industries, as well as activities consisting in the lease of specific parts of the facility for events organised by external entities. These events include trade fairs, congresses and conferences. The change in

the income structure is related to a new type of business, and another income segment is long-term rental for IKEA.

In the first half of 2019, a total of 5 fair events took place, which gathered 280 exhibitors and 30 thousand visitors.

- Auto Moto Arena - sixth edition of the popular automotive fair combined with dynamic demonstrations and the Auto Moto Classic historic vehicles exhibition;
- Your Home Your Garden (Twój Dom Twój Ogród) Trade Fair and Green Arena (Zielona Arena) Horticultural Market. The star of this year's YHYG (TDTO) trade fair was Dariusz Wardowski;
- Easter Fair - the second edition of the event, this year carried out simultaneously with the Your Home Your Garden Trade Fair;
- Mazury HoReCa - the fourth edition of the industry event, in a strictly business formula with the participation of Hosted Buyers and the use of a meeting system and mobile application dedicated to exhibitors and visitors. The event was accompanied by external conferences organised by, i.a. Nocowanie.pl and Makro.

The Fair, which took place in the first days of June, was undoubtedly a success for the entire Expo Mazury team.

In the first half of 2019, as a result of changes made in 2018, the number of own trade fair events was reduced in favour of short- and long-term lease, as well as organisation of client-commissioned events at the headquarters of Expo Mazury. In the first half of 2019, 10 events were held, attended by a total of 59,000 people. The most important of these were:

- Betlejem na Warmii i Mazurach [Bethlehem in Warmia and Mazury] - a concert of carols from all over the world performed by Polish music stars such as Kamil Bednarek, Grażyna Łobaszewska and Dawid Kwiatkowski.
- Mazurian Agro Show - agricultural machinery and equipment fairs, which gathered over 300 exhibitors and 42 thousand visitors.
- Twenty One conference for 2500 thousand listeners from all over Poland.
- Self-Government Mayor Day, a meeting of 1800 mayors which was attended by the Marshal of the Warmińsko-Mazurskie Voivodeship, Gustaw Marek Brzezina, who presented the awards to the mayors involved in activating local communities; the meeting was enriched by a concert by Zenek Martyniuk.
- Self-Government Firefighter Day.
- Arena Festival Film & Music - external realisation of the Centre for Education and Cultural Initiatives in Olsztyn, 4500 listeners, 3-day film music festival performed by the Feliks Nowowiejski Warmia and Mazury Philharmonic Symphony Orchestra from Olsztyn.
- Ostróda Yacht Company Picnic - over 2500 participants.

In February 2019, the Company leased 20 thousand square metres of warehouse space to Ikea Industry Lubawa. The contract was signed for two years with the possibility of renewal.

ТОВ «МІРБУД»

The company was established for the purpose of conducting business activity in Ukraine. Currently, it analyses the market potential, creates the structure allowing for participation in public tenders, gains

experience and recognises the possibilities of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine.

JHM DEVELOPMENT S.A.

JHM DEVELOPMENT S.A. primarily develops residential buildings. In 2019, the Company's development activities focused mainly on:

- the execution of development projects in Żyrardów, Skierniewice, Rumia and Konin which were completed this year. Revenue from the sale of premises in these investments was recognised in 2019.
- continuation of previously commenced developer investments, the execution of which will continue in 2020 and the next year. This group includes investments in Katowice, Żyrardów, Konin, Bydgoszcz, Gdańsk, Zakopane and Łódź.

These investments are located in accordance with the strategic assumptions of the Company, which so far has operated in smaller and medium-sized cities of central Poland, located in the vicinity of large urban agglomerations, and selectively in other regions with high potential, where it is possible to realise attractive margins.

When selecting locations for new investments, the key factors for the Company include:

- strong demand,
- limited competition,
- the financial capacity of the inhabitants of the city in question.

The projects are carried out in stages as the appropriate level of sales is achieved. The construction of further buildings in the ongoing investments starts after a minimum level of 60% of the sales of residential units in the previous stages is achieved.

As at 31/12/2019, the sales of finished residential units took place in 7 locations, comprising 16 multi-family residential buildings (a total of 338 units with residential space of 18.3 thousand sq.m. PUM). In five locations, the Company had ready units in buildings completed in 2019 (in Żyrardów - stage III of Osiedle Okrzejówka, in Brzeziny - stage III of Osiedle na Wzgórzu, in Rumia - stage III of Osiedle Królewskie, in Skierniewice - Apartamenty Reymonta and in Konin - stage III of Osiedle Diamentowe).

Detailed presentation is provided in the table below. The table includes all investment projects completed by 31/12/2019.

Table: List of completed development projects and number of units sold as at 31/12/2019

Item No.	Location	Type of investment	Number of units in the building	PUM area [sq.m]	Number of units sold	Number of units to be sold
1	BRZEZINY ul. Głowackiego	Multi-family	128	6,933	127	1
2	ŻYRARDÓW ul. Hulki Laskowskiego	Multi-family	83	4,409	83	0
3	RUMIA ul. Dębogórska Stage I	Multi-family	244	12,987	241	3
4	SKIERNIEWICE ul. Trzcńska	Multi-family	159	8,552	159	0
5	RAWA MAZOWIECKA ul. Solidarności	Multi-family	32	1,790	32	0
6	RAWA MAZOWIECKA ul. Kazimierza Wielkiego	Multi-family	34	1,858	34	0
7	HEL ul. Steyera	Apartments	106	3,496	76	30
8	BEŁCHATÓW ul. Hubala	Multi-family	125	6,550	125	0
9	SKIERNIEWICE ul. Rawska	Multi-family	172	9,034	172	0
10	RAWA MAZOWIECKA ul. Katowicka	Detached houses	73	10,503	73	0
11	RUMIA ul. Jagiełły/Bony	Detached houses	3	486	3	0
12	ŻYRARDÓW ul. Okrzei Stage I	Multi-family	88	4,316	88	0
13	KONIN ul. Berylowa Stage I	Multi-family	144	7,384	143	1
14	ŁOWICZ ul. Medyczna 12	Multi-family	25	1,383	25	0
15	KONIN ul. Beryllium Stage II	Multi-family	144	7,389	143	1
16	KATOWICE, ul. Pułaskiego Stage I	Multi-family	208	11,116	198	10
17	ŁOWICZ ul. Bonifraterska	Multi-family	25	1,398	25	0
18	RUMIA ul. Dębogórska Stage II	Multi-family	237	11,987	213	24
19	SKIERNIEWICE ul. Kopernika	Multi-family	34	1,787	34	0
20	BRZEZINY ul. Kard. St. Wyszyńskiego 2	Multi-family	56	2,838	55	1
21	ŻYRARDÓW ul. Okrzei Stage II	Multi-family	34	1,933	34	0

22	ŁOWICZ ul. Medyczna 10	Multi-family	30	1,406	30	0
23	ŻYRARDÓW ul. Okrzei Stage III	Multi-family	70	3,977	49	21
24	BRZEZINY ul. Kard. St. Wyszyńskiego 4 and 6	Multi-family	72	4,129	24	48
25	SKIERNIEWICE, ul. Reymonta	Multi-family	212	11,748	136	76
26	RUMIA, ul. Dębogórska Stage III	Multi-family	74	3,541	15	59
27	KONIN, ul. Beryłowa, Stage III	Multi-family	122	5,998	58	64
TOTAL			2,734	148,928	2,395	339

In 2019, the Company sold 352 residential units with an area of 18.7 thousand sq.m. PUM, as compared to 376 units with an area of 20.4 thousand sq.m. PUM in 2018.

As at 31/12/2019, the Company has 339 finished units with a total residential area of 18.3 thousand sq.m. PUM.

The Company's portfolio also includes 667 residential units with a total residential area of 35.2 thousand sq.m. PUM in investments currently under construction. The table below presents details of these investments.

Table: List of development projects under construction as at 31/12/2019

Item No.	Location	The plot of land area [ha]	Housing type	PUM [sq.m.]	Number of premises
1	KATOWICE, ul. Pułaskiego Stage II	0.5016	multi-family	7,154	116
2	ZAKOPANE ul. Szymony	0.9860	housing and services	8,734	241
3	ŁÓDŹ ul. Jugosłowiańska Stage I	5.7443	detached houses	5,075	31
4	ŻYRARDÓW ul. Ks. J. Popiełuszki	0.3139	multi-family	4,838	98
5	ŁÓDŹ ul. Źródłowa	0.6627	multi-family	9,408	180
TOTAL		8.2085		35,209	666

Marywilka 44 Sp. z o.o.

Marywilka 44 derives revenue from the lease of commercial space to entities engaged in commercial activity in the facilities of the MARYWILSKA 44 Shopping Centre and the MARYWILSKA 44 Wodny Park Handlowy managed by it, located in Warsaw, Białołęka district, at ul. Marywilka.

Another source of revenue is the sale of electricity to the aforementioned entities. To a small extent, the Company also generates revenue from advertising activity and warehouse space rental.

It is estimated that currently more than 1 million people live within 10 minutes from the MARYWILSKA 44 shopping complex, which determines the huge potential of the complex. Further large housing estates are currently being built in the immediate vicinity, which has good prospects for future business development.

The Company's activity consists in managing the MARYWILSKA 44 shopping centre with a total lease area of 68,000 sq.m. GLA, comprising 1,360 retail units with areas ranging from 20 to 1,870 sq.m., which may be independent units or, once merged, may be larger retail facilities used by a single tenant.

Entities which constitute the base of the Company's tenants have many years of market experience and, to a large extent, regular customers, both residents of Warsaw and its surroundings and other parts of Poland and foreigners. The advantage is the prices offered and the variety of products in many industries.

Currently, the largest group of tenants in the structure of tenants are from the following industries: fashion (65%), catering (11%), food (9%), recreation (4%), interior design (3%).

The investment called MARYWILSKA 44 Wodny Park Handlowy, completed at the end of 2017, with a lease area of 12,000 sq.m. GLA, includes 15 commercial units with an area ranging from 80 sq.m. to 2,268 sq.m. The facility operates under a different formula than the Shopping Centre and does not compete with the Centre. Shops offering home and garden goods dominate among the tenants, but there is also a recreation and sports zone, and there is a possibility to pursue various hobbies. There are chain stores offering home furnishings, garden accessories, construction materials, household appliances and furniture. The tenants include: PSB Mrówka, JYSK, ABRA Meble, DYWANELLA, AT Oświecenie, Jeta Łazienki, Outletmedia RTV AGD, MK Meble, STOKKI HOME, Galeria Dobrych Mebli, ROMAX, Indian Meble and Park Trampolin JUMP ARENA.

As at the date of this report, the new facility was fully commercialised.

Thanks to extensive advertising in Warsaw and throughout the country, CH MARYWILSKA 44 has an important position on the map of retail facilities.

In the reporting period, the Centre was visited on average by 384,000 people per month, which gives the number of over 4.6 million customers per year.

In the period in question, actions aimed at reducing the Centre's operating costs were implemented. For example, the replacement of the shopping centre lighting with LED lighting was carried out in hall F, divided into stages.

Repair works also continued with the replacement of floors and painting walls in common areas and repairing restrooms in hall A. Overhaul and repair of parts of air-conditioning equipment in the Shopping Centre was carried out. Arrangement of the common parts of the Water Park was carried out. New car park traffic marking was made, new green areas were developed.

JHM 1 Sp. z o.o.

As part of the diversification of core business in the JHM DEVELOPMENT Group, a special purpose vehicle, JHM 1 Sp. z o.o., was established to carry out investment projects in the commercial property rental market segment. The investment project implemented by the Company is a commercial and service pavilion of the "House and Garden" sector in Starachowice. The project commenced in 2011. After completion of the construction process and obtaining the occupancy permit for the facility, on 29/10/2012 the commercial and service facility together with the infrastructure were collected and on the same day the Company issued the subject of lease to the tenant - the NOMI commercial chain of the "House and Garden" sector.

Following the change of tenant, who since February 2016 has been the “Bricomarché” commercial chain, JHM 1 Sp. z o.o. manages the facility under a long-term lease contract for this property. The contract is for a ten-year period, with the possibility of automatic renewal for another two ten-year periods.

JHM 2 Sp. z o.o.

In the case of JHM 2 Sp. z o.o., its main area of activity is the management of facilities with the “BIEDRONKA” commercial chain as the main tenant, owned by Jeronimo Martins Polska S.A. with its registered office in Kostrzyn.

The investment projects implemented by the Company included the purchase of commercial pavilions located in Bielsko-Biała, Istebna and Zabrze and the construction in of a small *retail park* called *Centrum Janowo* in Rumia.

Centrum Janowo is located in the immediate vicinity of Osiedle Królewskie - a development investment of JHM DEVELOPMENT S.A., whose three stages have been completed. The entire housing estate has 555 residential and commercial units.

The shopping facilities in Bielsko-Biała, Istebna and Zabrze were sold in previous years.

As part of the implementation of the strategy, the Management Board of the Company does not rule out the sale of another facility either, making decisions dependent on the attractiveness of the submitted tenders. In the future, as part of the operations of JHM 2 Sp. z o.o., the construction and lease of further commercial facilities is not excluded.

4.4. Corporate Social Responsibility

The MIRBUD Capital Group implements the strategy concerning environmental protection, occupational health and safety and activities for local communities described in the report on non-financial activities published in the Annual Report for 2019.

4.5. Information on the Group’s basic products, services or goods

The structure of revenue from sales, costs of sales and profitability by business segments for the MIRBUD Capital Group in 2019 as compared to 2018 are presented in the tables below:

Table: Sales realised by the MIRBUD Capital Group in the periods from 01/01/2019 to 31/12/2019 and 01/01/2018 to 31/12/2018 by segments

Specification	Sales revenue 01/01/2019 – 31/12/2019	Structure of revenue in %	Sales revenue 01/01/2018 - 31/12/2018	Structure of revenue in %
Sale of construction and assembly services:	799,909	84.28	992,004	86.78
- residential buildings			0	0
- public buildings	90,459	11.31	71,474	7.20
- production, commercial and service	311,920	38.99	427,284	43.07
- road-engineering works	397,531	49.70	493,247	49.72
Real estate development activity	92,731	9.77	97,872	8.56

Activities connected with lease of investment property	46,631	4.91	45,299	3.96
Exhibition and trade fair activity	8,032	0.85	5,943	0.52
Other	1,800	0.19	2,010	0.18
TOTAL	949,104	100.00	1,143,128	100.00

The value of the Group's revenue in 2019 as compared to 2018 decreased by approx. 17%. This was mainly due to the fact that the Group achieved significantly lower revenue from the sale of construction and assembly services, mainly in the segment of production, commercial buildings (down by 27 p.p. y/y) and engineering and road works (down by 19% y/y).

This also affected the Group's sales structure, which changed compared to the analogous period in the previous year. The main share in the Group's sales structure was still represented by construction and assembly services, accounting for approx. 84% of total sales (a decrease in the share of the Group's total revenue by 2.5 p.p.).

Among the revenue from construction and assembly services, the highest revenue was generated by the sale of services in the segment of engineering and road works, accounting for approx. 49% of those services (share in the revenue unchanged) and service and commercial buildings generating approx. 39% of revenue from the sale of those services (decrease in the share by approx. 4 p.p. year-on-year).

Services in the segment of public buildings, which accounted for approx. 11% of sales (increase in sales share by 4 p.p.), revenue from development activity and revenue from rental of investment property increased the share in total sales by approx. 1 p.p.

In the reporting period, the share in the sales revenue from exhibition activities remained below 1%.

The change in the sales structure in the Group resulted mainly from:

- the final stage of road contracts for the construction of the Inowrocław bypass, a fragment of the S5 expressway and the Bolków bypass,
- initial phase of construction contracts concluded in 2019 often under the "design and build" formula,
- completion of warehouse and logistics projects carried out on behalf of international operators, i.e. Panattoni, MLP (construction sites in Pruszków, Gliwice, Gdańsk, Radomsko, Szczecin - contracts with a total value of over PLN 370 million) with a noticeable slowdown in the warehouse and logistics industry;
- execution by MIRBUD S.A., on commission by JHM DEVELOPEMENT S.A., of new development projects in Katowice, Konin, Skierniewice, Rumia, Zakopane (approx. PLN 86 million revenue, subject to consolidation exclusion);
- increasing the level of sales of property rental services (i.a., due to the lease of part of the EXPO MAZURY S.A. halls for IKEA);
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. Capital Group in the periods from 01/01/2019 to 31/12/2019 and 01/01/2018 to 31/12/2018 by segments

Specification	Gain/loss on sales 01/01/2019 – 31/12/2019	Sales profitability in %	Gain/loss on sales 01/01/2018 – 31/12/2018	Sales profitability in %
Sale of construction and assembly services:	61,328	7.67	56,401	5.69
- residential buildings			0	0
- public buildings	7,765	8.58	- 5,226	- 7.31
- production, commercial and service buildings	35,291	11.31	30,936	7.24
- road-engineering works	18,272	4.60	30,691	6.22
Real estate development activity	18,640	20.10	18,839	19.25
Activities connected with lease of investment property	18,941	40.62	18,472	40.78
Exhibition and trade fair activity	2,407	29.97	39	0.66
Other	-744	-41.30	-548	-27.24
TOTAL	100,572	10.60	93,204	8.15

The Group achieved a positive financial result in all its basic segments of activity. The profitability of the Group's sales in 2019, compared to 2018, increased by 2.45 p.p. This resulted mainly from the increase in profitability in the construction and assembly services segment (increase in profitability level by almost 2 p.p.) and in the exhibition and trade fair activities segment.

It is worth noting that the results of the Group, operating mainly on the construction market, were stabilised through diversification of its operations, in particular through high profitability of sales in the segment of development and lease of investment properties, which generated nearly 40% of the gross sales result.

4.6. Information on sales and supply markets

4.6.1. Recipients

MIRBUD S.A.

In the reporting period, the recipients of the Company's services were domestic entities. The customers of products and services provided by MIRBUD S.A. can be divided into two groups:

- commercial entities,
- entities subject to the provisions of the Public Procurement Law.

Despite a strong recovery in the construction segment in the first half of 2019, the situation in the construction market remained difficult for construction companies, due to the high price pressure and difficult-to-calculate increase in material and subcontracting services' prices, all reducing the margin, in particular in public procurement contracts.

Despite the strong competition on the market, MIRBUD S.A. gradually increased the effectiveness of trade negotiations with commercial entities in the segment of public construction, which in 2019 resulted in contracts concluded for construction services.

It should be emphasised that MIRBUD S.A., due to the wide range of provided construction services, their quality and punctuality, supported by many years of experience, finds recipients of its services in every sector of the economy. Very often, these factors, which are followed by a positive opinion on the quality of services provided, determine the possibility of negotiations between the investor and the contractor and result in the signing of a contract beneficial to both parties.

In 2019, the Company achieved over 10% of its sales revenue with the following customers: entities from the Panattoni Europe Capital Group (in total approx. 25%), JHM DEVELOPMENT (19%).

PBDiM KOBYLARNIA S.A.

In the reporting period, the recipients of the Company's services were domestic entities. The recipients of products and services offered by PBDiM KOBYLARNIA S.A. in Kobylarnia can be divided into two groups:

- public sector entities - subject to the provisions of the Public Procurement Law,
- private sector entities,

The vast majority of the Company's revenue was generated from construction services commissioned by GDDKiA and MIRBUD S.A., whose end customers were public sector entities (mainly GDDKiA).

In 2019, the Company participated in 204 tenders with a total gross value of PLN 10.16 billion, 23 of which ended with the conclusion of contracts with a total gross value of PLN 1.65 billion by the date of the report.

EXPO MAZURY S.A.

2019 did not bring any significant improvement in the situation of the Exhibition Centres. Strong competition and price pressure on margins persisted. An example is the aggressive policy of the Bird Centre Expo and Poznań Trade Fair. Despite modern and functional exhibition areas, due to the location of Expo Mazury S.A. (Ostróda), the Company had difficulty competing with the market-established Trade Fair centres located in large urban areas.

It should be emphasised that EXPO MAZURY S.A., due to the wide range of provided services and their quality, supported by many years of experience, finds its recipients in every sector of the economy. Very often these factors, supported by a positive opinion on the quality of services provided, determine the possibility of negotiations between us and the customer and result in signing a contract beneficial to both parties.

2019 allowed to verify the budgetary assumptions and further short- and long-term plans. Consistency in the implementation of the assumptions made it possible to strengthen all areas of the company's operations.

The development strategy of EXPO MAZURY is based on the main pillars, which are: trade fairs, short- and long-term lease and services related to the organisation and construction of stands at external events.

The organisation of stands at events outside Expo Mazury remains an important element of the Company's activity. In 2019, the Company constructed a number of stands for the Ministry of Agriculture and its subsidiaries, but also for companies operating on the Polish and foreign markets, gaining customers for comprehensive services throughout the entire trade fair season, including Froneri and Agrifirm. In the perspective, the Company is entering into more and more new tenders, and it is increasing its execution capabilities which allow it to execute contracts also in the area of standard buildings.

In 2019, a total of 8 fair events took place, which gathered 620 exhibitors and 70,000 visitors, including:

- Auto Moto Arena - fifth edition of the popular automotive fair combined with dynamic demonstrations and the Auto Moto Classic historic vehicles exhibition.
- Your Home Your Garden (Twój Dom Twój Ogród) Trade Fair and Green Arena (Zielona Arena) Horticultural Market. The sixth edition of B2C trade fair, during which manufacturers and distributors of building materials, finishing and installation materials, interior decoration elements, design studios, manufacturers and distributors of small garden architecture and several dozen exhibitors from the horticultural industry presented their products and services on 13 thousand square metres of exhibition space.
- Mazury HoReCa - the fourth edition of the industry event, in a strictly business formula with the participation of Hosted Buyers and the use of a meeting system and mobile application dedicated to exhibitors and visitors. The fair was accompanied by external conferences dedicated to kitchen cabinets and accommodation facility managers.
- Hubertus Arena - hunting fair combined with a nationally-unique educational path created by the State Forests in cooperation with the Polish Hunting Association. In 2019, for the first time, the fair included a hunting dog show.
- The ZAGRODA agricultural trade fair is the largest event in the industry in north-eastern Poland. The fair was accompanied by the Warmia and Mazury Breeding Animals Exhibition, organised by the Warmia and Mazury Agricultural Advisory Centre, the Fur Animals Exhibition and the Marketplace of Used Agricultural Machinery.

Apart from the fair and exhibition activity, short- and long-term lease, and organisation of events at the headquarters of Expo Mazury is an important area of development of Expo Mazury S.A. In 2019, 16 conferences, events and outdoor events were held, attended by a total of 60,000 people. The most important events are:

- Mazurian Agro Show - agricultural machinery trade fair organised by the Polish Chamber of Agricultural Machinery and Equipment, which attracted 40 thousand visitors.
- The “Betlejem w Polsce” [Bethlehem in Poland] concert - as part of the national tour organised by the Sarim concert agency. The performers included such stars as Kamil Bednarek and Dawid Kwiatkowski. The event gathered an audience of 4500 people.
- Self-Government Mayor Day, a meeting of 1500 mayors which was attended by the Marshal of the Warmińsko-Mazurskie Voivodeship, Gustaw Marek Brzezina, who presented the awards to the mayors involved in activating local communities; a concert by Zenek Martyniuk took place during the meeting.
- Arena Festival Film & Music - external realisation of the Centre for Education and Cultural Initiatives in Olsztyn, 4000 listeners, 3-day film music festival performed by the Feliks Nowowiejski Warmia and Mazury Philharmonic Symphony Orchestra from Olsztyn.
- Ostróda Yacht Company Picnic - over 2000 participants
- The Royal Moscow Ballet’s performance of “The Swan Lake” for an audience of 4000 people as part of a national tour conducted by the Prestige MJM concert agency.
- Christian Youth Meeting
- Targi Młodej Pary [The Bride and Groom Fair] - wedding fair with dozens of exhibitors from the industry, organised by an external agency.

As part of the long-term lease, in February 2020 the Company leased halls 5 and 6 to Ikea Industry from Lubawa for warehouse purposes, signing a two-year contract. In 2019, a long-term lease contract was also signed for hall 2, in which a trampoline park was created.

Other companies of the MIRBUD Group

There is no dependence on any recipients of services.

4.6.2. Suppliers

MIRBUD S.A.



The Company, acting in accordance with the adopted procedures of the Quality Management System ISO 9001:2000, establishes and maintains cooperation with suppliers who, after meeting the strictly defined requirements, are placed on the list of qualified suppliers. On its basis, the Procurement Department conducts commercial negotiations on the supply of building materials for the performance of particular tasks. For the purpose of additional cost control on key projects (ultimately on all projects), the Management Board of the Company appoints the so-called Tender Committees, which in cooperation with the Contract Manager and Industry Managers select the most advantageous tender.

The Tender Committees shall be responsible for the identification, selection and qualification of subcontractors for services and for the suppliers of materials, in particular:

- price level of supplies of materials/goods/services and negotiated payment terms;
- an assessment of the supplier's ability to deliver to the extent and within the timeframe required by the material requirements;
- an assessment of the subcontractor's ability to perform the service to the extent and within the timeframe required by the client;
- a precise definition of the requirements for the material/goods/services to be procured.

The Company has at least three suppliers for each significant product (material, service, product). This guarantees the highest standards of service and continuity of supply.

Cooperation with both long-term and new suppliers of construction materials and services in the presented period was smooth. The Company did not have any significant problems with the supply of construction materials or services on its investments in the new regions.

In the reporting period, the Company's suppliers were domestic market suppliers.

In the analysed period, the Company has not become reliant on any of its suppliers of materials and services.

JHM DEVELOPMENT

The Group does not have any suppliers in the traditional sense of the word. The Group cooperates with a number of entities on the Polish market on development and commercial projects. These entities are banks providing design financing, construction companies (including MIRBUD S.A.) performing construction and finishing works and architectural companies and entities providing additional services, e.g. marketing. In each of the above mentioned activities there is considerable competition on the Polish market.

There is no dependence on any of the suppliers

Other companies of the MIRBUD Group

Other Companies of the MIRBUD Capital Group, i.e. PBDiM KOBYLARNIA, TOB «МИРБУД», Marywilka 44 sp. z o.o., EXPO MAZURY S.A. apply supplier selection procedures based on MIRBUD S.A. solutions. There is no dependence on any of the suppliers.

4.7. Prospects for the development of the activities of the MIRBUD S.A. Group

The Group's primary objective remains to develop the scale of its activities while maintaining attractive EBITDA and net gain margins.

MIRBUD S.A.

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As at the day of preparing the report, in the portfolio of MIRBUD S.A. the value of contracts to be executed in 2019 and the following years is over PLN 3 billion net, with approx. PLN 950 million for 2020. In 2019, the segment of production, service and commercial buildings was dominant in the Company's revenue, generating about 60% of revenue. Other business segments generated between 7-17% of revenue each.

In the coming years, the sales structure will change due to the contracts concluded in the road construction and public buildings segments. The dominant sales segment will still be the segment of production, service and commercial buildings, however, the Company will generate significant revenue in the engineering and road segment (approx. 30%-40% of revenue) and the public buildings segment (approx. 20%-30% of revenue).

What is important for the development perspective of MIRBUD S.A. is the entry of general contractors into the Warsaw market and the construction of two public facilities (a school and an office building) in the capital city.

Moreover, despite a slight downturn cooling in the sector and a drop in interest of tenants in new warehouse space, MIRBUD S.A. will continue to intensively develop cooperation with international warehouse space developers: Panattoni, MLP, Goodman, Prologis.

In 2020, 12 investments are planned to be completed and delivered, with the total amount of over PLN 270 million net, including: 3 storage halls and 9 public buildings.

Since the beginning of March 2020, the Polish economy has been suffering from the coronavirus pandemic and the COVID-19 disease. As at the date of the report, the construction sector has been suffering from restrictions and problems related to the introduced state of the epidemic to a small extent. All construction contracts of MIRBUD S.A. are executed on time.

In the case of a protracted state of the epidemic, the biggest problem is the uncertainty as to administrative decisions introducing new restrictions and growing absenteeism of employees, mainly from Ukraine, and logistics problems in the supply chains, which may translate into the timeliness of contracts being executed.

In this situation, the feeling of business security of MIRBUD S.A. is provided by a portfolio of contracts filled mainly with long-term contracts with the public Contracting Authority for the construction of roads (A1, Olesno bypass, S1), and for the construction of public buildings (e.g. extension of the city stadium in Łódź, construction of the Sports Hall, sports hall of the Medical University of Lublin, school and kindergarten complex in Warsaw, sports stadium in Płock, terminal at the Radom airport).

The increase in unemployment and the postponement of part of private or local government investments anticipated as a result of the pandemic may be an opportunity to reduce employees' wage expectations and increase the availability of subcontracting services.

The Company finances its development and current activities with the use of bank credits, leasing and factoring. The value of available financial resources is sufficient for the performance of construction contracts while maintaining the current scale of the Company's activities. In order to reduce the risk of dependence of financing on the banks' credit policy and the financing structure change, the Company's strategy provides for a further exchange of short-term debt for long-term financing and that the newly acquired financing with credits and advances from the Contracting Authority will be appropriate for the implementation of specific construction contracts.

Factors building the Company's value will continue to include increased effectiveness of executed construction contracts and acquisition of new competencies in prospective areas of the construction market. In addition to market activities, the Company will continue activities aimed at reducing costs through the use of an integrated management system based on the SAP system in all companies of the Capital Group.

JHM DEVELOPMENT S.A.

The primary objective of the Company remains the development of the scale of its activities and an attractive EBITDA operating gain margin level and net gain. The Company intends to achieve these objectives by further developing the scale of its development activities in medium-sized cities, especially those located near larger urban agglomerations.

Such locations allow for profitable execution of development projects with a reduced level of risk. In smaller and medium-sized cities, land prices are moderate, so the Company can more easily accumulate its own contribution to the purchase of land and to the commencement of the investment. In such locations there is often limited competition, and the cost of construction services and materials is sometimes lower than in the largest Polish agglomerations. The projects completed in such cities as Brzeziny, Rumia, Bełchatów, Konin, Rawa Mazowiecka, Skierniewice or Żyrardów are an example of the implementation of this concept.

During the discussed period, the Company will also implement projects in smaller and medium-sized Polish cities as well as in large cities such as Katowice, Bydgoszcz, Łódź and Gdańsk.

In some of the planned projects, these will be the next stages of investment projects carried out previously.

As at 31/12/2019, the land bank owned by the Company includes over 40.0 hectares of land for single-family, multi-family and commercial development.

In order to supplement the land bank, the Company is systematically looking for new land for multi-family housing in locations consistent with its long-term development strategy.

For the years 2020 - 2022, on the basis of the owned land bank, the Company plans to start the implementation of another 10 projects in the investment area covering multi-family and single-family housing, in total 1,602 premises with a usable area of 87.9 thousand sq.m. PUM.

Continuation of subsequent stages of housing estates on the markets where the developer has been present for years, as well as the launch of activities in new markets, including large cities, will enable the Company to maintain the sales level achieved in 2019 and to gradually increase it in the coming years.

Detailed data on investments launched in the coming years are presented in the table below.

Table: List of development projects planned for implementation in the years 2020-2022

Item No.	Location	The plot of land area [ha]	Housing type	PUM [sq.m.]	Number of premises
1	SOCHACZEW ul. Żeromskiego Street.	0.1198	multi-family	1,750	32
2	KONIN ul. Beryłowa Stage IV i V	1.0125	multi-family	8,827	177
3	BYDGOSZCZ ul. Fordońska	0.7958	housing and services	14,330	304
4	ŁÓDŹ ul. Źródłowa	0.6627	multi-family	9,408	180
5	SKIERNIEWICE ul. Armii Krajowej	1.2253	multi-family	14,900	290
6	BYDGOSZCZ ul. Bohaterów Kragujewca	0.4137	multi-family	6,554	119
7	GDAŃSK ul. Wielkopolska Stage I	0.6390	multi-family	5,547	106
8	ŻYRARDÓW ul. Legionów Polskich	0.5476	multi-family	9,066	172
9	ŁÓDŹ ul. Jugosłowiańska Stages II and III	6.8560	detached houses	8,292	50
10	GDAŃSK ul. Wielkopolska Stage II	1.0673	multi-family	9,265	172
TOTAL		13.3397		87,940	1,602

By observing customer behaviour and the actions of the competition, the Company flexibly adjusts its sales methods to market expectations. It offers a wide range of already completed investments ready for sale and investments planned to be launched in the near future, as well as rented tourist apartments, which are also intended for sale.

The Management Board of the Company believes that one of its priorities, which translates into generating significant value, is operational optimisation. The Company's objective is to minimise the regular level of employment and to limit it mainly to experienced employees, in particular to higher level staff, who are able to efficiently manage the implemented projects on the basis of modern IT systems. This was also the purpose of the implemented project to implement a modern SAP information system in the Company. The actions taken allow to minimise fixed costs and translate into the optimisation of the operational profitability of the Company.

The prospects and pace of development of JHM DEVELOPMENT S.A. in 2020 may be influenced by the spread of the SARS-CoV-2 virus and the COVID-19 disease. If the epidemic continues, there may be negative financial consequences caused by:

- the drop in demand for premises,
- disruptions to projects' financing,
- general contractors' and subcontractors' delays.

As at the date of this report, there are neither delays in the execution of contracts nor a significant decrease in the dynamics of sales of premises.

PBDiM Kobyłarnia S.A.

One of the measures to stimulate the economy and minimise the effects of the expected slowdown in the economy caused by the coronavirus pandemic and the COVID-19 disease is increased infrastructure investment. In 2020 and beyond, PBDiM KOBYLARNIA S.A. will continue to develop its road segment activities. The Company has a portfolio of orders for the years 2020-2023 allowing it to maintain an average level of revenue from 2017-2019. Despite this, it is actively seeking contracts by participating in tenders. In the implementation of the planned strategy and the extension of the scope of activities, as well as strengthening its position on the market, it is particularly important to create a consortium of companies in order to participate in tenders for construction and assembly services. Factors building the Company's value will include increased effectiveness of executed construction contracts and acquisition of new competencies in prospective areas of the construction market. In addition to market activities, the Company will continue activities aimed at reducing costs through effective use of the integrated management system.

EXPO MAZURY S.A.

The development strategy of EXPO MAZURY is based on four main pillars, which are: trade fairs, lease, congresses and services related to the organisation and construction of stands at external events.

In the period from January to March 2020, Expo Mazury organised three events for external customers:

- 18/01/2020 - the "Głośna Noc" [Loud Night] concert as part of the "Betlejem w Polsce" [Bethlehem in Poland] cycle. The concert was organised by the Silesian Advertising and Marketing Agency and was attended by 2500 people.
- 8 - 9/02/2020 Mazurian Agro Show, agricultural machinery exhibition organised by the Polish Chamber of Commerce of Agricultural Machinery and Equipment, 6th edition of the event, where 265 exhibitors presented their products on over 20,000 sq.m. 35,000 people visited the event.
- 3 - 4/03/2020 The second "Beton w drogownictwie" [Concrete in Road Engineering] Forum - a conference organised by the Polish Road Congress - Polish National Committee of the PIARC World Road Association, the Association of Cement Manufacturers and the Association of Lime Industry. The conference was accompanied by an exhibition, where companies presented a wide range of materials, chemical additives, machines and equipment used in road construction and maintenance.

In the first quarter of 2020, the outdoor development department provided services to trade fair customers in Poland and Europe by building trade fair stands, i.a., at:

- 17 - 19/01/2020 at the Polagra fair - client: Green Lab,
- 17 - 19/01/2020 at the SIRHA Budapest fair, Froneri stand,
- 7 - 9/02/2020 at the ISM Cologne fair - Exposure stand,
- 14 - 16/02/2020 at the FERMA Łódź fair - OSI and AGRAFIRM stand,
- 29/02 - 01/03/2020 at the Agro Park fair in Lublin - promotional stand of the Ministry of Agriculture and Rural Development.

In the second week of March, the company followed the recommendations for exhibition and trade fair facilities resulting from the Regulation of the Minister of Health of 13 March 2020 on the announcement of a state of epidemiological threat in the Republic of Poland (Journal of Laws of 2020, item 433) and to the recommendations issued by the Governor of Warmia and Mazury, thus postponing all own projects planned for March and April to the second half of 2020, including Auto Moto Arena Automotive Fair, Twój Dom Twój Ogród - construction, interior and garden equipment trade fair, Mazury Horeca Fair - business fair for the catering and hotel industry. Also projects for external customers, both within and outside the company's headquarters, were cancelled or postponed. The Marshal's Office of the Warmińsko-Mazurskie Voivodeship withdrew from the organisation of the Voivodeship Mayor Day, the remaining customers postponed the reservation of the facility to the second half of the year or suspended the talks (medical exams, premiere of agricultural equipment, conference and anniversary of a dairy company). Also, the commissioned development of fair buildings for external customers was not carried out during domestic and foreign events - the events were postponed to the second half of the year or to 2021.

The projects planned for May and June 2020 are in question - among others, the Ostróda Yacht company picnic, a conference for a sports association, a tattoo convention, and the Film Music Festival.

Although customers maintain their willingness to organise events, it is unlikely that the bans on organising mass events and assemblies will be lifted by then. The events are also likely to be postponed to the second half of the year, or shall not be organised.

However, in the current epidemiological and economic situation, it is difficult to determine whether the organisation of events in the second half of the year will be realistic. There are forecasts that the exhibition industry and the so-called meeting industry will return to its activities in the last quarter of 2020 or, very likely, as far as the first quarter of 2021.

Therefore, the long-term strategy of the company has been extended by the assumptions of commercialisation of the entire facility and allocation of free space for long-term lease.

Marywilka 44 Sp. z o.o.

The Company operates on the market of lease of commercial areas. Despite strong competition, the Company has a significant market share and by actively managing the current portfolio of commercial real properties generating lease income, it aims to maximise the efficiency and operational effectiveness, diversify the risk of tenants and increase the revenue from lease.

These activities include:

- improving and maintaining the ratios of space leased in the MARYWILSKA 44 Commercial Complex, while maintaining the best possible lease conditions on the market,
- improving debt collection by maintaining good relations with tenants and working with them to improve their performance,
- taking action to ensure low operating costs through the use of energy-saving technologies and optimisation of the costs of repairs and maintenance of property,
- optimising administrative costs,
- optimising financing costs by reducing the scale of debt and its refinancing,
- conducting promotional and advertising activities in accordance with an internal marketing plan, the main aim of which is to support the lease of commercial premises, maintaining a good level of commercialisation of commercial facilities, and maintaining a high customer visit rate,
- strengthening the leader's position on the commercial property lease market.

The Management Board believes that long-term management of the property in possession is an extremely important element of the Company's strategy. The Company finances its development and current activities with the use of bank credits. The amount of funds raised is adequate to achieve the Company's set and planned objectives.

In accordance with the adopted strategy for the Company's development, the following tasks will be carried out:

- replacement of the existing interior lighting of the MARYWILSKA 44 Shopping Centre building with LED lighting,
- continuation of repairs of current common parts of the MARYWILSKA 44 Shopping Centre (floor replacement, painting, new design),
- continued renovation of the roof membrane, modernisation of emergency lighting of the MARYWILSKA 44 Shopping Centre,
- modernisation of the CCTV video surveillance system.

The execution of the carried out investments and modernisation will have a significant impact on the reduction of the current maintenance costs of the Centre.

The prospects and financial situation may be affected by the spread of the SARS-CoV-2 virus and the COVID-19 disease in 2020.

In the area of commercial space rental, there are significant adverse effects of the epidemic situation associated with the spread of the SARS-CoV-2 and the COVID-19 disease. As at the date of preparing this report, only a few tenants from the food, pharmaceutical and construction industries are entitled to conduct business activity at the MARYWILSKA 44 Shopping Centre in Warsaw. The above circumstances result in a radical drop in the Company's revenue and will affect its financial results in 2020.

Special purpose vehicles JHM 1 Sp. z o.o., JHM 2 Sp. z o.o.

The JHM DEVELOPMENT Group's share in the segment of renting commercial property under special purpose vehicles, such as JHM 1 or JHM 2, constitutes an additional, in relation to its development activities, gradually growing stream of the Group's stable revenue. The main task of the special purpose vehicles established to manage leased facilities for lease to large food commercial chains and Home and Garden ("Dom i Ogród")

industry, and other smaller lessees is to develop the scale of activities while maintaining attractive EBITDA and net gain margins. In order to achieve this goal, the Company plans to further develop the scale of its operations and does not exclude the construction of further commercial and service facilities for lease to commercial chains. These plans may be implemented in the future both on the basis of newly acquired land for the construction of commercial pavilions in attractive locations and on the basis of the land bank owned by JHM DEVELOPMENT S.A.

In the area of commercial space rental, there are significant adverse effects of the epidemic situation associated with the spread of the SARS-CoV-2 and the COVID-19 disease, however, as at the date of preparation of the report, they have a limited impact on the activity of JHM 2 Sp. z o.o., because most of the company's revenue comes from the lease rent for Centrum Janowo from lessees operating in industries which were not subject to limitation of activity.

The legal regulations pertaining to limitation of activity in some sectors will not affect the operations of JHM 1 Sp. z o.o. as the construction industry activity conducted at the facility in Starachowice is not subject to any significant restrictions.

4.8. Identification of the Issuer's main domestic and foreign investments

Information on the Issuer's investments, including equity investments in related parties is presented in Notes 2 to 4 to the Consolidated Statements of the MIRBUD Capital Group for the period from 01/01/2019 to 31/12/2019.

4.9. Assessment of potential for achieving investment objectives

The Management Boards of the Group companies analyse and update the financing structure on an ongoing basis in order to ensure an optimal and safe model for the use of financial resources. Within the available sources of financing, both own funds and bank credits, leasing and loans are used.

The MIRBUD Group will continue to implement investment projects aimed at its development and increase in value in 2020 and in the following years. The nearest investment plans involve strengthening the Company's business base and competitiveness in the road segment, which will enable the Company to achieve higher profitability in the coming years. The Group Companies providing construction and assembly services plan to renew the machinery park and means of transport, which will significantly improve the effectiveness and scope of services provided in all locations, as part of the increase in the equipment potential.

In the years 2020 - 2022, JM DEVELOPMENT S.A. will continue to implement and start new development projects located on the land owned in the land bank (including in Katowice, Konin, Sochaczew, Żyrardów, Skierniewice and Zakopane), as well as on the plots of land purchased in the previous years located in Bydgoszcz, Łódź and Gdańsk.

The date of commencement of new projects will depend on the assessment of the market situation in the developer segment and the availability of financing for the execution of these projects with bank credits or loans. These plans are carried out in accordance with the adopted strategy in many locations, which will allow to supplement the attractive market offer of the Company and will give the possibility of further development of the sales volume.

The Marywilka 44 Sp. z o.o. Company used both its own financial resources and a bank credit for the implementation of the *Wodny Park Handlowy* project. Since the beginning of its activity, the Company has been achieving an added net financial result with an annual upward trend. The number of concluded long-term lease contracts (periods of at least 5 years) guarantees the maintenance of a positive financial result and positive cash flows of a significant value in the coming years, allowing for the repayment of credit liabilities. Execution of the *Park Handlowy MARYWILSKA 44* investment with the current high level of commercialisation allows for repayment of credit liabilities incurred to finance this investment.

Currently, the Company will focus on projects concerning the functioning of the retail complex and cost optimisation of activities.

4.10. Risk Factors

Table: Possible risks and their relevance to the Group's activities

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on profit or loss	Effect of risk on equity
Risk related to the coronavirus pandemic	Administrative restrictions on carrying out construction and assembly activities	low	high	high	high
	Manpower availability and supply chain disruption	average	average	average	average
External financial risks	changes in interest rates	low	average	average	average
	changes in exchange rates	high	high	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
Downturn risk	change in the macroeconomic situation and economic downturn in Poland	high	high	high	average
	in the construction industry	high	high	high	average
Risks related to competition	in the construction industry	high	high	high	high
External legal risks	changes in provisions of law, in particular tax law	average	average	average	average
	related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property	low	high	high	average
Risks related to the current activities	related to the implementation of the development strategy	average	high	average	average
	related to financing development with bank credits	high	high	average	high
	related to the building infrastructure	low	average	low	low

related to liability for breach of environmental regulations	low	average	average	low
related to penalties for non-performance or untimely performance of orders	low	average	average	low
related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works	low	average	average	low
related to the production process	low	high	average	low

Risk related to the coronavirus pandemic

As at the date of publication of this report, according to the best knowledge of the Management Board of the Issuer, it is not possible to precisely determine the impact of the coronavirus epidemic on the activity of the Issuer and the capital group of the Issuer in the medium- and long-term perspective.

In the short-term perspective, it is possible that the further spread of the coronavirus epidemic will have a negative impact on the financial results of the Issuer and the Group due to the following circumstances:

- In the area of construction and assembly services, there are no delays in the execution of construction contracts due to the state of epidemic threat. However, it cannot be ruled out that, if this state continues, delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:
 - lack of continuity in the supply chains for construction sites,
 - disruptions to the continuity of projects' financing,
 - absence of employees,
 - subcontractors' delays,
 - restrictions on the functioning of public authorities,
 - decisions of the Contracting Authority or state administration to suspend the works,
 - other events which are difficult to predict.

With regard to the current settlement period, the Management Board does not expect a significant effect of this risk on the profit or loss and equity of the Issuer.

- In the area of development activity, there are neither delays in the execution of contracts nor a significant decrease in the dynamics of sales of premises. However, if the state of epidemic threat continues, there may be negative financial consequences caused by:
 - the drop in demand for premises,
 - disruptions to projects' financing,
 - general contractors' and subcontractors' delays.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the profit or loss - a decrease by approx. 10%, no effect predicted on the Issuer's equity.

- In the area of commercial space lease, there is significant, unfavourable impact of the state of epidemic threat, which affects the financial results of companies: EXPO MAZURY S.A. and MARYWILSKA 44 Sp. z o.o. At the moment of preparing this report, the EXPO MAZURY Exhibition and

Conference Centre in Ostróda is closed, whereas within the MARYWILSKA 44 Shopping Centre in Warsaw only a few tenants from the food, pharmaceutical and construction industries are entitled to conduct business activity. The above circumstances result in a radical drop in the revenue of both entities.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the profit or loss - a decrease by approx. 50%, no effect predicted on the Issuer's equity.

The Issuer reports that operations in all segments are, as a rule, conducted under continuous supervision. To the best knowledge of the Management Board of the Issuer, on the basis of the conducted analyses, the financial situation of the Issuer and the Group is stable.

The Management Board of the Issuer monitors the economic situation in Poland and worldwide on an ongoing basis, as well as the risks associated with the activities of the Issuer and individual companies in the Group. The Issuer indicates that, to the extent required by law, it will inform about new conditions having a significant impact on its operations, financial results and prospects of the Issuer and the capital group of the Issuer.

External financial risks

- changes in interest rates

The Group Companies to a large extent use bank credits to finance their investment activities. The costs of interest on credits are affected by the amount of the WIBOR base rate for credits taken out in Polish zlotys and EURIBOR for credits in EURO. An increase in the value of WIBOR/EURIBOR indices through an increase in interest on loans may have an adverse effect on the Company's financial situation. If a risk of changes in interest rates is identified. In the case of long-term financing, the Company's Management Board always considers the possibility of concluding interest rate hedging transactions (interest rate swaps - IRS strategy, CIRS).

As at 31 December 2019, JHM2 sp. z o.o. and PBDiM Kobylarnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group. The hedged level of the WIBOR rate is between 1.80 p.p. and 2.05 p.p.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2017
Liabilities under credits and loans	262,541	237,085		
Loans granted		478		
Other financial assets				
Other financial liabilities				
Total	262,541	237,563	-	-

Risk of changes in interest rates - *sensitivity to changes*

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 31 December 2019 and 31 December 2018 at the level of -1.0/+1.0 percentage point (as at 31 December 2018 at the same level) for the Polish zloty and the Euro.

The effect of the change in interest rates on the net result and the balance sheet total as at 31 December 2019 and 31 December 2018 is presented below.

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 1 p.p.	decrease by 1 p.p.	increase by 1 p.p.	decrease by 1 p.p.
		Liabilities under credits and loans	262,541	-2,127	2,127
Loans granted					
Other financial assets					
Other financial liabilities					
Total	262,541	-2,127	2,127	2,625	-2,625

- changes in exchange rates

In 2019, MIRBUD S.A. generated over 21% of revenue in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenue and gains. In order to minimise the exchange rate risk, the Company hedges the exchange rate level by entering into FORWARD-type transactions. In 2019, the Issuer hedged approximately 50% of its foreign currency revenue with forward currency sales transactions.

Items exposed to change in foreign exchange rates	EUR		Other currencies	
	As at:	As at:	As at:	As at:
	30/06/2019	31/12/2018	30/06/2019	31/12/2017
Liabilities under credits and loans				
Loans granted				
Trading and other receivables	3,699	24,403		
Trading and other liabilities				
Cash	1,102	3,722		
Other financial assets				
Total	4,801	28,125	-	-

risk of changes in exchange rates - *sensitivity to changes*

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 31 December 2019 and as at 31 December 2018.

The table below shows the sensitivity of the net financial result to reasonably possible changes in exchange rates, assuming that other factors remain unchanged

Sensitivity analysis for items exposed to exchange rate changes (Euro)	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
		Liabilities under credits and loans			
Loans granted					
Trading and other receivables	3,699	300	-300	370	-370
Trading and other liabilities					
Cash	1,102	89	-89	110	-110
Other financial assets					
Total	4,801	389	-389	480	-480

The Issuer's Management Board estimates that in 2020 the share of revenue in the Euro currency will decrease to the level of approx. 10% of the total sales revenue. As at 31/12/2019, the Issuer had approximately 80% of its estimated foreign currency revenue hedged against exchange risk

- related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits

At present, banks in Poland, acting on the basis of EU directives, maintain tightened credit policy both towards companies operating in the development sector and towards people applying for mortgage credits.

When planning subsequent projects, the Capital Group Companies try to take into account the market situation by adapting their portfolio to the expected financial and credit capabilities of potential customers.

The introduction of any restrictions towards the availability of credits may have a material and adverse effect on the Companies' activities, financial situation and their development prospects.

Downturn risk:

- change in the macroeconomic situation and economic downturn in Poland

Revenue of the MIRBUD Group Companies are earned entirely on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the

macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an effect on the financial results achieved by the Group Companies and the entire development industry: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

Possible negative changes in the stability of the macroeconomic situation and general economic situation of Poland may have a negative impact on the activity, financial situation or development prospects of the Group Companies.

- in the construction industry

The activities of the Group companies are closely correlated with the overall economic situation in Poland. The financial results achieved by the Company are most affected by the level of investments in enterprises, GDP growth rate, inflation rate, value of construction and assembly production, tax policy and increase in interest rates. There is a risk that negative changes in the above mentioned ratios, in particular the slowdown in the economic growth rate, the increase in the inflation rate caused by the increase in the prices of materials or the increase in interest rates, may have a negative impact on the activity and results of the Group Companies.

In order to minimise downturn fluctuations, the Issuer enters into long-term construction contracts with public Contracting Authorities in order to ensure stable sources of revenue over a period of 2-3 years.

- in the development industry

The situation on the development market in Poland in the period covered by these financial statements affects the operations and financial results of the Group, however, it should be remembered that the economic situation in the development industry is characterised by cyclicity. The current economic situation in the development industry is influenced by low interest rates on mortgages, which, however, are accompanied by the maintenance of a tightened policy of many banks on granting mortgages. As a result of this approach, many potential customers of the developers are not able to obtain the necessary credit to purchase an apartment on reasonable terms.

The downturn in the development industry is influenced by the costs of materials and labour in the construction industry. The recent increase in prices of materials and costs of general contracting services may translate into such a level of increase in apartment prices that it will cause a downturn cooling on the primary market.

The occurrence in the future of financial and economic crises, recessions or periods of economic slowdown or other factors adversely affecting the development industry may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

- purchase of land for new development projects and investment projects for lease of commercial space

The further successful development of development activities and the construction and letting of commercial premises depend on the ability to purchase plots of land in attractive locations and at prices which enable satisfactory margins to be realised. Due to the limited number of attractive plots available with the desired

design parameters, the Companies cannot guarantee that in the future it will be possible to purchase a sufficient number of attractive plots to implement the assumed development plans.

Moreover, the possibility to purchase attractive plots of land for new development projects and commercial and service projects depends on a number of factors, such as:

- the existence of local land-use plans,
- the ability to finance the purchase of plots and start the investment process,
- the possibility of obtaining the required administrative approvals to start implementation of the projects (development conditions, architectural design approval),
- the possibility of ensuring the required own contribution and obtaining bank financing for the implementation of projects.

The above factors depend to a large extent on the overall situation on the property market in Poland and on local markets, as well as on the general economic situation of the country.

- sudden changes in housing prices

JHM DEVELOPMENT S.A. derives its revenue from development activities from the sale of flats and single-family houses. Due to the fact that development projects are carried out in a long-term perspective and it is often necessary to assume sale prices of constructed property several years in advance, there is a risk that during the project implementation significant changes will occur in the prices of flats and houses on a given market, including significant drops in the prices of residential units and houses. Property prices in a given market depend on a number of factors, such as the general economic situation of a region, the level of unemployment, the number of residential units available for sale by other developers in that market, the availability of mortgage loans to potential customers, etc. In the event of a significant fall in property prices, the Company may not be able to sell the constructed apartments and houses at the planned prices within a specified period of time.

The occurrence of any factors which will cause the prices of apartments or houses to fall on the markets where the Companies execute projects, may have a material and adverse effect on their operations, financial situation or the Group's development prospects.

- in the sector of shopping hall management and lease of commercial space

Apart from development activities, an important area of the Group's activity is management of shopping halls and lease of commercial space. These activities are carried out by the following subsidiaries: Marywilska 44, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o. The level of commercial activity and the demand for lease of commercial space in the given shopping halls depends on the general macroeconomic situation in a given market, the level of competition and the level of consumption, and in particular the demand for products from the popular segment in a given market.

The occurrence in the future of factors negatively affecting the economic situation of the sector of shopping hall management and commercial space lease may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

Risks related to competition:

- in the construction industry

The economic growth in Poland and the accumulation of many construction investments at the same time, both infrastructural and volumetric, translates into limited availability of materials and services of subcontractors, which causes an increase in prices and intensifies competition by offering the most convenient payment terms for suppliers and subcontractors.

Further intensification of competition on the markets where the Company operates may have a material adverse effect on the Company's operations, results and financial position as well as on its future development outlook.

The Management Boards of the Companies, based on many years of experience, try to build a portfolio of contracts that will enable them to achieve an appropriate financial result.

- in the development industry

The regions of the country in which the Group operates are characterised by a high degree of competition in the development industry. JHM DEVELOPMENT S.A. takes into account the intensity of competition on local markets where the start of development activities or the implementation of further projects is considered. As a rule, the Company focuses on locations where competition is limited. The existence of limited competition at the time when the investment is considered to commence does not mean, however, that competitive entities will not undertake investments in the same local market as the Company in the near future, after the commencement of preparations or work by the Company. Both relatively small local companies and larger developers competing with the Company are capable of comprehensive implementation of large projects.

In line with the adopted strategy of the Company, gradual entry into the large cities' housing markets is associated with the struggle with much stronger competition operating in these markets.

The intensification of competition may translate into an increase in the supply of finished apartments offered on the local market, which may result in price pressure when selling premises, a reduction in rental rates of premises, as well as an extension of the period of their sale.

The existence or intensification of competition on the markets where the Companies operate may also translate into difficulties in obtaining attractive plots of land for new development and commercial projects at the assumed prices.

The intensification of competition in the markets where the Company operates may have a material and adverse effect on its operations, results, financial situation or its future development outlook.

- for the activity of managed shopping halls and lease of commercial space

The shopping halls managed by the subsidiary Marywilska 44 are one of the largest shopping hall complexes in Poland and the largest in the capital city of Warsaw.

The basic assortment offered to customers in shopping halls at ul. Marywilska 44 consists of clothes, footwear, leather goods and toys in the popular segment. Traders specialising in the sale of the above articles in the popular segment can choose from a wide range of entities offering lease of commercial space in Warsaw and its vicinity, including large shopping halls located in the vicinity of Nadarzyn and in Wólka Kosowska. Additionally, it cannot be excluded that in the future other entities will not build large shopping

hall complexes, which will compete directly with the halls at ul. Marywilska 44 within the Capital City of Warsaw.

The subsidiaries, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o., are exposed to the same risk.

The intensification of competition in the markets where the Group operates may have a material and adverse effect on the Group's activities, results, financial situation and future development outlook.

External legal risks

- changes in provisions of law, in particular tax law

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provision which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies. The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Group's Companies' operations, financial situation or its development prospects.

- related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property

The implementation of each of the investment projects by the Company requires the fulfilment of the requirements set forth in the law. In most cases, the Company is obliged to obtain various types of permits, which are issued by public administration bodies. Obtaining these administrative acts is a necessary condition for the commencement of the investment process. It should be noted that obtaining all permits and consents requires considerable effort and time. Public administration bodies issuing permits and consents operate on the basis of the provisions of the Code of Administrative Procedure and special acts. In these proceedings, the interest of local communities is taken into account in the first place and a number of planning issues are subject to wide public consultation (e.g. environmental issues). Additionally, lack of even a part of the documentation makes it impossible to commence the investment process. Moreover, the discovery of any misstatements, either on the part of the Company or in the administrative files, and in particular the existence of any contradictions between them may lead to the delay in the commencement of the investment process. There is also a risk that the already valid administrative decisions will be challenged by resuming proceedings or annulling decisions. Administrative decisions may also be challenged, in whole or in part, and consequently there is a risk that they will be annulled. In areas where local land-use plans have not been adopted, there is also a risk that the Companies will not be able to implement their plans due to difficulties related to the possibility of obtaining a development conditions' decision.

The occurrence of any of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects.

Risks related to the current activities

- Risk associated with the implementation of the development strategy

The Polish market and the situation on local markets where the Company operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the Companies'

future financial performance, development and market position depend on its ability to develop and implement a long-term strategy in an uncertain and changing market environment.

In particular, the implementation of the Group's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Group's governing bodies, and which cannot always be predicted.

Such factors also include those of a general nature, such as:

- unpredictable market events, such as the occurrence of an economic crisis or recession in Poland or other European Union countries,
- radical and sudden changes in legal regulations or the methods of their interpretation (e.g. influencing the issuance of development conditions),
- natural disasters, epidemics in the areas where the Company operates,

and a number of factors of a specific nature, such as:

- restrictions on the possibility of JHM DEVELOPMENT acquiring plots of land in attractive locations for housing development,
- reduced availability of bank financing for development and commercial projects,
- failure to implement development projects and commercial and service projects in accordance with the assumed schedule and cost estimate,
- changes in government programmes supporting the purchase of residential units by persons with average and below-average income ("Mieszkanie plus" ["Apartment plus"]),
- other operational risks described in these statements.

The Group Companies make every effort to ensure that the assumed strategy is implemented and try to analyse on an ongoing basis all market and industry factors which have and may have an impact on the implementation of the strategy,

The factors described above may cause that the Group will not be able to implement the assumed development strategy, including the planned development projects, and therefore these factors may have a significant negative impact on the Company's activities, financial position, results or its development prospects.

- related to financing development with bank credits

The Group Companies finance their development and current activities with the use of bank credits and leasing. In the future, the Companies intend to use bank credits to finance the demand for working capital related to the increase in the scale of activities. However, there is a risk that in the future, in the event of adverse changes in the Companies activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, they will have difficult access to financing using credits, their cost will be higher than the current one, or they will be forced to repay or refinance their existing debt on worse terms. This may contribute to a slower than planned growth rate and deterioration of the financial results obtained.

The Management Board considers the current level of debt to be safe and does not see any threats to its timely service. Despite the good financial standing of most of the Group's companies, it cannot be ruled out that in the future, as a result of unfavourable market processes, they will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company of the Group is not able to settle its debts under credit contracts and loans on an ongoing basis, repayments may

become due and payable immediately. As a result, in order to satisfy its creditors, the Company will be forced to sell a part of its assets. The strategies of the Companies provide for a gradual exchange of short-term debt for long-term financing and that the newly acquired credit financing will be appropriate for the implementation of specific construction contracts and developer investments.

The occurrence of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects. In order to limit the risk, the Company performs on an ongoing basis an analysis of debt and the possibility of settling liabilities.

- related to the building infrastructure

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform additional infrastructure works as part of the investment project. The authorities may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project implementation, but which may be expected by the authorities as an investor's contribution to the development of the local community in connection with the investment.

The occurrence of any of the above factors, translating into delays in the implementation of projects or additional project costs, may have a material and adverse effect on the Group's activities, financial situation or its development prospects.

- related to liability for breach of environmental regulations

Pursuant to the applicable environmental protection regulations, entities which are owners or users of plots where hazardous substances are present, or where there has been an adverse transformation of the natural configuration of the land, may be required to remove them, or bear the cost of land reclamation or pay a fine. In order to minimise the risk of breaching environmental regulations, the Companies carry out technical analyses of future projects in terms of the risk related to liability for breach of environmental regulations. Until the date of preparing the statements, the Companies were not obliged to bear the costs of land reclamation or to pay any administrative penalties for this. However, it cannot be precluded that in the future the Group Companies will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.

The occurrence of any of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects.

- related to penalties for non-performance or untimely performance of orders

Entities act as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Companies and determine the consequences of non-performance of the assumed obligations. Such contracts, first of all, very precisely specify the deadlines - both for the performance of the ordered works, as well as the performance of other activities, e.g. removal of possible defects during the warranty period. If these deadlines are not met, the Companies may be at risk of paying contractual penalties.

In order to limit the risk of investors making a claim for payment for non-performance or improper performance of the Company's orders, the Company has taken the following actions:

- provision of insurance coverage for contracts, including activities of the subcontractors,
- implementation and application of the Management System according to EN ISO 9001:2000 in the scope of:
 - a) general construction, civil engineering, road and motorway construction,
 - b) industrial facilities construction,
 - c) installation works.
 - transfer of risks to cooperation contracts concluded by the Company with producers, suppliers and subcontractors (product responsibility, responsibility for services, differences between the ordered and delivered assortment, price increases, etc.).

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Companies' financial results. It should be noted, however, that in the years 2005-2018, the Companies did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

- related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works

Development activity consists in comprehensive implementation of residential buildings and houses construction projects, as well as the sale of residential units and houses. In order to implement numerous investments, the Company has concluded and will continue to conclude construction contracts with contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The Companies are also liable to the purchasers of the premises on account of warranty for physical and legal defects of the buildings. The period covered by these claims is 3 years.

Moreover, pursuant to Articles 649₁ – 649₅ of the Civil Code, at the request of the contractor, the Company acting as an investor (general contractor) is obliged to grant a guarantee of payment to the contractor (general contractor) for construction works in the form of a bank or insurance guarantee, as well as a bank letter of credit or bank surety granted at the investor's request. The occurrence of any of the above factors, which translate into claims against the Companies, may have an adverse effect on the Group's activities, financial position or its development prospects.

- related to the production process

Construction contracts contain a number of clauses concerning proper and timely performance of the contract, proper removal of defects and faults, which involves the provision of a guarantee deposit or securing the contract with an insurance or bank guarantee. The security is usually provided in the form of an insurance guarantee, bank deposit or cash deposit within a specific period of time after the contract is signed and settled after the contract completion. The amount of the security depends on the type of contract. Typically, it is between 5 and 10% of the contract price.

As the necessity to lodge a security in the form of a deposit may have an impact on the limitation of the Company's financial liquidity, the Company prefers to lodge the security in the form of an insurance guarantee. If access to insurance or bank guarantees is restricted and the cost of obtaining them increases, the Company bears the risk of increasing the costs and freezing financial resources, which in turn may lead to a decrease in the Company's profitability or financial liquidity.

In order to minimise the risk, the Companies' contracts with subcontractors require subcontractors to secure proper performance of the contract in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

4.11. Information on credits, loans, guarantees and sureties

4.11.1. Credits and loans

Detailed information on credits and loans taken out by the Company Groups in 2019 and in previous years is presented in the table below.

Table: Liabilities under credits and loans of MIRBUD S.A. as at 31 December 2019 in PLN thousand.

Name of the entity	Entity	Amount of credit, loan acc. to the contract	currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	10,000	PLN		2,624	WIBOR 1M + margin	25/06/2020	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	5,000	PLN		5,000	WIBOR 1M + margin	25/06/2020	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN	3,294	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK S.A.	MIRBUD S.A.	20,000	PLN	16,900		WIBOR 1M + margin	30/06/2021	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN		10,000	WIBOR 1M + margin	30/11/2020	assignment of a business receivable
BGK	MIRBUD S.A.	15,000	PLN		14,824	WIBOR 1M + margin	31/03/2020	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	19,000	9,000	WIBOR 1M + margin	28/02/2023	mortgages on property
Mercedes-Benz Leasing Polska S.A.	MIRBUD S.A.	635	PLN		94	5%	31/07/2020	assignment from the insurance policy
BOŚ BANK S.A.	MIRBUD S.A.	35,000	PLN	32,447		WIBOR 1M + margin	31/07/2021	assignment of a business receivable, mortgage
MFACTORING	MIRBUD S.A.	10,000	PLN		2	WIBOR 1M + margin	14/03/2020	assignment of a business receivable, mortgage
KUKE Finanse	MIRBUD S.A.	5,000	PLN		5,000			
interest on credits	MIRBUD S.A.				11			
Bank Spółdzielczy	JHM Development S.A.	8,823	PLN	6984	429	reference rate + margin	31/12/2034	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	2,700	PLN	525	900	reference rate + margin	30/07/2021	mortgage on property
ALIOR BANK S.A.	JHM 2 Sp. z o.o.	4,200	PLN	3,646	426	WIBOR 3M + margin	31/12/2024	mortgage, surety of JHM Development
ALIOR BANK S.A.	JHM Development S.A.	44,956	PLN	0	0	WIBOR 3M + margin	31/05/2023	Surety from MIRBUD, assignment of receivables
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	300	PLN	0	218	WIBOR 3M + margin	31/12/2021	mortgage on property

Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	17,800	PLN	741	0	WIBOR 3M + margin	31/12/2021	mortgage on property
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	12,729	PLN	6,921	0	WIBOR 3M + margin	30/12/2021	mortgage on property
Bank Ochrony Środowiska S.A.	JHM Development S.A.	28,920	PLN	2037	0	WIBOR 3M + margin	31/12/2021	mortgage on property
Bank Ochrony Środowiska S.A.	JHM Development S.A.	570	PLN	0	230	WIBOR 3M + margin	31/05/2020	mortgage on property
SANTANDER BANK POLSKA S.A.	Marywilska 44 Sp. z o.o.	33,000	PLN	24,000	3,273	WIBOR 3M + margin	02/05/2028	Surety from MIRBUD, deposit of PLN 1,800 thousand
SANTANDER BANK POLSKA S.A.	Marywilska 44 Sp. z o.o.	5,000	PLN	0	0	WIBOR 1M + margin	30/09/2022	Surety from MIRBUD, assignment of receivables
SANTANDER BANK POLSKA S.A.	JHM 1 Sp. z o.o.	2,350	EUR	7,041	571	EUROIBOR + margin	30/09/2031	mortgage, surety of MIRBUD
ALIOR BANK S.A.	Expo Mazury S.A.	37,500	PLN	16,210	3,345	WIBOR 3M + margin	27/03/2026	Capped mortgage on property
BGK	PBDiM Kobylarnia S.A.	25,000	PLN		21,080	WIBOR 1M + margin	31/07/2020	mortgage, surety of MIRBUD
BGK	PBDiM Kobylarnia S.A.	6,212	PLN	5,053	414	WIBOR 1M + margin	31/12/2029	mortgage, surety of MIRBUD
BGK	PBDiM Kobylarnia S.A.	15,000	PLN		8,073	WIBOR 1M + margin	06/06/2020	mortgage, surety of MIRBUD
BGK	PBDiM Kobylarnia S.A.	15,000	PLN		3,467	WIBOR 3M + margin	30/09/2020	mortgage, surety of MIRBUD
Total credits and loans, MIRBUD group				144,799	90,445			

In the period covered by the report, there were no cases of termination of loans or credit contracts or breach of their terms and conditions, which would result in disruption of financing of activities of Companies of the MIRBUD Group.

As at 31/12/2019, the Companies of the MIRBUD Group did not show any debts due to loans, except for loans indicated in the above tables.

4.11.2. Loans granted

MIRBUD S.A.

As at 31 December 2019, the Companies of the MIRBUD Group did not have receivables under granted loans.

4.11.3. Sureties and warranties

MIRBUD S.A.

In the MIRBUD Capital Group the leading entity is the parent MIRBUD S.A. and, if necessary, it was this company that granted sureties for subsidiaries, which first of all constitute the security for credits taken out by:

- JHM DEVELOPMENT or related Special Purpose Vehicles - for execution of development projects
- Marywilka 44 Sp. z o.o. for refinancing capital expenditures
- PBDiM Kobylarnia S.A. for execution of construction contracts
- EXPO MAZURY (formerly EXPO ARENA S.A.) for execution of investments

As at 31/12/2019, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as at 31/12/2019

List of mutual sureties granted by the issuer within the capital group	Claim of the surety	Value of the surety in PLN thousand	Value of the liability in PLN thousand	surety expiry date dd/mm/yyyy
		As at:	As at:	
		31/12/2019	31/12/2019	
To related entities	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	49,500	27,273	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	10,000	1,579	30/09/2022
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit	89,912	0	31/05/2023
JHM 1 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	10,007	7,612	30/09/2031
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	37,500	21,080	31/07/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	9,318	5,467	31/12/2029

PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	15,000	3,466	30/09/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	22,500	8,073	06/06/2020
EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	19,555	27/03/2029
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	7,440	0	15/02/2020
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	11,970	0	15/02/2020
To other entities				
-				
Total		338,147	94,105	-

JHM DEVELOPMENT S.A. Group

As at 31 December 2019, JHM DEVELOPMENT S.A. did not grant any sureties.

The subsidiary, Marywilska 44 Sp. z o.o., granted bank warranties to secure the payment of rent to the Municipal Company for the Execution of Investments [Miejskie Przedsiębiorstwo Realizacji Inwestycji] Sp. z o.o. and to the Board of Property Management of the Białołęka District of the capital city of Warsaw to secure the due performance of obligations under the lease contract.

Table: Sureties and guarantees granted by Marywilska 44 Sp. z o.o. as at 31/12/2019

Item No.	Entity for which the surety was granted	Value of security	Expiry of the liability	Claim
1	Miejskie Przedsiębiorstwo Robót Ogrodniczych Sp. z o.o. and ZGN Białołęka	1,800	01/07/2020	Hedge for due payment of rent under the lease agreement
2	The Capital City of Warsaw ZGN Warsaw ul. Marywilska 44	2,150	20/06/2020	Hedge for due payment of rent under the lease agreement

The other companies of the JHM DEVELOPMENT Group did not grant any sureties or warranties.

PBDiM KOBYLARNIA S.A.

As at 31/12/2019, PBDiM Kobylarnia S.A. issued the following sureties.

Table: Sureties granted by PBDiM Kobylarnia S.A. as at 31/12/2019, in PLN thousand

Item No.	Entity for which the surety was granted	Claim for which surety was granted	Value of the surety	Value of the liability as at 31/12/2019	Expiry date of the surety
1	MIRBUD S.A.	Guarantee facility	30,000	-	12/02/2021
2	MIRBUD S.A.	Working capital credit in the renewable line BGK	15,000	14,824	31/03/2020

On 29 December 2012, the Issuer together with other Companies of the MIRBUD Capital Group, concluded a contract for the provision of services, the subject of which are mutual sureties, guarantees, mortgage encumbrance (hereinafter referred to as the “Hedging”) of credit liabilities towards financial and insurance institutions against remuneration. The contract is aimed at increasing the financial security of individual companies of the Group and increasing their creditworthiness.

In accordance with the terms of the contract:

- the remuneration and title of the Hedging was determined at the level of market prices applied between unrelated entities in the amount of 0.9% of the amount of the Hedging of repayment granted on an annual basis, regardless of the collateral method,
- the remuneration is payable within 30 days after the end of each quarter,
- in the event of payment of the amount of debt towards the company’s creditor, the company granting the Hedging is entitled to return the equivalent of the amount paid within 7 days from the date of the call for repayment,
- after 7 days from the date of the call, the company granting the Hedging shall be entitled to statutory interest on amounts not repaid on time,
- the contract was concluded for an indefinite period of time.

Implementation of construction projects requires the payment of guarantee deposits or bank or insurance guarantees to secure the quality of the performed construction works.

Contingent liabilities under sureties and warranties in favour of other entities are primarily warranties issued by insurance companies and banks in favour of the Company’s contractors to secure their claims against the Company, mainly under construction contracts. Insurance companies and banks have a right of recourse against the Company on this account.

Changes in the scope of guarantees in the period since the end of the previous financial year result from the completion of works commenced in previous years. In the opinion of the Management Board of the Company, due to the nature of the potential liability and the history of the liabilities (occasional cases over a period of several years), it is not possible to reliably estimate the contingent liabilities on this account. Nevertheless, the Management Board is aware of such risk and, as a result, a provision is created for warranty repairs.

Contingent liabilities under the guarantee of removal of defects and faults granted by the Companies of the MIRBUD Group to investors, created, lasting from 01/01/2019 to 31/12/2019, are as follows:

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Under proper performance guarantee	313,141	194,667
Under rectifying faults and defects	139,973	82,980
Under payment of receivables	92,377	-
<u>Total</u>	<u>545,491</u>	<u>277,647</u>

4.12. Description of use of inflows from issuing by the Company

In connection with the planned acquisition of full control by MIRBUD S.A. (the “Company”) and obtaining the status of the sole shareholder in the subsidiary, JHM DEVELOPMENT S.A. with its registered office in Skierniewice, which is intended to subsequently enable the abolition of dematerialisation of JHM DEVELOPMENT S.A.’s shares and their withdrawal from trading on the Warsaw Stock Exchange, of which fact the Issuer informed in its current report No. 10/2019, on 17/05/2019. The Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2019 on issue by MIRBUD S.A. of 7,684,760 series F registered subscription warrants and 6,377,778 series G registered subscription warrants with the exclusion of the pre-emptive right entitling their holders to take up the Company’s shares with the exclusion of the pre-emptive right, and No. 5/2019 on the conditional increase in the share capital of MIRBUD S.A. through the issue of series J and K shares with the exclusion of the pre-emptive right and amendment of the Company’s Articles of Association and authorisation of the Supervisory Board of MIRBUD S.A. to adopt the consolidated text of the Articles of Association.

On the basis of both resolutions, the Company’s series F and G subscription warrants (the “Warrants”) and the Company’s series J and K shares (the “Shares”) were issued, which were subsequently offered for acquisition to the minority shareholders of JHM DEVELOPMENT SA. (other than the Company) who submitted a valid bid for the sale of shares in JHM DEVELOPMENT S.A. in response to the Company’s invitation to tender for the sale of shares in JHM DEVELOPMENT S.A.

On 05/07/2019, the Issuer completed the purchase of shares in JHM DEVELOPMENT S.A. (report 33/2019). In response to the announcement of the purchase, bids for sale of the Subsidiary’s shares were made for a total of 1,939,926 shares in the Subsidiary, constituting approximately 2.80 percent of all shares in the Subsidiary.

On 10/07/2019, the Issuer completed the public issue of series J shares (report 34/2019). As a result of exercising the rights from series F subscription warrants of the Company, 2,873,947 series J shares were taken up, which were issued to the shareholders through their entry in the securities accounts.

In connection with the registration by the National Depository for Securities on 12 July 2019, 2,873,947 series J shares of the Issuer (“**series J shares**”) were issued to persons who acquired series J shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series J shares, the share capital of the Issuer was increased from PLN 8,249,250.00 to PLN 8,536,644.70, i.e. by PLN 287,394.70. Given the specific nature of the issue, the proceeds from the issue of 2,873,947 shares, amounting to PLN 3,103,862.76, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Additionally, on 24 September 2019, the National Depository of Securities registered 6,377,753 series K shares of the Issuer (“**series K shares**”) issued to persons who acquired series K shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series K shares, the share capital of the Issuer was increased from PLN 8,536,644.70 to PLN 9,174,420.00, i.e. by PLN 637,775.30. Again, the proceeds from the issue of 6,377,753 shares, amounting to PLN 6,887,973.24, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

PBDiM KOBYLARNIA S.A.

On 26 April 2019, the Ordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A., by virtue of Resolution No. 17/2019 (Repertory A No. 3761/2019), resolved to increase the Company's share capital from PLN 1,000,000.00 to PLN 6,000,000.00 by issuing 50,000,000 series C registered shares with a nominal value equal to the issue price of PLN 0.10 per share - the capital was paid up by 20 May 2019. On 31/07/2019, the Register Court in Bydgoszcz, 13th Commercial Division of the National Court Register, registered the increase in the company's share capital to the amount of PLN 6,000,000.00. The shares of the new issue have been acquired by MIRBUD S.A. in full.

On 17 June 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 4/2019 (Repertory A No. 5323/2019), resolved to increase the Company's share capital from PLN 6,000,000.00 to PLN 11,000,000.00 by issuing 50,000,000 series D registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 05 August 2019. The shares were fully taken up by MIRBUD S.A. On 27/08/2019 the Registry Court in Bydgoszcz, 13th Commercial Division of the National Court Register did not register the increase in the share capital to the amount of PLN 11,000,000.00.

On 11 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 7615/2019), resolved to increase the Company's share capital from PLN 11,000,000.00 to PLN 16,000,000.00 by issuing 50,000,000 series E registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 30 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 8212/2019), resolved to increase the Company's share capital from PLN 16,000,000.00 to PLN 21,000,000.00 by issuing 50,000,000 series F registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 09 December 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 10321/2019), resolved to increase the Company's share capital from PLN 21,000,000.00 to PLN 25,000,000.00 by issuing 40,000,000 series G registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A. The capital increase was entered in the National Court Register on 19 February 2020.

The proceeds from the capital increase were used to finance the Company's own contribution to the completed construction of the Company's headquarters and construction contracts in the road and engineering sector.

EXPO MAZURY S.A.

On 10 August 2018, the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted a resolution to amend the Company's Articles of Association with respect to granting the Company's Management Board the authorisation to increase the share capital within the limits of the authorised capital and the right to deprive the existing shareholders of the right to take up subscription within the limits of the authorised capital.

On 31 October 2018, the Management Board of EXPO MAZURY S.A. adopted a resolution on increasing the Company's share capital by PLN 7,000,000 through the issue of new F series ordinary registered shares with a nominal value of PLN 1.00 each, as part of a private subscription and exclusion of pre-emptive rights.

On 22 January 2019, EXPO MAZURY S.A. concluded an agreement with MIRBUD S.A. to take up 7,000,000 F series shares by way of a private subscription.

On 16 May 2019, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the increase of the share capital.

On 26 April 2019, by Notarial Deed (Rep. A No. 3768/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 137,928,000.00, i.e. by the amount of PLN 7,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The capital increase in question was not paid up and was therefore also not registered.

On 15 November 2019, by Notarial Deed (Rep. A No. 4957/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 135,928,000.00, i.e. by the amount of PLN 3,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The Court entered the capital increase in the National Court Register on 22 January 2020.

The funds raised from the issue were used to adapt the exhibition hall for the purposes of lease for IKEA INDUSTRY and to finance the Company's current operations

ТОВ «МІРБУД»

The share capital of ТОВ "МІРБУД" is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2018, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09. The proceeds from the capital increase were used to finance the company's current operations.

In the reporting period, other companies of the Group did not issue any shares.

4.13. Position of the Management Board with respect to the possibility of delivery of forecast results published earlier for a given year, in the light of the results presented in the report for the previous period in relation to the forecast results.

In the period covered by this report, the companies of the Capital Group did not publish forecasts, and the indicated period was not covered by forecasts published in previous periods.

5. MAIN CONTRACTS

5.1. Insurance contracts

From 01/04/2018 to 31/03/2019, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 27/03/2018 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 12/MIRBUD/2018".

From 01/04/2019 to 31/03/2020, MIRBUD S.A. is covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 22/03/2019 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 13/MIRBUD/2017".

Under the conditions of the above Comprehensive Insurance Contract, MIRBUD S.A.; PBDiM KOBYLARNIA S.A.; JHM DEVELOPMENT S.A. and its subsidiaries: JHM 1 Sp. z o.o., JHM 2 Sp. z o.o. and EXPO MAZURY S.A. conclude detailed insurance contracts which directly concern their activities.

Marywilska 44 Sp. z o.o. concluded a contract for insurance against all risks with AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. for the period from 06/09/2018 to 05/09/2019 and from 06/09/2019 to 05/09/2020.

5.2. Main contracts for construction and other works related to operating activities concluded by the Capital Group Companies

MIRBUD S.A.

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2019 to 31/12/2019 in PLN thousand

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
17/01/2019	44,550	Medical University of Lublin	Construction of a sports and entertainment hall at the Medical University of Lublin together with outdoor pitches
26/02/2019	27,670	CHROMAVIS SERVICE Sp. z o.o.	Construction of a storage hall with social and office parts
07/03/2019	51,440	Stop Shop Poland sp. z o.o.	Construction of a commercial building named "Park Handlowy Stop Shop" - Stages I and II in Białki near Siedlce.
18/04/2019	696,748	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	"Design and construction of the A1 motorway Tuszyn (without interchange) - border of Łódź and Silesian Voivodeships from km 335+937.65 to km 399+742.51. Section B - Bełchatów interchange (without interchange) - Kamieński interchange (with interchange) from km 351+800.00 to km 376+000.00"
08/05/2019	49,296	Zotefoams plc	Construction of a production and storage hall located in Skarbimierz together with the necessary infrastructure
21/05/2019	542,839	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Design and construction of the Olesno bypass within the national road No. 11 (S11)
22/05/2019	Hall "A" (1st stage): EUR 7,612 net Hall "B" (2nd stage): EUR 5,600 net.	Panattoni Development Europe Sp. z o.o.	Construction of the Production, Logistics and Storage Centre

05/06/2019	104,878	City of Łódź	Expansion of the city stadium at al. Unii Lubelskiej 2 in Łódź in "design and build" mode
03/07/2019	49,693	Capital City of Warsaw, Praga Południe District	Construction of a school and kindergarten complex in the area of ul. Nowaka-Jeziorańskiego
05/07/2019	30,528	City of Opole	Construction of a sports hall facility with accompanying equipment and development of adjacent areas for sports purposes and demolition of the existing "CIEPLAK" hall building in Opole
26/07/2019	21,459	EQlibrium II Sp. z o.o	Construction of the EQlibrium II office building with commercial premises on the ground floor, an underground garage and the necessary communication infrastructure at ul. Wschowska 8 in Warsaw.
10/10/2019	1,121,100	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of the S1 expressway (formerly S69) Bielsko-Biała-Żywiec-Zwardoń, section Przybędza-Milówka (bypass of Węgierska Górka) MIRBUD S.A. - as the consortium leader; Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] - consortium partner; PRYWATNA SPÓŁKA AKCYJNA „ZRZESZENIE BUDOWLANE INTERBUDMONTAŻ” - consortium partner
29/10/2019	21,861	TRAKT sp. z o.o. s.k. with its registered office in Katowice	Design works in connection with the implementation of the investment project entitled "Construction of the S1 expressway (formerly S69) Bielsko-Biała-Żywiec-Zwardoń, section Przybędza-Milówka (bypass of Węgierska Górka)".
04/11/2019	40,680	JHM DEVELOPMENT S.A.	Construction of a multi-family residential complex in Łódź at ul. Smugowa and ul. Źródłowa and obtaining a final and unconditional permit to use it.
14/11/2019	206,623	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760. MIRBUD as a consortium partner Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] - consortium leader;
20/11/2019	EUR 16,500	Panattoni Development Europe Sp. z o.o.	Construction of halls A and B together with macro-levelling of terrain in Ruda Śląska.
29/11/2019	135,347	The municipality of Płock	execution, under the "Design and build" formula, of the investment task entitled "Demolition and construction of the Kazimierz Górski city stadium in Płock at ul. Łukasiewicza 34 along with the reconstruction of the accompanying infrastructure"
10/12/2019	84,530	City of Gorzów Wielkopolski	Construction works under the project entitled "Vocational Education Centre at ul. Warszawska in Gorzów Wielkopolski as part of the Vocational Education and Business Centre"

23/12/2019	337,162	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, section Siewierz-Poręba-Zawiercie (Kromołów) - from km 105+836 to km 122+500". MIRBUD S.A. with its registered office in Skierniewice (partner) Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader);
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Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

PBDiM KOBYLARNIA S.A.

Table: Main contracts for construction works concluded by PBDiM KOBYLARNIA in the period from 01/01/2019 to 31/12/2019

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
01/03/2019	6,625.00	Municipality of Nowa Sól	Extension of municipal road No. 102402F, ul. A. Fredry in Nowa Sól.
07/03/2019	2,436.00	Średzki powiat	Reconstruction and modernisation of powiat road No. 2091D from Udanin to Konary together with pavements and the Udanin-Piekary bituminous path (stage I)
18/04/2019	14,624.00	State Treasury – General Directorate for National Roads and Motorways	Renovation of the southern roadway of the A4 motorway, section Krapkowice Interchange - Kędzierzyn-Koźle Interchange from km 256+740 to km 264+035
29/04/2019	15,106.00	Kujawsko-Pomorskie Voivodeship - the Voivodeship Roads Authority in Bydgoszcz	1. Extension of the section of voivodeship road No. 223 - ul. Szubińska in Białe Błota, section from km 3+200 to km 3+900 (including the construction of a roundabout within the voivodeship road which is a communication link between Trzciniec - Ciele - Kruszyn Krajeński and the municipal road to Miedzyń), together with its drainage and lighting, as well as the reconstruction of the remaining networks colliding with the above mentioned investment - TASK 1 (own task of the Kujawsko-Pomorskie Voivodeship) 2. Construction of a municipal road from Białe Błota - Miedzyń housing estate in Bydgoszcz from km 0+060.15 to km 0+523.75 and a municipal road from Białe Błota - powiat road 1537C to Trzciniec in Białe Błota - from km 0+021.65 to km 0+551.40 - TASK 2 (own task of the Białe Błota Commune)
30/04/2019	25,684.00	A consortium of companies: 1) Przedsiębiorstwo Usług Technicznych INTERCOR Sp. z o.o. with its registered office in Zawiercie - consortium leader 2) Trakcja PRKil S.A. with its registered office in Warsaw (consortium partner),	Design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 4 parts. Part 1 - Design and construction of the S5 expressway from Aleksandrowo interchange (with interchange) to Tryszczyn interchange (with interchange) with a length of approximately 14.7 km - laying of bituminous compound on S5, section 3
14/11/2019	206,623	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760. Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] - (consortium leader); MIRBUD S.A. (consortium partner)
23/12/2019	337,162	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, section Siewierz-Poręba-Zawiercie (Kromołów) - from km 105+836 to km 122+500". Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.]

			S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader); MIRBUD S.A. (consortium partner)
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In addition, the company executes a number of contracts with a value below PLN 2 million net

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

JHM DEVELOPMENT S.A.

During the period covered by the report, the company concluded the following significant contracts:

Table: Main contracts for construction works concluded by PBDiM KOBYLARNIA in the period from 01/01/2019 to 31/12/2019

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
01/07/2019	18.650	WAMA Polska Sp. z o.o. with its registered office in Sopot,	construction of a residential, multi-family building with an underground car park and internal systems and external infrastructure in Żyrardów at ul. Ks. Jerzego Popiełuszki.
04/11/2019	40,680	MIRBUD S.A.	construction of a multi-family residential complex in Łódź at ul. Smugowa and ul. Źródłowa and obtaining a final and unconditional permit to use it.
20/12/2019	21.870	WAMA Polska Spółka z o.o. with its registered office in Sopot	construction of two residential buildings (building D and building E), multi-family buildings with service premises, underground garage, necessary infrastructure, together with obtaining the final and unconditional decision on permission to use the buildings at ul. Wielkopolska in Gdańsk

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

EXPO MAZURY S.A.

During the period covered by the report, the company did not conclude any significant contracts.

5.3. Events and contracts concluded after the date of preparation of financial statements, which may have significant impact on the future financial results

MIRBUD S.A.

After the date for which the financial statements were prepared, MIRBUD S.A. concluded the following significant contracts

Table: Material contracts concluded by MIRBUD S.A. after the date of preparation of financial statements

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
09/01/2020	30,593	The Capital City of Warsaw, Wola District	Construction of an elementary school in the area of ul. Jana Kazimierza
17/01/2020	75,360	JHM DEVELOPMENT S.A.	Construction of three residential, multi-family buildings with a service function and an underground garage on the premises of the property located in Bydgoszcz at ul. Fordońska and obtaining a final and unconditional permit to use it.

02/03/2020	148,099	BUDPOL Sp. z o.o.	construction of the Main Route's rigid surface structure, in connection with the execution of the investment entitled "Design and construction of the A1 motorway Tuszyn (without interchange) - border of Łódź and Silesian Voivodeships from km 335+937.65 to km 399+742.51. Section B - Bełchatów interchange (without interchange) - Kamieński interchange (with interchange) from km 351+800.00 to km 376+000.00".
04/03/2020	365,854	GDDKIA	Design and construction of the S11 road Koszalin - Szczecinek, section Koszalin West interchange (without interchange) - Bobolice interchange. Section 3. Koszalin South interchange (without interchange) - Bobolice interchange (with interchange). Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader); MIRBUD S.A. (consortium partner)
06/03/2020	228,048	"Polish Airports" State Enterprise	Execution, under the "design and build" formula, of the Terminal building at the Radom-Sadków airport, together with equipment and obtaining a permit to use it.
13/03/2020	292,223	General Directorate for National Roads and Motorways	Continuation of the design and construction of the S5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships on the section from the "Białe Błota" interchange (without interchange) to "Szubin" interchange (without interchange) with a length of approximately 9.7 km MIRBUD S.A. with its registered office in Skierniewice (consortium partner). Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
	133,902	Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław)	Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. CPV 45000000-7, 71248000-8, 45233120-6, 45316000-5, 45230000-8, 45221100-3, 45221121-6, 71320000-7, 71313000-5, 90523100-0, 71351911-5, 71351914-3, 71354000-4 MIRBUD S.A. with its registered office in Skierniewice (consortium partner), Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads

			and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader).
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Detailed terms and conditions of the above contracts do not differ from those commonly used in the market.

On 14 February 2020, the Issuer received information from the Contracting Authority, Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław), that in the tender procedure, conducted in the open tender procedure entitled "Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. CPV 45000000-7, 71248000-8, 45233120-6, 45316000-5, 45230000-8, 45221100-3, 45221121-6, 71320000-7, 71313000-5, 90523100-0, 71351911-5, 71351914-3, 71354000-4", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 133,902 thousand net.

On 9 March 2020, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure entitled "Continuation of design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 2 parts: Part 2 - Continuation of design and construction of the S5 expressway, section from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of about 22.4 km", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 474,290 thousand net.

On 17 March 2020, the Issuer received a signed letter of intent from IMMO SI Polska Sp. z o.o. with its registered office in Poznań at ul. Grunwaldzka 64, 60-311 Poznań, concerning the execution of an investment project consisting in the construction of a bi1 hypermarket and a petrol station together with the necessary infrastructure. The value of the Contract which MIRBUD S.A. and IMMO SI Polska Sp. z o.o. intend to conclude is: PLN 30,509,500.00 net.

PBDiM KOBYLARNIA S.A.

After the date of financial statements, events occurred and contracts were concluded which could have a significant effect on the future financial results.

Table: Material contracts concluded by PBDiM KOBYLARNIA S.A. after the date of preparation of financial statements

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
04/03/2020	365,854	GDDKiA	Design and construction of the S11 road Koszalin - Szczecinek, section Koszalin West interchange (without interchange) - Bobolice interchange. Section 3. Koszalin South interchange (without interchange) - Bobolice interchange (with interchange). Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader); MIRBUD S.A. (consortium partner)
13/03/2020	292,223	General Directorate for National Roads and Motorways	Continuation of the design and construction of the S5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships on the section from the "Białe Błota" interchange (without interchange) to "Szubin" interchange (without interchange) with a length of approximately 9.7 km Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader); MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

On 14 February 2020, the Issuer received information from the Contracting Authority, Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław), that in the tender procedure, conducted in the open tender procedure entitled "Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. CPV 45000000-7, 71248000-8, 45233120-6, 45316000-5, 45230000-8, 45221100-3, 45221121-6, 71320000-7, 71313000-5, 90523100-0, 71351911-5, 71351914-3, 71354000-4", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 133,902 thousand net.

On 9 March 2020, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure entitled “Continuation of design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 2 parts: Part 2 - Continuation of design and construction of the S5 expressway, section from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of about 22.4 km”, the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the “Consortium”) in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer’s Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 474,290 thousand net.

After the balance sheet date, the Company filed a lawsuit against the State Treasury - General Directorate of National Roads and Motorways with its registered office in Warsaw for an increase in remuneration for the performance of construction work contracts with a total value of 64,642,515.87, for the projects listed below:

- “Design and construction of a bypass of Inowrocław within the national roads No. 15 and No. 25 (link) with a length of approx. 4,880 km”
- Construction of the Bolków bypass within the national road No. 3 and 5
- Design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 3 parts - Part 3 Design and construction of the S5 expressway, section from the Jaroszewo interchange (without interchange) to the border of the voivodeship with a length of approximately 25.1 km.

JHM DEVELOPMENT S.A.

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
17/01/2020	75,360	MIRBUD S.A.	Construction of three residential, multi-family buildings with a service function and an underground garage on the premises of the property located in Bydgoszcz at ul. Fordońska and obtaining a final and unconditional permit to use it.

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market.

EXPO MAZURY S.A.

After the date of financial statements, no events occurred and no contracts were concluded which could have a significant effect on the future financial results.

6. INFORMATION ON ENTERING BY THE ISSUER OR ITS SUBSIDIARY INTO ONE OR MORE TRANSACTIONS WITH RELATED PARTIES IF THEY WERE CONCLUDED ON NON-ARM'S LENGTH CONDITIONS

In the reporting period, there were no significant transactions with related entities concluded on non-market terms by the Company or its subsidiary.

7. ACHIEVED AND FORECAST FINANCIAL RESULTS

The MIRBUD Capital Group Companies did not publish forecasts on profit or loss for 2019.

8. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS MATERIAL FOR THE DEVELOPMENT OF THE ISSUER AND DESCRIPTION OF THE ISSUER'S ACTIVITY PROSPECTS IN THE PERSPECTIVE OF AT LEAST ONE QUARTER

Revenue of the MIRBUD Group are earned entirely on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period.

The most important factor influencing the development is the situation in the domestic construction sector, which directly depends on the rate of GDP growth, the level of domestic investments, or the competitive position of Companies from the MIRBUD Group determining their ability to win contracts and customers. This, in the opinion of the Management Board of the parent, will in turn primarily depend on:

External factors

- further implementation of the investment using the EU funds,
- the economic situation in the countries of the European Union,
- the government's policy on construction, especially housing,
- monetary policy (interest rate policy and its impact on the cost of credits),
- situation on financial markets,

- availability and costs of bank credits and guarantees,
- trends in preferences of potential buyers of apartments,
- the level and conditions of competition,
- the rate of growth of investments in the public sector (in particular in road construction),
- price levels for construction materials and services,
- the availability on the market of qualified staff and the level of their salaries,
- demand in housing construction,
- development of the exhibition and trade fair market,
- the business and economic consequences of the coronavirus pandemic.

Internal factors

- good financial standing of the Companies of the Group, in particular MIRBUD S.A,
- a well-established position in the industrial building construction sector,
- systematic development of the Group in the engineering and road sector,
- systematic filling of the portfolio for the years 2020 - 2023,
- diversified order portfolio for the years 2020 - 2023,
- further development of developer activity through implementation of projects in Katowice, Rumia, Konin, Bydgoszcz, Łódź and Zakopane,
- further systematic development of MARYWILSKA 44 sp. z o.o. and maintenance of the commercialisation level,
- the level of margin on the execution of contracts achieved through optimisation of production costs and improvement of technical solutions for the execution of construction, also thanks to the implementation of the process of development and implementation of the IT management system (a modern management system, in the Issuer's opinion, will improve control over operating activities through detailed ongoing analyses of individual projects, improve financial records, positively affect work efficiency and reduce the risk of core activities),
- stabilisation on a high level of sales of residential units in the executed development investments,
- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries

The Issuer's financial result in the perspective of at least one quarter may be affected by the possibility of recovering receivables past due over 365 days. As at 31/12/2019 these receivables consist of receivables from the following entities:

- Fabryka Biznesu Sp. z o.o. for the amount of PLN 4,402 thousand. The Company is conducting a debt enforcement procedure which, in the Issuer's opinion, will lead to the collection of all receivables (a write-down of the receivables was made in the amount of 50% of its value in the financial statements of MIRBUD S.A. as at 31/12/2019).
- RADMAX P Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna in the amount of PLN 2,681 thousand. The Issuer has ordered the enforcement of the receivables to the Court Enforcement Officer.
- F-Grup Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna in the amount of PLN 8,934 thousand. The debtor is in bankruptcy. On 09/11/2018, the Receiver of the bankruptcy estate submitted to the Court a list of recognised receivables of F-Group in the total amount of PLN 33,152 thousand, including the receivables of MIRBUD S.A. which in relation to the bankrupt were recognised in the total amount of PLN 8,934 thousand. Based on previous calculations of

the Compulsory Administrator, the value of the bankruptcy estate of F-Group Sp. z o.o. sp. k.a. is estimated in the case of distressed sale to be not less than PLN 58,100,000.00, which will allow to pay off all creditors. By order of 13.03.2019, the District Court for the capital city of Warsaw, 10th Commercial Division for bankruptcy cases, considered the transaction of transfer of ownership of the above mentioned property ineffective and ordered to return the property to the bankruptcy estate. The decision is legally binding.

In order to assess the effectiveness of collecting receivables past due over 365 days and estimate the risk, the Management Board made an analysis of the above mentioned scope based on data for the years 2015-2018. As a result of the analysis, it has been established that in the period in question, the Issuer has recovered all receivables from this age bracket.

Development prospects of the Issuer's activity are presented in item 4.4 of this report.

9. CHANGES IN BASIC PRINCIPLES GOVERNING THE MANAGEMENT OF THE MANAGEMENT OF THE ISSUER'S ENTERPRISE AND ITS CAPITAL GROUP

In the reporting period there were no significant changes in the principles of management of the Group's Companies.

10. DESCRIPTION OF KEY FEATURES OF INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT SYSTEM WITH RESPECT TO THE PROCESS PREPARING FINANCIAL STATEMENTS

The Management Board of MIRBUD S.A., as the parent, is responsible for the preparation of the consolidated financial statements of the Capital Group. It is also responsible for the internal control system and its effectiveness in the process of preparing consolidated financial statements which are prepared and published by the parent, in accordance with the rules of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by the issuers of securities and on conditions under which information required by legal regulations of a country not being a Member State may be recognised as equivalent.

The assumption of an effective internal control system in financial reporting is to ensure that the financial information contained in the financial statements and periodical reports is adequate and correct. The consolidated financial statements of the Capital Group are prepared by the Chief Accountant. One of the basic elements of control in the process of preparing consolidated financial statements of the Capital Group is to audit the annual financial statements and review the semi-annual financial statements by an independent auditor in order to express in his opinion and report whether the financial statements are correct and whether they present fairly and clearly the property and financial situation of the Capital Group, as well as its financial result. The annual consolidated financial statements of the Capital Group, together with the auditor's opinion, shall be submitted to the General Meeting of Shareholders for approval.

The financial and accounting section headed by the Director of Economic and Financial Affairs shall be responsible for the preparation of the consolidated financial statements and periodical financial reporting of the Capital Group. The preparation of consolidated financial statements and periodical reports begins after the approval of the periodical statements of the Companies by the Chief Accountant and the Company's Management Board.

The Capital Group manages the risk in relation to the process of preparing financial statements also by following the changes required by external regulations and regulations concerning the reporting requirements of listed companies on an ongoing basis and preparing for their introduction well in advance.

The Management Board of the Company states that as at 31 December 2019 there neither were nor are at present factors which could affect the reliability and correctness of the consolidated financial statements prepared.

On 23 October 2009, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted a resolution No. 24/2009 adopting the International Accounting Standards (IAS) as the basis for preparing the financial statements of the Company and the consolidated financial statements of the capital group of MIRBUD S.A. for 2010, and the financial statements for subsequent reporting periods, respectively. The resolution came into force on the day of its adoption and has effect from 01/01/2010.

On 21/12/2009 the Management Board of the Company adopted a resolution No. XII on the adoption of new Accounting Policy for the MIRBUD Capital Group.

11.ADDITIONAL INFORMATION

11.1. Shareholder structure

11.1.1. Information about the dividend paid in the period from 01/01/2019 to 31/12/2019

The Ordinary General Meeting of Shareholders of MIRBUD S.A., by virtue of Resolution No. 9/2019 of 31/05/2019, decided to exclude the gain for 2018 in the amount of PLN 6,271,131.48 from distribution and to allocate it in full to the supplementary capital of the Company. In the period from 01/01 to 31/12/2019, MIRBUD S.A. did not make any dividend payments.

On 31 May 2019, the Ordinary General Meeting of Shareholders of JHM DEVELOPMENT S.A. adopted resolution No. 9A/2019 on the distribution of net gain for the financial year 2018 and decided to exclude the net gain of PLN 10,636,124.84 earned in the financial year covering the period from 01/01/2018 to 31/12/2018 from the distribution and to allocate it entirely to increase the Company's reserve capital.

JHM DEVELOPEMENT S.A. obtained information about bringing a lawsuit by minority shareholders to cancel the resolution of the Ordinary General Meeting of Shareholders, about which the Company informed in the current report No. 10/2019 of 12/07/2019. On 20/08/2019, the Company submitted a reply to the claim with a motion to dismiss it in its entirety.

11.1.2. Information on the purchase and sale of own shares

In the discussed period MIRBUD S.A. did not purchase or sell own shares.

11.1.3. Shares and stocks of the Group

MIRBUD S.A.

As at 31/12/2019, the share capital is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Share capital structure

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	19,500,000	PLN 0.10	1,950	cash	22/12/2006
2	B	14,625,000	PLN 0.10	1,462	cash	22/12/2006
3	C	2,264,000	PLN 0.10	226	cash	22/12/2006
4	D	3,611,000	PLN 0.10	361	cash	22/12/2006
5	E	5,000,000	PLN 0.10	5000	cash	11/12/2009
6	F	10,000,000	PLN 0.10	1,000	cash	03/03/2010
7	G	10,000,000	PLN 0.10	1,000	cash	19/05/2010
8	H	10,000,000	PLN 0.10	1,000	cash	18/08/2010
9	I	7,492,500	PLN 0.10	749	cash	26/05/2014
10	J	2,873,947	PLN 0.10	287	cash	11/09/2019
11	K	6,377,753	PLN 0.10	638	cash	30/09/2019
Total		91,744,200		9,174		

In connection with the planned acquisition of full control by MIRBUD S.A. (the “Company”) and obtaining the status of the sole shareholder in the subsidiary, JHM DEVELOPMENT S.A. with its registered office in Skierniewice, which is intended to subsequently enable the abolition of dematerialisation of JHM DEVELOPMENT S.A.’s shares and their withdrawal from trading on the Warsaw Stock Exchange, of which fact the Issuer informed in its current report No. 10/2019, on 17/05/2019. The Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2019 on issue by MIRBUD S.A. of 7,684,760 series F registered subscription warrants and 6,377,778 series G registered subscription warrants with the exclusion of the pre-emptive right entitling their holders to take up the Company’s shares with the exclusion of the pre-emptive right, and No. 5/2019 on the conditional increase in the share capital of MIRBUD S.A. through the issue of series J and K shares with the exclusion of the pre-emptive right and amendment of the Company’s Articles of Association and authorisation of the Supervisory Board of MIRBUD S.A. to adopt the consolidated text of the Articles of Association.

On the basis of both resolutions, the Company’s series F and G subscription warrants (the “Warrants”) and the Company’s series J and K shares (the “Shares”) were issued, which were subsequently offered for acquisition to the minority shareholders of JHM DEVELOPMENT SA. (other than the Company) who submitted a valid bid for the sale of shares in JHM DEVELOPMENT S.A. in response to the Company’s invitation to tender for the sale of shares in JHM DEVELOPMENT S.A.

On 05/07/2019, the Issuer completed the purchase of shares in JHM DEVELOPMENT S.A. (report 33/2019). In response to the announcement of the purchase, bids for sale of the Subsidiary’s shares were made for a total of 1,939,926 shares in the Subsidiary, constituting approximately 2.80 percent of all shares in the Subsidiary.

On 10/07/2019, the Issuer completed the public issue of series J shares (report 34/2019). As a result of exercising the rights from series F subscription warrants of the Company, 2,873,947 series J shares were taken up, which were issued to the shareholders through their entry in the securities accounts.

In connection with the registration by the National Depository for Securities on 12 July 2019, 2,873,947 series J shares of the Issuer (“**series J shares**”) were issued to persons who acquired series J shares as part

of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series J shares, the share capital of the Issuer was increased from PLN 8,249,250.00 to PLN 8,536,644.70, i.e. by PLN 287,394.70. Given the specific nature of the issue, the proceeds from the issue of 2,873,947 shares, amounting to PLN 3,103,862.76, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Additionally, on 24 September 2019, the National Depository of Securities registered 6,377,753 series K shares of the Issuer (“series K shares”) issued to persons who acquired series K shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series K shares, the share capital of the Issuer was increased from PLN 8,536,644.70 to PLN 9,174,420.00, i.e. by PLN 637,775.30. Again, the proceeds from the issue of 6,377,753 shares, amounting to PLN 6,887,973.24, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Table: Ownership structure of the share capital as at 31/12/2019

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	40,937,453	44.62%	40,937,453	44.62%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,524,910	44.17%	40,524,910	44.17%
Total	91,744,200	100.00%	91,744,200	100.00%

Table: Ownership structure of the share capital as at the date of approval of the statements for publication

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,037,453	44.73%	41,037,453	44.73%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,424,910	44.16%	40,424,910	44.16%
Total	91,744,200	100.00%	91,744,200	100.00%

PBDiM KOBYLARNIA S.A.

On 26 April 2019, the Ordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A., by virtue of Resolution No. 17/2019 (Repertory A No. 3761/2019), resolved to increase the Company’s share capital from PLN 1,000,000.00 to PLN 6,000,000.00 by issuing 50,000,000 series C registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 20 May 2019. On 31/07/2019, the Register Court in Bydgoszcz, 13th Commercial Division of the National Court Register, registered the increase in the company’s share capital to the amount of PLN 6,000,000.00. The shares of the new issue have been acquired by MIRBUD S.A. in full.

On 17 June 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 4/2019 (Repertory A No. 5323/2019), resolved to increase the Company’s share capital from PLN 6,000,000.00 to PLN 11,000,000.00 by issuing 50,000,000 series D registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 05 August 2019. The shares were fully taken

up by MIRBUD S.A. On 27/08/2019 the Registry Court in Bydgoszcz, 13th Commercial Division of the National Court Register did not register the increase in the share capital to the amount of PLN 11,000,000.00.

On 11 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 7615/2019), resolved to increase the Company's share capital from PLN 11,000,000.00 to PLN 16,000,000.00 by issuing 50,000,000 series E registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 30 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 8212/2019), resolved to increase the Company's share capital from PLN 16,000,000.00 to PLN 21,000,000.00 by issuing 50,000,000 series F registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 09 December 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 10321/2019), resolved to increase the Company's share capital from PLN 21,000,000.00 to PLN 25,000,000.00 by issuing 40,000,000 series G registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A. The capital increase was entered in the National Court Register on 19 February 2020.

Table: Structure of shares held as at 31 December 2019.

Name of the entity	Number of shares held	Share in the share capital of PBDiM KOBYLARNIA S.A.
MIRBUD	25,000,000	100%
Total	25,000,000	100%

JHM DEVELOPMENT S.A.

As at 31 December 2019, the share capital of JHM DEVELOPMENT S.A. amounted to PLN 173,000,000 (one hundred and seventy-three million zloty) and was divided into 69,200,000 shares with a nominal value of PLN 2.50 per share.

Table: Structure of the share capital of JHM DEVELOPMENT S.A. as at 31/12/2019

Item No.	Series of shares	Number of shares	Nominal price [PLN]	Registered capital [PLN]	Registration date	Method of coverage
1	A1	27,497,500	2.50	68,743,750	21/11/2014	cash
2	A2	41,702,500	2.50	104,256,250	21/11/2014	cash
TOTAL		69,200,000		173,000,000		

The amount of share capital in the period covered by the report has not changed.

Table: Ownership structure of the share capital as at 31/12/2019

Name	Number of shares	Share in capital
MIRBUD S.A.	69,200,000	100.00%
Total	69,200,000	100.00%

As at the date of approval of the statements, the ownership structure of the share capital has not changed

Marywilka 44 Sp. z o.o.

The share capital of Marywilka 44 Sp. z o.o. comprises 1,339,800 shares. The Company's share capital as at 31/12/2019 was PLN 70,000 thousand, with JHM DEVELOPMENT S.A. as the sole shareholder.

Table: Ownership structure of the share capital of Marywilka Sp. z o.o. as at 31/12/2019

Name	Number of shares	Share in the share capital
JHM DEVELOPMENT S.A.	1,339,800	100.00%
Total	1,339,800	100.00%

JHM 1 Sp. z o.o.

As at 31/12/2019 the share capital of JHM 1 Sp. z o.o. amounted to PLN 9,000,000,65 (nine million sixty five thousand zloty) and was divided into 180,013 shares with a nominal value of PLN 50 per share. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 1 Sp. z o.o. as at 31/12/2019

Name	Number of shares	Share in the share capital
JHM DEVELOPMENT S.A.	180,013	100.00%
Total	180,013	100.00%

JHM 2 Sp. z o.o.

As at 31/12/2019 the share capital of JHM 2 amounted to PLN 10,300,000 (ten million three hundred thousand zloty) and was divided into 206,000 shares with a nominal value of PLN 50.00 per share. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 2 Sp. z o.o. as at 31/12/2019

Name	Number of shares	Share in the share capital
JHM DEVELOPMENT S.A.	206,000	100.00%
Total	206,000	100.00%

EXPO MAZURY S.A.

As at 31/12/2019, the share capital is divided into 132,928,000 fully paid ordinary registered shares with a nominal value of PLN 1.00 each.

Table: Share capital structure as at 31/12/2019

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	21,428,000	PLN 1.00	21,428,000	cash	17/04/2014
2	B	64,000,000	PLN 1.00,	64,000,000	cash	25/11/2015
3	C	11,500,000	PLN 1.00	11,500,000	cash	03/10/2016

4	D	20,000,000	PLN 1.00	20,000,000	cash	26/05/2017
5	E	9,000,000	PLN 1.00	9,000,000	cash	07/09/2018
6	F	7,000,000	PLN 1.00	7,000,000	cash	06/05/2019
Total		132,928,000		132,928,000		

Table: The ownership structure of the share capital as at 31/12/2019 was as follows:

Shareholding structure	Number of shares	Share in the share capital	The total number of votes at the GMS	% of votes at the GMS
MIRBUD S.A.	90,000,000	67.71%	90,000,000	67.71%
MUNICIPALITY OF OSTRÓDA	100	0.00%	100	0.00%
PBDiM KOBYLARNIA S.A.	39,427,900	29.66%	39,427,900	29.66%
MARYWILSKA 44 SP. Z O.O.	3,500,000	2.63%	3,500,000	2.63%
TOTAL	132,928,000	100.00 %	132,928,000	100.00 %

On 10 August 2018, the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted a resolution to amend the Company's Articles of Association with respect to granting the Company's Management Board the authorisation to increase the share capital within the limits of the authorised capital and the right to deprive the existing shareholders of the right to take up subscription within the limits of the authorised capital.

On 31 October 2018, the Management Board of EXPO MAZURY S.A. adopted a resolution on increasing the Company's share capital by PLN 7,000,000 through the issue of new F series ordinary registered shares with a nominal value of PLN 1.00 each, as part of a private subscription and exclusion of pre-emptive rights.

On 22 January 2019, EXPO MAZURY S.A. concluded an agreement with MIRBUD S.A. to take up 7,000,000 F series shares by way of a private subscription.

On 16 May 2019, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the increase of the share capital.

On 26 April 2019, by Notarial Deed (Rep. A No. 3768/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 137,928,000.00, i.e. by the amount of PLN 7,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The capital increase in question was not fully paid up and was therefore also not registered.

On 15 November 2019, by Notarial Deed (Rep. A No. 4957/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 135,928,000.00, i.e. by the amount of PLN 3,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The Court entered the capital increase in the National Court Register on 22 January 2020.

Table: Share capital structure as at the date of approval of the statements.

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	21,428,000	PLN 1.00	21,428,000	cash	17/04/2014
2	B	64,000,000	PLN 1.00,	64,000,000	cash	25/11/2015
3	C	11,500,000	PLN 1.00	11,500,000	cash	03/10/2016
4	D	20,000,000	PLN 1.00	20,000,000	cash	26/05/2017
5	E	9,000,000	PLN 1.00,	9,000,000	cash	07/09/2018
6	F	7,000,000	PLN 1.00,	7,000,000	cash	06/05/2019
7	G	3,000,000	PLN 1.00,	3,000,000	cash	22/01/2020
Total		135,928,000		135,928,000		

Table: Ownership structure of the share capital as at the date of approval of the statements:

Shareholding structure	Number of shares	Share in the share capital	The total number of votes at the GMS	% of votes at the GMS
MIRBUD S.A.	93,000,000	68.42%	93,000,000	68.42%
MUNICIPALITY OF OSTRÓDA	100	0.00%	100	0.00%
PBDiM KOBYLARNIA S.A.	39,427,900	29.01%	39,427,900	29.01%
MARYWILSKA 44 SP. Z O.O.	3,500,000	2.57%	3,500,000	2.57%
TOTAL	135,928,000	100.00 %	135,928,000	100.00 %

TOB «MIRBYD»

The share capital of TOB “MIRBYD” is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2019, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09.

11.1.4. Information on the Issuer’s shares or the rights thereto held by members of the management and supervisory bodies

MIRBUD S.A.

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as at 31/12/2019 and the date of preparation of the report is as follows:

Table. Shares of the Company held by members of management and supervisory bodies as at 31/12/2019

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	40,937,453 shares with a nominal value of PLN 0.10 each, with a total value of PLN 4,093,745	44.62%
Agnieszka Bujnowska	Secretary of the Supervisory Board	11,851 shares with a nominal value of PLN 0.10 each, with a total value of PLN 1,185.10	0 %
TOTAL		40,949,304 shares	44.62%

Table. Shares of the Company held by members of management and supervisory bodies as at the date of submitting these statements

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	41,037 shares with a nominal value of PLN 0.10 each, with a total value of PLN 41,037,453	44.73%
Agnieszka Bujnowska	Secretary of the Supervisory Board	11,851 shares with a nominal value of PLN 0.10 each, with a total value of PLN 1,185.10	0 %
TOTAL		41,049,304 shares	44.73%

None of the members of the Management Board or Supervisory Board hold any options for the Company's shares.

JHM DEVELOPMENT S.A.

As at 31 December 2019, none of the members of the Management Board or Supervisory Board held any shares in JHM DEVELOPMENT S.A.

As at the date of approval of the statements, none of the members of the Management Board or Supervisory Board held any shares in JHM DEVELOPMENT S.A.

None of the members of the Management Board or Supervisory Board hold any options for the Company's shares.

In other companies of the Capital Group, members of the Management Board and Supervisory Board do not hold any shares or options for shares of the Companies.

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

As at 31/12/2019 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in current reports, the issuer did not have any information about contracts which may result in future changes in the proportions of shares held by the issuer's existing shareholders.

11.1.6. Information on the system of control over employee stock ownership plans

There are no employee stock ownership plans in the Company

11.2. Influence of factors and unusual events on the profit or loss for 2019

In 2019, there were no factors or events unusual from the point of view of the specific nature of the Companies' business activities which could influence the profit or loss.

11.3. Changes in the basic principles of managing an enterprise

In the reporting period there were no significant changes in the principles of management of the Group's Companies.

11.4. The Management Board and the Supervisory Board and the changes in supervisory and management bodies

MIRBUD S.A.

In the period from 01/01/2019 to 31/12/2019, the Management Board of MIRBUD S.A. did not change and performed the duties with the following composition:

Table: Composition of the MIRBUD S.A. Management Board from 01/01/2019 to 31/12/2019

Name and surname	Position
Jerzy Mirgos	President of the Management Board
Sławomir Nowak	Vice-President of the Management Board
Paweł Korzeniowski	Member of the Management Board
Tomasz Sałata	Member of the Management Board

The composition of the Issuer's Supervisory Board in the period from 01/01/2019 to 31/12/2019 changed and was as follows:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2019 - 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board (until 31 May 2019)
Wiesław Kosonóg	Chairman of the Supervisory Board (from 31 May 2019)
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Krystyna Lachowicz	Member of the Supervisory Board (until 24 June 2019)
Wiktoria Braun	Member of the Supervisory Board (from 31 May 2019)

On 31 May 2019, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted the following resolutions:

- Resolution No. 20/2019 concerning appointment of Ms. Agnieszka Bujnowska to the Company's Supervisory Board,
- Resolution No. 21/2019 concerning appointment of Mr. Andrzej Zakrzewski to the Company's Supervisory Board,
- Resolution No. 22/2019 concerning appointment of Mr. Waldemar Borzykowski to the Company's Supervisory Board,
- Resolution No. 23/2019 concerning appointment Mr. Wiesław Krzysztof Kosonóg to the Company's Supervisory Board,
- Resolution No. 24/2019 concerning appointment of Ms. Wiktoria Braun to the Company's Supervisory Board.

On 17 February 2020, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted resolution No. 4/2020 on appointing Mr. Artur Sociński to the Supervisory Board of MIRBUD S.A.

JHM DEVELOPMENT S.A.

In the period from 01/01/2019 to 31/12/2019, the Management Board of JHM DEVELOPMENT S.A. did not change and performed the duties with the following composition:

Table: Composition of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Regina Biskupska	President of the Management Board
Jerzy Mirgos	Vice-President of the Management Board

Sławomir Siedlarski

Member of the Management Board

On 17 December 2019, the Supervisory Board of JHM DEVELOPMENT S.A. adopted resolution No. XIV/2019 on appointment of Ms. Kaja Monika Mirgos to the Management Board of JHM DEVELOPMENT S.A. as of 2 January 2020.

The composition and changes in the Supervisory Board of the Company in the period from 01/01/2019 to 31/12/2019 are presented in the table below:

Table: Composition of the Supervisory Board of JHM DEVELOPMENT S.A. in the period from 01/01/2019 - 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board (until 31/05/2019)
Wiesław Kosonóg	Chairman of the Supervisory Board (since 31/05/2019)
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Radosław Niewiadomski	Member of the Supervisory Board

PBDiM KOBYLARNIA S.A.

In the period from 01/01/2019 to 31/12/2019, the Management Board of PBDiM KOBYLARNIA S.A. did not change and performed the duties with the following composition:

Table: The composition of the Management Board of PBDiM KOBYLARNIA S.A. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Andrzej Ładyński	President of the Management Board
Michał Niemyt	Vice-President of the Management Board
Tomasz Jaśkiewicz	Member of the Management Board

On 04/11/2019, Mr. Andrzej Ładyński resigned from the position of the President of the Management Board, effective on 29/02/2020.

The Supervisory Board, pursuant to resolution No. 23 of 13/12/2019, appointed Mr. Jerzy Mirgos as Member of the Management Board, effective on 02/01/2020.

The Supervisory Board, pursuant to resolution No. 24 of 13/12/2019, appointed Ms. Karolina Lewandowska as Member of the Management Board, effective on 02/01/2020.

The Supervisory Board, pursuant to resolution No. 4 of 02/03/2020, appointed Mr. Sławomir Nowak as Member of the Management Board, effective on 02/03/2020.

The composition of the Company's Supervisory Board in the period from 01/01/2019 to 31/12/2019 changed and was as follows:

Table: The composition of the Supervisory Board of PBDiM KOBYLARNIA S.A. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Paweł Korzeniowski	Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Andrzej Podemski	Member of the Supervisory Board (until 26/04/2019)

Anna Maria Więzowska

Member of the Supervisory Board (since 26/04/2019)

EXPO MAZURY S.A.

In the period from 01/01/2019 to 31/12/2019, the Management Board of EXPO MAZURY S.A. changed and was as follows:

Table: Composition of the Management Board of EXPO MAZURY S.A. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Beata Mały-Kaczanowska	President of the Management Board
Katarzyna Jursza	Member of the Management Board (until 31/03/2019)

The Supervisory Board, pursuant to resolution No. 3 of 09/01/2020, appointed Ms. Małgorzata Konarska as Member of the Management Board, effective on 09/01/2020.

The composition of the Company's Supervisory Board in the period from 01/01/2019 to 31/12/2019 did not change and was as follows:

Table: The composition of the Supervisory Board of EXPO MAZURY S.A. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Andrzej Ładyński	Chairman of the Supervisory Board (until 09/01/2020)
Maciej Fingas	Vice-President of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Małgorzata Konarska	Member of the Supervisory Board (until 09/01/2020)

On 09 January 2020 the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted resolution No. 3/2020 on accepting the resignation of members of the Supervisory Board of EXPO MAZURY S.A., Ms. Małgorzata Konarska and Mr. Andrzej Ładyński.

On 09 January 2020 the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted resolution No. 4/2020 on appointing Ms. Anna Więzowska to the Supervisory Board of EXPO MAZURY S.A.

Marywilka 44 Sp. z o.o.

In the period from 01/01/2019 to 31/12/2019, the Management Board of MARYWILSKA 44 sp. z o.o. did not change and performed the duties with the following composition:

Table: Composition of the Management Board of Marywilka 44 Sp. z o.o. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Małgorzata Konarska	President of the Management Board
Danuta Siwiak	Member of the Management Board
Piotr Taras	Member of the Management Board

The composition of the Company's Supervisory Board in the period from 01/01/2019 to 31/12/2019 did not change and was as follows:

Table: Composition of the Supervisory Board of Marywilka 44 Sp. z o.o. in the period from 01/01/2019 to 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board

Agnieszka Bujnowska	Secretary of the Supervisory Board
Paweł Korzeniowski	Member of the Supervisory Board

JHM 1 Sp. z o.o.

In the period from 01/01/2019 to 31/12/2019, the Management Board of JHM 1 Sp. z o.o. performed its duties with an unchanged, one-person composition: Mr. Sławomir Siedlarski - President of the Management Board. Pursuant to the Company's contract, the supervisory board was not appointed.

JHM 2 Sp. z o.o.

In the period from 01/01/2019 to 31/12/2019, the Management Board of JHM 2 Sp. z o.o. performed its duties with an unchanged, one-person composition: Ms. Regina Biskupska - President of the Management Board. Pursuant to the Company's contract, the supervisory board was not appointed.

11.5. Information on personal, factual and organisational relations between members of the Management Board and Supervisory Board and certain shareholders with at least 5% of votes at the General Meeting of Shareholders of MIRBUD S.A.

In the reporting period no events occurred.

11.6. Remuneration of members of the management and supervisory bodies

MIRBUD S.A.

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2019 to 31/12/2019

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	from sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,122	0	0	0	0	575	300	1,997
Sławomir Nowak	Vice-President of the Management Board	990	0	0	0	0	0		990
Paweł Korzeniowski	Member of the Management Board	660	0	0	0	0	0	64	724
Tomasz Sałata	Member of the Management Board	647	0	0	0	0	0		647
Ewa Przybył	Proxy	313	0	0	0	0	0		313
Hubert Bojdo	Member of the Supervisory Board	30	0	0	0	0	0		30
Agnieszka Bujnowska	Secretary of the Supervisory Board	36	0	0	0	0	0	76	112
Andrzej Zakrzewski	Member of the Supervisory Board	30	0	0	0	0	0	15	45
Waldemar Borzykowski	Member of the Supervisory Board	36	0	0	0	0	0	18	54

Dariusz Jankowski	Chairman of the Supervisory Board	28	0	0	0	0	0	43	71
Krystyna Lachowicz	Member of the Supervisory Board	17	0	0	0	0	0		17
Wiesław Kosonóg	Chairman of the Supervisory Board	21						20	41
Wiktoria Braun	Member of the Supervisory Board	16							16
TOTAL		3,946					575	536	5,057

In the period from 01/01/2019 to 31/12/2019 members of the Issuer's management, supervisory and administrative bodies did not receive any awards or benefits for their functions, prizes or benefits except for the remuneration indicated in the table above.

JHM DEVELOPMENT S.A.

The value of remuneration received by the members of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2019 to 31/12/2019 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2019 to 31/12/2019

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,133	0	0	0	0	1,133
Supervisory Board	99	0	0	0	0	99
Total	1,232	0	0	0	0	1,232

PBDiM KOBYLARNIA S.A.

The value of remuneration received by the members of the Management Board of PBDiM KOBYLARNIA S.A. in the period from 01/01/2019 to 31/12/2019 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of PBDiM KOBYLARNIA S.A. in the period from 01/01/2019 to 31/12/2019

Name of the body	Appointment and employment benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	1,150	0	0	0	0	1,150
Supervisory Board	43	0	0	0	0	43
Total	1,193	0	0	0	0	1,193

MARYWILSKA sp. z o.o.

The value of remuneration of the Management Board members of Marywilka 44 Sp. z o.o. obtained in the period from 01/01/2019 to 31/12/2019 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of Marywilka Sp. z o.o. in the period from 01/01/2019 to 31/12/2019

Name of the body	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	850	0	0	0	0	850
Supervisory Board	81	0	0	0	0	81
Total	931	0	0	0	0	931

EXPO MAZURY S.A.

The value of remuneration received by the members of the Management Board of EXPO MAZURY S.A. in the period from 01/01/2019 to 31/12/2019 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of EXPO MAZURY S.A. in the period from 01/01/2019 to 31/12/2019

Name of the body	Appointment benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Management Board	183	0	0	0	0	183
Supervisory Board	60	0	0	0	0	60
Total	243	0	0	0	0	143

OTHER COMPANIES OF THE GROUP

The Management Board did not receive any remuneration in the special purpose vehicle JHM 1 Sp. z o.o. in the period from 01/01/2019 to 31/12/2019.

The Management Board did not receive any remuneration in the special purpose vehicle JHM 2 Sp. z o.o. in the period from 01/01/2019 to 31/12/2019.

11.6.1. Contracts concluded between the issuer and the members of management bodies providing for compensation in the case of their resignation or termination of employment on a particular position without an important reason, or when they are recalled or have their employment terminated as a result of the merger of the issuer by acquisition;

The Group Companies did not conclude any contracts with the management body members providing for compensation in the case of their resignation or termination of employment on a particular position without an important reason, or when they are recalled or have their employment terminated as a result of the merger of the Company by acquisition.

11.6.2. Information on any liabilities arising from pensions and benefits of a similar nature for former members of the management, supervisory or administrative bodies, and on liabilities incurred in connection with those pensions,

As at 31/12/2019, the Group Companies did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

11.7. Information on employee shares and limitations on the assignment of the rights to securities of MIRBUD S.A.

No such events occurred in the reporting period.

11.8. All limitations concerning the assignment of the rights to the Company's securities and all limitations concerning the execution of the voting right vested in the Company's shares

No such events occurred in the reporting period.

11.9. Employees

The employment figures in the Companies of the MIRBUD Group as at 31/12/2019 are presented in the table below

Table: Employment in the Companies of the MIRBUD Group

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	300	90
PBDIM KOBYLARNIA S.A.	282	48
JHM DEVELOPMENT S.A.	24	12
Marywińska 44 Sp. z o.o.	13	1
JHM 1 Sp. z o.o.	1	
JHM 2 Sp. z o.o.	1	
EXPO MAZURY S.A.	17	11
ТОВ «МІРБУД»	0	0

There are no trade unions in the Group Companies and there are no company collective agreements in force.

In the period from 01/01/2019 to 31/12/2019, claims for damages due to inability to work, termination of employment contract, breach of statutory obligations or liability for third party acts have not been recorded and are not currently pending in the Group Companies. The companies fulfil all the obligations of the employer towards the employed employees provided for by the labour law.

11.10. Diversity policy

The MIRBUD Capital Group has no diversity policy in place. The Company employs people with appropriate qualifications and professional experience, without age or gender differences. The choice of staff depends entirely on the achievements, efficiency and professionalism of the individual candidates. Detailed data on employment by gender and age as well as people from the local community can be found in the non-financial report.

11.11. Information on contracts with entities authorised to audit financial statements

On 09/07/2018, MIRBUD S.A. concluded with POLAUDIT spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, ul. J. Ficowskiego 15, registered in the National Court Register by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under No. 0000020996 and entered under No. 552 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors a contract for:

- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2018 to 30/06/2018
- amount of remuneration - PLN 9 thousand net

- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2018 to 30/06/2018 - amount of remuneration - PLN 10 thousand net

- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2018 to 31/12/2018
- amount of remuneration - PLN 15 thousand net

- audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2018 to 31/12/2018 - amount of remuneration - PLN 16 thousand net

- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2019 to 30/06/2019
- amount of remuneration - PLN 9 thousand net

- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2019 to 30/06/2019 - amount of remuneration - PLN 10 thousand net

- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2019 to 31/12/2019
- amount of remuneration - PLN 15 thousand net

- audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2019 to 31/12/2019 - amount of remuneration - PLN 16 thousand net.

Additional information on the statutory auditor's remuneration can be found in Note No. 27 to the separate financial statements of MIRBUD S.A. for the period from 01/01/2019 to 31/12/2019.

Prior to the conclusion of the aforementioned contract, the Issuer did not use the services of the audit firm POLAUDIT sp. z o.o. The audit firm was selected from among the firms recommended by the audit committee by the supervisory board on the basis of Resolution X/2018 of 11 May 2018.

The entity authorised to audit the financial statements did not provide any other services to the Company.

11.12. Information on pending significant litigation before courts, arbitration bodies or public administration bodies with regard to liabilities or receivables of the issuer or its entity with regard to liabilities or receivables of the issuer or its entity

In the period covered by this report, no significant litigation concerning liabilities or receivables of the Issuer or its subsidiary were pending.

As at 31/12/2019, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 44,834 thousand.

Provisions for future liabilities which may arise from pending court proceedings are created by way of a detailed analysis of the risk of their occurrence.

As at 31/12/2019, there was litigation pending concerning receivables brought by the Issuer of the statements, for the total value of the object of dispute of PLN 19.902 thousand.

Revaluation write-downs on receivables are created by means of a detailed analysis of the receivables repayment risk.

12. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE OF MIRBUD S.A.

12.1. The set of corporate governance principles to which MIRBUD S.A. is subject.

MIRBUD S.A. is subject to a set of corporate governance principles called “Good practices of companies listed on the Warsaw Stock Exchange 2016”, which is available to the public on the website of the Warsaw Stock Exchange in the section devoted to Corporate Governance Rules:

<https://www.gpw.pl/dobre-praktyki>

12.2. Corporate governance principles not applied by the Company, with indication of circumstances and reasons for not applying a given principle

In 2019, the Company applied the principles of the “Good practices of companies listed on the Warsaw Stock Exchange” with deviations, of which the Issuer informed in the report No. 1/2016 of the EIB of 06/12/2016.

Deviations concern the following rules:

Detailed rule I.Z.1.15. information containing a description of the company's diversity policy with respect to the company's management and its key managers; the description should include such elements of the diversity policy as gender, field of study, age, professional experience, as well as indicate the objectives of the applied diversity policy and the manner of its implementation in the given reporting period; if the company has not developed and implemented a diversity policy, it should publish an explanation of such a decision on its website,

The Company's note: This principle is not applied. The Company does not have a diversity policy in place. The Company employs people with appropriate education, qualifications and professional experience, without age or gender differences. The choice of staff depends entirely on experience, achievements, efficiency and professionalism of the individual candidates.

Detailed rule I.Z.1.16. information on the planned transmission of the General Meeting - not later than 7 days before the date of the General Meeting,

The Company's note: This principle is currently not applied. In the nearest future, the Company is considering the introduction of the possibility of participation in the general meeting also by means of electronic communication, however, it does not envisage publishing information on the planned transmission of the general meeting or the record of the general meeting in audio or video form on the Company website. The Company observes the Articles of Association and legal regulations in force in this respect and pursues an appropriate information policy.

Detailed rule I.Z.1.20. recording of the course of the general meeting, in audio or video form,

The Company's note: The above principle is not applied in the Company. The reasons for non-application are given in the explanation of non-application of the rule I.Z.1.16.

Specific rule II.Z.1. The internal division of responsibility for particular areas of the company's activity among the members of the management board should be formulated in an unambiguous and transparent manner, and the division scheme should be available on the company's website.

The Company's note: This principle is not applied. The Management Board is responsible for the entire area of the Company's activities. In the event that the responsibility policy is developed, the Company shall apply the above principle.

Specific rule II.Z.2. The position of members of the company's management board in management or supervisory boards of companies outside the company's capital group requires the consent of the supervisory board.

The Company's note: This principle is not applied. The Articles of Association and the applicable internal documents of the Company do not impose any obligation to provide information on members of the Management Board in this respect.

Recommendation IV.R.2. - If justified by the shareholders' structure or the shareholders' expectations reported to the company, if the company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting by means of electronic communication, it should enable the shareholders to participate in the general meeting by use of such means, in particular by means of:

- 1) real-time broadcast of the general meeting,**
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than that of the general meeting,**
- 3) exercising, personally or by proxy, the right to vote during a general meeting.**

The Company's note: The above recommendation with respect to items 1) and 2) was not applied in the Company. In the nearest future, the Company is considering the introduction of the possibility of participation in the general meeting also by means of electronic communication, however, it does not envisage publishing information on the planned transmission of the general meeting or the record of the general meeting in audio or video form on the Company website. **Specific rule IV.Z.2. - If justified by the shareholding structure of the company, the company shall ensure that a real-time broadcast of the general meeting is available to the public.**

The Company's note: The above principle was not applied in the Company. The reasons for non-application are given in the explanation of non-application of the rule I.Z.1.16.

Recommendation VI.R.1. - Remuneration of members of the company's governing bodies and key managers should be based on the adopted remuneration policy.

The Company's note: To this date, the Company did not apply the above recommendation. Remuneration of members of the Management Board is determined by the Supervisory Board on the basis of the provisions of the Company's Articles of Association and corresponds to the qualifications and responsibilities of members of the Management Board. In accordance with the Commercial Companies Code, the remuneration of Supervisory Board members is determined by the general meeting. The remuneration of individual members of the Supervisory Board as well as of senior managers depends on the scope of duties and responsibilities. Currently, the Company's Management Board has prepared a draft remuneration policy for members of the Management Board and the Supervisory Board, which will be put to a vote at the General Meeting. In the opinion of the Management Board, the solutions contained

in the draft remuneration policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company. The draft remuneration policy includes in particular: 1) a description of fixed and variable components of remuneration, as well as bonuses and other cash and non-cash benefits which may be granted to members of the management and supervisory boards; 2) indication of mutual proportions of remuneration components; 3) indication of the period for which employment contracts, mandate contracts, contracts for specific work or other contracts of a similar nature have been concluded with members of the management board and the supervisory board, and indication of periods and terms of termination of such contracts, and if no contract has been concluded with a member of the management board or supervisory board - indication of the type and period for which a legal relationship between a member of the management board or supervisory board and the company has been entered into, as well as the period and terms and conditions of termination of such legal relationship; 5) a description of the main features of supplementary pension schemes and early retirement schemes; 6) a description of the decision-making process carried out for the establishment, implementation and review of the remuneration policy; 7) a description of measures taken to avoid or manage conflicts of interest related to the remuneration policy; 8) an indication of how the remuneration policy contributes to the implementation of the business strategy, long-term interests and stability of the company and other elements required by law. Once the remuneration policy has been adopted by resolution of the General Meeting, the payment of remuneration to the members of the management board and the supervisory board will be made exclusively in accordance with the remuneration policy.

Recommendation VI.R.2. Remuneration policy should be closely linked to the company's strategy, its short and long-term objectives, long-term interests and performance, and should include solutions to avoid discrimination on any grounds.

The Company's note: The Company did not apply the above recommendation due to the lack of adopted remuneration policy. The reasons for non-application are given in the explanation of non-application of the rule VI.R.1.

12.1. Internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements

The Management Board of MIRBUD S.A. is responsible for the internal control system and its effectiveness in relation to the process of preparing financial statements.

The Economic and Financial Director supervises the preparation of the separate and consolidated financial statements. The Chief Accountant of the parent is responsible for the preparation of the separate and consolidated financial statements.

Consolidated financial statements are prepared on the basis of the financial statements of the parent and its subsidiaries. The financial statements of the subsidiary, after taking into account the adjustments made to comply with the International Financial Reporting Standards ("IFRS"), are prepared on the basis of uniform accounting policies applied to transactions and economic events of a similar nature.

Consolidated statements and separate financial statements of MIRBUD S.A. are subject to review or audit by an independent statutory auditor.

12.2. Shareholders with significant share packets

As at 31/12/2019, the share capital of the Company is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Ownership structure of the share capital as at 31 December 2019

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	40,937,453	44.62%	40,937,453	44.62%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,524,910	44.17%	40,524,910	44.17%
Total	91,744,200	100.00%	91,744,200	100.00%

12.3. Holders of any securities which give special control rights, including a description of such rights

MIRBUD S.A. has not issued any securities giving the shareholders special control rights.

12.4. Restrictions on the exercise of the voting right

The Company does not have any restrictions with respect to the exercise of the voting right.

12.5. Limitations with respect to transferring the title to securities

MIRBUD S.A. has not issued shares with respect to which there would be any limitations in the transfer of ownership rights.

12.6. The rules of changes to the Articles of Association of MIRBUD S.A.

In accordance with § 18 para. 1, point 3 and para. 2 of the Articles of Association of MIRBUD S.A., its amendment shall be made by way of a resolution of the General Meeting of Shareholders adopted at the request of the Management Board of the Company submitted together with a written opinion of the Supervisory Board or at the request of the shareholders, who should be consulted by the Management Board of the Company and the Supervisory Board, pursuant to Article 415 of the Commercial Companies Code by a three-fourths majority of votes. The adopted changes are introduced by making an appropriate entry in the register of entrepreneurs.

12.7. General Meeting of Shareholders of MIRBUD S.A.

The General Meeting meets as Ordinary or Extraordinary and, as a governing body of the Company, acts pursuant to the provisions of the Commercial Companies Code, the Company's Articles of Association and the provisions of the Regulations of the General Meeting of Shareholders of MIRBUD S.A., constituting an appendix to Resolution No. 27/2009 of the Extraordinary General Meeting of Shareholders of 23 October 2009 on the adoption of the Regulations of the General Meeting of Shareholders, as well as the principles arising from the "Good practices of companies listed on the Warsaw Stock Exchange".

The Company's Articles of Association provide in § 16 that a General Meeting of Shareholders shall be held at the registered office of the Company or in Warsaw.

According to § 14 of the Articles of Association, the Ordinary General Meeting shall be held within 6 (six) months after the end of each financial year. Ordinary General Meeting shall be convened by: the Management Board, the Supervisory Board - if the Management Board fails to convene the meeting within the time limit specified above. The Extraordinary General Meeting shall be convened by: the Management Board, the Supervisory Board - if it is deemed appropriate to convene it, the shareholder or shareholders representing at least half of the share capital or at least half of the votes in the Company, the Management Board at the request of shareholders representing at least 1/20 (one twentieth) of the share capital, submitted in writing or in electronic form together with a request to include certain matters in the agenda of this meeting. If the Management Board fails to convene an Extraordinary General Meeting within two weeks from the date of presenting the request referred to above, the registry court may authorise the shareholders submitting the request to convene an Extraordinary General Meeting to do so.

Pursuant to §18 of the Articles of Association, resolutions of the General Meeting of Shareholders are required in particular for: distributing gain or covering losses, amending the Company's Articles of Association, changing the Company's core activities, increasing or decreasing the share capital, the manner and conditions of redemption of shares, merger or transformation of the Company, dissolution and liquidation of the Company, issue of convertible or priority bonds, disposal and lease of the enterprise or its organised part and establishment of limited property rights on them, creation and abolition of the Company's capital and funds - at the request of the Management Board submitted together with a written opinion of the Supervisory Board or at the request of shareholders, which should be reviewed by the Management Board and the Supervisory Board; examination and approval of the financial statements and the report of the Management Board of the Company on the activities for the previous financial year of the Company and granting the vote of acceptance to members of the governing bodies of the Company for the performance of their duties, all decisions concerning claims for redress of damage caused during the establishment of the Company or the performance of management or supervision, granting the consent for the conclusion by the Supervisory Board on behalf of the Company of a contract on the performance of management in the Company. Acquisition or sale of property, perpetual usufruct or share in property or in perpetual usufruct, encumbrance of property or right of perpetual usufruct with other property rights does not require adoption of a resolution by the General Meeting. Resolutions concerning removal of an item from the agenda or discontinuation of consideration of an item placed on the agenda at the request of shareholders shall be adopted by a majority of $\frac{3}{4}$ (three quarters) of votes cast, after prior consent expressed by all present shareholders who submitted such a request.

Pursuant to § 2 of the Regulations, the General Meeting is convened by way of an announcement made on the Company's website and in the manner prescribed for the provision of current information in accordance with the regulations on public offerings and the conditions for introducing financial instruments to the organised trading system and on public companies. The announcement should be made at least **twenty-six** days before the date of the General Meeting. The content of the announcement of the General Meeting shall comply with the requirements of the Commercial Companies Code with respect to such announcements for public companies. If the Supervisory Board or entitled shareholders convene the General Meeting, such entities shall submit to the Management Board, in writing or in electronic form, the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting, at least thirty-one days prior to the date of the General Meeting. The Management Board shall announce the

convening of such a General Meeting in the manner provided for above. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request shall be submitted to the Management Board in writing or in electronic form and shall contain the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting at least **thirty-one** days before the date of the General Meeting. The agenda is determined by the entity convening the General Meeting or requesting its convening. If the General Meeting is convened by the Management Board, the agenda is determined by the Management Board in consultation with the Supervisory Board. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request should be submitted to the Management Board in writing or in electronic form, not later than twenty-one days before the set date of this Meeting. The request should contain a justification or a draft resolution concerning the proposed item of the agenda and, if necessary, other materials to be presented to the General Meeting. The Management Board is obliged to announce immediately, but not later than eighteen days before the set date of the General Meeting, in a manner appropriate for convening the General Meeting, changes in the agenda introduced at the request of the listed shareholders. No resolution may be adopted on matters not included in the agenda, except for motions of an agenda nature or for convening an Extraordinary General Meeting, or if the entire share capital is represented at the General Meeting and none of the attendees has objected to adopting a resolution. A shareholder or shareholders representing at least **1/20** of the Company's share capital may – before the date of the General Meeting – submit to the Company, in writing or via electronic means, the draft resolutions concerning the items placed on the agenda of the General Meeting or the items to be put on the agenda. The Management Board shall immediately publish the draft resolutions on its website. During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda until the Chairman has ordered voting on a given point of the agenda. A General Meeting may be cancelled only and exclusively if its holding encounters extraordinary obstacles. However, if the General Meeting has been convened at the request of authorised entities or if issues are included in the agenda at the request of authorised entities, the cancellation of the General Meeting shall require the consent of the applicants. Cancellation takes place in the same way as convening the General Meeting. A change of the date of the General Meeting takes place in the same manner as its convening, even if the proposed agenda of the meeting is not changed. The shareholders' correspondence concerning the General Meeting sent by the shareholders should enable the identification of the shareholder and confirm their rights as a shareholder. The electronic correspondence should be directed to the designated electronic mail address indicated on the Company's website. Documents sent electronically to the Company should be scanned in PDF format.

In accordance with §3 of the Rules of Procedure, the General Meeting is opened by the Chairman or Deputy Chairman of the Supervisory Board. In the event of the absence of such persons, the General Meeting shall be opened by the President of the Management Board or a person appointed by the Management Board of the Company. The person opening the meeting shall do so at the time and place specified in the announcement. The person authorised to open the General Meeting conducts the election of the Chairman of the Meeting. For this purpose, it may take agenda-related decisions and administer voting on the election. A General Meeting convened by a shareholder or shareholders representing at least **1/20** of the share capital on the basis of a court decision shall be opened by a person appointed by the court as the Chairman of the General Meeting. This person also chairs the General Meeting. The Chairman of the General Meeting convened by shareholders representing at least half of the share capital

shall be appointed by those shareholders. The Chairman shall be elected in a secret voting. Only one natural person may be elected the Chairman of the General Meeting - a shareholder or its statutory representative or attorney. If necessary and justified by the needs of the General Meeting, a Deputy Chairperson or Deputy Chairpersons may be appointed.

In accordance with §4 of the Regulations, the Chairman of the General Meeting manages its proceedings in a manner ensuring efficient and lawful conduct of the proceedings and adoption of resolutions provided for in the adopted agenda. Pursuant to §5 of the Regulations, immediately after signing the attendance list, the Chairman orders its display for inspection by the shareholders. The attendance list should contain a list of participants of the General Meeting, i.e. shareholders, their statutory representatives and attorneys, specifying the number of shares and the number of votes to which they are entitled. Each person entitled to participate in the General Meeting should sign the attendance list, statutory representatives and attorneys of entitled shareholders should submit original powers of attorney in writing or copies of power of attorney certified by a notary public. The attendance list is available for inspection throughout the General Meeting. A shareholder or his/her representative who has been omitted from the list of shareholders should be entered on the attendance register if he/she has come to the General Meeting and proves that he/she is entitled to participate in the session. Similarly, the list should be supplemented if, after it has been signed by the Chairman, further shareholders entitled to participate in the General Meeting come forward. If a person participating in the General Meeting leaves the meeting or a shareholder entered on the list is refused the right to participate in the General Meeting due to lack of his/her rights - the list should be corrected accordingly by deleting this person. After each change in the composition of the participants of the General Meeting, the Chairman shall again sign the attendance list. In order to additionally check the attendance list, the General Meeting may appoint a committee composed of at least three members. If such a request is made by shareholders holding one-tenth of the shares in the share capital represented at the General Meeting, a committee must be appointed. The decision of the committee may be appealed against by the shareholder concerned to the General Meeting.

Pursuant to § 6 of the Regulations, voting at the General Meeting is open. A secret ballot must be held on the election and dismissal of Members of the Supervisory Board, the election of all other persons elected by the General Meeting, the holding responsible of members of the company's governing bodies or liquidators, and personal matters, including granting members of the Management Board permission to participate in a competitive company, if a request to hold a secret ballot is made by at least one participant of the General Meeting. The General Meeting may adopt a resolution on waiving the secrecy of voting on matters concerning the election of the committee appointed by the General Meeting. The committee may be composed of persons from outside the participants of the General Meeting. If there are legal grounds for electing the Supervisory Board by way of group voting, in accordance with §7 of the Regulations, the General Meeting shall do the above, with the reservation that the initiative in creating particular groups belongs only to the shareholders. The shareholders shall determine the minimum number of shares needed to form a separate group (quotient of the number of shares represented at the General Meeting and the number of Supervisory Board members to be filled), form a separate group(s) authorised to elect the Supervisory Board member(s) and determine the number of Supervisory Board members whose election lies within the competence of particular groups. Each selected group shall elect a Member of the Supervisory Board, previously electing the Chairman of the group and the Vote-Counting Committee, draw up a separate attendance list for a given group of voters (shareholders), sign the attendance list in the group by the Chairman of the group, propose candidates for a Member of the Supervisory Board in

the group, secret ballot, regarding the election of a Member of the Supervisory Board by the group, determine the result of the elections in the group by the Returning Committee, and submit a resolution on the election of a Member(s) of the Supervisory Board by the group to the Chairman of the General Meeting. The Chairman of the General Meeting shall announce the content of the resolutions adopted by the groups and shall determine the number of Members of the Supervisory Board to be elected by the shareholders entitled to participate in the General Meeting - who have not joined any of the separate groups entitled to elect the Members of the Supervisory Board. The remaining shareholders present at the General Meeting (who did not form a separate group) shall elect the remaining Members of the Supervisory Board in a secret ballot. Resolutions concerning appointment of Members of the Supervisory Board by separate groups and by other shareholders shall be recorded in the minutes by a notary public.

Resolutions of the General Meeting shall be recorded in the minutes. The minutes of the General Meeting shall be drawn up by a notary public in the form of a notarial deed. Non-compliance with this obligation shall result in absolute nullity of the resolutions. The minutes should be accompanied by the evidence of convening the General Meeting and the proposed agenda, the attendance list signed by the participants of the General Meeting and the Chairman, powers of attorney and other documents submitted by the representatives of the shareholders. Irrespective of the notary public, the Chairperson of the General Meeting may order the preparation of full minutes of the General Meeting recording the course of the General Meeting and the content of individual statements in a comprehensive manner. Minutes shall be taken by a Secretary elected by the General Meeting. The minutes of all General Meetings shall be included in the book of minutes kept by the Management Board. Each shareholder not even participating in the General Meeting may inspect the book of minutes of the General Meetings and request the issuance of copies of all or part of the minutes, against payment.

12.8. The Management Board of MIRBUD S.A. and the rules of appointing and dismissing managing persons

In the period from 01/01/2019 to 31/12/2019, the Management Board of MIRBUD S.A. was composed of four members.



Paweł Korzeniowski - Member of the Management Board, Sławomir Nowak - Vice-President of the Management Board, Jerzy Mirgos - President of the Management Board, Tomasz Sałata - Member of the Management Board

Jerzy Mirgos – President of the Management Board

He has been gaining experience in managing companies operating in the construction sector since 1985, working, among others, in managerial positions in enterprises and commercial law companies. Since 2002,

his professional career has been connected with the Issuer's company, where in recent years he held the position of General Director, responsible, among other things, for its strategy and further development. In 2008, he founded JHM DEVELOPMENT S.A., where he holds the position of the Vice-President of the Management Board, and in which is indirectly the majority shareholder. He considers the creation of the thriving MIRBUD Capital Group and the introduction of two companies, MIRBUD S.A. and JHM DEVELOPMENT S.A., to the trading floor of the Warsaw Stock Exchange to be his greatest professional success. On 23 June 2012 Mr. Jerzy Mirgos assumed the position of the President of the Management Board of MIRBUD S.A. On 27 April 2017 the Issuer's Supervisory Board appointed Mr. Jerzy Tomasz Mirgos to the Management Board of MIRBUD S.A. and entrusted him with the function of the President of the Management Board of MIRBUD S.A. for another individual five-year term of office.

Sławomir Nowak – Vice-President of the Management Board

Higher education - graduated from the Warsaw University of Technology, Faculty of Electrical Engineering - specialisation: Automation of Technological Processes. In 1999, the Council of the Faculty of Electrical Engineering awarded him the title of Doctor of Technical Sciences. In his professional career, he worked in managerial positions in the education and construction sectors.

In the structure of MIRBUD S.A. so far he has been the Deputy General Director of MIRBUD S.A. and the Director of the Contract for the construction of the Hilton Hotel in Warsaw.

By the resolution of the Supervisory Board, on 25 May 2012 he was appointed to the position of Vice President of the Management Board of MIRBUD S.A. On 27 April 2017 the Issuer's Supervisory Board appointed on Mr. Sławomir Nowak to the Management Board of MIRBUD S.A. and entrusted him with the function of Vice President of the Management Board of MIRBUD S.A. for another individual five-year term of office.

Paweł Korzeniowski – Member of the Management Board

Holds a higher education degree. Graduated from the University of Łódź - Faculty of Economics and Sociology, in the field of Economics, specialisation: Economics of Industry, where in the years 2001-2005 he completed his doctoral studies. For over 10 years he worked in banking, completed numerous courses and training in finance, banking mathematics, and financial analysis. Currently, he is also a member of the Supervisory Board of MARYWILSKA 44 sp. z o.o. and PBDiM KOBYLARNIA S.A.

Tomasz Sałata – Member of the Management Board

He has been working for the company as technical director since 2010. He also worked as director of construction production in Rex-Bud (2009-2010), director of production in Varitex (2001-2009), director of the Energoexport branch in Łódź and director of production and board member of Budmatpol. He graduated from the Faculty of Construction and Architecture of the Technical University of Łódź.

According to § 29 of the Articles of Association, the Management Board is composed of 1 (one) to 5 (five) members. The number of members of the Management Board shall be determined by a separate resolution of the Supervisory Board. The number of members of the first Management Board shall be determined by a resolution on the Company's transformation. Members of the Management Board or the entire Management Board shall be appointed by the Supervisory Board. The members of the first Management Board are appointed by way of a resolution on transformation of the Company. Members of the Management Board are appointed for an individual term of office lasting five years from the date of their appointment. Pursuant to § 31 of the Articles of Association, the Management Board conducts

the Company's affairs and represents the Company. The Regulations of the Management Board determine in detail the manner of operation of the Management Board.

The Regulations shall be adopted by the Management Board and approved by the Supervisory Board by way of a resolution. The President of the Management Board shall have a casting vote in all cases where an equal number of votes was cast for and against a given resolution. Resolutions of the Management Board shall be required for matters exceeding the scope of ordinary management, in particular:

- 1) introduction of organisational regulations defining the organisation of the Company's enterprise,
- 2) establishing a commercial power of attorney,
- 3) taking out credits and loans,
- 4) granting credit warranties and property sureties,
- 5) selling and acquiring fixed assets with the value exceeding 5% of the Company's equity for the last audited financial year.

In order for the Management Board to make a decision in the matters referred to in items 3, 4 and 5 with a value exceeding 5% of the Company's equity for the last audited financial year, the Supervisory Board must first approve the matter.

Prior approval of the Supervisory Board is also required by the decision of the Management Board on the matter of:

- 1) cessation or material limitation of any activity of the Company provided for in the Articles of Association,
- 2) adopting or amending the Company's strategic plan,
- 3) payment of an advance on the expected dividend to the Company's shareholders.

According to § 32 of the Articles of Association, if the Management Board is composed of one person, the President of the Management Board is authorised to make declarations and sign on behalf of the Company, and if the Management Board is composed of more than one person, the cooperation of two members of the Management Board is required. The Supervisory Board shall represent the Company in the contract between the Company and a Management Board member, as well as in any disputes with the said member.

12.9. Supervisory Board of MIRBUD S.A.

The Supervisory Board of the Company is elected by the General Meeting of Shareholders and consists of not less than five and not more than seven members.

Members of the Supervisory Board may be recalled in the same manner. A Supervisory Board member should not resign from their function during the term of office, if it could preclude the operation of the Board, and in particular, if it could preclude timely adoption of a significant resolution. If a Supervisory Board member resigns or if his mandate expires for other reasons before the end of the term of office of the Supervisory Board, the next General Meeting of Shareholders may supplement the composition of the Board. The candidacies of the Supervisory Board members are proposed and justified in detail in a manner enabling an informed election. Members of the Supervisory Board are appointed for an individual term of office lasting four years from the date of their appointment.

As at 31/12/2019, the Issuer's Supervisory Board was composed of the following persons:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2019 - 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board (until 31 May 2019)
Wiesław Kosonóg	Chairman of the Supervisory Board (from 31 May 2019)
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board

Agnieszka Bujnowska	Secretary of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Krystyna Lachowicz	Member of the Supervisory Board (until 24 June 2019)
Wiktoria Braun	Member of the Supervisory Board (from 31 May 2019)

Dariusz Jankowski - Chairman of the Supervisory Board (until 31/05/2019)

Holds a higher education degree. Graduated from the Faculty of Law and Administration of the University of Łódź with a Master's degree, and a Master's degree in the field of Romance philology. Additionally, Mr. Dariusz Jankowski completed his legal training and is currently an attorney.

Wiesław Kosonóg - Chairman of the Supervisory Board from 01/01/2019 to 31/12/2019

Holds a higher education degree. Graduated from the Higher School of Economics and Humanities in Skierniewice, the Faculty of Administration with specialisation in public administration and the Higher School of National Economy in Kutno, the Faculty of European Studies with specialisation in diplomacy and international relations, common foreign and security policy of the European Union. Has over 30 years of practical experience in economics and finance, and business management. A manager with extensive practical experience in managing complex business projects, as well as a long-term member of supervisory boards, including: the second and third term of office of the Voivodeship Fund for Environmental Protection and Water Management in Łódź; member of the Board of the Łódź Branch of the National Health Fund in Łódź; member and chairman of the Supervisory Board of a joint stock company listed on the Warsaw Stock Exchange; Chairman of the Supervisory Board of the Sadowniczy Zakład Doświadczalny [Pomiculture Experimental Plant] IO - Spółka z o.o. in Brzezna during the period of the company's restructuring plan and stabilisation of its financial situation. He was also a Councillor of the 2nd term of office of the of the Łódź Voivodeship Sejmik, vice-chairman of the audit committee and vice-chairman of the foreign cooperation committee. Recently, he worked as President of the company's single-person management board at the Kwaciarski Zakład Doświadczalny [Floral Experimental Plant] IO - Nowy Dwór Spółka z o.o.

Waldemar Borzykowski - Deputy Chairman of the Supervisory Board

Holds a higher education degree. Graduated from the Faculty of Economics and Sociology of the University of Łódź, studying Economics of Industry. He received a Master's degree in economics. For 13 years he has worked as the Treasurer of the City in the Skierniewice Self-Government.

Agnieszka Maria Bujnowska - Secretary of the Supervisory Board

Holds a higher education degree, graduated from the Faculty of Management of the University of Łódź, specialisation: accounting, financial analysis of enterprises; she also passed the exam for supervisory board members in State-owned companies - Minister of Treasury Diploma No. 2262/2007.

Hubert Bojdo - Member of the Supervisory Board

Graduate of the SGH Warsaw School of Economics, in the field of finance and banking, where he also completed his doctoral studies at the Faculty of International Relations. He was the Vice-President of the Management Board of Rubicon Partners Dom Maklerski S.A. and the Chairman of the Supervisory Boards of Invar&Biuro System S.A. and IQ Partners S.A.; a member of the Supervisory Boards of NFI Victoria S.A. and Voxel S.A.; he is a member of the National Chamber of Tax Advisors and a member of the Audit Committee of the Foundation for the Development of Polish Export

Andrzej Zakrzewski - Member of the Supervisory Board

Holds a higher education degree, graduated from the Military University of Technology in Warsaw, Faculty of Mechanics - Mechanics and Machine Construction, field of study: equipment and applications of propellants and lubricants. He was, among others, a technologist, a work group manager, an investment supervision inspector and a production director.

Krystyna Lachowicz - Member of the Supervisory Board (until 24/06/2019)

Graduated from the University of Warsaw with a Master's degree in economics. For over 20 years she has been assessing the economic and financial standing of enterprises in terms of their creditworthiness. She has gained and improved her professional experience in Bank Handlowy w Warszawie S.A., PKO BP S.A., DNB Bank Polska S.A. and Agencja Rozwoju Przemysłu S.A., where she currently works.

Wiktoria Braun - Member of the Supervisory Board (from 31/06/2019)

Holds a higher education degree. An expert in the field of finance, accounting, taxes, corporate governance, good practices and financial risk management. Holds a master's degree in mathematics and economics with a degree in finance and banking. She also completed Postgraduate Studies in Project Management. Ms. Wiktoria Braun has qualifications and certificates of, among others, a certified auditor and a court expert in the field of audit, economics, finance, bookkeeping, accounting, taxes; moreover, she passed the examination for members of supervisory boards in State Treasury companies. She has 27 years of experience, during which she worked for many industries, including in particular trade, telecommunications, insurance, leasing, development, media, publishing, including State Treasury companies and public finance entities.

The Supervisory Board acts in accordance with the Commercial Companies Code and the Articles of Association of MIRBUD S.A., as well as on the basis of the Regulations of the Board, which define in detail its organisation, manner of performing the activities and duties of members related to the function performed on the Board. Pursuant to the authorisation contained in the Company's Articles of Association, the Supervisory Board adopted resolution No. XXV dated 17 November 2009 with which it has established and adopted its Regulations.

The members of the Supervisory Board elect from among themselves a chairman, a deputy chairman and a secretary. An absolute majority of votes from among those present at the meeting of the Supervisory Board is required for the election to be valid.

Meetings of the Supervisory Board shall be convened as necessary, but at least four times per financial year. Pursuant to § 26 of the Articles of Association, meetings of the Supervisory Board are convened by the Chairman or his deputy. Meetings of the Supervisory Board of the Company shall be held in the place indicated in the notification. The first meeting of the Supervisory Board shall be convened by the Management Board of the Company. A request to convene a meeting of the Supervisory Board may be submitted by the Management Board and individual members of the Supervisory Board. The Chairman shall convene a meeting of the Supervisory Board within two weeks of the date of receiving the request. Meetings of the Supervisory Board, except for matters directly related to the Management Board or its members, especially dismissal, responsibility and determination of remuneration, are available and disclosed to the members of the Management Board. The shareholders (or their proxies), whose motions or appeals are the subject of the meeting, are also entitled to participate in a part of the Board's meeting; if the invited shareholder or his proxy, holding a written power of attorney, fails to report to the Board's meeting without prior notification of the Board about an obstacle to appearance, the Board shall consider the motion or appeal in absentia by notifying the person concerned of the decision taken by registered letter.

Resolutions of the Supervisory Board shall be valid if all members of the Supervisory Board are notified in writing in sufficient time to enable them to familiarise themselves with the proposed agenda and to prepare for the Board's meeting. The agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting to which it relates. The above requirement shall not apply if all members of the Supervisory Board are present and agree to amend or supplement the agenda, as well as if taking certain actions by the Supervisory Board is necessary to protect the Company against damage. Resolutions of the Supervisory Board may be adopted on any matter adopted for consideration in the agenda adopted in an open voting; each member of the Supervisory Board may submit a motion for including or deleting the matter from the agenda until the beginning of the vote on the agenda. Resolutions of the Supervisory Board shall be signed by all present members of the Supervisory Board.

Resolutions of the Supervisory Board may be adopted if at least half of its members are present at the meeting. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. Voting at meetings of the Supervisory Board is open, unless any member of the Supervisory Board requests a secret voting or the resolution concerns personal matters or the responsibility of members of the Company's governing bodies. The Supervisory Board may pass resolutions in writing or by means of direct remote communication. The adoption of resolutions in the above manner shall not apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, the appointment of a Member of the Management Board, or the dismissal or suspension of such persons from their duties. Resolutions passed in writing shall be valid as adopted at a properly convened meeting if all members of the Supervisory Board have been notified of the contents of the draft resolution and if they have been signed by at least three members of the Supervisory Board.

A group of shareholders or the Supervisory Board may delegate individual members to individually perform supervisory functions. Members of the Supervisory Board delegated to permanent individual supervision shall receive separate remuneration, the amount of which shall be determined by the General Meeting. A Supervisory Board member delegated to exercise permanent supervision should submit to the Supervisory Board a detailed report on their function after the end of each financial year, as well as after the end of such supervision.

Pursuant to § 27 of the Articles of Association, the Supervisory Board exercises permanent supervision over the Company's activities. The competences of the Supervisory Board include in particular:

- 1) appointing and dismissing members of the Company's Management Board and determining the number of members of the Company's Management Board,
- 2) determining the principles and amounts of remuneration for the members of the Management Board,
- 3) giving consent to any benefits by the Company and any entities related to the Company for the members of the Management Board and for the benefit of entities related to them,
- 4) granting consent for the Company or its subsidiary to enter into a material contract with a related entity or a related entity of a member of the Management Board or the Supervisory Board,
- 5) concluding, with the consent of the General Meeting, contracts for the performance of management in the Company,
- 6) granting permission to establish branches abroad, at the request of the Management Board,
- 7) selecting an entity to audit or review the financial statements of the Company and the capital group and granting consent to the conclusion of contracts with such an entity or its related entities and to perform any other activities that may limit the independence of such an entity in auditing or reviewing the financial statements of the Company and the capital group,
- 8) auditing the financial statements, both as regards their consistency with the books and documents, and with the factual status,
- 9) examining the Management Board's reports on the Company's and the capital group's operations and the Management Board's motions regarding the distribution of gain or coverage of losses,

- 10) submitting to the Ordinary General Meeting of Shareholders a written report on the results of the activities referred to in points 8 and 9, containing a concise assessment of the situation of the Company and the capital group,
- 11) giving consent for the Company to establish another company and take up or purchase shares in other companies,
- 12) giving consent to the performance of the activities referred to in § 31 para. 5 and 6 of the Company's Articles of Association,
- 13) approving the Regulations of the Management Board.

The Supervisory Board makes every effort to receive regular and exhaustive information from the Management Board on all important matters concerning the Company's activity and on the risk related to the conducted activity, as well as on the methods of risk management. The Supervisory Board gives its opinion on matters to be subject of resolutions of the General Meeting. In order to make decisions optimal from the point of view of the Company's interests, the Supervisory Board may appoint permanent or ad hoc specialist or advisory teams, which will prepare opinions, expert opinions or forecasts at the request of the Supervisory Board. The Management Board members shall first of all take into account the Company's interest. A member of the Supervisory Board should inform the other members of the Supervisory Board of any conflict of interest that has arisen and should refrain from taking part in the discussion and voting on the adoption of a resolution concerning the matter in respect of which the conflict of interest has arisen.

Information on personal, factual and organisational relations of a Supervisory Board member with a specific shareholder, in particular with a majority shareholder, is available to the public. After receiving such information from members of the Supervisory Board, the Company shall immediately make it available to the public.

Each member of the Supervisory Board should enable the Management Board to provide information in a public and appropriate manner on the sale or acquisition of shares in the Company or in its parent or subsidiary, as well as on transactions with such companies, provided that they are material to their financial situation.

The remuneration of the Supervisory Board members is determined by the General Meeting on the basis of transparent procedures and principles. The remuneration does not constitute a material item of the costs of the Company's activity and does not have a serious impact on its financial result. The total amount of remuneration of all members of the Supervisory Board, as well as individual remuneration of each member of the Supervisory Board, divided additionally into its components, is disclosed in the annual report, together with information on the procedures and rules of its determination. The activity of the Supervisory Board is financed from own funds of the Company and charged to its cost.

The Audit Committee operates within the structure of the Supervisory Board of MIRBUD S.A. and is separated as a monitoring, advisory and opinion-forming body, acting collectively on the basis of special provisions of law and Regulations of the Audit Committee of MIRBUD S.A.

Composition of the Audit Committee:

From 5 July 2016 to 30 May 2019, on the basis of Resolution No. X/2016 of the Supervisory Board of 5 July 2016, the Audit Committee functioned in the following composition:

1. Waldemar Borzykowski - Chairman of the Audit Committee
2. Agnieszka Bujnowska - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee

Waldemar Borzykowski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also met the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017). In the opinion of the Supervisory Board, met the independence criteria indicated in the Best Practices of WSE Listed Companies 2016 (principle II.Z.4).

Has knowledge and skills in accounting

knowledge and experience in accounting is reinforced by:

- obtaining a master's degree at the Faculty of Economics and Sociology of the University of Łódź, Faculty of Industrial Economics.

- deputy Director of Economic Affairs in Skierniewice Construction Combined Collective. The scope of activities included management and supervision of the company's finances.

- director of Economic Affairs at the Voivodeship Company of Engineering and Installation Works in Skierniewice. The scope of activities included management and supervision of the company's finances.

- director of "Prefabud" Construction Company in Skierniewice.

The financial statements of the above mentioned companies were subject to mandatory audit by a statutory auditor.

- from 1994 to 2006, Treasurer of Skierniewice.

Agnieszka Bujnowska - Secretary of the Audit Committee. Has accounting knowledge reinforced by:

- obtaining a master's degree at the Faculty of Management of the University of Łódź, specialisation: accounting, financial analysis of enterprises

Andrzej Zakrzewski - Member of the Audit Committee; has professional experience in the construction industry, and also met the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017). In the opinion of the Supervisory Board, met the independence criteria indicated in the Best Practices of WSE Listed Companies 2016 (principle II.Z.4).

- graduated from the Military University of Technology in Warsaw, Faculty of Mechanical Engineering with a master's degree in engineering

- gained professional experience in the construction industry:

1. Skierniewice Investment and Construction Company - currently Łowicz Investment and Construction Cooperative - position: Head of the Sanitation Works Group.
2. "HORTEX" Skierniewice Fruit and Vegetable Processing Plant - Senior Investment Supervision Inspector.
3. Sole proprietorship: Service company for water, CO, gas and ventilation systems - co-owner of the company.

The composition of the Audit Committee was adjusted to the requirements of Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

Within the next term of office, the Supervisory Board by Resolution No. XIII/2019 of 31 May 2019 established the following composition of the Audit Committee:

1. Waldemar Borzykowski - Chairman of the Audit Committee
2. Wiesław Kosonóg - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee

Waldemar Borzykowski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the 2016 Code of Good Practices of WSE Listed Companies (principle II.Z.4).

Wiesław Kosonóg - Chairman of the Audit Committee; meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the 2016 Code of Good Practices of WSE Listed Companies (principle II.Z.4).

Andrzej Zakrzewski - Member of the Audit Committee; has professional experience in the construction industry.

The Audit Committee in its indicated composition meets the independence criteria and other requirements set forth in Art. 129 para. 1, 3, 5 and 6 of the Act on Statutory **Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089)**.

The audit firm carrying out the audit of the Company's financial statements has not provided and does not provide permitted non-audit services

12.10. Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group

The Audit Committee of the Supervisory Board of MIRBUD S.A., acting as a public interest entity body and taking into account the fact that MIRBUD S.A. is the parent of the MIRBUD Capital Group, pursuant to Article 130(1) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision establishes the following rules concerning the selection of an audit firm to carry out audits of the Company's financial statements and the Capital Group's consolidated financial statements for a given financial year:

- 1) the selection of the audit firm is made sufficiently in advance to allow the audit contract to be signed in time for the audit firm to review the interim financial statements and participate in the inventory-taking of significant assets;
- 2) when selecting an audit firm, the Audit Committee and the Supervisory Board of the Company pay particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when making its recommendation to the Supervisory Board of the Company, takes into account the scope of services provided by the audit firm and the statutory auditor during the last five years preceding the selection of the audit firm;
- 3) control and monitoring of the independence of the audit team and the audit firm shall be carried out at each stage, in particular: when considering bids submitted, before proceeding with the financial audit activity, also in case of continuation of the contract in the following financial year;

- 4) the selection of an audit firm is made taking into account the audit firm's experience in statutory audit of financial statements of public interest entities, including companies listed on the Warsaw Stock Exchange, and knowledge of the segments in which MIRBUD Capital Group companies operate, as well as the proposed price for the statutory audit;
- 5) the selection of an audit firm shall be made taking into account the principle of rotation of the audit firm and the key statutory auditor in such a manner that the maximum duration of uninterrupted mandates for statutory audits carried out by the same audit firm or an audit firm affiliated to that audit firm or any member of the network operating in the countries of the European Union to which those audit firms belong does not exceed five years and the key statutory auditor has not carried out the statutory audit in the Company for more than five years. The key statutory auditor may re-audit the Company after at least three years from the end of the last statutory audit.

12.11. Policy for the provision of permitted non-audit services of MIRBUD S.A. and the MIRBUD Capital Group

An audit firm carrying out an audit, entities related to that audit firm and firms which are members of the audit firm's network may provide to the audited entity and to entities controlled by it non-audit services other than prohibited services which are not audit activities.

1. The provision of services only to the extent not related to the tax policy of the audited entity is admissible after obtaining an opinion of the Audit Committee of the Supervisory Board of MIRBUD S.A. (hereinafter referred to as the "Audit Committee"), which services include in particular:
 - 1) services of conducting due diligence procedures in the field of economic and financial condition;
 - 2) services of issuing letters of assurance performed in connection with the prospectus of the audited entity, carried out in accordance with the national standard for related services and consisting of carrying out agreed procedures;
 - 3) attestation services with regard to pro forma financial information, performance forecasts or estimated results, included in the prospectus of the audited entity;
 - 4) audit of historical financial information in a prospectus as referred to in Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
 - 5) verification of consolidation packages;
 - 6) confirmation of the fulfilment of the conditions of the concluded credit agreements on the basis of an analysis of the financial information derived from the audited financial statements of the audit firm;
 - 7) attestation services for corporate governance reporting, risk management and corporate social responsibility;
 - 8) services to assess the compliance of information disclosed by financial institutions and investment firms with capital adequacy disclosure requirements and variable remuneration components;
 - 9) attestations concerning statements or other financial information intended for the supervisory authorities, the supervisory board or any other supervisory body of the company or its owners, outside the scope of the statutory audit and intended to assist those authorities in carrying out their statutory duties.
2. Ordering additional services which do not constitute an audit of financial statements for the benefit of the audit firm which conducts the audit of financial statements or an entity affiliated with that audit firm or a member of its network may only take place after the Audit Committee of MIRBUD S.A. has carried out an assessment of threats and safeguards for independence, in particular an assessment of whether the service provided has a significant impact on the audited financial

statements.

3. Prior to awarding an order for the provision of permitted services which do not constitute an audit of financial statements, the Management Board of MIRBUD S.A. shall be obligated to submit to the Audit Committee the scope of services covered by the order together with a statement of the key statutory auditor conducting the audit concerning compliance with the independence requirements set forth respectively in the rules of professional ethics and standards for the provision of such services by the accepting audit firm, an entity related to the audit firm or a member of its network.
4. Prior to the acceptance of an order to provide permitted non-audit services to entities controlled by MIRBUD S.A. by an audit firm auditing the financial statements of MIRBUD S.A., an entity related to that audit firm and a member of its network, the key certified auditor shall present for the assessment of the Audit Committee the scope of services covered by the order together with an opinion as to whether the service ordered may have a significant impact on the consolidated financial statements of the MIRBUD Capital Group.
5. Where the total remuneration of an audit firm for the provision of additional non-audit services allowed to the audited entity, its parent or an entity controlled by it exceeds the criterion referred to in the first paragraph of Article 4(2) of Regulation No. 537/2014, the audit firm shall not undertake such provision except with the approval of the Audit Supervision Committee by administrative decision.
 - The Audit Committee's recommendation concerning the selection of an audit firm to carry out an audit was made following an organised selection procedure meeting the applicable criteria

During the financial year, the Audit Committee held 4 meetings

13. STATEMENT OF THE CAPITAL GROUP ON NON-FINANCIAL INFORMATION.

The MIRBUD Capital Group has prepared a separate report on non-financial information for 2019.

Jerzy Mirgos	Sławomir Nowak
President of the Management Board	Vice-President of the Management Board

Paweł Korzeniowski	Tomasz Sałata
Member of the Management Board	Member of the Management Board