



# MANAGEMENT BOARD REPORT ON OPERATIONS

## 2022

**MIRBUD S.A.**



## TABLE OF CONTENTS

1.	PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS .....	5
2.	ACTIVITIES OF THE MIRBUD CAPITAL GROUP .....	6
2.1.	Description of the Capital Group and its core activities .....	6
3.	FINANCIAL POSITION OF MIRBUD S.A. ....	14
3.1.	Discussion of selected items of the financial statements of MIRBUD S.A. as of 31/12/2022, 31/12/2021 .....	14
3.2.	Assessment of financial resources and liquidity management .....	18
4.	MIRBUD S.A. ACTIVITIES AND DEVELOPMENT PROSPECTS.....	20
4.1.	Market prospects .....	27
4.3.	Description of MIRBUD S.A.'s activities in 2022.....	32
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.....	32
4.4.	Corporate Social Responsibility.....	36
4.5.	Information on the Company's basic products, services or goods.....	37
4.6.	Information on sales and supply markets .....	38
4.6.1.	Recipients .....	38
4.6.2.	Suppliers .....	41
4.8.	Prospects for the development of the activities of the MIRBUD Capital Group .....	42
4.9.	Identification of the Issuer's main domestic and foreign investments.....	44
4.10.	Assessment of potential for achieving investment objectives .....	44
4.11	Risk factors.....	45
4.11.	Information on credits, loans, guarantees and sureties .....	56
4.11.1.	Credits and loans.....	56
4.11.2.	Loans granted .....	59
4.11.3.	Sureties and guarantees .....	59
4.12.	Description of use of inflows from issuing by the Company.....	62
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. ....	62
5.	MAIN CONTRACTS.....	62
5.1.	Insurance contracts .....	62
5.2.	Main contracts for construction and other works related to operating activities concluded by MIRBUD S.A. ....	62
5.3.	Events and contracts concluded after the date of preparation of financial statements, which may have significant impact on the future financial results.....	66
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.....	66

7.	THE EFFECTS OF CHANGES IN THE STRUCTURE OF THE ECONOMIC ENTITY, INCLUDING AS A RESULT OF MERGING ENTITIES, GAINING OR LOSS OF CONTROL OVER SUBSIDIARIES AND LONG-TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS, AND IDENTIFICATION OF ENTITIES SUBJECT TO CONSOLIDATION .....	67
8.	ACHIEVED AND FORECAST FINANCIAL RESULTS .....	67
9.	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...	67
10.	CHANGES IN BASIC PRINCIPLES GOVERNING THE MANAGEMENT OF THE MANAGEMENT OF THE ISSUER'S ENTERPRISE AND ITS CAPITAL GROUP .....	69
11.	DESCRIPTION OF KEY FEATURES OF INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT SYSTEM WITH RESPECT TO THE PROCESS PREPARING FINANCIAL STATEMENTS .....	69
12.	ADDITIONAL INFORMATION .....	72
12.1.	Shareholder structure .....	72
12.1.1.	Information about the dividend paid in the period from 01/01/2022 to 31/12/2022 .....	72
12.1.2.	Information on the purchase and sale of own shares .....	72
12.1.3.	Shares and stocks of the .....	72
12.1.4.	Information on the Issuer's shares or the rights thereto held by members of the management and supervisory bodies .....	74
12.1.5.	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.....	74
12.1.6.	Information on the system of control over employee stock ownership plans .....	74
12.2.	Influence of factors and unusual events on the financial result for 2022 .....	75
12.3.	Changes in the basic principles of managing an enterprise.....	75
12.4.	The Management Board and the Supervisory Board and the changes in supervisory and management bodies .....	75
12.5.	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.....	76
12.6.	Remuneration of members of the management and supervisory bodies.....	77
12.6.1.	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;.....	79
12.6.2.	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,.....	79
12.7.	Information on employee shares and limitations on the assignment of the rights to securities of MIRBUD S.A. ....	79
12.8.	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.....	79
12.9. Employees .....	79
12.10. Diversity policy .....	80
12.11. Information on contracts with entities authorised to audit financial statements .....	80
12.12. 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.....	81
13. STATEMENT OF MIRBUD S.A. ON NON-FINANCIAL INFORMATION.....	81
14. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE OF MIRBUD S.A. ....	81

## 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 annual financial reporting, as adopted by the European Union, published and binding at the time of preparation of the annual 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 (thousands of zloty), 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 the period from 01/01/2022 to 31/12/2022.

## 2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

### 2.1. Description of the Capital Group and its core activities

The MIRBUD Capital Group employs over 1000 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. JHM DEVELOPMENT S.A. carries out investment tasks in the field of housing construction in a development system, while KOBYLARNIA S.A., a company located in Kobylarnia near Bydgoszcz, extends the scope of the Group's activities by road and bridge works, as well as the production of bituminous masses.

Moreover, the MIRBUD Capital Group includes MARYWILSKA 44 Sp. z o.o., the owner and manager of the largest shopping centre in Warsaw. Starting from 2021, the company is also the owner and manager of the Warehouse and Logistics Park in Ostróda as well as retail facilities in Starachowice and Rumia. MARYWILSKA 44 Sp. z o.o. has been appointed as the managing entity for all commercial properties owned by the MIRBUD Capital Group.

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 Kyiv. The company was registered on 25 January 2018. Currently, the company has no operations in Ukraine.

**MIRBUD S.A.** is the parent company and prepares consolidated financial statements which include statements of the parent company and subsidiaries - JHM DEVELOPMENT S.A., KOBYLARNIA S.A. and MARYWILSKA 44 Sp. z o.o.

## Basic data of the parent company

**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 Commercial Companies Code. 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.



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

## Subsidiary of MIRBUD S.A. - KOBYLARNIA S.A. (formerly: 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 On 01/07/2020, the name of the Company was changed. Since that date, the Company has operated under the following business name: Kobyłarnia Spółka Akcyjna.



<b>Full name of the entity:</b>	<b>KOBYLARNIA S.A.</b>
<b>Entity's registered office:</b>	Kobyłarnia
<b>Legal form:</b>	Joint stock company
<b>NIP (tax identification number):</b>	953-22-34-789
<b>REGON:</b>	091631706
<b>Address details:</b>	ul. Zakole 1, 86-051 Brzoza
<b>phone/fax</b>	+48(52) 381-06-10

<b>E-mail:</b>	sekretariat@kobylarnia.pl
<b>Website:</b>	www.kobylarnia.pl
<b>Country of registered office:</b>	Poland

---

### 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.
<b>Entity's registered office:</b>	Skierniewice
<b>Legal form:</b>	Joint stock company
<b>NIP (tax identification number):</b>	836-181-24-27
<b>REGON:</b>	100522155
<b>Address details:</b>	ul. Unii Europejskiej 18A, 96-100 Skierniewice
<b>phone/fax</b>	+48 (46) 833-61-28
<b>E-mail:</b>	sekretariat@jhmdevelopment.pl
<b>Website:</b>	www.jhmdevelopment.pl
<b>Country of registered office:</b>	Poland

---

### Subsidiary of MIRBUD S.A. and 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.

In 2021, as a result of issuing 1,565,000 new shares by MARYWILSKA 44 Sp. z o.o. with a nominal value of PLN 78,250 thousand and their acquisition by MIRBUD S.A., the share of JHM DEVELOPMENT S.A. in the share capital of MARYWILSKA 44 Sp. z o.o. declined to 46.12%. As a result, as of 01/07/2021, JHM DEVELOPMENT S.A. lost control over MARYWILSKA 44, while MIRBUD S.A. took direct control over that entity. It was agreed that the date on which JHM DEVELOPMENT S.A. loses direct control over Marywilka 44 Sp. z o.o. shall be 30 June 2021.





<b>Full name of the entity:</b>	<b>MARYWILSKA 44 Sp. z o.o.</b>
<b>Entity's registered office:</b>	Warsaw
<b>Legal form:</b>	limited liability company
<b>NIP (tax identification number):</b>	524-271-14-28
<b>REGON:</b>	142434636
<b>Address details:</b>	ul. Marywilska 44, 03-042 Warsaw
<b>phone/fax</b>	+48(22) 423-10-00
<b>E-mail:</b>	sekretariat@marywilska44.com
<b>Website:</b>	www.marywilska44.com
<b>Country of registered office:</b>	Poland

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

The Company was established on 13/09/2011 based on 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. With effect from 1 July 2022, the Extraordinary Meeting of Shareholders of the Company adopted a resolution to put JHM 1 Sp. z o.o. into liquidation. From this date, the company is named JHM 1 Sp. z o.o. w likwidacji. Liquidation of the subsidiary, JHM 1 Sp. z o.o., is part of the process of reorganisation of the MIRBUD Capital Group, about which the Issuer informed in Current Reports No. 36/2020 and 41/2021. The commercial property in Rumia, previously owned by the Company, is now managed by MARYWILSKA 44 Sp. z o.o.

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

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

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.

By way of Resolution No. 1 dated 01/02/2022, the Extraordinary Meeting of Shareholders of JHM 2 Spółka z ograniczoną odpowiedzialnością, the Company was dissolved and put into liquidation as of 01 February 2022.

Pursuant to Resolution No. 1/2022 of July 14, 2022, the Extraordinary General Meeting of Shareholders of JHM 2 Sp. z o. o. w likwidacji assumed that the liquidation activities were completed on June 30, 2022. The company was deleted from the National Court Register as of the balance sheet date.

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

### 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.

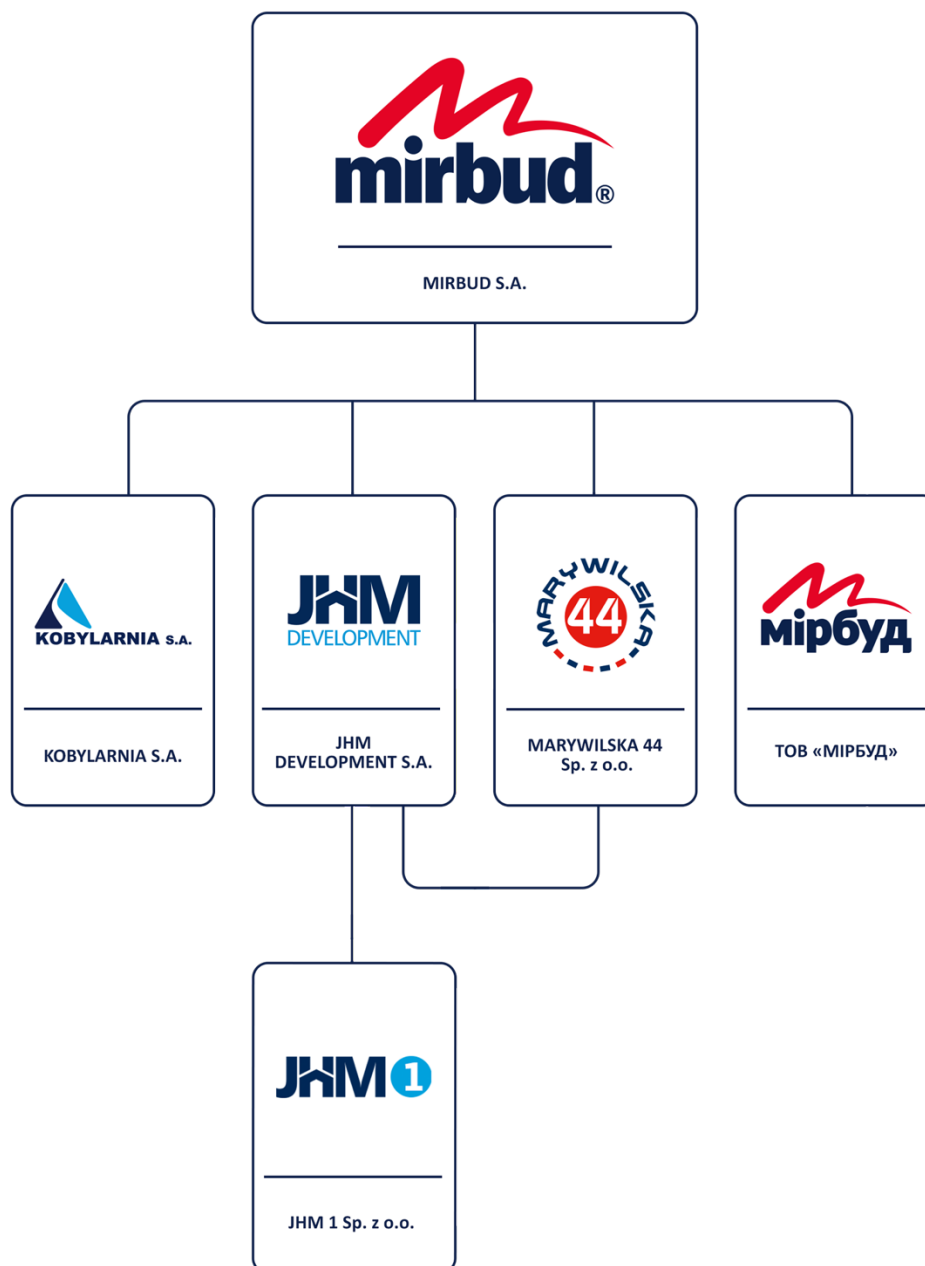
The Company conducts business activities in Ukraine in the area of, among others, construction of residential and non-residential buildings, construction of roads, performance of specialist construction works, finishing and architectural works. Currently, the Company has no active operations in Ukraine.



<b>Full name of the entity:</b>	<b>ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «МІРБУД» (MIRBUD sp. z o.o.)</b>
<b>Entity's registered office:</b>	Kiev
<b>Legal form:</b>	limited liability company
<b>NIP (tax identification number):</b>	418873426552
<b>REGON (ЄДРПОУ Code):</b>	41887344
<b>Address details:</b>	ul. Bratysławska 14B, 02156 Kyiv
<b>Country of registered office:</b>	Ukraine

On July 24, 2021, JHM DEVELOPMENT S.A. purchased a company under the name of STAL-MET Nieczaj Sp. z o. o. w upadłości with its registered office in Słupsk, shares in HAKAMORE Sp. z o. o. w upadłości with its registered office in Warsaw (currently in Skierniewice).

Due to the fact that HAKAMORE Sp. z o. o. is currently in bankruptcy, JHM DEVELOPMENT S.A. as of the balance sheet date does not control HAKAMORE. Control of the company is exercised by the bankruptcy trustee.



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 of 31/12/2022

Name of the entity	Share capital	Share of MIRBUD S.A. in the share capital
<b>JHM DEVELOPMENT S.A.</b>	PLN 173,000,000	<b>100%</b>
<b>KOBYLARNIA S.A.</b>	PLN 30,000,000	<b>100%</b>
<b>MARYWILSKA 44 Sp. z o.o.</b>	PLN 157,500,000	<b>57.47%</b>
<b>ТОВ «МІРБУД»</b>	UAH 2,377,752.81	<b>100%</b>

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilka 44 Sp. z o. o. adopted a resolution concerning:

- reduction of the Company's share capital to PLN 145,240,000, i.e. by PLN 3,010,000, which corresponds to the value of the aforementioned redeemed shares;
- and then increasing the Company's share capital to PLN 157,500,000, i.e. by PLN 12,260,000, through the creation of 245,200 new shares with a nominal value of PLN 50 each. The newly issued shares were fully paid up in cash in the amount of PLN 24,520,000, with the surplus over the nominal value of the shares, i.e. PLN 12,260,000, being transferred in full to the Company's share capital. The new shares were acquired entirely by MIRBUD S.A.

On 24 May 2022, the decision of the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, was delivered to the Issuer regarding registering the value of the share capital increase to PLN 157,500,000.00 of the Issuer's subsidiary - Marywilka 44 Sp. z o.o. The entry was made on 5 April 2022. The Issuer acquired 1,810,200 shares in the share capital of Marywilka 44 Sp. z o.o. with a total value of PLN 90,510,000.00, which constitutes 57.47% of the share capital of Marywilka 44 Sp. z o.o.

The share capital of ТОВ «МІРБУД» is UAH 2,377,752.81 (at the average exchange rate of the National Bank of Poland of December 31, 2022, it was PLN 299,121.30, at the average exchange rate of the National Bank of Poland of December 31, 2021 was PLN 353,571.84). The sole partner of the company is MIRBUD S.A. As of 31/12/2022, the value of the contributed capital amounted to PLN 315,877.09.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as of 31/12/2022

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.	PLN 157,500,000	*PLN 66,990,000	42.53%
JHM 1 Spółka z o.o.	PLN 9,001,000	PLN 9,001,000	100.0%

## Core activities

## MIRBUD S.A.



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

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

- **industrial construction** (manufacturing, retail and service buildings);
- **public utility 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 entity's core business in accordance with its Articles of Association and the entry in the National Court Register is as follows:

- general construction and civil engineering;
- freight transport by road;
- lease of construction and demolition equipment with operator service;
- advertising and publishing activities;
- lease of premises for own account;
- wholesale of materials for the construction industry.

### 3. FINANCIAL POSITION OF MIRBUD S.A.

#### 3.1. Discussion of selected items of the financial statements of MIRBUD S.A. as of 31/12/2022, 31/12/2021

Table: Selected items of the Company's assets as of 31 December 2022 and 31 December 2021 in PLN thousand.

Specification	31/12/2022	% share in total assets	31/12/2021	% share in total assets	Change in PLN thousand	Change in %
<b>Fixed assets, including:</b>	<b>582,228</b>	<b>41%</b>	<b>557,475</b>	<b>46%</b>	<b>24,753</b>	<b>4%</b>
Property, plant and equipment	69,538	5%	65,465	5%	4,073	6%
Investment property		0%		0%	0	0%
Intangible assets	389	0%	733	0%	-344	-47%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	472,108	33%	472,108	39%	0	0%
Investments measured using the equity method	0	0%	0	0%	0	0%
Long-term trading and other receivables	0	0%		0%	0	0%
biological assets	0	0%	0	0%	0	0%
Deferred income tax assets	34,235	2%	19,122	2%	15,113	79%
Other fixed assets not elsewhere classified (including prepayments and accruals)	5,958	0%	47	0%	5,911	12,577%
<b>Current assets, including:</b>	<b>843,904</b>	<b>59%</b>	<b>664,417</b>	<b>54%</b>	<b>179,487</b>	<b>27%</b>
Inventories	1,267	0%	1,075	0%	192	18%
Receivables on account of the income tax	0	0%	0	0%	0	0%
Trading receivables and other receivables	548,836	38%	436,446	36%	112,390	26%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	0	0%	0	0%	0	0%
Cash and cash equivalents	293,801	21%	224,182	18%	69,619	31%
Other current assets n.e.c.	0	0%	2,714	0%	- 2,714	-100%
fixed assets held for sale	0	0%	0	0%	0	0%
<b>Total assets</b>	<b>1,426,132</b>	<b>100%</b>	<b>1,221,892</b>	<b>100%</b>	<b>204,240</b>	<b>17%</b>

As of 31/12/2022, compared to the end of 2021, the value of the balance sheet total and the structure of assets of the Company changed significantly.

Current assets which, as of 31/12/2022, comprise 59% of the Company's total assets (increase in the share of current assets in the balance sheet total by 5 p.p. compared to the end of 2021) still constitute the dominating value.

Fixed assets comprise mainly long-term financial assets (which are mainly capital investments in subsidiaries: JHM DEVELOPMENT S.A., KOBYLARNIA S.A., Marywilska 44 sp. z o.o.) accounting for 33% of total assets (a decrease in share in total assets by 6 p.p. compared to 2021).

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

- purchase by MIRBUD S.A. means of transport and leased machinery and equipment for the amount of almost PLN 8 million;
- a significant increase in the settlement period of contracts in the industrial and warehousing segment concluded with companies from the Panattoni Group, which, together with an increase in the value of revenue from construction and assembly services for this segment by approx. 76% compared with the same period of the previous year, resulted in a visible increase in receivables;
- successive settlement by MIRBUD S.A. of advance payments received for the performance of road contracts, including: construction of a section of the S-1 motorway, the so-called Węgierska Górka bypass, construction of a section of the A-1 motorway; Olesno bypass, (value of unsettled advances for construction works: PLN 114 million);
- an increase in trade receivables caused by the increase of the scale of operations in the construction and assembly segment (large road projects entering the advanced stage of execution).

Table: Selected items of liabilities as of 31 December 2022 and 31 December 2021 in PLN thousand.

Specification	31/12/2022	% share in total liabilities	31/12/2021	% share in total liabilities	Change in PLN thousand	Change in %
<b>Equity</b>	<b>467,360</b>	<b>33%</b>	<b>365,488</b>	<b>30%</b>	<b>101,872</b>	<b>28%</b>
<b>Long-term liabilities and provisions for liabilities</b>	<b>256,547</b>	<b>18%</b>	<b>304,488</b>	<b>25%</b>	<b>-47,941</b>	<b>-16%</b>
- Provisions under deferred income tax	22,991	2%	8,705	1%	14,286	164%
- other provisions for long-term liabilities	61	0%	95	0%	-34	-36%
- long-term financial liabilities for trading liabilities and other liabilities	122,002	9%	68,765	6%	53,237	77%
- long-term trading and other liabilities	111,493	8%	226,923	19%	-115,430	-51%
- other long-term liabilities and provisions n.e.c.	0	0%	0	0%	0	0%
<b>Short-term liabilities and provisions for liabilities</b>	<b>702,225</b>	<b>49%</b>	<b>551,916</b>	<b>45%</b>	<b>150,309</b>	<b>27%</b>
- Provisions for short-term liabilities	2,176	0%	3,680	0%	-1,504	-41%
- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	34,355	2%	79,836	7%	-45,481	-57%
- trade and other liabilities	653,980	46%	450,283	37%	203,697	45%
- liabilities under deferred income tax	11,230	1%	17,524	1%	-6,294	-36%
other long-term liabilities and provisions n.e.c.	484	0%	593	0%	-109	0%
Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
<b>Total liabilities</b>	<b>1,426,132</b>	<b>100%</b>	<b>1,221,892</b>	<b>100%</b>	<b>204,240</b>	<b>17%</b>

The structure of liabilities did not change significantly in 2022. The operations of MIRBUD S.A. are financed in 33% from own funds, and in 67% from external capital. The share of long-term liabilities in financing amounted to 18% (a decrease in the share by 7 p.p. compared to 2021), while the share of short-term liabilities increased by 4 p.p. compared to 2021 and stood at 49%.

The change in the structure of liabilities resulted mainly from:

- the re-launch of the loan with IDA S.A. in the additional amount of PLN 20 million;
- partial repayment of other long-term credits;



- purchase of leased machinery and equipment and means of transport by MIRBUD S.A. for a total of approx. PLN 8 million - increase in long-term and short-term financial liabilities;
- successive settlement by MIRBUD S.A. of advances received from the General Directorate for National Roads and Motorways for execution of road contracts (balance of not settled advances - PLN 114 million);
- an increase in trade liabilities due to a more than 35% increase in the scale of operations in the construction and assembly segment (transition of major road projects to the advanced stage of execution, significantly increased value of projects in the industrial and warehouse construction segment);
- rollover of working capital credits taken out by MIRBUD S.A. at PKO BP, BOŚ S.A., mBank S.A. for approx. PLN 50 million for successive periods of 24 to 36 months.
- maturity in October 2023 of a PLN 35 million loan with BOS (the Company plans to roll over the commitment over a 24- or 36-month period).

Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2022 to 30/06/2022 and 01/01/2021 to 31/12/2021 in PLN thousand

Specification	Period from 01/01/2022 to 31/12/2022	Profitability	Period from 01/01/2021 to 31/12/2021	Profitability	Change in PLN thousand	Change in %
<b>Sales revenue</b>	2,325,180	-----	1,747,862	-----	577,318	33%
<b>Gain from sales</b>	160,579	6.91%	134,119	7.67%	26,460	20%
<b>Operating profit EBIT</b>	128,569	5.53%	104,466	5.98%	24,103	23%
<b>Pre-tax profit</b>	146,227	6.29%	99,210	5.68%	47,017	47%
<b>Net profit</b>	120,221	5.17%	80,354	4.60%	39,867	50%

In 2022, MIRBUD S.A.'s revenues were 33% higher than in the 2021 period, which was mainly due to a significant increase in sales revenues from construction and assembly activities, especially in the industrial buildings and civil engineering services segments. Profitability on sales in this period decreased by 0.76 p.p. compared to 2021, while net profitability was 0.57 p.p. higher.

The company achieved a positive financial result generated mainly from newly executed construction contracts.

The Company's profitability in 2022 was impacted by:

- a decrease in the profitability of road contracts; and in the public utility buildings segment as a result of the significant increase in material prices caused by the conflict in Ukraine;
- a wobble in the profitability of contracts for the construction of production and service buildings in the first half of 2022 and a significant increase in the second half of 2022;
- dividends received from subsidiaries JHM DEVELOPMENT and KOBYLARNIA S.A. totalling PLN 24.8 million.

### 3.2. Assessment of financial resources and liquidity management

The management of financial resources of MIRBUD S.A. assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 67% 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.

In the coming years the Company's strategy provides for a gradual replacement of short-term debt financing individual construction contracts with long-term debt financing with particular consideration of advances from the Contracting Authority for infrastructural contracts 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 S.A. debt ratios

Specification	31/12/2022	31/12/2021
<b>Total debt ratio</b> <i>Total liabilities / Assets</i>	0.67	0.70
<b>Long-term debt ratio</b> <i>Long-term liabilities / Assets</i>	0.18	0.25
<b>Short-term debt ratio</b> <i>Short-term liabilities / Assets</i>	0.49	0.45
<b>Debt to equity ratio</b> <i>Liabilities / Equity</i>	2.05	2.34

In the reporting period, the level of debt decreased by 3% and its structure changed (the share of long-term debt decreased by 7 p.p. and the share of short-term debt increased), which was the result of:

- An increase in trade liabilities due to an increase in the scale of operations in the construction and assembly segment (transition of major road projects to the advanced stage of execution, increased number and value of contracts in the industrial and warehouse construction segment);
- maturity in October 2023 of the BOŚ loan in the amount of PLN 35 million (the Company plans to roll over the commitment for a 24 or 36-month period);
- changes in market conditions for the supply of materials forcing early payment or advances, which resulted in increased use of available working capital credits.
- purchase of leased machinery and equipment and means of transport by MIRBUD S.A. for a total of approx. PLN 8 million - increase in long-term and short-term financial liabilities;

The level and structure of the Group's indebtedness in the 2022 outlook was influenced by the timing of payment of receivables by Panattoni Group companies and the effective implementation of the strategy of financing large road contracts from advance payments from the Purchaser.

Table: Company liquidity ratios

Specification	31/12/2022	31/12/2021
<b>Current liquidity ratio</b>		
(Current assets / Short-term liabilities)	1.20	1.20
<b>Accelerated liquidity ratio</b>		
(Current assets - Inventories - Short-term prepayments) / Short-term liabilities	1.20	1.20
<b>Cash liquidity ratio</b>		
(Cash / Short-term liabilities)	0.42	0.41

The liquidity of the MIRBUD Capital Group as of 31.12.2022 compared to 31.12.2021 has not changed significantly and is still at a high level.

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

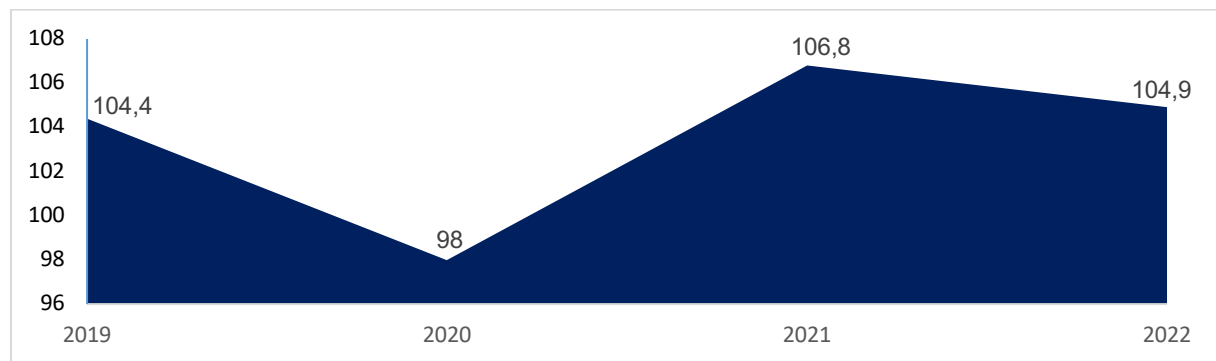


MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

After a period of apparent recovery in economic activity, with the outbreak of war in Ukraine at the end of February last year, economic prosperity began to decelerate sharply. The global economies, including the Polish economy, were adversely affected by the reduction in gas supplies to Europe by Russia, trade disruptions with Ukraine, Russia and Belarus and a marked increase in uncertainty, reflected in the decisions of economic players. In December 2022 the PMI for Polish industry reached 45.6 points, for the eighth consecutive month remaining below the neutral level of 50 points.<sup>1</sup>

According to published data from the Central Statistical Office (GUS - CSO), gross domestic product in 2022 increased by 4.9% in real terms, compared to the increase of 6.8% in 2021. Although this is higher than expectations by 0.1%, a strong deceleration of the Polish economy could be observed in Q4 2022. GDP increased by 2% year-on-year, up from 3.6% year-on-year in the previous quarter. The economic slowdown is confirmed by the data for December 2022, in which the value of industrial production sold increased by only 1% year-on-year (compared to 4.5% the month before).

Chart: Real dynamics of gross domestic product 2019-2022 (same period of previous year = 100)



Source: Own calculations based on the data of the Central Statistical Office.

According to economists from the Polish Economic Institute, like the rest of the European Union, Poland will face an economic slowdown in 2023. A short recession is expected in Q1 2023, with GDP decreasing by 0.3%. The Polish economy is expected to start increasing from the second quarter of 2023 onwards. The economic slowdown will be accompanied by persistently high inflation, which will reach around 13% on an annual basis.

The reversal of the downward trend in GDP in 2023 should be facilitated by extinguishing pressure in global supply chains, the observed correction in commodity market prices and growing concerns about the painful effects of monetary tightening on economic activity (of which the residential construction segment is the biggest victim in the construction sector) The above circumstances increase market expectations of a softer stance by central banks (also in Poland) when it comes to the further fight against inflation. For this reason, there are increasing opinions that the cycle of interest rate rises in Poland has in practice already come to an end.

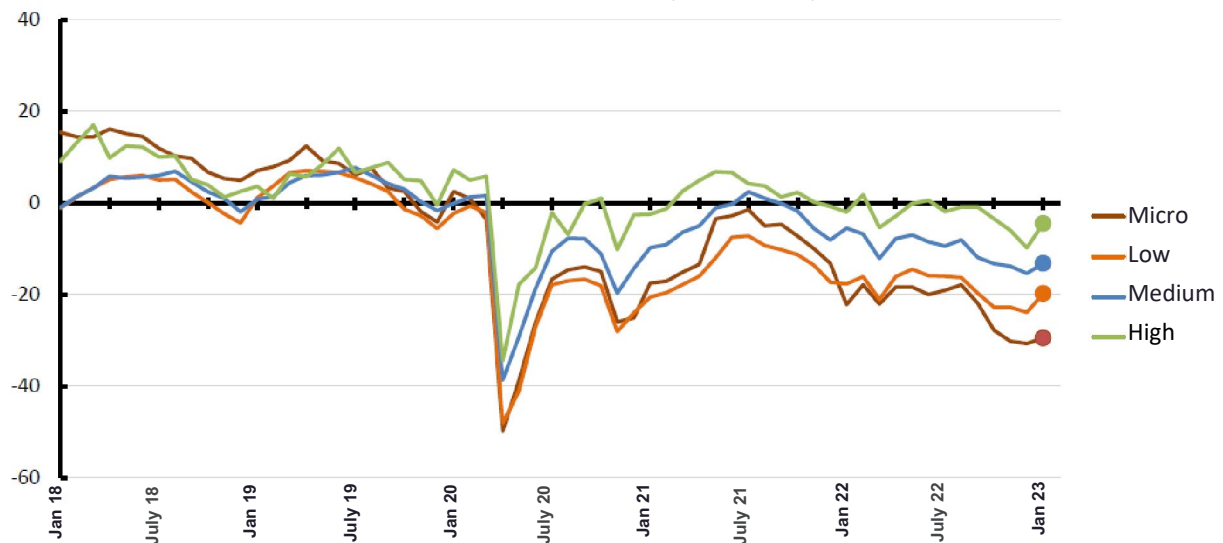
<sup>1</sup> *Bankier.pl*

## Construction and assembly segment

The situation in the construction and assembly segment in 2022 as well as in the following years is determined both by the general economic situation in Europe and Poland conditioned by the consequences of the conflict in Ukraine as well as by internal conditions resulting from the country's economic policy.

According to data for December 2022, the dynamics of construction and assembly production weakened markedly (down 0.8% year-on-year - up 3.1% a year ago).

Chart: General business climate index for construction for the period January 2018 - January 2023



Source: prepared by PZPB on the basis of CSO data

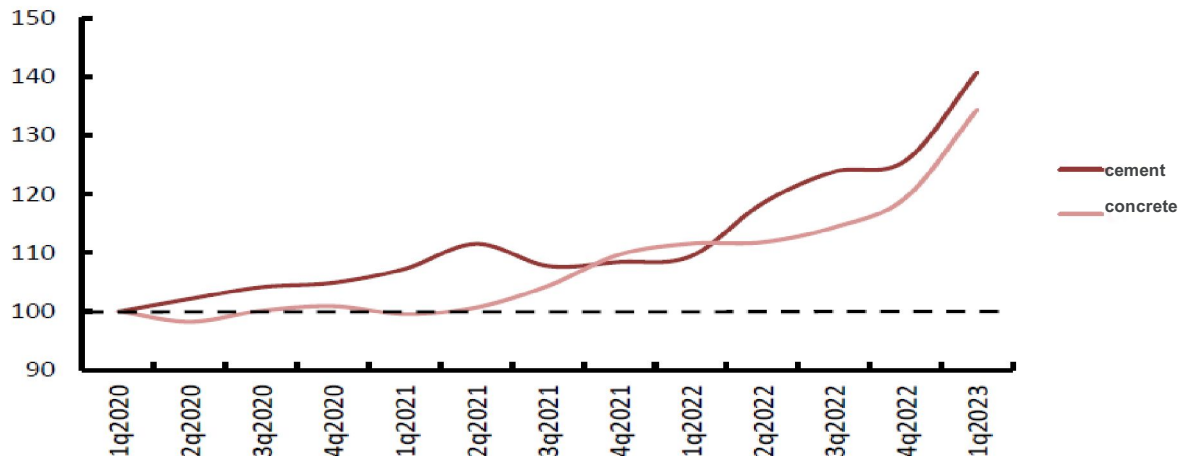
Two categories of factors had the greatest impact on the construction and assembly segment in Poland in 2022: the cost of construction works and the supply of new construction projects.

### Costs of construction work

2022 was a real test of management effectiveness for the Construction Companies. In the face of changing market conditions, material prices rising uncontrollably in the first half of the year or disrupted supply chains, maintaining the profitability of ongoing contracts became the biggest challenge.

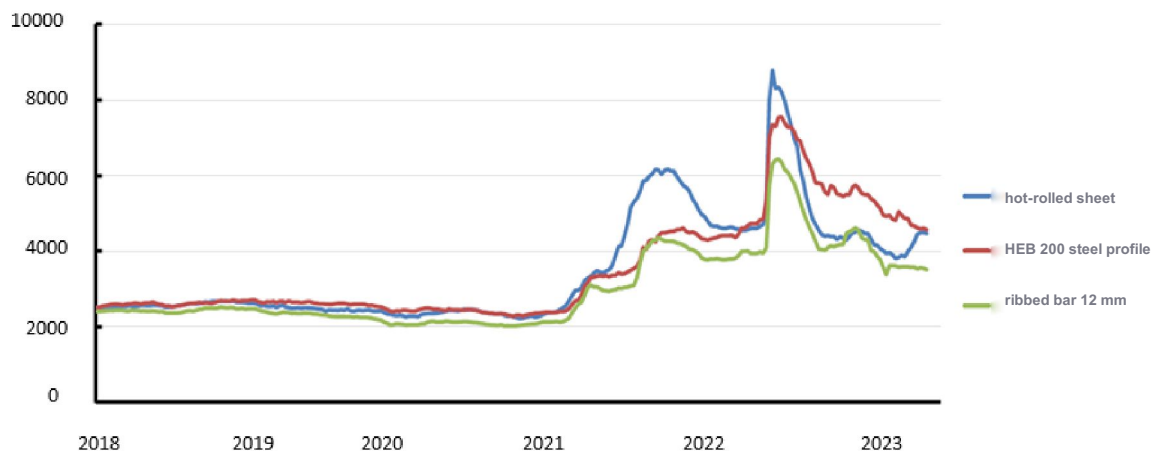
In January 2023, construction material prices increased by 17% (y/y) on average. Cement prices have risen the most over the past year, by 55%. As one of the basic materials in construction and assembly production, it shaped the increase in the price of concrete and finished concrete semi-finished products.

Chart: Cement and concrete prices (Q1. 2020 - Q1. 2023) Q1. 2020=100



With the outbreak of war, steel supplies from Ukraine and Belarus were restricted. Supplies from Russia, which accounted for around 25% of Polish imports in 2021, were completely closed due to sanctions. Because of this, the prices of steel and steel products began to rise rapidly. In the last months of 2022, steel prices have decreased by around 30%, yet they are still on average 20% higher than before the outbreak of war in Ukraine. In the case of construction steel, prices reached a record high of around PLN 9,500 per tonne in early March 2022. Ribbed bars cost between PLN 7,700 and PLN 8,000 net (between PLN 9,500 and approximately PLN 9,900/t gross). From August onwards, we have seen fluctuating price levels, in February this year a tonne of ribbed bars cost between PLN 3,400 and PLN 3,700.

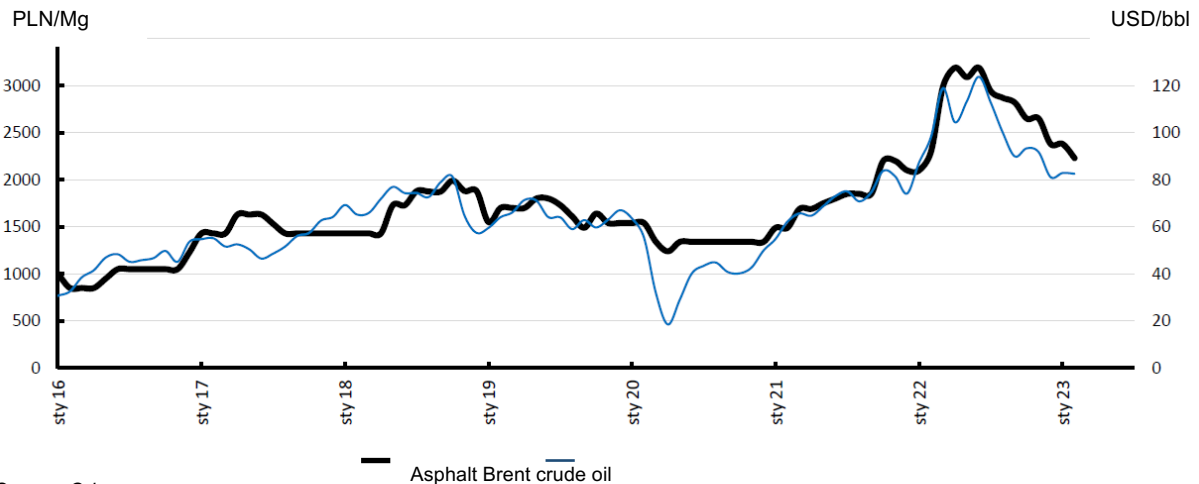
Chart: Steel prices [PLN/t] (January 2018 - March 2023)



Source: PUDS

Another factor affecting the cost of construction production is the price of oil. Record fuel prices have contributed to a significant increase in costs such as transport costs, the operation of construction machinery or asphalt production. As with other raw materials - with some stabilisation in the markets, we are seeing a decrease in the price of the raw material, although this does not translate equally into a decrease in the final price of the products.

Chart: Orlen asphalt price vs. Brent crude oil price (January 2016 - February 2023)



Source: Orlen

Significant drivers of cost increases in the construction industry in 2022 were rising energy prices and wage pressures.

At the same time, it should be borne in mind that, as a result of the conflict in Ukraine, some of the material price increases were artificially induced by suppliers and manufacturers and were not due to the economic situation. Thus, due to the weakening economy, it can be expected that the market will force prices down in certain ranges. The exchange rate of the zloty is also not insignificant for steel prices. The weaker zloty against the euro, the dollar and the Swiss franc is causing producers of steel products to opt for exports. The price of a commodity expressed in euro or dollars, when converted to the zloty, yields higher revenues from the sale of products.

In Q1 2023 there has been a stabilisation in the prices of strategic materials for the construction industry, however, their levels remain high. If energy, CO<sub>2</sub> and gas prices rise, further increases in the price of construction products are likely.

### Supply of construction investments

In 2022, we saw a gradual deceleration of the construction market. During this period, 26% fewer building permits were issued compared to 2021. The decline in cement production year-on-year and in the following months (strongest at the end of 2022) should be seen as a signal of the worsening situation in the construction industry. After a decline of more than 10% in November last year, the cement market saw a much deeper drop in production in December (by as much as 29.1% year-on-year). During the year the production of this basic material in the construction industry was 2.4% lower. The deceleration of construction production is confirmed by the dynamics of annual domestic consumption, which amounted to -5%, translating into a result of 19.75 million tonnes (including 18.86 million tonnes of domestic production).

Starting from Q4 2022, there has been a significant decline in the amount of volume investments in the private segment and a lack of impetus for public investment. The supply of new contracts in the construction market is adversely affected by limited access to new EU funds. The main volume investments were carried out on the basis of contracts concluded in previous years. The exceptions were investments in industrial and storage facilities.

In 2022, the warehouse and industrial market in Poland recorded a record-breaking volume of new supply of space for lease as a result of the increased activity of developers. Over the past year, 5 million m<sup>2</sup> of warehouse space has been added - the highest recorded annual increase in space to date. This



means that in 2022, the volume of these resources in Poland has increased by more than 20%. Recently, however, there has been a decline in investment activity in this area. In contrast, activity in the manufacturing sector is increasing, as evidenced by the demand generated by re-shoring.

Due to its well-developed road infrastructure, Poland is becoming a kind of logistics hub for products manufactured in Asia, thus securing continuity of supply for production in Central and Eastern European factories.

Starting from Q3 2022 onwards, an increase in caution among developers of warehouse space is becoming apparent in response to the announced economic slowdown. For this reason, new projects are more likely to be undertaken in locations that guarantee consistently high interest. Other, less safe projects are now often postponed. The increasing cost of financing currently observed and the potential risk of recession may affect the price level of leased space.<sup>2</sup>

Last year we also saw significant declines in activity in the residential construction segment. Although more residential units were constructed in 2022 compared to the previous year, the number of residential units for which planning permission or notification was granted decreased. The number of residential units whose construction has started has also decreased.

At the end of 2022, there will be a nearly 40% year-on-year decrease in the area of building permits and a more than 43% decrease in the number of units whose construction has started. The number of residential units for which planning permission has been granted after December 2022 has decreased to 297,000. (a decrease of 13% year-on-year), the number of units whose construction has begun was 200,000. (a decrease of 28% year-on-year), while the number of residential units whose construction was completed amounted to nearly 239,000. (an increase of nearly 2% year-on-year).

Against the backdrop of the decline in the supply of new volume construction contracts, road-central investments stand out in a positive manner. This is undoubtedly influenced by the fact that they are financed by a road fund fed by road user fees and a bond issue by Bank Gospodarstwa Krajowego.

The investments carried out by the General Directorate for National Roads and Motorways are part of the development of the European TEN-T network (*Trans-European Transport Networks*), the aim of which is to ensure the territorial cohesion of the EU and improve the free movement of people and goods. The TEN-T network comprises several hundred transport routes within the European Union, mainly road transport routes connecting all Member States. The expansion of the network allows the continuity of the expansion of the most important roads in Poland to be maintained. In the case of Poland, the TEN-T network runs through two main transport routes: the Baltic Sea – Adriatic Sea corridor and the Baltic Sea – North Sea corridor.

Other infrastructure investments, due to limited financing and delayed tendering procedures, did not have a key impact on construction production in the country.

In terms of railway construction, by the end of 2022, investments worth PLN 32 billion have been made under the National Railway Programme, with projects being currently implemented amounting to a further PLN 40 billion. By the end of 2022, more than 7,400 kilometres of tracks had been upgraded or built. Currently, there is a decrease in the supply of this type of new construction contracts on the market due to the lack of European funding, but this construction sector is nevertheless considered one of the strategic ones due to its importance for the national infrastructure.

---

<sup>2</sup> JLL

In the field of hydraulic engineering, the main client-investor is the Państwowe Gospodarstwo Wodne Wody Polskie. There are currently 300 investments being implemented, all worth PLN 20 billion. Their objectives include the modernisation of inland transport routes and the expansion and strengthening of the country's dyke network.

New investments are being prepared in the energy construction sector in Poland with a view to adapting the power grid to transmit large amounts of electricity. In order to ensure the security of electricity supply for consumers throughout Poland, Polskie Sieci Elektroenergetyczne S.A., as the Transmission System Operator, is tasked with creating conditions for the connection to the transmission grid and the derivation of power from new power plants and RES installations, as well as developing cross-border connections. Successful implementation of these tasks requires an efficient and well-developed grid infrastructure - modern power lines and substations. This area of investment related to transmission infrastructure is considered strategic for the country. In implementing Poland's Energy Policy, PSE is directing its investment activities mainly towards the development of 400 kV lines, which are characterised by high transmission capacities with low energy losses. The existing 220 kV networks are thus gradually being replaced by 400 kV structures.

One of the main drivers of growth in construction and assembly production is local government investment carried out mainly with external funding. However, such investments are not favoured by the loss of basic own income by these units (mainly from income tax) and increasing current expenditure, including an increase in debt service costs. These circumstances reduce the propensity of these individuals to invest. The aforementioned shortage of own funds for local government investment makes investment even more dependent on external funding. In this context, the lack of EU funding, including the ones obtained from the KPO, is increasingly felt. The scarce amount of external funding (e.g. within the framework of the Polish Order) and the current market situation limit the willingness of local authorities to invest.

The Rządowy Fundusz Polski Ład (Government's Polish Order Fund) partly fits into the gap created: "Strategic Investment Programme", the first edition of which was launched in July 2021. According to it, around PLN 100 billion is to be distributed. The programme aims to increase the scale of public investment by providing non-refundable funding for investments made by local government units. To date, funding has been granted to 99% of local authorities in Poland to a total of PLN 63.4 billion, most of which is for road infrastructure - PLN 30.8 billion. However, given the scale of investment needs in local authorities, these resources appear to be insufficient. The disposal of these funds by the government is also often done according to political criteria, resulting in a shift of the centre of investment from cities to rural areas.

In 2023, we expect that construction and assembly production will be based mainly on central investments in the engineering and road works segment, the other market segments will experience a period of slowdown, and we can expect the effects of the tendering procedures planned for 2023 in 2024-2025 at the earliest. This market situation will be far more favourable to larger players with filled order portfolios.

## 4.1. Market prospects

### Construction and assembly segment

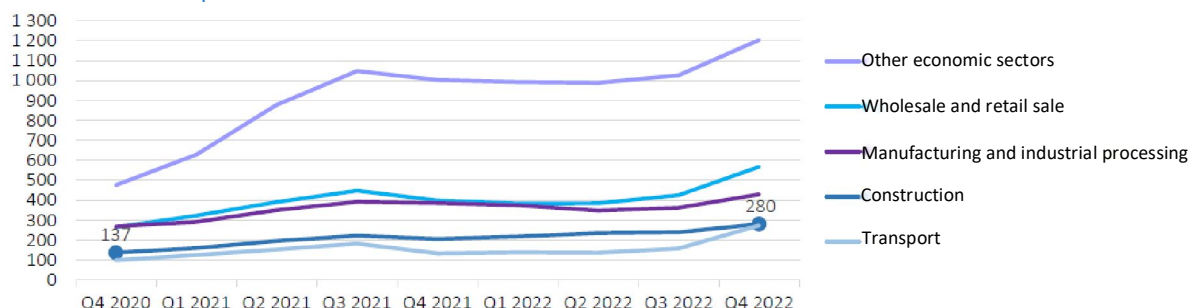
The construction market in Poland is mainly affected by geopolitical conditions related to the outbreak of war in Ukraine. The current geopolitical situation has translated into a lower supply of basic raw materials necessary for the production of building materials, which translates into an above-average increase in the price of these materials. The exodus of Ukrainian workers from construction sites and persistently high inflation are also significant. This situation makes it difficult to formulate long-term forecasts for the construction industry.

The economic slowdown observed in 2022 also finds its continuation in the current year, as highlighted by further downward revisions to GDP growth forecasts in 2023. At the end of January, the consensus of forecasts dropped from 1.0% to 0.8%.

The general economic situation in the country is also reflected in the construction sector. After a stabilisation in December, the seasonally-adjusted construction business index also remained low at -19.3 points in January. This situation is confirmed by the number of bankruptcies declared in the sector. In Q4 2022 alone there were 68 bankruptcies, a significant increase compared to 27 bankruptcies a year earlier. There were 280 construction company bankruptcies in whole 2022, 37% more than in 2021. There was a slightly lower increase in bankruptcies (30%) across the economy as a whole.

Chart: General business climate index for construction for the period January 2018 - January 2023

#### Number of bankruptcies in the main economic



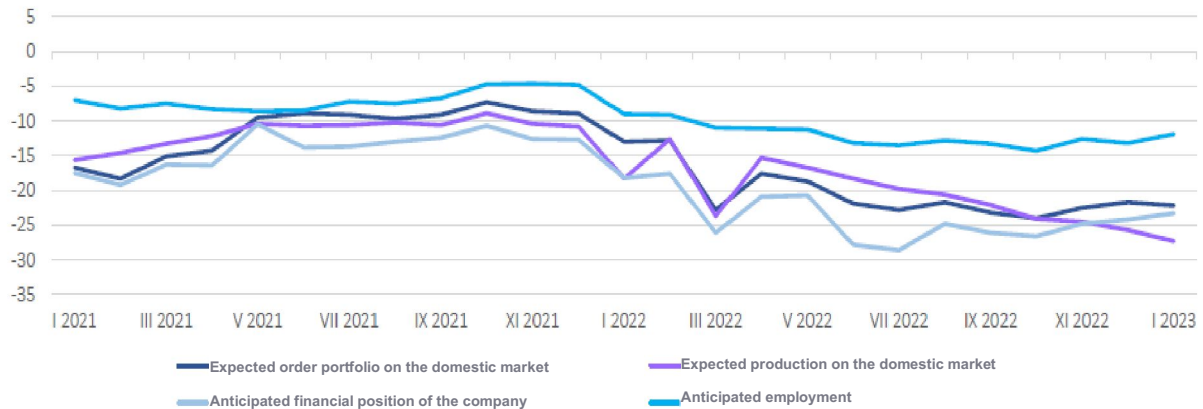
Source: Spectis based on IHS Markit and CSO (historical data) and analyst reports from several financial institutions (forecasts for Q4 2022-Q4 2023)

In the following quarters of this year, the situation in the industry may be supported by an apparent weakening of wage pressures. Average wages in the business sector increased by 10.3% in December last year (compared to 13.9% the month before), and in construction alone they rose by 10.4%. However, taking into account the inflation rate, this means another month of declines in real wages (by more than 5%, the strongest decline in more than 20 years). A similar trend is expected in the first half of 2023. Employment dynamics in the business sector in December last year remained high (2.2% y/y). In construction alone, employment increased by 1.3% in December, with growth of 2.2% for the whole 2022. Over the course of 2023, employment growth in the economy is expected to slow down. In the construction industry itself, however, a reduction in employment levels is highly likely.

The situation of the construction industry in the coming period will be influenced by Poland's ability to obtain EU funds. Infrastructure investments may be curtailed due to the lack of EU funds and rising prices, which make tenders difficult. Even obtaining KPO funding this year will not improve the situation in 2023, as tendering procedures and then design work (for design-build contracts) will need to be completed before works can begin.

In the Polish construction industry the beginning of 2023, as expected, started with deep declines, significantly influenced by the high comparative base from the first quarter of last year, when production increases of more than 20% were recorded. Later in the year, the production dynamics should stabilize, but the whole of 2023 will be a year of decline for the construction industry.

Chart: Construction industry leading indicators, seasonally adjusted data



Source: Spectis on the basis of Coface data

The key public segment of the Polish construction industry, which accounts for around 50-55% of domestic construction and assembly production, is currently in limbo in anticipation of EU funds, without which major infrastructure projects in the rail and energy segments will not start. In the latter case, however, many investments can be initiated and financed by SOEs. Without EU funds, no further investment impetus will be generated in local authorities, where investments from mid-2021 onwards are stimulated by national funds under government programmes. The inflow of new funds from the EU budget for 2021-2027 is not expected until 2024. Funds from the KPO, which were supposed to fill the gap in EU funding in 2022-2023, remain the subject of a political dispute between the Polish government and the EU institutions and are still not available to Poland.

The upcoming investment slowdown in 2023 will be difficult for small and medium-sized subcontractors. Instead, large established contractors with a filled and diversified order portfolio will do better. In addition, these companies have a solid economic foundation thanks to, among other things, the good financial results achieved in 2020-2021. However, this does not mean that these companies will not be affected by the lack of contracts as early as 2024. At the same time, a stabilisation of prices for materials and subcontracting services can be expected. The reduced order portfolio will increase competition and rivalry among contractors to win new contracts in segments of construction that have not experienced a deep downturn (e.g. road and logistics segments), or are the leading business area for contractors (e.g. rail and energy segments). Lower demand will force price competition to intensify, forcing general contractors to reduce their expected margins on investment projects.

In 2023, as in 2022, prices for most building materials remain high. According to a CSO survey, almost three-quarters of construction companies still consider the cost of materials as one of the main barriers in business. At the same time, rising loan and lease servicing expenses, record fuel prices and continued upward pressure on wages (not least due to an increase in the minimum wage in 2023 to PLN 3,600 gross) are to be expected. This mainly applies to smaller contractors focused on narrow segments of the construction market and small subcontractors, for whom declining revenues and high costs can be a difficult challenge to overcome.

The deterioration in the financial health of such entities is likely to translate into a further increase in bankruptcies in the construction segment. According to Coface data, from January to September 2022,

as many companies initiated restructuring and insolvency proceedings as in the years 2012 and 2013 disastrous for the construction industry. In turn, data from BIG InfoMonitor shows that in Q4 2022, the percentage of construction companies indicating problems with obtaining payment from contractors increased from 21% to 39%.

The situation in the construction industry in the coming period will not be helped by unstable legislation and the uncertainty of the economic situation - reasons cited by entrepreneurs as among the main barriers in the investment decision-making process.

### Infrastructural construction

Large road investments should still support for the Polish construction market in 2023. They are mainly financed nationally through the KFD National Road Fund. Despite increasing state spending on social and defence policy with limited scope for increasing budget revenues and borrowing from the financial markets, there have been no significant reductions in investment plans in the road segment beyond 2022. Many road sections are currently under construction and in 2023 the General Directorate for National Roads and Motorways (GDDKiA) plans to announce tenders for new investments worth around PLN 29 billion. By 2030, 3,800 km of roads will have been built as part of the TEN-T network in Poland, more than originally planned. The total length of the TEN-T road network in Poland is approximately 7,700 km.

In December 2022 the Council of Ministers adopted a new road programme - the **Government's National Roads Construction Programme until 2030 (with a perspective until 2033)**. A total of PLN 294.4 billion will be allocated for the implementation of the investments included in the new programme. The financial limit includes new tasks worth around PLN 187 billion, continuing tasks worth PLN 104.5 billion and a reserve of PLN 3 billion. It is the largest road programme in Poland's history. The main source of financing the investments included in the program is the National Road Fund, supported by, among others, funds from operational programs of the European Union. The programme envisages road investments along national roads, motorways and motorways with a total length of more than 6,100 km. The new investments will comprise tasks of 2,600 km, while the continuing tasks started under the existing road programme are more than 3,500 km long. The objective of the RPBKD 2030 is to create a coherent national road network to ensure the efficient operation of road passenger and freight transport. As a result, the infrastructure gap between the countries of the so-called 'old union' and Poland is to be narrowed and the EU's commitments regarding the construction of the TEN-T network, including the core network, consisting of priority links, relevant to the objectives of European transport policy, will be met.

Since April 2021, the **2020-2030 Programme for the Construction of 100 Bypasses** has been implemented. As part of this programme, 100 tasks with a total length of approximately 820 km will be built across the country. The government will allocate PLN 28 billion for its implementation. The construction will be financed using national funds as well as funds from operational programmes under the 2014-2020 and 2021-2027 perspectives. Among other things, these investments will serve to improve road safety, increase the capacity of the road network and reduce pollution in cities. The construction of city bypasses will ensure the efficient operation of road passenger and freight transport, as well as improving road safety.

In October 2022, the **Programme for Strengthening the National Road Network until 2030** was adopted by the government. The programme relates to the comprehensive maintenance of the national road network, to which PLN 58.3 billion has been allocated. The main objectives of the PWKSD are to increase the cohesion of the network of national roads adapted to the traffic of vehicles with a single axle load of up to 11.5 t by strengthening the surface structure, adapting to the required technical conditions, in particular by widening the carriageway, improving the road geometry, including intersections and curves, ensuring the required technical condition of the existing infrastructure and intensifying measures to reduce the negative impact of the road infrastructure on the environment. The

programme envisaged for the period 2023-2030 assumes the implementation of structural maintenance, ongoing maintenance and, on a pilot basis, new maintenance solutions on the national road network (including motorways and dual carriageways) managed by the General Directorate for National Roads and Motorways. Structural maintenance will include comprehensive reconstruction and expansion of national road sections under the management of the General Directorate for National Roads and Motorways (GDDKiA), including, among other things, the reconstruction of intersections, engineering structures and supplementing the infrastructure with the necessary elements to serve vulnerable road users.

One of the most important projects planned for the public sector in the coming period is the construction of the **Central Transport Port (CPK)**. The realisation of this investment entails a high demand for construction work not only in railway construction or aviation infrastructure, but also in the accompanying road and volume infrastructure. The project includes 30 investment tasks to be implemented between 2020 and 2034. The concept for the construction of the CPK envisages the construction of the CPK itself and a 120-kilometre-long Warsaw-Łódź line, followed in the longer term by 700-800 kilometres of new railway lines and 65-248 kilometres of motorways and dual carriageways. In order for the CPK to have direct connections to all areas of Poland, in addition to the construction of new railway lines, it will be necessary to modernise or revitalise existing railway lines, stations and infrastructure facilities. Thus, the transport needs around CPK represent an opportunity for the domestic construction sector. The construction of new airports and railway stations are investment activities with a long-term impact on the quality and accessibility of transport services. The estimated cost of extending the national rail network as part of the phase one investment is expected to be around PLN 16 billion. In addition, about PLN 5-7 billion was allocated to complementary investments. Thus, depending on the number of these projects, the spending limits for the expansion of the rail network to create a universal nationwide transport system will be PLN 16-23 billion. However, the dynamic changes in the price of construction materials, the war in the region and, on top of this, the multi-year perspective of the entire project make it difficult to determine how much will actually need to be spent on the project. According to the president of the government-owned CPK company, Mikołaj Wild, the costs have risen to around PLN 40 billion.

As far as rail infrastructure is concerned, the modernisation of Polish railways is being carried out on the basis of the National Railway Programme (KPK) until 2023 (2024). The document implements the strategies adopted by the Council of Ministers, including the 'National Development Strategy 2020' and the 'Transport Development Strategy until 2020 with a perspective until 2030'. The programme includes more than 240 railway investment projects worth almost PLN 77 billion, which involve the modernisation of around 9,000 kilometres of tracks. The KPK aims to improve rail traffic in agglomerations, raise the standard of travel on regional routes and improve conditions for freight transport, creating a coherent higher-speed rail network. The government will not be creating a new programme for the period after the completion of the National Rail Programme. Instead, the KPK, which has already been updated several times, will be expanded to include projects to be implemented until 2030. A draft update of the KPK until 2030 is currently being prepared, based on drafts of the 2014-2021 perspective. The programme is provisionally estimated to be worth PLN 80 billion. Tenders worth PLN 15-20 billion are planned for this year.

Between 2023 and 2032, Polskie Sieci Energetyczne plans to spend around PLN 36 billion on investments. The projects undertaken are to help achieve the national target for the share of energy from RES in final energy consumption, the construction of offshore wind farms in the Baltic Sea and the construction of nuclear plants. The planned investments are intended to improve supply conditions and thereby minimise network congestion throughout the system. The investments are to be made as part of the 'Development Plan for Meeting Current and Future Electricity Demand' for 2023-2032 (Transmission System Development Plan). Such a large scale of investment planned to be carried out over 10 years is an opportunity for contractors, including those who have not worked on the construction of the high-voltage network for the transmission of electricity over long distances. A total of 4,800 km of new 400 kV lines is to be built by 2032, and a further 1,600 km will be upgraded. In addition to the investments already completed and currently under way, the construction of a so-called 'power bridge'

connecting the Słupsk area and Silesia or Lower Silesia is planned, which will be capable of transmitting up to 3-4 GW of power. To compare, the largest existing power plant in Poland has a capacity of around 5 GW. The new link will be approximately 600 km long.

The housing boom came to an end with the increase in interest rates initiated by the Monetary Policy Council in IV 2021. This has resulted in a downturn in the residential construction sector (a drop in the number of new residential developments in the second half of 2022).<sup>3</sup>

The changes in 2022, i.e. the rise in interest rates or inflation, caused a general decline in interest in buying flats, including those from the primary market. In the current year, the sales dynamics of primary market housing is expected to slow down the downward trend, but still remain negative. Reduced housing supply coupled with lower demand should result in a slight price correction or stabilisation. The decline in production in this sector will result in the release of capacity (e.g. subcontractors) that could be adopted in other segments of the construction industry.

In the coming months, declines in the 60-70% range can be expected to continue, which is also confirmed by the reading of the New Mortgage Demand Index, which stood at -61% in December 2022. Due to the lower number of new construction investments, it can be expected that the housing construction dynamics will also move towards negative values in the coming quarters.

The factors that determined the situation in 2022 remain relevant in 2023 - high inflation and high interest rates. These factors significantly limit the purchasing capacity of potential buyers. A positive sign from this area in January this year is the increase in creditworthiness compared to last December. This situation is due, among other things, to the fact that the 500+ benefit is taken into account in the amount of income by some banks, and due to the dropping WIBOR index. We have recently seen a decline in the WIBOR rate, which rose to 7.61% in November 2022, currently holding below 7%. (WIBOR3M as of 02.03.2023 - 6.94%).

Another factor likely to affect sales is the recommendation issued by the FSA allowing banks to reduce the prudential buffer for fixed-rate loans from 5% to 2.5%. The above should result in an additional positive change in the amount of funds that banks will be willing to lend.

The possibility of setting mortgage rates on the basis of the new WIRON (Warsaw Interest Rate Overnight) index provides additional convenience. WIRON is lower than WIBOR, so loans made on its basis will be based on a lower component value. As of 20.02.2023, the index reading is 6.96% for WIBOR 3M and 5.90% for WIRON (WSE Benchmark). Already this year, banks are allowed to grant credit on the basis of both indicators.

Another form of support for home buyers is to be provided by the government's new Safe Credit 2% programme, designed for the purchase of the first apartment for people up to the age of 45. The mortgage instalment subsidy is provided for the first 10 years of repayment. The effective interest rate from the perspective of the borrower will be 2% + bank margin during this period. According to government assurances, the programme is expected to start no later than Q3 2023.

The situation of the housing market should improve in 2023, thus the primary property market in 2023 has a chance to avoid pessimistic scenarios and start to return to growth.

In the coming quarters, the outlook for the construction market in Poland will depend primarily on the supply of new public orders (both volume and linear) at central level.

---

<sup>3</sup> BOS Sector Analysis

### 4.3. Description of MIRBUD S.A.'s activities in 2022.

#### 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

##### Construction and assembly works segment

Construction is one of the strategic sectors of the Polish economy. It is also a kind of barometer that determines the economic cycle in advance. Despite the continuation of unfavourable market conditions resulting from macroeconomic conditions and the occurrence of the armed conflict in Ukraine, the year 2022 was one of the record years in the history of the MIRBUD Capital Group.

At the end of 2022, the value of the order portfolio of the MIRBUD Capital Group amounted to approx. PLN 5.5 billion net, with prevailing exposure (approx. 75%) to road infrastructure construction contracts, hence the prospects of this market in Poland are important for further development of the Group. The Group's revenue structure in 2022 was as follows: road infrastructure construction - 53.7%, volume construction - 39.5%, property development - 4%, commercial space rental - 1.6%, other - 1.2% and should not change significantly in 2023

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

- a further increase in the volume of business compared to previous years;
- achieving a satisfactory financial result from operations in the construction and assembly segment despite rising prices for raw materials and construction materials;
- filling and maintaining the value of the MIRBUD Capital Group order portfolio at over PLN 5.5 billion for the years 2023-2026;
- development of construction operations in the military infrastructure market;
- acquisition and execution of numerous warehouse construction contracts;
- reaching an agreement with the General Directorate for National Roads and Motorways (GDDKiA) on the indexation of road contracts up to 10% of the contract value, signing the first annexes to existing contracts in this respect.
- reaching an agreement on the valorisation of contracts for the construction of public utility buildings, including the ER Station in Szczecin and the Urania Sports and Entertainment Arena in Olsztyn.

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

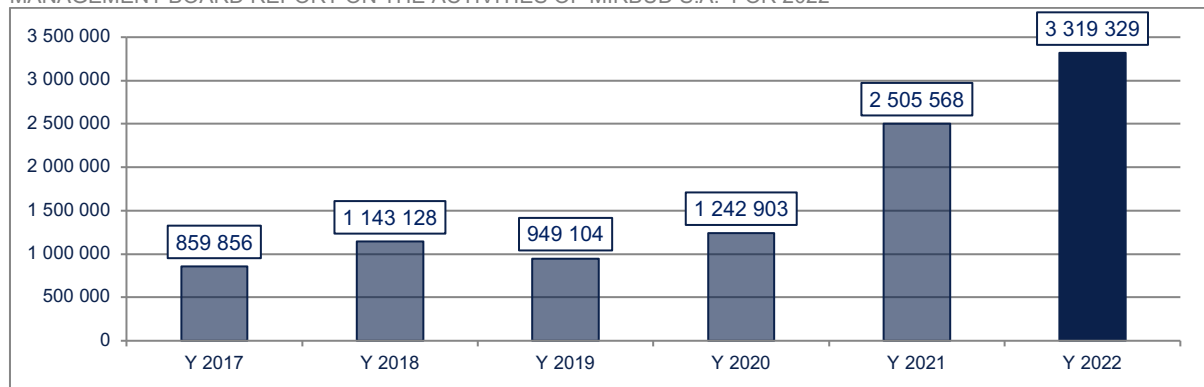
- a decrease in the profitability of ongoing construction contracts, especially in the public utility buildings sector, caused by an above-normal increase in the prices of raw materials and construction materials as a result of the armed conflict in Ukraine.

In 2022 MIRBUD CG continued its further development. As previously announced, in terms of revenue, the Group achieved a level higher than in previous years.

*Chart: Revenue of the MIRBUD CG between 2017 and 2022 (in PLN thousand)*

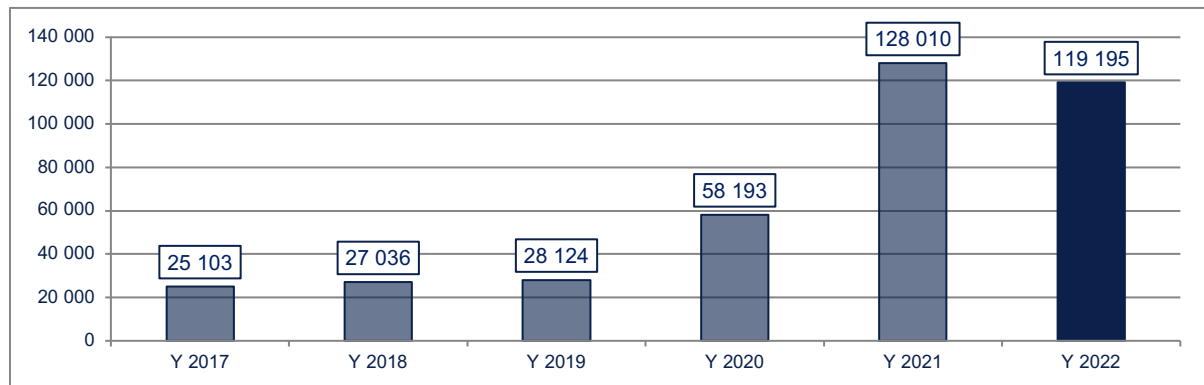


MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022



As a result of the sharp increases in the prices of raw materials and construction materials, the profitability of the construction contracts decreased; however, due to the increase in the scale of operations and the appropriate management of the projects in progress, a satisfactory consolidated net profit was achieved.

Chart: Net profit of MIRBUD CG between 2017 and 2022 (in PLN thousand)



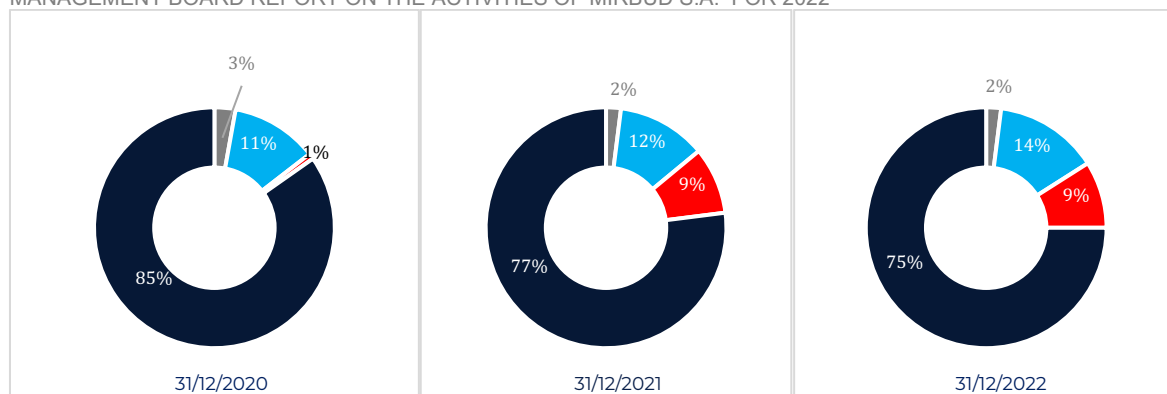
However, it should be noted that in the corresponding period of 2021, the net profit was affected by non-recurring events, i.e., inter alia, partial settlement of the subsidy received for the construction of the Ostróda facility in the amount of approx. PLN 9.4 million (in connection with the sale of the second part of the property), revaluation due to the market price of the transaction of the value of the Ostróda facility sold in the amount of approx. PLN 2.9 million, as well as subsidies received by Marywilka 44 Sp. z o.o. in connection with the COVID-19 pandemic resulting from a reduction in the rent for the lease of land property located in Warsaw in the total amount of approximately PLN 2.7 million.

On the other hand, the result for 2022 was negatively affected by the revaluation of investment properties at Marywilka Sp. z o.o., which worsened the Group's financial result by approximately PLN 10 million.

During the period under review, the structure of the MIRBUD Capital Group's order portfolio to be executed by 2026 changed slightly in favour of contracts for the construction of public facilities (including stadiums, schools sports halls, etc.). The share of industrial and residential construction contracts (performed exclusively for the subsidiary - JHM DEVELOPMENT) remains at a comparable level to previous years. The share of road engineering contracts decreased slightly.

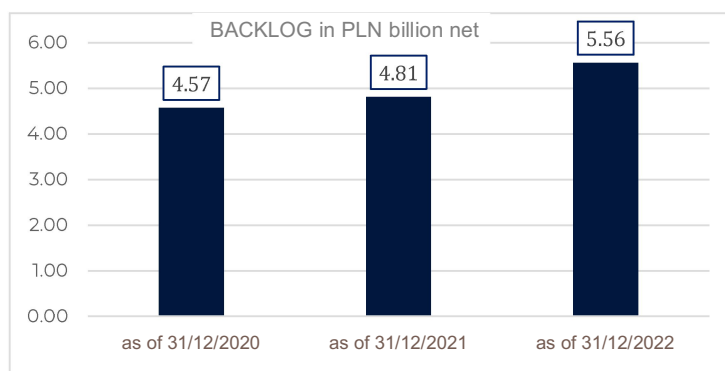
Chart: Change in the structure of the MIRBUD CG order portfolio

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022



- residential buildings
- public utility and retail buildings
- production and warehouse buildings
- road engineering facilities

For a complete picture of the structure of the MIRBUD CG's order portfolio, however, its value should be taken into account, which has been steadily increasing over the past three years. .



In previous years, MIRBUD S.A. was a company recognised primarily on the market of general contractors executing industrial construction investments. As of 2019, the scope of activities has expanded significantly. The Company, acting in consortium with its subsidiary KOBYLARNIA S.A., carries out road construction contracts throughout the country being currently the most involved general contractor of road infrastructure carried out on behalf of the General Directorate of National Roads and Motorways. The juxtaposition of the dominant share of long-term road contracts, prestigious volume public utility construction contracts and short-term, high-return industrial construction contracts ensures that the Group's revenues and results will remain at a stable, comparable level in future years. The Group's exemplary growth and development strategy and its diversified order portfolio in 2022 have earned MIRBUD S.A. the title of Construction Company of the Year according to the *Executive Club* publication.

### MIRBUD S.A.

The company invariably provides a wide range of construction and assembly services in the area of industrial, construction, housing and engineering and road projects, performed in the general contracting system. In addition, publishing operations constitute a marginal area of the company's activities.

The company's biggest achievements in 2022 include signing contracts for the following projects:

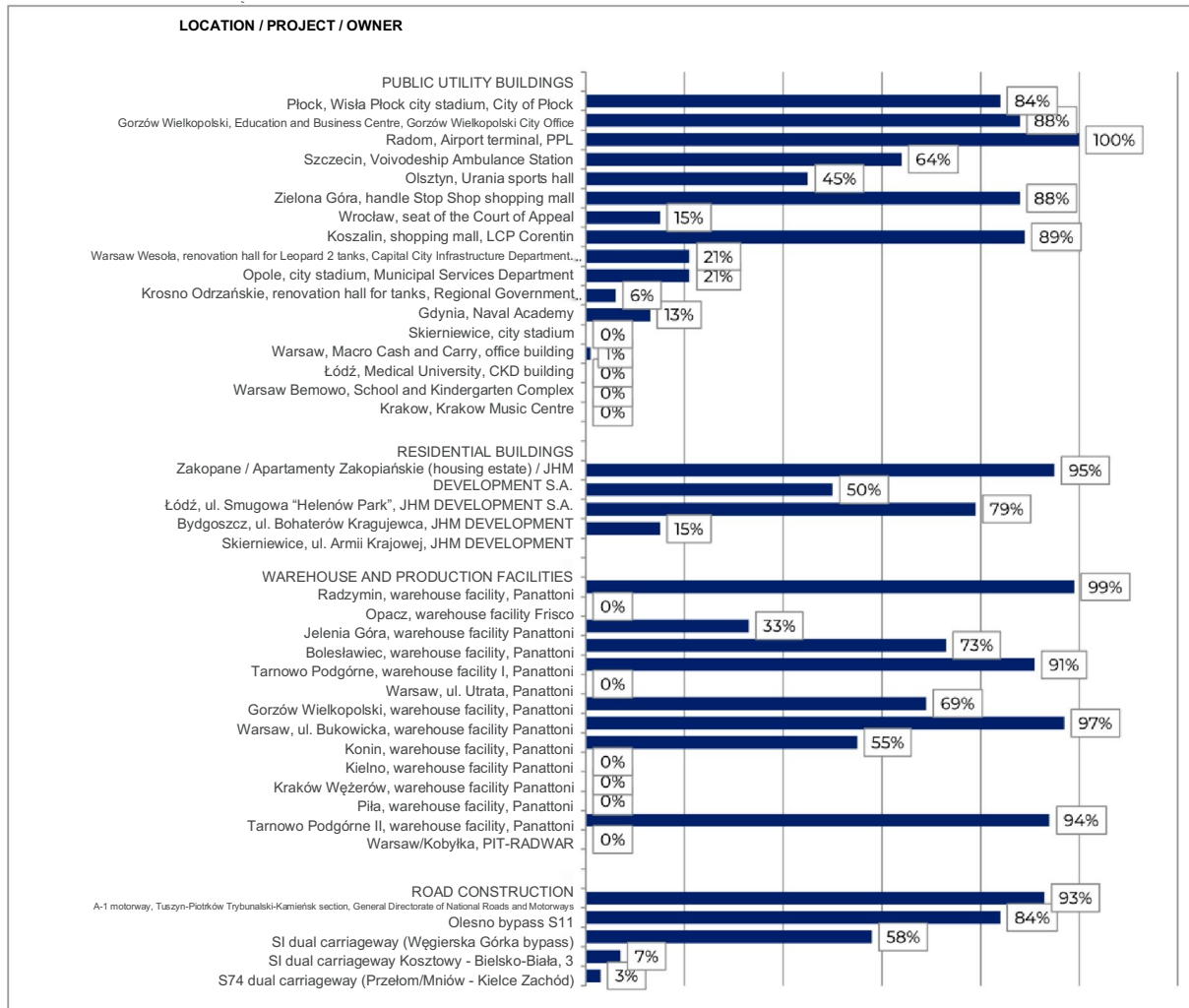
- design and execution of construction works for the S74 Przełom/Mniów - Kielce dual carriageway section (S7 Kielce Zachód interchange) with a net value of PLN 437.14 million;

- construction of the W-10 renovation hall in Krosno Odrzańskie together with the accompanying infrastructure for the purpose of servicing and repairing armoured and armoured equipment, and demolition of existing buildings worth PLN 39.47 million net;
- construction of five residential buildings (buildings: A, B, C, D and E) together with the necessary infrastructure at ul. Armii Krajowej in Skierniewice with a net value of PLN 80.14 million;
- reconstruction/refurbishment of the Skierniewice City Stadium with a gross value of PLN 40.21 million;
- construction of the Collective Southern Road in Legnica - Stage III with a gross value of PLN 88.6 million (in consortium with KOBYLARNIA S.A.);
- design and construction of the S10 Bydgoszcz - Toruń dual carriageway, section 3 from the Solec interchange to the Toruń Zachód interchange, with a gross value of PLN 425.8 million (in consortium with KOBYLARNIA S.A.);
- reconstruction of national road No. 91 on the Terespol-Stolno section (excluding the bridge over the Vistula) with a gross value of PLN 67.4 million (in consortium with KOBYLARNIA S.A.);
- signing indexation annexes to agreements with the General Directorate for National Roads and Motorways;
- signing of the Company's first ever public-private partnership agreement;
- construction of the Radiotherapy Building as part of the second stage of the Clinical and Didactic Centre of the Medical University of Łódź with the Academic Oncology Centre - building shell; contract value: PLN 39.5 million gross;
- construction of the S6 Koszalin – Słupsk dual carriageway, Section 1, End of the Koszalin and Sianów bypass /without the **“Sianów Wschód” interchange/** - beginning of the Sławno bypass /with the "Bobrowice"/" interchange with a gross value of PLN 657.9 million (in consortium with KOBYLARNIA S.A.);
- construction of the Macro Cash and Carry office building in Warsaw at al. Jerozolimskie 184 with a net value of PLN 45.8 million;
- extension of provincial road No. 203 on the section Darłowo - border of Zachodniopomorskie Voivodeship with a gross value of PLN 116.2 million (in consortium with KOBYLARNIA S.A.);
- construction of a school building in the Chrzanów estate of the Bemowo district of Warsaw with a gross value of PLN 84.7 million;
- expansion of a military equipment production plant consisting of the construction of a complex of production and assembly buildings with an office and social part for a company from the Polish Armament Group PIT RADWAR; contract value: PLN 96.6 million net;
- construction of the “Kraków Music Centre” utility building at ul. Piastowska in Kraków with a gross value of PLN 116.4 million.

In addition, during the period under review, the Company secured contracts for the construction of warehouse facilities located in various parts of the country with a total net value of approximately EUR 229 million, while after the end of the reporting period, a contract was signed for the construction of a western bypass road for the city of Chojnice with a gross value of PLN 57.6 million, which MIRBUD S.A. is performing in a consortium with its subsidiary KOBYLARNIA S.A.

As of 31/12/2022, the Company has been in the process of executing a total of 35 building construction project contracts and 5 road construction contracts on its own or as a consortium leader with its subsidiary, KOBYLARNIA S.A.

The progress of works on construction sites as of the end of December 2022 is presented in the chart below:



Of the above investments, as of the date of this report, the Company became aware that the implementation of three of them had been temporarily suspended by the investor. This concerns the warehouse halls in Opacz, Warsaw Utrata and Kielno.

In accordance with the Dividend Policy adopted in 2020, in 2022 the Company paid a dividend of PLN 0.20 per share on its standalone profit for 2021 which constituted a 150% increase on the previous year.

In 2022 the company submitted bids in 165 non-public proceedings and 30 public tenders. The value of the bids submitted was PLN 16,090,881,000 net. During this time, 20 contracts were signed for a total of PLN 1,728,900,000.

#### 4.4. Corporate Social Responsibility

MIRBUD S.A. implements a strategy regarding environmental protection, occupational health and safety and campaigns for the benefit of local communities, as described in the report on non-financial activities published with the Annual Report for 2022 the Company's strategy in this respect is available at: <https://mirbud.pl/media/asset/8fb2334c5cc4ff348daae341d680b1c666e36df0e44591229aac5395095169b5.pdf>

#### 4.5. Information on the Company's basic products, services or goods

The structure of revenue from sales, costs of sales and profitability by business segments for MIRBUD S.A. in 2022 as compared to 2021 are presented in the tables below:

Table: Sales realised by MIRBUD S.A. in the periods from 01/01/2022 to 31/12/2022 and 01/01/2021 to 31/12/2021 by segments

Specification	Sales revenue	Structure of revenues	Sales revenue	Structure of revenues
	01 January 2022 – 31 December 2022	in %	01 January 2021 – 31 December 2021	in %
<b>Sale of construction and assembly services:</b>	<b>2,298,821</b>	<b>98.9%</b>	<b>1,708,523</b>	<b>97.7%</b>
- residential buildings	95,123	4.1%	75,876	4.4%
- public utility buildings	390,977	17.0%	381,185	22.3%
- production and service buildings	918,682	40.0%	522,103	30.6%
- road-engineering works	894,038	38.9%	729,359	42.7%
<b>Other</b>	<b>26,359</b>	<b>1.1%</b>	<b>39,339</b>	<b>2.3%</b>
<b>TOTAL</b>	<b>2,325,180</b>	<b>100%</b>	<b>1,747,862</b>	<b>100%</b>

The value of the Company's revenue in 2022 as compared to 2021 increased by 33%. This was mainly due to the fact that the Company achieved significantly higher revenue from the sale of construction and assembly services (increase by 35% y/y), mainly in the segment of production and service buildings (increase by 76% y/y) and engineering and road works (increase in sales revenue by approx. 23% y/y).

This also affected the sales structure, which changed compared to the analogous period in the previous year. Among the revenues from building and construction services, the largest revenues were generated by the sale of services in the production and service buildings segment generating about 40% of revenues from the sale of these services (an increase in share of about 9.4 p.p. year-on-year) and the engineering and road works buildings segment accounting for about 39% of these services (a decrease in revenue share of 3.8 p.p.).

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

- the advanced stage of execution of road construction contracts e.g. construction of a fragment of the A-1 motorway, a fragment of the S-1 dual carriageway (Węgierska Górka bypass), Olesno bypass;
- significant growth in the number and value of short-term warehouse and logistics projects executed mainly for companies from the Panattoni Group (in 2022 the Company has secured 19 contracts in the aforementioned segment for a total value of approx. PLN 1.2 billion);
- the launch of projects related to the defence of Poland
- implementation by MIRBUD S.A. commissioned by JHM DEVELOPMENT S.A. of development investments in Łódź, Bydgoszcz, Zakopane (revenues of approx. PLN 95 million are subject to consolidation exclusion);
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. in the periods from 01/01/2022 to 31/12/2022 and 01/01/2021 to 31/12/2021 by segments

Specification	Profit/loss on sales	Sales profitability in %	Profit/loss on sales	Sales profitability in %
	01 January 2022 – 31 December 2022		01/01/2021 - 31/12/2021	
<b>Sale of construction and assembly services:</b>	<b>160,961</b>	<b>7.0%</b>	<b>134,078</b>	<b>7.8%</b>
- residential buildings	3,388	3.6%	- 5,713	-7.5%
- public utility buildings	9,563	2.4%	37,377	9.8%
- production and service buildings	76,686	8.3%	15,015	2.9%
- road-engineering works	71,324	8.0%	87,399	12.0%
<b>Other</b>	<b>- 382</b>	<b>-1.4%</b>	<b>41</b>	<b>0.1%</b>
<b>TOTAL</b>	<b>160,579</b>	<b>6.9%</b>	<b>134,119</b>	<b>7.7%</b>

The Company achieved a positive financial result on sales in all its significant segments of activity. Sales profitability in 2022 relative to 2021 decreased by 0.8 pp.

It is noteworthy that despite the progressive increase in the prices of materials and subcontracting services in H1 2022 resulting from the conflict in Ukraine, the Company managed to maintain a high level of profitability in the engineering and road works and production and service buildings segments. The decrease in profitability in the public utility buildings segment, was due to the market situation and the lack of valorisation provisions in contracts with public purchasers.

The increase in the valorisation threshold for road contracts performed on behalf of the General Directorate for National Roads and Motorways (GDDKiA) to 10% of the contract price, as well as the possibility of introducing valorisation clauses into construction contracts negotiated with public purchasers for volume facilities, will have a positive impact on the Company's results in future periods.

On 15.03.2023, the Company concluded an annex to the contract for the task "Reconstruction and extension of the Urania Sports and Entertainment Hall in Olsztyn" increasing the remuneration by the amount of the awarded valorisation amounting to PLN 25 million net, which is 15% of the original contractual remuneration.

The Group's performance, which operates mainly in the construction market, is being stabilised through the diversification of its activities, in the construction and installation works segment.

## 4.6. Information on sales and supply markets

### 4.6.1. Recipients

In the reporting period, the customers 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.

In 2022, significant market volatility was felt mainly due to the conflict in Ukraine and the withholding of funds from the European Union under the National Reconstruction Plan.

The unstable level of prices for materials and services, as well as the increase in aggressive competition between contractors in the medium and long term, may adversely affect the profitability of contracts executed in 2023 and beyond, and concluded on the basis of price levels which do not take into account increases in execution costs.

The Issuer seeks to minimise this risk by diversifying its order portfolio, e.g. the Company also executes short-term, high-margin contracts for the construction of warehousing and industrial facilities and contracts in the residential segment for its subsidiary, JHM DEVELOPMENT S.A., while hedging the prices of materials and services at the initial stage of execution of long-term contracts with entities from the public sector.

The ongoing contracts for the construction of utilities and roads are characterised by long lead times, and the margins for these contracts were calculated before the COVID-19 pandemic and the conflict in Ukraine. The company also then entered into agreements with key subcontractors and material suppliers.

On 22 July 2022, the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- Construction of the S-1 Kosztowy – Bielsko-Biała dual carriageway. Section III – Dankowice – Suchy Potok interchange (with interchange);
- Design and construction of the S-10 Bydgoszcz – Toruń dual carriageway, section 3 from the Solec interchange to the Toruń Zachód interchange;
- Construction of the Tri-city Metropolitan Bypass divided into 2 parts: Part No. 2: Construction of the Tri-city Metropolitan Bypass. Task 2: Żukowo interchange (with interchange) – Gdańsk Południe interchange (with interchange);
- Design and construction of the Gostyń bypass within the national road No. 12;
- Design and execution of construction works for the S-74 Przelom/Mniów – Kielce (S-7 Kielce Zachód interchange) dual carriageway section.

On 26 August 2022 the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- “Construction of the A18 Olszyna – Golnice motorway (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533”;
- “Construction of the A18 Olszyna – Golnice motorway (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760”;
- “Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, Siewierz – Poręba – Zawiercie (Kromołów) section, from km 105+836 to km 122+500”;

- “Design and construction of the S-11 Koszalin – Szczecinek dual carriageway, Koszalin Zachód interchange section (without interchange) - Bobolice interchange. Section 3. Koszalin Południe interchange (without interchange) – Bobolice interchange (with interchange)”;
- “Design and construction of the Olesno bypass within the national road No. 11 (S-11)”.

On 05 September 2022 the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- “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) - Kamieńsk interchange (with interchange) from km 351+800.00 to km 376+000.00”;
- “Continuation of the design and construction of the S-5 dual carriageway 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”;
- “Continuation of design and construction of the S-5 dual carriageway, 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 S-5 dual carriageway from “Dworzysko” interchange (without interchange) to “Aleksandrowo” interchange (with interchange) with a length of approximately 22.4 km.”

On 15.03.2023 the Issuer concluded a valorisation annex to the agreement with the Municipality of Olsztyn, concluded on 28 December 2021. The subject of the annex is to increase the Issuer's remuneration for the execution of the task titled “Reconstruction and extension of the Urania Sports and Entertainment Hall in Olsztyn” due to the awarded indexation amount of PLN 30,750,000.00 gross, which is 15 percent of the original contractual remuneration. Construction works for the project in question are scheduled to be completed on 16 October 2023.

The Company is also currently negotiating the introduction of valorisation provisions in the contract with two Public Contracting Authorities, and will enter into negotiations with a further three in the near future. The Board assesses the chances of obtaining valorisation of public contracts for the construction of public use buildings as high.

According to the opinion of the Polish Attorney General's Office in July 2022 “rapid, far exceeding previous market trends and unpredictable changes in the prices of materials and construction works currently observed in Poland as a result of the war in Ukraine make it possible to amend the contract on the basis of Article 455(1)(4) nPZP (Article 144(1)(3) dPZP). (...)”

(...) An amendment to the contract may take the form of a change in the amount of the contractor's remuneration, the introduction of an indexation clause into the contract (specifying an indexation limit), or an amendment to the existing clause, e.g. by increasing the previously adopted indexation limit. A change in remuneration is also possible if the contracting authority has provided for an indexation clause and this is insufficient to offset unforeseeable effects caused by a change in the circumstances of the contract”

A full order portfolio, a high share of public contracts, partial hedging of material and service prices and the long-term nature of these contracts mean that MIRBUD S.A. is in a fairly safe position in the prevailing turbulent macroeconomic environment.



MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

In 2022, the Company submitted bids in 165 non-public proceedings and 30 public tenders. The value of the bids submitted PLN 16,090 thousand net. During this period, 20 contracts were signed, amounting to PLN 1,728,900 thousand

In the first half of 2022, the Company generated over 10% of its sales revenue with the following customers: General Directorate for National Roads and Motorways (39%) Panattoni Europe Group entities (approx. 40% in total),

#### 4.6.2. Suppliers



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.

In periods of favourable market prices, companies conclude long-term contracts with key material suppliers (asphalt, steel, cement) ensuring the supply of materials at favourable fixed prices or with partial participation in their possible increase for the most important infrastructural contracts.

Similarly, contracts with key subcontractors are concluded at the initial stage of contract execution while maintaining the bid prices obtained during the contract valuation and bidding process.

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 mainly domestic market suppliers.

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

#### **4.7. The impact of the COVID-19 pandemic on the operations of the MIRBUD Capital Group companies**

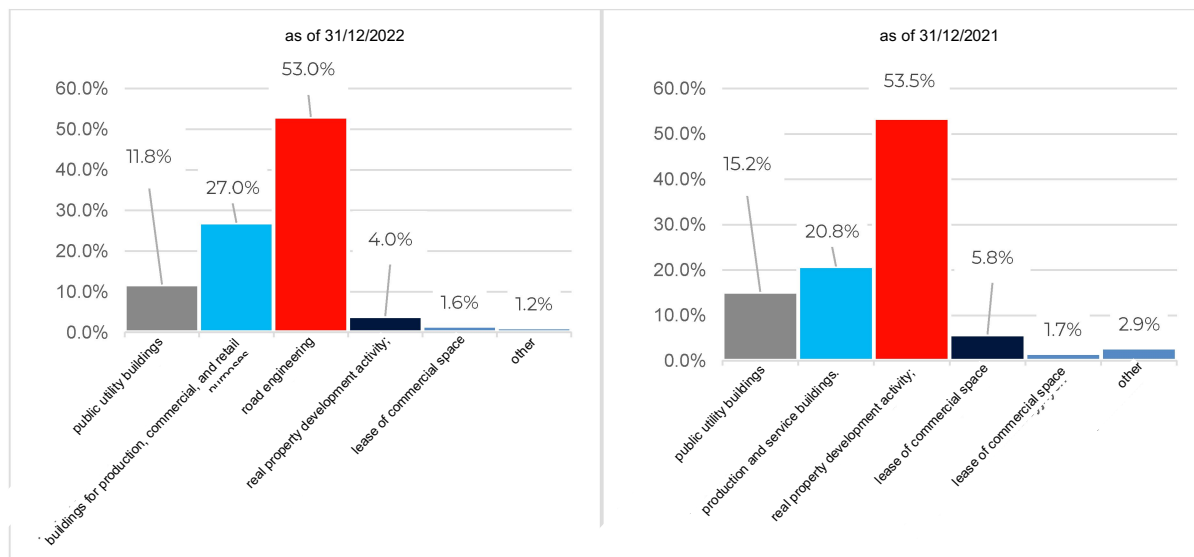
As of 16 May 2022, in accordance with the Ordinance of the Minister of Health of 12 May 2022 (Journal of Laws of 2022, item 1027), an epidemic state in relation to SARS-CoV-2 infections is revoked in the territory of the Republic of Poland. At the same time an epidemic emergency is declared which will remain in place until further notice. The government justifies the lifting of the epidemic state by improving the epidemiological status in Poland, reducing the rapid spread of infections and decreasing the number of hospitalised people.

The occurrence of the COVID-19 coronavirus pandemic did not significantly affect MIRBUD S.A.'s operations in 2022. Despite the economic downturn in the industry and services sector, the rulers did not decide to impose strict restrictions in the construction industry, which is characterised by a lower risk of transmission of the virus by construction workers doing outdoor work. The economic collapse following the introduction of restrictions has meant that the construction sector has been identified as the branch of the economy retaining the position of the flywheel nullifying the effects of the crisis.

As a result of the pandemic, the company experienced slight delays in the supply chain on some construction sites, but these did not affect the postponement of the deadlines set in the work schedules.

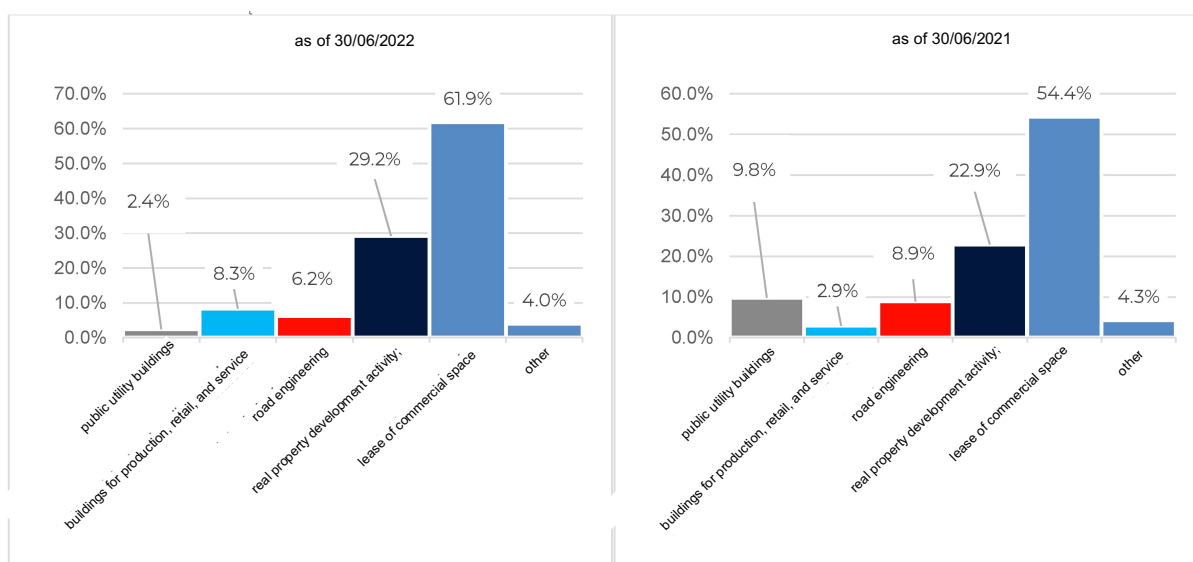
#### **4.8. Prospects for the development of the activities of the MIRBUD Capital Group**

In 2022, the sale of engineering and road works (approximately 53% of revenues) was the dominant factor in the revenues of the MIRBUD Capital Group, with the next significant segment being works related to the construction of warehouse and production buildings (27% of revenues), public use buildings (11.8%) and, marginally, residential buildings constructed exclusively for the subsidiary JHM DEVELOPMENT S.A. (excluded from consolidation in the statement). The Group's other business segments, i.e. property development and commercial leasing, each accounted for respectively: 4% and 1.6 revenue shares. Overall, sales of construction and installation services account for 93.1% of the revenue share. In this respect, the revenue structure of the MIRBUD Group has changed slightly with respect to 2021.



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

In 2022, as a result of the increase in the prices of raw materials and construction materials, the Group's profitability on sales of construction and installation services decreased to 6.4% compared with 7.7% in 2021.



Among the construction and installation services, the largest drop in sales profitability is observed in the segment of public utility buildings, whose construction is mainly carried out for local government units. The dispersion and individual approach to renegotiating contractual amounts make the process of signing valorisation annexes for these contracts difficult.

In 2022, the profitability of industrial construction contracts improved, while the profitability of engineering and road works dropped slightly. The profitability of the business in the development and commercial leasing segments also increased during this period.

## Construction and assembly segment

### MIRBUD S.A.

In previous years, MIRBUD S.A. was a company recognised primarily on the market of general contractors executing industrial construction investments. As of 2019, the scope of activities has expanded significantly. The company, acting in consortium with its subsidiary KOBYLARNIA S.A., carries out road construction contracts throughout the country. The value of road construction contracts outstanding as of 31 December 2022 amounted to PLN 4.1 billion and the completion period extends to 2026. The juxtaposition of the dominant share of long-term road contracts, prestigious volume public utility construction contracts and short-term, high-return industrial construction contracts ensures that the Group's revenues will remain at a stable, comparable level in future years.

In 2022 the company submitted bids in 165 non-public proceedings and 30 public tenders. The value of the bids submitted PLN 16,090,881 thousand net. During this time, 20 contracts were signed for a total of PLN 1,728,900,000.

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As of the date of the report, the value of contracts remaining in the MIRBUD S.A. portfolio for 2023 and beyond is approximately PLN 2.7 billion.

#### 4.9. 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 Statements of MIRBUD S.A. for the period from 01/01/2022 to 31/12/2022.

#### 4.10. Assessment of potential for achieving investment objectives

The Company's Management Board analyses and updates 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.

MIRBUD S.A. will continue to implement investment projects aimed at its development and increase in value in 2023 and in the following years. The nearest investment plans involve strengthening the Companies business base and competitiveness in the road segment, which will enable them to achieve higher profitability in the coming years. The Companies 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.

MIRBUD S.A. is systematically analysing market opportunities for the Group's development through the acquisition of an entity in the industry (railway, hydrotechnical and energy construction), which will enable a significant expansion of the range of construction and assembly services provided or significantly increase their profitability.

## 4.11 Risk factors

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on financial result	Effect of risk on equity
<i>Risks related to military conflict in Ukraine</i>	Administrative restrictions on carrying out construction and assembly activities	average	high	high	high
	Manpower availability and supply chain disruption	high	high	high	average
<i>Epidemiological risk</i>	Administrative restrictions on carrying out construction and assembly activities	average	high	high	high
	Manpower availability and supply chain disruption	average	average	high	average
<i>External financial risks</i>	changes in interest rates	high	average	average	average
	changes in exchange rates	high	average	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
<i>Downturn risk</i>	change in the macroeconomic situation and economic situation in Poland	high	high	high	average
	in the construction industry	high	high	high	average
<i>Risks related to competition</i>	in the construction industry	high	high	high	high
<i>External legal risks</i>	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
<i>Risks related to the current activities</i>	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	average	average	average	low
related to claims against the Companies on account of construction of flats and retail 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

## Risks related to the military conflict in Ukraine

As of the date of this report, to the best knowledge of the Management Board, it is not possible to precisely determine the effect of the military conflict in Ukraine on the Company's operations in the medium and long term.

In the short term, it is possible that the conflict will continue or spread, which could affect the Group's financial results.

- There are no delays in the execution of construction contracts in the construction and assembly services area due to conflict. However, it cannot be ruled out that, if this state continues, the financial result of the contracts under execution may worsen and delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:
  - reduced availability and increased prices of building materials, fuels, services, equipment;
  - disruption of supply chains;
  - dynamic growth of prices of key energy sources, i.e. crude oil, natural gas;
  - delays on the part of subcontractors employing workers from Ukraine and Belarus;
  - extraordinary drop of PLN value - increase of material prices in foreign currencies.

Looking ahead to 2023 the Issuer's Management Board does not anticipate any impact of this risk on the Issuer's financial result and equity.

The Issuer reports that operations 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 Company 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 group of the Issuer.

## Epidemiological risk

As of 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 or other epidemics on the activity of the Issuer and the group of the Issuer in the medium- and long-term perspective.

As of the date of this report, the majority of COVID restrictions, including the mandatory quarantine, have been lifted in Poland. The level of population immunisation, the low number of disease cases, and the low number of disease cases ending in hospitalisation suggest that pandemic restrictions and economic disruptions will not recur in the foreseeable short-term future. However, should the coronavirus or other epidemic return and continue to spread, it is possible that the financial results of the Issuer and the Group could be adversely affected by 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 financial result and equity of the Issuer.

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 group of the Issuer.

## Liquidity risk management

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.

The Company manages the liquidity risk by maintaining sufficient cash, the possibility of financing with bank credits and maintaining sufficient credit lines to repay liabilities as they become due.

The Company's liquidity management includes projecting cash flows for all currencies and analysing what level of liquid assets is needed to repay liabilities.

Note 14 contains an analysis of the Company's (Group's) liabilities, in relevant age brackets, based on the contractual maturity date.

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

---

**Current liquidity ratio = Current assets / Short-term liabilities**

**Accelerated liquidity ratio = (Current assets - Inventories - Short-term prepayments) / Short-term liabilities**

**Cash liquidity ratio = Cash / Short-term liabilities**

---

## Risk of significant 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 of 31.12.2022. MIRBUD S.A. has no interest rate hedging transactions.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As of:	As of:	As of:	As of:
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Liabilities under credits and loans	128,685	120,233		
Loans granted				
Other financial assets				
Other financial liabilities	27,672	28,368		
<b>Total</b>	<b>156,357</b>	<b>148,601</b>		

## 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 of 31 December 2022 and 31 December 2021 at the level of -1.0/+1.0 percentage point (as of 31 December 2021 at the same level) for the Polish zloty and the Euro.

The effect of the change in interest rates on the net profit and the balance sheet total as of 31 December 2022 and 31 December 2021 is presented below.



## MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

Sensitivity analysis for items exposed to change in interest rates	Effect on net profit/(loss)		Effect on the balance sheet total			
	As of:		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	31/12/2022					
Liabilities under credits and loans	128,685	-1,042	1,042	1,287	-1,287	
Loans granted						
Other financial assets						
Other financial liabilities						
<b>Total</b>	<b>128,685</b>	<b>-1,042</b>	<b>1,042</b>	<b>1,287</b>	<b>-1,287</b>	

Sensitivity analysis for items exposed to change in interest rates	Effect on net profit/(loss)		Effect on the balance sheet total			
	As of:		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	31/12/2021					
Liabilities under credits and loans	120,233	-974	974	1,202	-1,202	
Loans granted						
Other financial assets						
Other financial liabilities	28,368	-230	230	284	-284	
<b>Total</b>	<b>148,601</b>	<b>-1,204</b>	<b>1,204</b>	<b>1,486</b>	<b>-1,486</b>	

## Risk of changes in foreign exchange rates

Within the MIRBUD Group, only MIRBUD S.A. generates revenue in foreign currency. In 2022 MIRBUD S.A. generated over 41% 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 2022, the Issuer hedged on average approx. 10% of its foreign currency revenue with forward currency sales transactions.

Items exposed to change in foreign exchange rates	EUR		USD		Other	
	As of:	As of:	As of:	As of:	As of:	As of:
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Liabilities under credits and loans						
Loans granted						
Trading and other receivables	75,308	48,109				
Trading and other liabilities						
Cash	20,290	5,538				
Other financial assets						
<b>Total</b>	<b>95,598</b>	<b>53,647</b>				

## 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 of 31 December 2022 and as of 31 December 2021.

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 of:		Effect on net profit/(loss)		Effect on the balance sheet total	
	31/12/2022		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
	Liabilities under credits and loans					
Loans granted						
Trading and other receivables	75,308	6,100	-6,100	7,531	-7,531	
Trading and other liabilities						
Cash	20,290	1,643	-1,643	2,029	-2,029	
Other financial assets						
<b>Total</b>	<b>95,598</b>	<b>7,743</b>	<b>-7,743</b>	<b>9,560</b>	<b>-9,560</b>	

Sensitivity analysis for items exposed to exchange rate changes (Euro)	As of:		Effect on net profit/(loss)		Effect on the balance sheet total	
	31/12/2021		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
	Liabilities under credits and loans					
Loans granted						
Trading and other receivables	48,109	3,897	-3,897	4,811	-4,811	
Trading and other liabilities						
Cash	5,538	449	-449	554	-554	
Other financial assets						
<b>Total</b>	<b>53,647</b>	<b>4,345</b>	<b>-4,345</b>	<b>5,365</b>	<b>-5,365</b>	

The Issuer's Management Board estimates that in 2023 the share of revenues in euro will decrease by approximately 30% (it will gradually decrease in the second half of 2023) As of 31.12.2022 the Issuer did not have any foreign exchange hedging transactions in place.

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

Currently, banks in Poland maintain a tight credit policy both for companies operating in the construction sector and for individuals seeking to obtain mortgage loans.

Due to the unstable economic situation resulting from the COVID-19 virus pandemic, financial institutions are further tightening credit policies.

When planning subsequent projects, the 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.

## **Economic situation risk:**

### **- change in the macroeconomic situation and economic situation 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 overall 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 property 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 overall 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 to 3 years.

### **Risks related to competition:**

The economic situation in Poland, the conflict in Ukraine as well as a significant reduction in the number of tenders for construction works and the further deepening of the recession in Poland are intensifying competition by offering the most favourable prices and extending guarantee periods.

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.

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 Group 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, as well as a number of specific factors, 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 property development projects and retail 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;
- 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 property 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 property development 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.

In order to mitigate the risk of environmental liability, the Issuer has taken the following measures:

- implementing and applying the Sustainable Development Strategy 2022-2026
- implementing and applying an Environmental Management System according to EN ISO 14001:2015 in the field of general construction, civil engineering, road and motorway construction, industrial building construction

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 2005-2022, 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 retail and service facilities, sale of flats, and granting a guarantee of payment for construction works**

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 purchasers of apartments under the statutory warranty for physical and legal defects of buildings. The period covered by these claims is 5 years.

Moreover, pursuant to Art. 649 1 – 649 5 of the Civil Code, at the request of the contractor, the Company acting as an investor 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 Company, may have an adverse effect on the Company'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 earning capacity 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.

## Capital risk management

The objective of capital risk management is to protect the ability to continue with the activities, so that returns for shareholders and benefits for other stakeholders can be performed, and to maintain an optimal capital structure in order to reduce the cost of capital.

The tools used to maintain and correct the capital structure may include:

- change in the amount of declared dividends to be paid;
- return of capital to shareholders;
- issue of shares and other capital instruments;
- the sale of assets in order to reduce debt.

Capital monitoring is carried out by means of the debt ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt is calculated as the sum of financial debt (including current and long-term credits and loans and other financial debt disclosed in the consolidated balance sheet), less cash and cash equivalents. The total value of capital is calculated as equity disclosed in the consolidated balance sheet, together with net debt.

Calculation of the debt ratio	in PLN thousand	
	As of:	As of:
	31/12/2022	31/12/2021
Total credits	156,357	148,601
Cash and cash equivalents	-293,801	-224,182
<b>Net debt</b>	<b>-137,444</b>	<b>-75,581</b>
Equity	467,360	365,488
<b>Total capital</b>	<b>329,916</b>	<b>289,907</b>
<b>Debt ratio</b>	<b>-42%</b>	<b>-26%</b>

Financial liquidity hedging ratios	in PLN thousand	
	As of:	As of:
	31/12/2022	31/12/2021
Net debt	-137,444	-75,581
EBITDA	136,429	110,263
Equity	467,360	365,488
Total assets	1,426,132	1,221,892
<b>net debt/EBITDA</b>	<b>-1.0</b>	<b>-0.7</b>
<b>equity/total assets</b>	<b>0.3</b>	<b>0.3</b>

## 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 in 2022 and in previous years is presented in the table below.



Table: Liabilities under credits and loans owned by MIRBUD S.A. as of 31 December 2022 in PLN thousand.

Name of the entity	Obliged 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.	15,000	PLN	10,669		WIBOR 1M + margin	24/06/2024	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN		366	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK S.A.	MIRBUD S.A.	15,200	PLN	15,200		WIBOR 1M + margin	27/06/2025	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN		10,000	WIBOR 1M + margin	31/10/2024	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	19,800	14,400	WIBOR 1M + margin	29/12/2025	mortgages on property
BOŚ S.A.	MIRBUD S.A.	20,000	PLN	20,000		WIBOR 1M + margin	03/08/2024	BGK guarantee, registered pledge
BOŚ S.A.	MIRBUD S.A.	35,000	PLN	33,821		WIBOR 1M + margin	17/10/2023	assignment of a business receivable, mortgage
<b>Total credits and loans</b>				<b>99,490</b>	<b>24,766</b>	<b>124,256</b>		

Table: Liabilities under credits and loans owned by MIRBUD S.A. as of 31 December 2021 in PLN thousand.

Name of the entity	Obligated 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		6,395	WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	5,000	PLN		5,000	WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN	366	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK S.A.	MIRBUD S.A.	20,000	PLN		15,200	WIBOR 1M + margin	30/06/2022	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN		9,291	WIBOR 1M + margin	31/10/2022	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	13,800	14,400	WIBOR 1M + margin	29/12/2023	mortgages on property
BOŚ S.A.	MIRBUD S.A.	20,000	PLN		17,801	WIBOR 1M + margin	25/08/2022	BGK guarantee, registered pledge
BOŚ S.A.	MIRBUD S.A.	35,000	PLN	34,944		WIBOR 1M + margin	17/10/2023	assignment of a business receivable, mortgage
KUKE Finanse	MIRBUD S.A.	5,000	PLN					
<b>Total credits and loans</b>				<b>49,110</b>	<b>69,551</b>	<b>118,661</b>		

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 MIRBUD S.A.

As of 31/12/2022, MIRBUD S.A. did not show any debts due to loans, except for loans indicated in the above tables.

#### **4.11.2. Loans granted**

As of 31 December 2022, MIRBUD S.A. had the following receivables by virtue of granted loans.

#### **4.11.3. Sureties and guarantees**

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
- Marywilaska 44 Sp. z o.o. for refinancing capital expenditures
- Kobylarnia S.A. for execution of construction contracts

As of 31/12/2022, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as of 31/12/2022

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		surety expiry date
		As of:	As of:	As of:	As of:	
		31/12/2022	31/12/2021	31/12/2022	31/12/2021	
<b><u>To related parties</u></b>	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK S.A. credit	49,500	49,500	18,883	22,079	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit		4,500			30/06/2022
JHM 1 Sp. z o. o. w likwidacji	Hedge for the SANTANDER BANK POLSKA S.A. credit		10,809		6,384	30/06/2022
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	15,000	15,000			30/11/2023
KOBYLARNIA S.A.	Hedge for bank guarantee of BANK S.A		24,150		16,100	15/02/2022
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	9,318	9,318	4,348	4,969	31/12/2029
JHM Development S.A.	Hedge for the issue of E series bonds	55,000	55,000	50,000	50,000	31/12/2026
<b><u>To other parties</u></b>	-	-	-	-	-	-
<b><u>Total</u></b>	-	<b><u>128.818</u></b>	<b><u>168.277</u></b>	<b><u>73.231</u></b>	<b><u>99.532</u></b>	-

On 23 February 2021, Expo Mazury S.A. w likwidacji made full repayment of the loan taken up in ALIOR BANK S.A. and therefore the surety granted by MIRBUD S.A. expired.

On 15 February 2022, the guarantee granted by BGK upon order of KOBYLARNIA S.A. in the amount of PLN 24,150 thousand expired, and therefore the surety granted by MIRBUD S.A. expired.

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 related 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 guarantees in favour of other entities are primarily guarantees 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 01/01/2022 to 31/12/2022, are as follows:

Other contingent liabilities	in PLN thousand	
	As of:	As of:
	31/12/2022	30/12/2021
Under proper performance guarantee	463,627	401,996
Under rectifying faults and defects	220,785	298,071
Under payment of receivables	118,464	110,764
<u>Total</u>	<b>802,876</b>	<b>810,831</b>

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

The Issuer did not issue shares during the reported period.

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

Starting from 01/04/2021 to 31/03/2022, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 29/03/2021 “Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 15/MIRBUD/2021”.

From 01/04/2022 to 31/03/2023, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 21/03/2022 “Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 16/MIRBUD/2022”.

#### 5.2. Main contracts for construction and other works related to operating activities concluded by MIRBUD S.A.

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2022 to 31/12/2022 in PLN thousand

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
03/03/2022	61,600	GINGERINA sp. z o.o. with its registered office in Warsaw	Construction of two warehouse buildings (Building A and Building B) together with the accompanying infrastructure in the town of Wry, Mikołów County, Silesian Voivodeship.
09/03/2022	437,154	General Directorate for National Roads and Motorways	Design and execution of construction works for the S74 Przełom/Mniów - Kielce (S7 Kielce Zachód interchange) dual carriageway section. Consortium of companies composed of: <ul style="list-style-type: none"> <li>MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),</li> <li>KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium partner),</li> </ul>
17/03/2022	47,520	PDC Industrial Center 171 Sp. z o.o. with its registered office in Warsaw	Construction of a manufacturing and warehouse complex with staff and office facilities and accompanying infrastructure in the village of Cząstków Mazowiecki, municipality of Czosnów, Nowy Dwór county, Mazowieckie Voivodeship
29/03/2022	39,471	District Infrastructure Department in Zielona Góra.	Construction of repair hall W-10 in Krosno Odrzańskie with accompanying infrastructure for maintenance and

## MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

			repair of armour and armoured equipment as well as demolition of existing buildings.
29/03/2022	72,110	Legnica Municipality	Construction of the South Service Road in Legnica – Stage III from al. Rzeczypospolitej to ul. Sikorskiego. Consortium of companies composed of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
29/04/2022 (return of signed contract)	80,148	JHM DEVELOPMENT S.A. with its registered office in Skierniewice	Construction of five residential buildings (buildings: A, B, C, D and E) together with the necessary infrastructure at ul. Armii Krajowej in Skierniewice
06/05/2022	346,235	General Directorate for National Roads and Motorways	“Design and construction of the S10 Bydgoszcz – Toruń dual carriageway, section 3 from the Solec interchange to the Toruń Zachód interchange”; consortium of companies consisting of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
23/05/2022 (return of signed contract)	122,452	PDC Industrial Center 195 Sp. z o.o. with its registered office in Warsaw	Construction of warehouse halls with a usable area of 58,823.5 m <sup>2</sup> together with the accompanying infrastructure.
31/05/2022	52,370	General Directorate for National Roads and Motorways	Reconstruction of national road No. 91 on the Terespol-Stolno section (excluding the bridge over the Vistula River)”; consortium of companies consisting of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
21/06/2022	40,301	LBM Poland T. Lis, G. Burtan, D. Markiewicz	Signing of a subcontract for earthworks in connection with the construction of the S1 Kosztowy - Bielsko-Biała dual carriageway. Section III – Dankowice – Suchy Potok interchange (with interchange).
21/06/2022	34,655	PRUCHNIK Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa	Signing of a subcontract for earthworks in connection with the construction of the S1 Kosztowy - Bielsko-Biała dual carriageway. Section III – Dankowice – Suchy Potok interchange (with interchange).
29/06/2022	40,219	City of Skierniewice	Reconstruction/refurbishment of the City Stadium in Skierniewice
08/07/2022 (return of signed contract)	142,618	ACCOLADE PL XXXV Sp. z o.o. with its registered office in Warsaw.	Construction of warehouse halls A, B and C in Gorzów Wielkopolski, together with the execution of all associated works included in the contract as commissioned options.
08/07/2022 (return of signed contract)	77,107	ACCOLADE PL XXXV Sp. z o.o. with its registered office in Warsaw.	Construction of two storage buildings located on ul. Konstytucji 3-go Maja in Jelenia Góra.
14/07/2022 (return of signed contract)	42,253	TORUŃ II LOGISTICS Sp. z o.o.	Construction of storage hall A with technical infrastructure at ul. Przelot in Toruń.
18/07/2022	93,252	The Naval Academy of the Heroes of Westerplatte in Gdynia.	Construction of a multi-purpose building (teaching, training, accommodation, catering) with the necessary technical infrastructure and landscaping on the grounds of the Polish Naval Academy of the Heroes of Westerplatte in Gdynia.
22/07/2022	119,168	Accolade PL 44 Sp. z o.o. with its registered office in Warsaw.	Construction of storage halls (A and B) with the necessary infrastructure in Piła

## MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

29/08/2022	19,465	Walcz Municipality	public-private partnership agreement for the implementation of a project consisting of the construction of internal roads and rainwater drainage system in Walcz in the following streets: Bursztynowa and Brylantowa, and part of the streets Szmaragdowa and Chrzastkowo and Wilcza street, together with the construction of technical infrastructure facilities, and the maintenance of these roads and infrastructure for a period of 9 years.
01/09/2022 return of the signed contract)	108,848	<b>BCAP TAP 10 Sp. z o.o.</b> with its registered office in Warsaw.	construction of a warehouse hall together with the necessary infrastructure at Panattoni Park WEST GATE II in Tarnowo Podgórne.
29/09/2022	39,595	Medical University of Łódź	Construction works consisting of construction of the Radiotherapy Building as part of the second stage of the Clinical and Didactic Centre of the Medical University of Łódź with the Academic Oncology Centre – building shell.
30/09/2022	657,936	General Directorate for National Roads and Motorways	Construction of the S6 Koszalin – Słupsk dual carriageway, Section 1, End of the Koszalin and Sianów bypass /without the <b>“Sianów Wschód” interchange/</b> - beginning of the Sławno bypass /with the “Bobrowice” interchange/”. Consortium of companies composed of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
04/10/2022	56,420	Makro Cash and Carry Polska S.A., with its registered office in Warsaw	Construction of an office building with parking spaces and infrastructure on part of the property located in Warsaw at al. Jerozolimskie 184
03/11/2022	116,277	Zachodniopomorskie Voivodeship	“Extension of voivodeship road No. 203, section from Darłowo to the West Pomeranian Voivodeship border”.
23/11/2022	84,700	Warsaw City Hall - Bemowo District Office	Construction of a school building under the school and kindergarten complex project within the Chrzanów housing estate, Bemowo District of the capital city of Warsaw
23/11/2022	118,824	PIT-RADWAR SPÓŁKA AKCYJNA with its registered office in Warsaw	Extension of the plant involving the construction of a complex of production and assembly buildings with social and office area, an internal road with accompanying technical infrastructure and including necessary demolition and coordination with other project tasks.
01/12/2022	116,481	Municipality of Krakow	Construction of the “Kraków Music Centre” utility building at ul. Piastowska in Kraków.
06/12/2022	169,371	Kraków Północ Logistics Sp. z o.o. with its registered office in Warsaw	Construction of warehouse facilities (hall A and hall B) together with social and office facilities and the necessary infrastructure at Panattoni Park Kraków North in Węzów.

On 22 July this year the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- Construction of the S-1 Kosztowy – Bielsko-Biała dual carriageway. Section III – Dankowice – Suchy Potok interchange (with interchange);
- Design and construction of the S-10 Bydgoszcz – Toruń dual carriageway, section 3 from the Solec interchange to the Toruń Zachód interchange;
- Construction of the Tri-city Metropolitan Bypass divided into 2 parts: Part No. 2: Construction of the Tri-city Metropolitan Bypass. Task 2: Żukowo interchange (with interchange) – Gdańsk Południe interchange (with interchange);



- Design and construction of the Gostyń bypass within the national road No. 12;
- Design and execution of construction works for the S-74 Przelom/Mniów – Kielce (S-7 Kielce Zachód interchange) dual carriageway section.

On 26 August this year the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- “Construction of the A18 Olszyna – Golnice motorway (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533”;
- “Construction of the A18 Olszyna – Golnice motorway (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760”;
- “Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, Siewierz – Poręba – Zawiercie (Kromolów) section, from km 105+836 to km 122+500”;
- “Design and construction of the S-11 Koszalin – Szczecinek dual carriageway, Koszalin Zachód interchange section (without interchange) - Bobolice interchange. Section 3. Koszalin Południe interchange (without interchange) – Bobolice interchange (with interchange)”;
- “Design and construction of the Olesno bypass within the national road No. 11 (S-11)”.

On 5 September this year the Issuer concluded annexes to agreements with the State Treasury - General Director of National Roads and Motorways in Warsaw. The subject of the signed annexes is to increase the maximum indexation limit for contract works from 5 to 10 percent of the Accepted Contract Amount. The annexes concern the following contracts:

- “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) - Kamieńsk interchange (with interchange) from km 351+800.00 to km 376+000.00”;
- “Continuation of the design and construction of the S-5 dual carriageway 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”;
- “Continuation of design and construction of the S-5 dual carriageway, 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 S-5 dual carriageway from “Dworzysko” interchange (without interchange) to “Aleksandrowo” interchange (with interchange) with a length of approximately 22.4 km.”

On 27.12.2022, the Issuer's Management Board received information from the Ordering Party, the Provincial Roads Authority in Gdańsk (ul. Mostowa 11A, 80-778 Gdańsk), that the Issuer's bid was selected as the most advantageous one in the tender procedure, conducted in the open tender procedure, titled "Construction of the western bypass road for the town of Chojnice", by the consortium (hereinafter: the “Consortium”) of companies composed of:

- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner) was selected as the most advantageous one.

**Bid value:** PLN 57,607,320.24 gross.

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

In the period covered by the report, the other Group Companies 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. and KOBYLARNIA S.A.

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

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
12/01/2023	57,607	Pomorskie Voivodeship - Voivodeship Roads Authority in Gdańsk	Construction of the Chojnice western road bypass. Consortium of companies composed of: <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).</li> </ul>
06/03/2023	84,726	Development Concept One DM Sp. z o.o.	construction works for the erection of two warehouse, production and service buildings with rest and refreshment and office facilities, with the leading production plant function, buildings accompanying in the scope and accompanying technical infrastructure, as well as with the road project necessary to connect the project with public roads. The buildings will be located at ul. Rzeczna 6 in Warsaw (Targówek District).
15/03/2023	25,000	Olsztyn Municipality	an increase in the Issuer's remuneration for the implementation of the task entitled "Reconstruction and extension of the Urania Sports and Entertainment Hall in Olsztyn" due to the awarded indexation amount of PLN 25.000 net, which is 15 percent of the original contractual remuneration. Construction works for the project in question are scheduled to be completed on 16 October 2023.
18/04/2023	31,596	GRODZISK MAZOWIECKI commune	execution of the investment task entitled "Construction of a primary school with pre-school department in the village of Szczęsne, Grodzisk Mazowiecki Commune – STAGE II".

## 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. THE EFFECTS OF CHANGES IN THE STRUCTURE OF THE ECONOMIC ENTITY, INCLUDING AS A RESULT OF MERGING ENTITIES, GAINING OR LOSS OF CONTROL OVER SUBSIDIARIES AND LONG-TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS, AND INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

There were no changes in the structure of the business entity during the reporting period.

The Issuer prepares consolidated financial statements. The entities subject to consolidation have been indicated by the Issuer in this report under "Subsidiaries and consolidation methods"

With effect from 1 July 2022, the Extraordinary Meeting of Shareholders of the Company adopted a resolution to put JHM 1 Sp. z o.o. into liquidation. From this date, the company is named JHM 1 Sp. z o.o. w likwidacji. Liquidation of the subsidiary, JHM 1 Sp. z o.o., is part of the process of reorganisation of the MIRBUD Capital Group, about which the Issuer informed in Current Reports No. 36/2020 and 41/2021. The commercial property in Rumia, previously owned by the Company, is now managed by MARYWILSKA 44 Sp. z o.o.

The Issuer prepares consolidated financial statements. The entities subject to consolidation have been indicated by the Issuer in this report under "Subsidiaries and consolidation methods".

## 8. ACHIEVED AND FORECAST FINANCIAL RESULTS

The MIRBUD Capital Group Companies did not publish forecasts on financial results for 2022.

## 9. 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

Revenues of MIRBUD S.A. are earned in full 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 the Company determining its 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,
- the course and consequences of the military conflict in Ukraine.

#### Internal factors:

- 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 2023 - 2026,
- diversified order portfolio for the years 2023 - 2026,
- 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),
- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries.

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

## 10. 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.

## 11. 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 internal control system for financial reporting in the MIRBUD Capital Group is implemented through:

- the application within the Group of uniform accounting policies for measurement, recognition and disclosure in accordance with International Financial Reporting Standards,
- controls and continuous monitoring of the quality of input data, supported by financial systems with defined rules for data correctness (Data preparation in source systems is subject to formalised operational and acceptance procedures, which define the competences of individual);
- use of internal controls, including: segregation of duties, at least two-step data authorisation, verification of the correctness of the data received;
- defining competences and formalising the financial statement process, (The reporting process is carried out by qualified staff with relevant knowledge and experience. Under the supervision of a Member of the Management Board - Head of Division);
- defining rules and controls for compliance with the circulation of financial and accounting documents and verifying them in terms of content, form and accounting;
- keeping records of economic events in an integrated financial and accounting system, the configuration of which corresponds to the accounting principles in force in the Group Companies and includes instructions and controls to ensure data consistency and integrity;
- mapping of data from source systems to financial statements to support correct data presentation;
- an independent assessment of the financial statements by an independent external auditor.

The financial reporting process is subject to ongoing review. The integrated financial and accounting system plays an important role in the control process for accounting and financial reporting. Not only does it make it possible to check the accuracy of the recorded operations, but it also allows the identification of the persons entering and accepting individual transactions. Access to financial data is restricted by an authorisation system.

Access rights to the system are granted to the extent that they depend on the individual's assigned role and responsibilities and are subject to strict control.

The financial and accounting section headed by the Director of Economic and Financial Affairs shall be responsible for the preparation of the separate financial statements and periodical financial reporting of the Company.

The financial statements of MIRBUD S.A. are prepared by the Chief Accountant. The prepared annual financial statements are submitted to the economic and financial director for initial review and then to the full Board of Directors for final review and authorisation.

One of the basic elements of control in the process of preparing financial statements of the Company 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 MIRBUD S.A., 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 Supervisory Board for assessment and the General Meeting of Shareholders for approval.

In addition, the effectiveness of the Supervisory Board's oversight activities in monitoring the financial reporting process is enhanced by the establishment of an Audit Committee.

The Committee's tasks with regard to monitoring the financial reporting process and advisory and consultative activities include, in particular:

- preliminary assessment of the Management Board's report on the Company's activities and the Company's annual financial statements;
- preliminary assessment of the Management Board's report on the activities of the Company's group and the annual consolidated financial statements of the Company's group;
- preliminary assessment of any financial documents submitted to the Supervisory Board;
- giving an opinion on the basic principles of the Company's existing financial reporting and accounting system, including the criteria for consolidating the results of the Company's various group entities;
- to make proposals and recommendations to the Supervisory Board regarding the appropriateness of changing the financial reporting system in place at the Company and the Company's capital group, and to inform the Supervisory Board of any significant inadequacies of such system known to the Committee or risks associated with its organisation and operation.

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 of 31 December 2022 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 Resolution No. 24/2009 adopting the International Accounting Standards (IAS) as the basis for preparing the financial statement of the Company and the consolidated financial statement 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.



## 12. ADDITIONAL INFORMATION

### 12.1. Shareholder structure

#### 12.1.1. Information about the dividend paid in the period from 01/01/2022 to 31/12/2022

In the period from 01.01 to 31.12.2022, MIRBUD S.A. made dividend payments.

On 11 May 2022 the Issuer's Management Board applied to the General Meeting of Shareholders of MIRBUD S.A. to distribute the net unconsolidated profit generated in 2021 in the amount of PLN 80,354,978.36 for the payment of a dividend in the amount of PLN 18,348,840.00, i.e. PLN 0.20 gross per share, and to exclude the remaining part of the profit in the amount of PLN 62,006,138.36 from distribution and allocate it to the Company's supplementary capital.

The Issuer informs that the Supervisory Board of MIRBUD S.A., at the meeting on 11 May this year, gave a unanimous positive opinion on the motion.

On 14 June 2022, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 9/2022 concerning the distribution of the Company's net profit for 2021. Pursuant to the Resolution adopted, the General Meeting decided to allocate a portion of the profit for the financial year 2021 in the amount of PLN 18,348,840.00 to the payment of dividends to the Issuer's shareholders, i.e. PLN 0.20 gross per share, and to exclude from distribution the remaining portion of the profit in the amount of PLN 62,006,138.36 and to allocate it to the Company's supplementary capital.

On 14 June 2022, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 10/2022 concerning the payment of dividends to shareholders of the Issuer. 20 June 2022 was adopted as the dividend date and 21 June 2022 as the dividend payment date. The dividend was paid on the date specified.

#### 12.1.2. Information on the purchase and sale of own shares

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

#### 12.1.3. Shares and stocks of the

##### MIRBUD S.A.

As of 31/12/2022, the share capital is divided into 91,744,200 fully paid bearer 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	19500000	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



## MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A. FOR 2022

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
<b>Total</b>		<b>91,744,200</b>		<b>9,174</b>		

Table: Ownership structure of the share capital as of 31/12/2022

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41600 000	45.34%	41600 000	45.34%
Nationale-Nederlanden Open Pension Fund	9,171,837	9.99%	9,171,837	9.99%
Other shareholders	40,973,200	44.66%	40,973,200	44.66%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

Table: Ownership structure of the share capital as of 31/12/2021

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,371,064	45.1%	41,371,064	45.1%
Nationale-Nederlanden Open Pension Fund	9,171,837	9.99%	9,171,837	9.99%
Other shareholders	41,201,299	44.91%	41,201,299	44.91%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

Table: Ownership structure of the share capital as of 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	41,600,000	45.34%	41600 000	45.34%
Nationale-Nederlanden Open Pension Fund	9,221,837	10.05%	9,221,837	10.05%
Other shareholders	40,922,363	44.61%	40,922,363	44.61%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

### 12.1.4. Information on the Issuer's shares or the rights thereto held by members of the management and supervisory bodies

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as of 31/12/2022, 31/12/2021 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 of 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	41,600,000 shares with a nominal value of 0.10 PLN each share with a total value of PLN 4,160,000	45.34%
TOTAL		41,600,000 shares	45.34%

Table. Shares of the Company held by members of management and supervisory bodies as of 31/12/2022

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	41,600,000 shares with a nominal value of 0.10 PLN each share with a total value of PLN 4,160,000	45.34%
TOTAL		41,600,000 shares	45.34%

Table. Shares of the Company held by members of management and supervisory bodies as of 31/12/2021

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	41,371,064 shares with a nominal value of PLN 0.10 each share with a total value of PLN 4,137,106.4	45.1%
TOTAL		41,371,064 shares	45.1%

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.

### 12.1.5. 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 31/12/2022 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in these statements and 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.

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

There are no employee stock ownership plans in the Company

## 12.2. Influence of factors and unusual events on the financial result for 2022

In 2022, 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 financial result, apart from the factors related to the war in Ukraine and the COVID-19 pandemic which are described in this report.

## 12.3. 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 Company.

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

In the period from 01/01/2022 to 31/12/2022, the composition of the Management Board of MIRBUD S.A. did not change and it performed the duties with the following composition:

Table: Composition of the MIRBUD S.A. Management Board from 01/01/2022 to 31/12/2022

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

On 11 May 2022, the Issuer's Supervisory Board, in connection with the expiry of the term of office of the President of the Management Board of MIRBUD S.A., appointed Mr. Jerzy Mirgos to the Management Board for another five-year term, entrusting him with the position of President of the Company's Management Board.

On 11 May 2022, the Issuer's Supervisory Board, in connection with the expiry of the term of office of the Vice-President of the Management Board of MIRBUD S.A., appointed Mr. Sławomir Nowak to the Management Board for another five-year term, entrusting him with the position of Vice-President of the Company's Management Board.

The composition of the Issuer's Supervisory Board in the period from 01/01/2021 to 31/12/2022 changed and was as follows:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2022 - 31/12/2022

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Radosław Niewiadomski</b>	Member of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board (until 14/06/2022)
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board (until 07/12/2022)
<b>Wiktoria Braun</b>	Member of the Supervisory Board (until 31/12/2022)
<b>Artur Sociński</b>	Member of the Supervisory Board

On 14 June 2022, the term of office of Mr. Hubert Bojdo as a Member of the Supervisory Board expired.

On 7 December 2022, Mr Andrzej Zakrzewski's term of office as a member of the Supervisory Board expired.

On 19 December 2022, the Issuer received a statement on the resignation of Mrs. Wiktoria Braun from her position as a member of the Supervisory Board of MIRBUD S.A. as of 31 December 2022.

On 30 January 2023, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2023 and Resolution No. 5/2023 on appointing the following persons to the Supervisory Board of MIRBUD S.A.: Mr. Stanisław Lipiec and Mr. Jacek Tucharz

Table: Composition of the Supervisory Board of MIRBUD S.A. as of the date of publication of the report

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Radosław Niewiadomski</b>	Member of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board
<b>Stanisław Lipiec</b>	Member of the Supervisory Board (since 30/01/2023)
<b>Jacek Tucharz</b>	Member of the Supervisory Board (since 30/01/2023)

## 12.5. 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.

Mrs. Kaja Mirgos-Kwiatkowska, who has been a member of the Management Board of JHM DEVELOPMENT S.A. from 02/01/2020 and a member of the Management Board of Marywilska 44 sp. z o.o., from 01/08/2020 is the daughter of Mr. Jerzy Mirgos who, as of 31/12/2021, held 45.34% of the Issuer's shares.

## 12.6. Remuneration of members of the management and supervisory bodies

Table: Remuneration of members of the management and supervisory bodies of the parent company in the period from 01/01/2020 to 31/12/2020

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	1,488	0	0	0	0	0	875	<b>2,363</b>
Sławomir Nowak	Vice-President of the Management Board	1,350	0	0	0	0	0	495	<b>1,845</b>
Paweł Korzeniowski	Member of the Management Board	1,333	0	0	0	0	0	52	<b>1,385</b>
Tomasz Sałata	Member of the Management Board	1,289	0	0	0	0	0	0	<b>1,289</b>
Ewa Przybył	Proxy	389	0	0	0	0	0	0	<b>389</b>
Anna Więzowska	Proxy	620						41	<b>661</b>
Hubert Bojdo	Member of the Supervisory Board	22	0	0	0	0	0	0	<b>22</b>
Agnieszka Bujnowska	Secretary of the Supervisory Board	56	0	0	0	0	0	61	<b>117</b>
Andrzej Zakrzewski	Member of the Supervisory Board	50	0	0	0	0	0	14	<b>64</b>
Artur Sociński	Member of the Supervisory Board	49	0	0	0	0	0	0	<b>49</b>
Wiesław Kosonóg	Chairman of the Supervisory Board	64	0	0	0	0	0	20	<b>84</b>
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board	56						17	<b>73</b>
Wiktoria Braun	Member of the Supervisory Board	48	0	0	0	0	0	0	<b>48</b>
<b>TOTAL</b>		<b>6,814</b>	-	-	-	-	-	<b>1,575</b>	<b>8,379</b>

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2021 to 31/12/2021

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	1,438	0	0	0	0	221	695	2,353
Sławomir Nowak	Vice-President of the Management Board	1,300	0	0	0	0	0	335	1,635
Paweł Korzeniowski	Member of the Management Board	1,087	0	0	0	0	0	50	1,137
Tomasz Sałata	Member of the Management Board	1,060	0	0	0	0	0	0	1,060
Ewa Przybył	Proxy	401	0	0	0	0	0	0	401
Anna Więzowska	Proxy	505						18	523
Hubert Bojdo	Member of the Supervisory Board	47	0	0	0	0	0	0	47
Agnieszka Bujnowska	Secretary of the Supervisory Board	53	0	0	0	0	0	101	154
Andrzej Zakrzewski	Member of the Supervisory Board	47	0	0	0	0	0	15	62
Waldemar Borzykowski	Member of the Supervisory Board	33	0	0	0	0	0	7	40
Artur Sociński	Member of the Supervisory Board	49	0	0	0	0	0	0	49
Wiesław Kosonóg	Chairman of the Supervisory Board	59	0	0	0	0	0	24	83
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board	21						15	
Wiktoria Braun	Member of the Supervisory Board	47	0	0	0	0	0	0	47
<b>TOTAL</b>		<b>6,147</b>	-	-	-	-	221	1,260	7,591

In the period from 01/01/2022 to 31/12/2022 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.

**12.6.1. 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.

**12.6.2. 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 of 31/12/2022, 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.

**12.7. 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.

**12.8. 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.

**12.9. Employees**

The employment figures in MIRBUD S.A. as of 31/12/2022 and as of 31/12/2021 are presented in the tables below.

*Table: Employment at MIRBUD S.A. as of 31.12.2022.*

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	436	171

*Table: Employment at MIRBUD S.A. as of 31.12.2021.*

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	427	137

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

## 12.10. Diversity policy

On 01/07/2021, the Company adopted a diversity policy. The diversity policy is available on the Company's website at: <https://mirbud.pl/strony/kodeks-etyki-zawodowej-2>

## 12.11. Information on contracts with entities authorised to audit financial statements

On 11.07.2022. MIRBUD S.A. entered into an agreement with BGGM AUDYT spółka z ograniczoną odpowiedzialnością in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11 registered under KRS number 0000327377 in the National Court Register - Register of Entrepreneurs, maintained by the District Court for the City of Warsaw. The contract for the audit of the financial statements was signed with the District Court for the City of Warsaw, XIII Commercial Division of the National Court Register and entered under number 3489 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors:

- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2022 to 30/06/2022 - remuneration amounting to PLN 12.5 thousand net;
- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2023 to 30/06/2023 - remuneration amounting to PLN 13.75 thousand net;
- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2022 to 30/06/2022 - remuneration amounting to PLN 12.5 thousand net;
- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2023 to 30/06/2023 - remuneration amounting to PLN 13.75 thousand net;

On 29/12/2022, MIRBUD S.A. entered into an agreement with BGGM AUDYT spółka z ograniczoną odpowiedzialnością in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11, registered under KRS No. 0000327377 in the National Court Register - Register of Entrepreneurs, maintained by the District Court for the City of Warsaw. The contract for the audit of the financial statements was signed with the District Court for the City of Warsaw, XIII Commercial Division of the National Court Register and entered under number 3489 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors:

- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2022 to 31/12/2022 - remuneration amounting to PLN 20,000 net;
- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2023 to 31/12/2023 - remuneration amounting to PLN 20,000 net;
- audit of the annual consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2022 to 31/12/2022 - remuneration amounting to PLN 20,000 net.
- audit of the annual consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2023 to 31/12/2023 - remuneration amounting to PLN 22.0 thousand net.

On 29/12/2022, MIRBUD S.A. entered into an agreement with BGGM AUDYT spółka z ograniczoną odpowiedzialnością in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11, registered under KRS No. 0000327377 in the National Court Register - Register of Entrepreneurs, maintained by the District Court for the City of Warsaw. Warsaw, in Warsaw, 13th Commercial Division of the National Court Register and entered under number 3489 on the list of entities authorized to audit financial statements kept by the National Council



of Statutory Auditors for the service consisting in the assessment of the remuneration report in the period from 01/01/2022 to 31/12/2022 – remuneration of PLN 5,000 net

The audit firm was selected from among the firms recommended by the audit committee by the Supervisory Board pursuant to Resolution XIII/2020 of 11 May June 2022.

In the period 01/01/2022-31/12/2022, the remuneration paid by the Issuer to statutory auditors amounted to PLN 71 thousand.

In the period from 01/01/2022 to 31/12/2022, the entity authorized to audit the financial statements did not provide any other services to the Company.

## **12.12. 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 were pending.

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

As of 31/12/2022, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 5,792 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 of 31/12/2022, there was litigation pending concerning receivables brought by the Issuer for the total value of the object of dispute of PLN 3,996 thousand.

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

## **13. STATEMENT OF MIRBUD S.A. ON NON-FINANCIAL INFORMATION**

MIRBUD Capital Group has prepared a separate report on non-financial information published together with the 2022 financial statements.

## **14. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE OF MIRBUD S.A.**

### **14.1. The set of corporate governance principles to which MIRBUD S.A. is subject.**

During the reporting period from 01.01.2022 to 31.12.2022. MIRBUD S.A. was subject to a set of corporate governance principles called "Good Practices of Companies Listed on the WSE 2021" (Good Practices 2021, DPSN2021), which were adopted by Resolution No. 13/1834/2021 of the Stock Exchange Board of 29 March 2021.

<https://www.gpw.pl/dobre-praktyki2021>

MIRBUD S.A. reported on the application of individual corporate governance principles in a Report dated 28.07.2021 transmitted via the EBI system. Statement on the application of individual corporate governance principles for companies listed on the Main Market of the WSE - "Good Practices of WSE Listed Companies" MIRBUD S.A has also posted at [www.https://relacje.mirbud.pl/lad-korporacyjny](https://relacje.mirbud.pl/lad-korporacyjny).

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

In the period from 01/12/2022 to 31/12/2022 the Company applied the rules of corporate governance of companies listed on the WSE Main Market - "Good Practices for WSE Listed Companies 2021" (Good Practices 2021, DPSN2021) with deviations about which the Issuer informed in the report of 28/07/2021 transferred via the EBI system.

Deviations concern the following rules:

- 2.1. The Company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, education, expertise, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of corporate bodies is that the minority shareholding in a given body is no less than 30%.**

The Company's note: This rule is applied. The Company has a Diversity Policy which is published at <https://mirbud.pl/strony/kodeks-etyki-zawodowej-2>. Diversity management at MIRBUD S.A. and companies of the MIRBUD Capital Group concerns all employees and key positions. Diversity is understood to mean that every person is important regardless of gender, age, health status, sexual orientation, religion, marital status, race, country of origin or form of employment and political beliefs. The companies in the MIRBUD Capital Group apply workplace management principles without discrimination or inappropriate behaviours which could compromise the integrity or self-esteem of employees. The Diversity Policy of the MIRBUD Capital Group implements the following UN Sustainability Goals: Goal 10 – less inequality and Goal 5 – gender equality. The goals of the adopted Diversity Policy are active management of diversity as part of human resources management policy, creating an open and diverse working environment, preventing all forms of discrimination, ensuring equal opportunities in access to information on ethical standards in force at the MIRBUD Group. The policy of the MIRBUD Capital Group does not impose any barriers based on gender, age, health status, sexual orientation, religion, marital status, race, country of origin or form of employment and political beliefs. MIRBUD S.A. and companies from the MIRBUD Capital Group also make every effort to ensure equal representation of women and men in Management and Supervisory Board positions in companies. Due to the diversity of the segments of activity of the MIRBUD Capital Group companies and the fact that the leading activity is the construction and assembly segment which requires typically technical education and qualifications, the analysis of compliance with Good Practices in employment in management bodies is carried out jointly for all Group Companies. MIRBUD pays attention to diversity when selecting and appointing Management Board members and proposing candidates for Supervisory Board members. In deciding on the composition of the Management Board, the Supervisory Board aims to ensure its diversity, in particular with regard to age, education, work experience and the number of women involved. With respect to the composition of the Supervisory Board, the age structure of the Board members should be diverse. In addition, it seeks to ensure that its members have relevant education and work experience. Attention is further drawn to the issue of adequate number of women involved. The composition of the Supervisory Board takes into account the ideas underlying the diversity policy. The Supervisory Board includes shareholder representatives as well as individuals with extensive knowledge and experience in organisation and management, construction as well as economics. The purpose of the adopted Diversity Policy of the MIRBUD Capital Group is to strive to ensure the versatility of the Management Board and Supervisory Board by shaping their composition in a manner which ensures diversity. Implementation of the Diversity Policy is constantly monitored and applies to all

companies within the MIRBUD Capital Group. A detailed scope of monitoring is defined in the resolution adopted by the leading entity of the MIRBUD S.A. Group – “ESG Strategy” published at <https://mirbud.pl/strony/zrownowazony-rozwoj>

**2.11. In addition to its activities under the law, once a year the Supervisory Board shall prepare an annual report and present it to the ordinary general meeting for approval. The report referred to above shall include at least:**

- 2.11.1 information on the composition of the Board and its committees with an indication of which members of the Board meet the independence criteria set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and which of them do not have actual and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the Supervisory Board in the context of its diversity;
- 2.11.2 summary of activities of the Board and its committees;
- 2.11.3 an assessment of the company’s situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the actions the Supervisory Board has taken to make this assessment; this assessment shall include all relevant control mechanisms, including in particular those relating to reporting and operations;
- 2.11.4 an assessment of the company’s application of the rules of corporate governance and the manner of fulfilling information obligations concerning their application, specified in the Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities, together with information on actions taken by the Supervisory Board to make this assessment;
- 2.11.5 an assessment of the reasonableness of expenditures referred to in rule 1.5;
- 2.11.6 information on the extent to which the diversity policy is implemented with respect to the Management Board and the Supervisory Board, including the achievement of goals referred to in rule 2.1.**

The Company’s note: The rule is applied to detailed items 2.11.1, 2.11.2, 2.11.3 and 2.11.4. With regard to specific points 2.11.5 and 2.11.6, this principle has been applied from the 2021 report onwards with the exception that the assessment of the reasonableness of the expenditure referred to in principle 1.5 has been included in the 2022 report of the Supervisory Board.

**3.2 The Company shall separate in its structure the units responsible for the tasks of particular systems or functions, unless this is not justified by the size of the company or the nature of its activities.**

The Company’s note: This rule is not applied due to the scale of the Company’s operations and the lack of diversification of business segments where the Company is active.

**3.3 A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, operating in accordance with generally accepted international standards of professional internal audit practice. In other companies where no internal auditor meeting the above requirements has been appointed, the audit committee (or the supervisory board, if this body performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person.**

The Company’s note: This rule is not applied. The Company conducts internal audits in accordance with ISO and AQUAP standards; however, it strives to fully implement this rule.

**3.5 Persons responsible for risk management and compliance report directly to the president or another member of the management board.**

The Company's note: This rule is applied. By Resolution No. 13/2021 of the Management Board of 15 October 2021, acting pursuant to Resolution No. 13/1834/2021 of 29 March 2021 of the Warsaw Stock Exchange concerning the adoption of new corporate governance rules for companies listed on the WSE Main List, "Good Practices for WSE Listed Companies 2021" (Good Practices 2021, DPSN2021), in order to maintain effective internal control, risk management and compliance systems, as well as an effective internal audit function, a Management Board plenipotentiary for compliance and a Management Board plenipotentiary for internal audit were appointed in MIRBUD S.A., who report directly to the President of the Management Board within the organisational structure of the Company. The resolution came into force with effect from 01 July 2021.

**3.6 The head of internal audit reports organisationally to the president of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if this body serves as the audit committee.**

The Company's note: This rule is not applied. The Company strives to fully implement this rule, as described in item 3.3.

**3.7 Rules 3.4 to 3.6 also apply to entities in the company's group which are material to the company's operations, if they have designated individuals to perform these tasks.**

The Company's note: This rule is not applied. The Company applies this rule to the extent of items 3.4 and 3.5, however, full application of the rule will be possible after implementation of the rule in item 3.3.

**3.8 At least once a year, the person responsible for internal audit, or, if no such function has been established in the company, the company's management board, shall present to the supervisory board an assessment of the effectiveness of the systems and functions referred to in rule 3.1, together with an appropriate report.**

The Company's note: This rule is not applied. Application of the rule will be possible after implementation of the rule in item 3.3.

**3.10. At least once every five years a company included in WIG20, mWIG40 or sWIG80 index will have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.**

The Company's note: This rule is not applied. Application of the rule will be possible after implementation of the rule in item 3.3.

**4.1. The company should enable shareholders to participate in a general meeting using electronic means of communication (general e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting.**

The Company's note: The rule is not applied due to the lack of possibility to provide technical infrastructure as required by law. Implementation of the rule is not considered in particular due to the lack of notifications from shareholders.

**4.3. The company shall provide a publicly available real-time broadcast of the general meeting.**

The Company's note: This rule is not applied. The Company is considering implementing the principle from the year of the AGM approving the 2022 report.

**6.2. Incentive programmes should be structured in such a manner that, among other things, they make the level of remuneration of members of the company's management board and its key managers dependent on the actual, long-term position of the company in terms of financial and non-financial performance and long-term growth of shareholder value and sustainable development, as well as stability of the company's operations.**

The Company's note: This rule is not applied. The company has not implemented incentive programmes, however, the level of remuneration and bonuses for members of the Management Board and key managers depend on the long-term position of the company.

**6.3. If one of the company's incentive programmes is the managerial options programme, then the execution of the options programme should be conditional on the eligible persons' fulfilment, within a period of at least 3 years, of pre-determined, company-realistic and adequate financial and non-financial objectives as well as sustainable development objectives, and the set price for the acquisition of shares by the eligible persons or settlement of the options may not differ from the value of the shares at the time the programme is adopted.**

The Company's note: This rule is not applied. The company does not have a managerial option programme.

### **14.3. 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.

#### 14.4. Shareholders with significant share packets

As of 31/12/2021, 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 of 31 December 2022

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,600,000	45.34%	41,600,000	45.34%
Nationale-Nederlanden Open Pension Fund	9,171,837	9.99%	9,171,837	9.99%
Other shareholders	40,973,200	44.66%	40,973,200	44.66%
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

#### 14.5. 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.

#### 14.6. Restrictions on the exercise of the voting right

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

#### 14.7. 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.

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

In accordance with § 18 section 1, item 3 and section 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.

#### 14.9. General Meeting of Shareholders of MIRBUD S.A.

The General Meeting gathers as an Ordinary or Extraordinary one 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 for WSE Listed Companies".

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 profit 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 certain matters be included in the agenda of the next General Meeting. 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 their 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.

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

In the period from 01/01/2022 to 31/12/2022, the Management Board of MIRBUD S.A. consisted 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 Salata - 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 way of resolution of the Supervisory Board, as of 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 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 specifying in detail the Management Board procedures were amended by Resolution No. 7/2021 of the Management Board of MIRBUD S.A. dated 27 July 2021, following approval of the Regulations of the Management Board by Resolution of the Supervisory Board No. XVII/2021 dated 27 July 2021. The consolidated text of the Regulations of the Management Board is attached to Resolution of the Management Board No. 7/2021 dated 27 July 2021, published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

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 the casting vote. Resolutions of the Management Board are adopted at meetings by an absolute majority of votes. A resolution of the Management Board is required in matters provided for by law and the Articles of Association, in particular in matters exceeding ordinary management:

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.

#### 14.11. 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 of 31/12/2022, the Issuer's Supervisory Board was composed of the following persons:

*Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2022 to 31/12/2022*

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Radosław Niewiadomski</b>	Member of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board (until 14/06/2022)
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board (until 07/12/2022)
<b>Wiktoria Braun</b>	Member of the Supervisory Board (until 31/12/2022)
<b>Artur Sociński</b>	Member of the Supervisory Board

*Table: Composition of the Supervisory Board of MIRBUD S.A. as of the date of publication of the report*

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Radosław Niewiadomski</b>	Deputy Chairman of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board
<b>Stanisław Lipiec</b>	Member of the Supervisory Board - from 30.01.2023.
<b>Jacek Tucharz</b>	Member of the Supervisory Board - from 30.01.2023.

#### Wiesław Kosonóg - Chairman of the Supervisory Board

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.

### **Radosław Niewiadomski - Deputy Chairman of the Supervisory Board**

Holds a higher education degree in economy. Graduated from the University of Łódź, Faculty of Economics and Sociology, majoring in Economics and Organisation of Industry, with the degree of Master of Economics. He has over 30 years of experience in finance and banking and has completed numerous courses and training in the area. He gained and perfected his professional experience as, among others, the Director or Deputy Director of Branches of Pekao S.A. and Kredyt Bank S.A., as well as the Inspector in the Finance Department of the Łowicz County Starosty. Currently, Mr. Radosław Niewiadomski is a member of the Supervisory Board of a subsidiary, JHM DEVELOPMENT S.A.

### **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 until 14.06.2022.**

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. The term of office of Supervisory Board member Hubert Bojdo expired on 14.06.2022.

### **Andrzej Zakrzewski - Member of the Supervisory Board - until 07.12.2022.**

Holds a higher education degree. Graduated from the Military University of Technology in Warsaw, Faculty of Mechanics and Machine Construction, where he received the title of Master of Science. He gained experience in the construction industry working, among others, as the Manager of the Works Group in the Investment Department of the Skierniewice Construction Company. He worked as the Investment Supervision Inspector in the Fruit and Vegetable Processing Plant "HORTEX" Skierniewice, and also had his own business: Service company for water, sewage, CO, gas and ventilation systems. The mandate of Supervisory Board member Andrzej Zakrzewski expired on 07.12.2022 as a result of his death.

**Wiktoria Braun - Member of the Supervisory Board until 31.12.2022.**

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 mandate of Supervisory Board member Wiktoria Braun expired on 31.12.2022 as a result of her resignation, as announced by the Company in Report No. RB 72/2022 of 20.12.2022.

**Artur Sociński - Member of the Supervisory Board**

Graduate of the Higher School of Insurance and Banking, completed Executive MBA studies at the Institute of Economics of the Polish Academy of Sciences (thesis on the strategy of banks in Poland). He started his professional career in 1998 as a credit analyst in Bank Śląski S.A. From 2001 to 2005, Mr. Artur Sociński worked as an investment and corporate banking expert, and from 2006 to 2016, he served as a team leader and corporate sales director in corporate banking. From 2017 to 2019, Mr. Artur Sociński was the Deputy Director and Director of the Restructuring and Corporate Governance Office, as well as the Vice President of Shipbuilding Industry at Fundusz Rozwoju Spółek S.A. Currently, he is deputy director of the Financial Services Office in Agencja Rozwoju Przemysłu S.A. Mr. Artur Sociński served on supervisory boards of private companies in various sectors and has experience in corporate finance and restructuring.

**Stanisław Lipiec - Member of the Supervisory Board from 30.01.2023.**

Mr. Stanisław Lipiec graduated from the Post-secondary Survey and Road School in Lublin with specialisation in roads and bridges for motor vehicles. In the following years Mr. Stanisław Lipiec graduated from the University of Economics and Humanities in Skierniewice at the Faculty of Sociology and Management (specialisation: entrepreneurship and management), and next from the K. Pułaski University of Technology and Humanities in Radom (Faculty of Economics, specialisation: economics). Mr. Stanisław Lipiec worked as Head of the Road and Transport Authority of the Skierniewice City Council, and earlier also as Supervision Inspector of the Żoliborz District Council in Warsaw, as well as Head of the Road Section in Skierniewice.

**Jacek Tucharz - Member of the Supervisory Board from 30.01.2023.**

Graduate of the Warsaw School of Economics (SGH). Holds a securities broker license No. 1047. Between 1993 and 1996, employed at the Brokerage Office of Powszechny Bank Kredytowy S.A. as a specialist and then as a securities broker. Between 1996 and 2002 employed at Trinity Management sp. z o.o. (NFI Programme) as Head of Investments. Between 2002 and 2005, Head of the Leading Companies Department at PZU NFI Management sp. z o.o. Between November 2007 and December 2012, President of Auto – Centrum Puławska sp. z o.o. Between 2013 and 2014, Vice-President of the Management Board of Energosynergia Technologie sp. z o.o. Between 2019 and 2020, Member of the Management Board of Herkules S.A. (a company listed on the Warsaw Stock Exchange). Since 2019, Member of the Management Board of Grovert Investments sp. z o.o. Between 2009 and 2022, an independent member of the Supervisory Boards in public companies, including: Forte S.A., Seco-Warwick S.A., Compremum S.A., Herkules S.A., MLP S.A., and Pelion S.A.

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. As authorised by the Company's Articles of Association, the Supervisory Board established and adopted its Regulations by way of Resolution No. XXV of 17 November 2009, which were subsequently amended by Supervisory Board Resolution No. XV/2021 of 27 July 2021. The consolidated text of the Regulations of the Management Board is attached to Resolution of the Management Board No. 7/2021 dated 27 July 2021, published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

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 the 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 may be adopted if at least half of its members are present at the meeting and all its members have been invited to the meetings of the Board in accordance with the principles set forth in the Regulations of the Supervisory Board. An invitation to a Board meeting shall be delivered to the Board members personally or by registered mail or to a designated e-mail address. An invitation to a Board meeting should be delivered in time to enable Board members to familiarise themselves with the proposed agenda and prepare for the Board meeting. Notwithstanding the above provisions, the Supervisory Board may waive the requirement of prior notification if all members of the Board are present at the meeting and none of them raises an objection to the time and place of the meeting as well as to the proposed agenda. When there are no important reasons, 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 Board may be adopted if at least half of its members are present at the meeting and all its members have been invited to the meetings of the Board in accordance with the principles set forth in the Regulations of the Supervisory Board. Resolutions of the Supervisory Board Board shall be adopted by an absolute majority of votes. Voting at Board meetings shall be open unless otherwise required by law. Members of the Supervisory Board voting against a resolution may submit a dissenting opinion to the minutes.

The Supervisory Board Board may pass resolutions in writing or by means of direct remote communication. Resolutions passed in writing are valid as if they were passed at a properly convened meeting if signed by a majority of members of the Supervisory Board. The Supervisory Board adopts resolutions by way of a written procedure in accordance with the following principles: a) the Chairman or a member of the Supervisory Board authorised in writing by the Chairman shall send to all members of the Supervisory Board draft resolutions to

be adopted by way of a written procedure, taking into account § 7 section 9 of the Regulations, together with materials related to adopting the said resolution and information about the deadline by which a copy of the resolution signed by the member of the Supervisory Board must be sent; b) a member of the Supervisory Board shall immediately complete and sign a copy of the resolution and send it to the address indicated by the Chairman or a member of the Supervisory Board authorised by the Chairman; if a copy of the signed resolution is sent by fax or e-mail, the member of the Supervisory Board is also obliged to immediately send the original of the signed resolution; c) the date of adoption of the resolution shall be the date indicated on the copy of the resolution which was received as the last one within the deadline referred to in letter a). The Supervisory Board meeting may also be attended by means of direct remote communication. The Supervisory Board may adopt resolutions using means of direct remote communication. A resolution shall be valid when all members of the Board have been notified of the content of the draft resolution and at least half of the members of the Board have participated in adopting the resolution. If the Supervisory Board adopts resolutions use the means of direct remote communication, such means should at least enable simultaneous communication by all members of the Supervisory Board participating in adopting resolutions in this mode. The Supervisory Board may adopt resolutions in writing or by means of direct remote communication also in matters for which the Articles of Association provide for voting by secret ballot, provided that none of the Supervisory Board members raises an objection.

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.

Members of the Supervisory Board should be able to devote the necessary amount of time to perform their duties. Members of the Supervisory Board should take appropriate action to receive from the Management Board regular and complete information on all important matters concerning the Company's and the Capital Group's operations as well as on the risks related to the conducted operations and the methods for managing such risks. Information on personal, factual and organisational relations of a Supervisory Board member with a specific shareholder, in particular with a majority shareholder, should be publicly available. The Company should obtain such information from members of the Supervisory Board and publish it. A 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. A member of the Supervisory Board should, above all, bear in mind the interests of the Company and the capital group. A member of the Supervisory Board should avoid any professional or non-professional activity which might lead to a conflict of interest or influence their reputation as a member of the Supervisory Board. A member of the Supervisory Board shall inform the other members of the Board of any conflict of interest which has arisen or may arise, and shall not take part in the consideration of any matter in which a conflict of interest may arise in relation to that member. If a member of the Supervisory Board determines that a decision of the Supervisory Board is contrary to the interest of the Company, that member of the Supervisory Board should request that their dissenting opinion on the matter be included in the minutes of the meeting of the Supervisory Board. 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.

In addition to its activities under the law, once a year the Supervisory Board shall prepare an annual report and present it to the Ordinary General Meeting for approval. The report referred to above includes at least a) information on the composition of the Board and its committees with an indication of which members of the Board meet the independence criteria set out in the Act on Statutory Auditors, Audit Firms and Public Oversight, and which of them do not have actual and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the Supervisory Board in the context of its diversity; b) summary of activities of the Board and its committees; c) an assessment



of the company's situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the actions the Supervisory Board has taken to make this assessment; this assessment shall include all control mechanisms, including in particular those relating to reporting and operations d) an assessment of the company's application of the rules of corporate governance and the manner of fulfilling information obligations concerning their application, specified in the Stock Exchange Rules and regulations concerning current and periodic information provided by issuers of securities, together with information on actions taken by the Supervisory Board to make this assessment; e) an assessment of the reasonableness of expenditures incurred by the Company and its group in a given year for the support of culture, sports, charitable institutions, the media, social organisations, trade unions, etc.; f) information on the extent to which the diversity policy is implemented with respect to the Management Board and the Supervisory Board, including the achievement of the diversity policy goals. The Supervisory Board carries out an evaluation of its work once a year and presents it to the ordinary General Meeting. The Supervisory Board gives its opinion on draft resolutions submitted by the Management Board to the agenda of the General Meeting. In the event that a transaction between the Company and a related entity requires the approval of the Supervisory Board, prior to adopting a resolution on approval, the Supervisory Board shall assess whether it is necessary to first seek the opinion of an external entity which will conduct a valuation of the transaction and an analysis of its economic impact. If the conclusion of a transaction with a related entity requires approval of the General Meeting, the Supervisory Board shall prepare an opinion on the validity of concluding such a transaction. In such a case, the Board assesses the need to first consult with an external entity to perform a valuation of the transaction and an analysis of its economic impact. The Supervisory Board may appoint permanent or ad hoc specialist or advisory teams which, upon the request of the Supervisory Board, shall prepare opinions, expert opinions or forecasts necessary to take decisions which are optimal from the perspective of the Company's and the capital group's interests.

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 audit firm 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) assessing the financial statements, both as regards their consistency with the books and documents, and with the factual status,
- 9) assessing 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 profit 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 sections 5 and 6 of the Company's Articles of Association,
- 13) approving the Regulations of the Management Board.

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. Starting from 01 July 2020, the Company applies the Remuneration Policy for the Members of the Management Board and the Supervisory Board of MIRBUD Spółka Akcyjna, adopted by way of Resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered office in Skierniewice on 30 June 2020, adopted on the basis of Article 90d section 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005 (consolidated text: Journal of Laws of 2019, item 623, as amended) and constitutes an appendix to Resolution No. 23/2020. The remuneration of the Supervisory Board members 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 activities of the Supervisory Board are financed from the Company's own funds at its expense, which delegates the administrative and financial resources necessary to ensure the efficient functioning of the Supervisory Board.

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:**

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 Oversight.

#### **The Supervisory Board, by way of Resolution No. XIII/2021 of 25 June 2021, established the following composition of the Audit Committee:**

1. Radosław Niewiadomski - Chairman of the Audit Committee
2. Wiesław Kosonóg - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee until 07.12.2022.

Radosław Niewiadomski - 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 auditors, audit firms and public supervision (Journal of Laws item 1089 of 6 June 2017) and has no real and significant relations with a shareholder holding at least 5% of the total number of votes in the Company (Rule 2.3 of the Good Practices of WSE Listed Companies). Mr. Radosław Niewiadomski has a university degree in economy - he graduated from the University of Łódź, Faculty of Economics and Sociology, majoring in Economics and Organisation of Industry, with the degree of Master of Economics. He has over 30 years of experience in finance and banking and has completed numerous courses and training in the area. He gained and perfected his professional experience as, among others, the Director or Deputy Director of Branches of Pekao S.A. and Kredyt Bank S.A., as well as the Inspector in the Finance Department of the Łowicz County Starosty.

Wiesław Kosonóg - Secretary of the Audit Committee meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on auditors, audit firms and public supervision (Journal of Laws item 1089 of 6 June 2017) and has no real and significant relations with a shareholder holding at least 5% of the total number of votes in the Company (Rule 2.3 of the Good Practices of Companies Listed on the WSE 2021).

Andrzej Zakrzewski - Member of the Audit Committee; had professional experience in the construction industry. – Member of the Audit Committee until 07.12.2022.

Held a higher education degree. Graduated from the Military University of Technology in Warsaw, Faculty of Mechanical Engineering - Mechanics and Machine Construction, with the degree of Master Engineer. He gained experience in the construction industry working, among others, as the Manager of the Works Group in the Investment Department of the Skierniewice Construction Company. He worked as the Investment Supervision Inspector in the Fruit and Vegetable Processing Plant "HORTEX" Skierniewice, and also had his own business: Service company for water, sewage, CO, gas and ventilation systems.

Due to the death of Mr Andrzej Zakrzewski, his mandate on the Supervisory Board expired on 07.12.2022 and his function on the Audit Committee ceased.

**As of 30.01.2023. Mr. Stanislaw Lipiec was appointed to the Supervisory Board as a member of the Audit Committee by Resolution No. I/2023 of the Supervisory Board dated 30.01.2023.**

Stanisław Lipiec - Member of the Audit Committee has professional experience in the construction industry and has knowledge and skills in the industry in which the Company operates. Mr. Stanisław Lipiec graduated from the Post-secondary Survey and Road School in Lublin with specialisation in roads and bridges for motor vehicles. In the following years Mr. Stanisław Lipiec graduated from the University of Economics and Humanities in Skierniewice at the Faculty of Sociology and Management (specialisation: entrepreneurship and management), and next from the K. Pułaski University of Technology and Humanities in Radom (Faculty of Economics, specialisation: economics). Mr. Stanisław Lipiec worked as Head of the Road and Transport Authority of the Skierniewice City Council, and earlier also as Supervision Inspector of the Żoliborz District Council in Warsaw, as well as Head of the Road Section in Skierniewice. **Fulfils 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 has no actual and significant relationship with a shareholder holding at least 5% of the total number of votes in the Company (Rule 2.3 of the Best Practice for WSE Listed Companies 2021).**

The Audit Committee in its indicated composition meets the independence criteria and other requirements set out in Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089). The independence of the Audit Committee members is verified by the Supervisory Board.

**For financial year 2022, verification of the independence and knowledge and experience requirements of the Audit Committee members was conducted by the Supervisory Board on 5 April 2022.**

**The Company observes regulations regarding the appointment, composition and operation of the audit committee, including those regarding the fulfilment of independence criteria by its members and requirements for having knowledge and skills regarding the industry in which the issuer operates as well as in accounting or auditing financial statements.**

The Audit Committee operated under the Audit Committee Regulations of the Supervisory Board adopted by Board Resolution No. XIV/2017 dated 30 November 2017 and from 27 July 2021 under the Audit Committee Regulations of the Supervisory Board adopted by Board Resolution No. XVI/2021. The consolidated text of the Audit Committee Regulations constitutes an appendix to Resolution No. XVI/2021 of the Supervisory Board and has been published at <https://relacje.mirbud.pl/strony/dokumenty-korporacyjne-1>.

The Audit Committee of MIRBUD S.A. held regular meetings during the period from 01/01/2022 to 31/12/2022. In financial year 2022, the Audit Committee of MIRBUD S.A. held 5 meetings.

## **14.12. 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:

- 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.

As part of controlling, monitoring and evaluating the independence of the audit firm and individual auditors, the Audit Committee developed and adopted at its meeting on October 20, 2017:

- 1) 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;
- 2) 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;
- 3) Policy for the provision of permitted services other than auditing financial statements by the audit firm, entities related to the audit firm and by a member of the audit firm corporate network;

The Audit Committee was informed of the composition of the audit team, and the planned timing and scope of the audit of the financial statements. At each stage, i.e. before recommending the selection of the audit firm, before the selected firm commences its audit activities, also before continuing the engagement in the next financial year, the Audit Committee obtained and analysed the relevant representations made under Article 74 of the Act on Statutory Auditors of 11 May 2017. Statements were made by the audit firm and members of the audit team. Also, after the audit process was completed, the audit firm and the audit team members confirmed their independence throughout the audit by submitting relevant representations of the audit firm's impartiality and independence and individual representations of the statutory auditors.

The Audit Committee, pursuant to Article 130(3) of the Act on Statutory Auditors, at its meeting on 11 May 2022, analysed the offers submitted to the Company and gave a recommendation on the selection of the entity to audit and review the financial statements of MIRBUD S.A. and the MIRBUD Capital Group prepared for the financial year 2022 and 2023, followed:

1. Rules of the „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.”
2. adopted „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”.

In accordance with the adopted regulations, after considering the six bids submitted to the Company, the Audit Committee, by adopting Resolution No. VI/2022 of 11.05.2022, recommended to the Supervisory Board the selection of an entity authorised to audit the financial statements of MIRBUD S.A. and the MIRBUD Capital Group prepared for the financial year 2022 and for the financial year 2023 from among the two entities indicated below, whose offers meet the formal conditions and obtained the highest number of points in the conducted evaluation:

1. BGGM Audył Spółka z ograniczoną odpowiedzialnością **with its registered office in Warsaw** at Ratuszowa 11, 03-450 Warsaw, ul. Ratuszowa 11, entered in the list of audit firms kept by the Polish Audit Supervision Agency under number 3489,
2. KPW Audył Sp. z o. o. with its registered office in Łódź, address: 90-350 Łódź, ul. Tymienieckiego 25 C/140, entered in the list of audit firms kept by the Polish Audit Supervision Agency under number 4116.

The Audit Committee recommended the selection of BGGM Audył sp. z o. o. with its registered office in Warsaw, whose offer received the highest number of points.

The Supervisory Board, having analysed the submitted bids, taking into account the recommendation of the Audit Committee, adopted Resolution No. XIII/2022 on 11 May 2022 selecting BGGM Audył Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11, entered on the list of audit firms maintained by the Polish Audit Supervision Agency under number 3489 to audit the financial statements of MIRBUD S.A. and the MIRBUD Capital Group prepared for the financial year 2022 and for the financial year 2023.

### **14.13. 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: 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) assurance 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 charge 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) assurance 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.

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 firm Polaudit sp. z o.o., which audits the financial statements for the financial years 2019 and 2020, was the entity selected to provide an additional service to MIRBUD S.A. within the scope of permitted services, i.e. evaluations of the report on remuneration of the Management Board and Supervisory Board for the financial year 2020.

The Audit Committee reviewed the bid submitted by Polaudit sp. z o.o. for the evaluation of the financial year 2020 Management and Supervisory Board Remuneration Report. They are familiar with the purpose and scope of the assurance service, the standard in accordance with which Polaudit sp. z o.o. will carry out the evaluation of the report (International Standard on Assurance Engagements 3000) and the proposed remuneration for the service. Polaudit sp. z o.o. submitted the Declaration of Impartiality and Independence from MIRBUD S.A. to be assessed by the Audit Committee.

The Audit Committee, after reviewing all available information, concluded that:

- the service provided has no impact on the audited financial statements of MIRBUD S.A. and is not connected with the Company's tax policy,
- the declaration of Polaudit sp. z o.o. and the key statutory auditor conducting the audit on maintaining independence requirements defined in the professional ethics rules and standards for services other

than audit, respectively, by the audit firm accepting the contract and in terms of compliance with the provisions of Articles 69-73 of the Act on Statutory Auditors has been submitted and verified;

- Polaudit sp. z o.o. does not provide additional permitted services to entities controlled by MIRBUD S.A. (Capital Group Companies) which are not audits of financial statements,
- the total remuneration of Polaudit sp. z o.o. for the provision of services to MIRBUD S.A. will not exceed the criterion referred to in the first paragraph of Article 4(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

The Audit Committee has not identified any threats to the independence of Polaudit sp. z o.o., the audit firm reviewing the financial statements of MIRBUD S.A. (separate and consolidated) in the event that Polaudit sp. z o.o. is selected to perform the assurance service consisting of the evaluation of the Management Board and Supervisory Board Remuneration Report for the financial year 2021.

The Supervisory Board, taking into account the Audit Committee's assessment of the threats and safeguards to independence referred to in Articles 69-73 of the Act on Statutory Auditors and Resolution No. IV/2022 of the Audit Committee of 25 April 2022 on approval of the provision by Polaudit sp. z o. o. with its registered office in Warsaw at ul. J. Ficowskiego 15, 01-747 Warsaw, entered in the list of auditing firms under number 552, a permitted service which is not an audit of the financial statements; approved the Company's Management Board to conclude an agreement with Polaudit sp. z o. o., the subject of which is an attestation service for the auditor's assessment of the Report on remuneration of the members of the Management Board and the Supervisory Board of MIRBUD S.A. for the financial year 2021.

Resolution No. IV/2022 of the Supervisory Board dated 25 April 2022 on approval to conclude an agreement with the auditor to perform attestation services - assessment of the Report on remuneration of the members of the Management Board and the Supervisory Board of MIRBUD S.A. for the financial year 2021 - was adopted in accordance with Article 90g(10) of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments into the organised trading system and on public companies (Journal of Laws of 2019, item 2080).

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