

*Ladies and Gentlemen, Dear Shareholders,*

Another year full of changing conditions and unexpected events is behind us. Once again, we were faced with hitherto unprecedented geopolitical conditions that had a decisive impact on the economic environment in Poland and worldwide.

To be honest, after two 'pandemic' years, we expected stabilisation and a return to economic growth. Meanwhile, as is well known - in February 2022, Russia's armed assault on Ukraine triggered economic turmoil unprecedented in recent decades. The consequences of this conflict, and at the same time the biggest challenges to business operations have been soaring inflation resulting in tighter monetary policy by central banks, unpredictable increases in the cost of raw materials, building materials and services, as well as disruptions to supply chains and staff shortages.

The above macroeconomic circumstances have not been without impact on the activities of the MIRBUD Capital Group companies. This time was a test for our organisation and management effectiveness. Despite such a radically unstable environment, we consider the previous year to be successful. During this period, although we recorded declines in the profitability of some contacts, struggled with the rampant prices of raw materials and construction materials in the first and second quarters, as well as staff shortages, not only did the Group manage to achieve record revenues, but it also reached a net profit at a similar level to the previous year. In the period under review, the Group generated revenue of PLN 3.3 billion, which was 32% higher than the revenue achieved last year. Profit on sales amounted to PLN 270.4 million (up by 17%), while net profit amounted to PLN 119.1 million (down by 7%). The results achieved should be regarded as highly satisfactory.

The scale effect was achieved mainly from construction and assembly activities, which account for 93% of the Group's total revenues. The revenue structure in the MIRBUD Group 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%. We expect that this structure will not change significantly in 2023.

Despite the aforementioned increase in the prices of construction materials and subcontracting services, the engineering and road works and production and service buildings segments managed to maintain high levels of profitability in 2022. The reported fall in profitability in the public utility buildings segment was due to the market situation and the lack of valorisation provisions in contracts with purchasers, which in this segment are mainly local authorities. Due to the dispersion and individual approach of each of the aforementioned contracting authorities, the process of negotiating valorisation provisions is difficult and lengthy. We are successively negotiating and signing valorisation annexes to these agreements as well.

The observed slowdown in the construction and assembly market favours the activities of large general contractors with a filled order portfolio. Our most important successes in 2022 include, first



and foremost, maintaining our order portfolio at a net level of PLN 5.5 billion to be delivered by 2026 with a strong exposure to road infrastructure contracts (75%). A full order portfolio, stable financing of construction works by means of advance payments by the public contracting authority, i.e. the General Directorate for National Roads and Motorways, allow us to concentrate on fulfilling the contracts held in our portfolio and at the same time to minimise the growing costs of credit service. The stabilisation of construction material prices and increasing competition in the subcontracting market also make it possible to forecast with hope an improvement in the profitability of construction contracts in 2023.

The economic downturn in 2022 also affected property development activities. After an almost complete collapse in flat sales in the first half of the year, finally in 2022 our company JHM DEVELOPMENT handed over 324 residential units by notarial deeds against 393 a year earlier. Considering the market situation, this result should be considered satisfactory, but the announced plans to gradually increase sales to 1,000 flats per year must be postponed for future years. The company currently has a land bank of 38.9 hectares, while 1,258 units are under construction in eight projects currently underway in locations such as Łódź, Gdańsk, Bydgoszcz, Katowice and Zakopane, among others. The availability and cost of mortgages in the market is important for sales volumes in this segment. According to market analysts, the cycle of interest rate rises in Poland has come to an end, the recovery in this market is supported by the banks' less strict approach to calculating the creditworthiness of borrowers. We also await with great optimism the entry into force of the government's programme of subsidies for the purchase of the first flat, which will stimulate demand in the Polish housing market. Irrespective of changing market conditions, we are maintaining the construction cycle of all started and planned development projects in order to ensure that our development company has a wide range of flats for when the market situation changes.

In the revenue structure of the MIRBUD Capital Group, our activities in the commercial space rental market also have their place. Although it only accounts for 1.6% of revenues, it is nevertheless important due to its high return on sales. As a result of the removal of the COVID-19-related rental rebates and the expansion of the business to include the warehouse rental segment, revenues of the commercial rental segment increased by 30% year-on-year in 2022. In the following quarters, we expect further increases in revenue, which will be the result of both high commercialisation of rental facilities and the valorisation provisions introduced into tenant agreements to secure rental fee increases in a changing inflationary environment.

The crisis in the availability of fossil fuels has caused the 'green transition' to accelerate rapidly. Paradoxically, this is a benefit of the situation and a major challenge for the construction sector as well. At MIRBUD S.A., we recognise this need, which is why we are placing increasing emphasis on ESG issues. In the non-financial information report accompanying this report, we undertake, among other things, a study of the carbon footprint of our Level 1 and Level 2 construction activities. In the next year, we will extend this study to Level 3, and so examine the environmental impact of each of our construction sites.

Dear Shareholders, the capitalisation of MIRBUD S.A. grew successively in 2022. This is a token of trust and a great honour for us, for which I would like to express my sincere thanks. This year we strengthened our position as one of the largest construction contractors in Poland and the most committed road contractor in the country, proudly representing a company with Polish capital in this group.

Our work has also been recognised by the *Executive Club* magazine, which awarded MIRBUD S.A. the title of Construction Company of the Year.

The above evidence of trust is an honour for us, but we remain aware of our responsibility. In the years to come, our most important objective will invariably be to develop the scale of our business and to efficiently fulfil the construction contracts entrusted to us.

I invite you to read the enclosed annual report and I assure you that we will make every possible effort to effectively and consistently implement our strategy of further development and expansion of the Group, achieving the best possible financial results and increasing the value of the MIRBUD Capital Group.



MIRBUD S.A.

96-100 Skierniewice, ul. Unii Europejskiej 18  
tel. (+48) 46 833 98 28, fax (+48) 46 833 97 32  
sekretariat@mirbud.pl  
www.mirbud.pl

REGON 750772302  
NIP 836 17 02 207  
KRS 0000270385  
Sąd Rejonowy dla Łodzi-Śródmieścia  
XX Wydział KRS  
Kapitał zakładowy i wpłacony: 9 174 420 PLN



*Yours faithfully,*

**Jerzy Mirgos,**

**President of the Management Board of MIRBUD S.A.**



**MIRBUD S.A.**

96-100 Skierniewice, ul. Unii Europejskiej 18  
tel. (+48) 46 833 98 28, fax (+48) 46 833 97 32  
sekretariat@mirbud.pl  
[www.mirbud.pl](http://www.mirbud.pl)

**REGON** 750772302  
**NIP** 836 17 02 207  
**KRS** 0000270385  
Sąd Rejonowy dla Łodzi-Śródmieścia  
XX Wydział KRS  
Kapitał zakładowy i wpłacony: 9 174 420 PLN

