# MIRBUD CAPITAL GROUP

## CONSOLIDATED FINANCIAL STATEMENTS

for the period from 01/01/2022 to 31/12/2022

according to IFRS, in the form approved by the European Union

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# I. BASIC FINANCIAL DATA

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|---|---|---|---|---|
| | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 = | | | 4.6883 | 4.5775 |
| Sales revenue | 3,319,329 | 2,505,568 | 708,005 | 547,366 |
| Profit (loss) on operating activities | 178,372 | 174,475 | 38,046 | 38,116 |
| Pre-tax profit (loss) | 151,161 | 156,057 | 32,242 | 34,092 |
| Net profit (loss) | 119,195 | 128,010 | 25,424 | 27,965 |
| Total income for the net financial year | 119,195 | 128,010 | 25,424 | 27,965 |
| Net cash flows from operating activities | 133,302 | 205,374 | 28,433 | 44,866 |
| Net cash flows from investing activity | -4,049 | -54,489 | -864 | -11,904 |
| Net cash flows from financial activities | -89,467 | 27,893 | -19,083 | 6,094 |
| Total net cash flows | 39,786 | 178,778 | 8,486 | 39,056 |
| Net profit (loss) per share in PLN/EUR | 1.30 | 1.40 | 0.28 | 0.30 |
| Net profit (loss) diluted per share in PLN/EUR | 1.30 | 1.40 | 0.28 | 0.30 |

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|---|---|---|---|---|
| | As of: | As of: | As of: | As of: |
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| Asset and liability items according to the average exchange rate determined by the National Bank of Poland as of the reporting date, respectively: EUR 1 = | | | 4.6899 | 4.5994 |
| Total assets | 2,248,046 | 2,040,605 | 479,338 | 443,668 |
| Liabilities and provisions for liabilities | 1,566,057 | 1,458,324 | 333,921 | 317,068 |
| Long-term liabilities | 648,600 | 668,359 | 138,297 | 145,314 |
| Short-term liabilities | 917,457 | 789,965 | 195,624 | 171,754 |
| Equity | 681,989 | 582,281 | 145,416 | 126,599 |
| Share capital | 9,174 | 9,174 | 1,956 | 1,995 |
| Number of shares (in pieces) | 91,744,200 | 91,744,200 | 91,744,200 | 91,744,200 |
| Book value per share in PLN/EUR | 7.43 | 6.35 | 1.59 | 1.38 |
| Diluted book value per share in PLN/EUR | 7.43 | 6.35 | 1.59 | 1.38 |

| Selected separate financial data | in PLN thousand | | in EUR thousand | |
|---|---|---|---|---|
| | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 = | | | 4.6883 | 4.5775 |
| Sales revenue | 2,325,180 | 1,747,862 | 495,955 | 381,838 |
| Profit (loss) on operating activities | 128,569 | 104,466 | 27,424 | 22,822 |
| Pre-tax profit (loss) | 146,227 | 99,210 | 31,190 | 21,673 |
| Net profit (loss) | 120,221 | 80,354 | 25,643 | 17,554 |
| Total income for the net financial year | 120,221 | 80,354 | 25,643 | 17,554 |
| Net cash flows from operating activities | 78,341 | 48,259 | 16,710 | 10,543 |
| Net cash flows from investing activity | 24,356 | -40,440 | 5,195 | -8,835 |
| Net cash flows from financial activities | -33,077 | 2,438 | -7,055 | 533 |
| Total net cash flows | 69,620 | 10,258 | 14,850 | 2,241 |
| Net profit (loss) per share in PLN/EUR | 1.31 | 0.88 | 0.28 | 0.19 |
| Net profit (loss) diluted per share in PLN/EUR | 1.31 | 0.88 | 0.28 | 0.19 |

| Selected separate financial data | in PLN thousand | | in EUR thousand | |
|---|---|---|---|---|
| | As of: | As of: | As of: | As of: |
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| Asset and liability items according to the average exchange rate determined by the National Bank of Poland as of the reporting date, respectively: EUR 1 = | | | 4.6899 | 4.5994 |
| Total assets | 1,426,132 | 1,221,892 | 304,086 | 265,663 |
| Liabilities and provisions for liabilities | 958,771 | 856,404 | 204,433 | 186,199 |
| Long-term liabilities | 256,547 | 304,488 | 54,702 | 66,202 |
| Short-term liabilities | 702,225 | 551,916 | 149,731 | 119,997 |
| Equity | 467,360 | 365,488 | 99,652 | 79,464 |
| Share capital | 9,174 | 9,174 | 1,956 | 1,995 |
| Number of shares (in pieces) | 91,744,200 | 91,744,200 | 91,744,200 | 91,744,200 |
| Book value per share in PLN/EUR | 5.09 | 3.98 | 1.09 | 0.87 |
| Diluted book value per share in PLN/EUR | 5.09 | 3.98 | 1.09 | 0.87 |

## II. GENERAL INFORMATION ABOUT THE ENTITY

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

Address of the registered office of the entity: ul. Unii Europejskiej 18, 96-100 Skierniewice
Country of registration: Poland
Entity's registered office: Poland, ul. Unii Europejskiej 18, 96-100 Skierniewice
Explanation of changes in the reporting entity's name: n/a
Legal form of the entity joint stock company
Parent company name: MIRBUD S.A.
Name of the reporting entity: MIRBUD S.A.
Name of the group's top level parent company: MIRBUD S.A.
Primary place of business: Poland

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 Article 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.

**Core activities**

The Issuer's core business in accordance with its Articles of Association and the entry in the National Court Register is general construction and civil engineering, road freight transport, lease of construction and demolition equipment with operator services, advertising and publishing activities, lease of premises on own account, wholesale of construction materials.

**Duration**

The duration of the Issuer shall be unlimited.

## Management Board and Supervisory Board

| Management Board | |
|---|---|
| Jerzy Mirgos | President of the Management Board |
| Sławomir Nowak | Vice-President of the Management Board |
| Paweł Korzeniowski | Member of the Management Board |
| Tomasz Sałata | Member of the Management Board |
| **Supervisory Board** | |
| Wiesław Kosonóg | Chairman of the Supervisory Board |
| Radosław Niewiadomski | Deputy Chairman of the Supervisory Board |
| Agnieszka Maria Bujnowska | Secretary of the Supervisory Board |
| Stanisław Lipiec | Member of the Supervisory Board |
| Artur Sociński | Member of the Supervisory Board |
| Jacek Tucharz | 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, the term of office of Mr. Hubert Bojdo as a Member of the Supervisory Board expired.

On 19 December 2022, Mrs. Wiktoria Braun submitted a declaration of resignation from her position as Member of the Supervisory Board of MIRBUD S.A. as of 31 December 2022.

On 30 January 2023, the Extraordinary General Meeting of Shareholders adopted a resolution on the appointment of Mr. Stanisław Lipec and Mr. Jacek Tucharz to the Supervisory Board of MIRBUD S.A.

**Capital group structure as at 31/12/2022**


The Extraordinary Meeting of Shareholders of JHM 2 Sp. z o.o. adopted a resolution on dissolution and placing this Company in liquidation as of 01/02/2022.
Pursuant to Resolution No. 1/2022 dated 14/07/2022, the Extraordinary Meeting of Shareholders of JHM 2 Sp. z o.o. w likwidacji resolved that the liquidation activities were completed on 30/06/2022. As of the date of publication of the report, the company was deleted from the National Court Register.
The Extraordinary Meeting of Shareholders of JHM 1 Sp. z o.o. adopted Resolution No. 1 dated 01/07/2022 on the dissolution of the Company. By way of Resolution No. 2 dated 01/07/2022, Mr. Wacław Jankowski was appointed as liquidator of the Company. From this date, the Company is named JHM 1 Sp. z o.o. w likwidacji.

**Subsidiaries and consolidation method**

| **Name of the entity** | **JHM DEVELOPMENT S.A.** |
|---|---|
| Registered office | Skierniewice |
| Legal form | joint-stock company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 836-181-24-27 |
| REGON | 100522155 |
| Address details | ul. Unii Europejskiej 18A;<br>96-100 Skierniewice |
| Telephone | +48 (46) 833-61-28 |
| Fax | +48 (46) 833-61-28 |
| E-mail | sekretariat@jhmdevelopment.pl |
| Website | www.jhmdevelopment.pl |

Consolidated using the full method

Operates in the segment of property development service activities and investment property

| **Name of the entity** | **KOBYLARNIA S.A.** |
|---|---|
| Registered office | Kobylarnia |
| Legal form | joint-stock company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 953-22-34-789 |
| REGON | 091631706 |
| Address details | ul. Zakole 1;<br>86-061 Brzoza |
| Telephone | +48(52) 381-06-10 |
| Fax | +48(52) 381-06-10 |
| E-mail | sekretariat@kobylarnia.pl |
| Website | www.kobylarnia.pl |

Consolidated using the full method

Operates in the construction and assembly activities segment

| **Name of the entity** | **MARYWILSKA 44 Sp. z o.o.** |
|---|---|
| Registered office | Warsaw |
| Legal form | limited liability company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 524-271-14-28 |
| REGON | 142434636 |
| Address details | ul. Marywilska 44,<br>03-042 Warsaw |
| Telephone | +48(22) 423-10-00 |
| Fax | +48(22) 423-10-00 |
| E-mail | sekretariat@marywilska44.waw.pl |
| Website | www.marywilska44.waw.pl |

Consolidated using the full method

Operates in the investment property segment

| **Name of the entity** | **JHM 1 Sp. z o. o. w likwidacji** |
|---|---|
| Registered office | Skierniewice |
| Legal form | limited liability company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 8361855968 |
| REGON | 101288135 |
| Address details | ul. Unii Europejskiej 18A;<br>96-100 Skierniewice |
| Telephone | + 48 (46) 833 95 89 |
| Fax: | + 48 (46) 833 61 28 |
| E-mail | sekretariat@jhmdevelopment.pl |
| Website | www.jhmdevelopment.pl |

Consolidated using the full method

Operates in the investment property segment
The Extraordinary Meeting of Shareholders of JHM 1 adopted Resolution No. 1 dated 01/07/2022 on the dissolution of the Company.
By way of Resolution No. 2 dated 01/07/2022, Mr. Wacław Jankowski was appointed as liquidator of the Company. From this date, the Company is named JHM 1 Sp. z o.o. w likwidacji.

| **Name of the entity:** | **ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «МІРБУД» (MIRBUD sp. z o.o.)** |
|---|---|
| Entity's registered office: | Kiev |
| Legal form: | limited liability company |
| NIP (tax identification number): | 418873426552 |
| REGON (ЄДРПОУ Code): | 41887344 |
| Address details: | 13-15 Bolsuniwska Street, floor 8, room 812 |
| **Country of registered office:** | Ukraine |

The TOB «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.

The core activity of the subsidiary is:

- the construction of residential and non-residential buildings, construction of roads and railways, performance of specialist construction works, finishing and architectural works.

The share capital of TOB "МІРБУД" is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as of 31/12/2022, PLN 299.121,30). 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. The entity is not consolidated due to its immaterial character.

On 24/07/2021, JHM Development Sp. z o.o. purchased shares in the company HAKAMORE Sp. z o.o. w upadłości with its registered office in Warsaw from the Official Receiver of the Company under the business name STAL - MET Nieczaj Sp. z o. o. w upadłości with its registered office in Słupsk. On 08/10/2021, by decision of the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, JHM Development S.A. was entered as a shareholder of HAKAMORE Sp. z o.o. w upadłości. As of 31/12/2021, the newly acquired company has not been consolidated. The company is in bankruptcy, therefore the Group does not exercise control over the Entity. Authority over the newly acquired company will be obtained when the bankruptcy proceedings discontinuation petition is approved.

## III. BASIC INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Basis of preparation**

The Consolidated Financial Statements have been prepared pursuant to § 55(5) of the Accounting Act of 29 September 1994, in accordance with the International Financial Reporting Standards (IFRS) approved for use by the European Union. The financial statements were prepared on the basis of the adopted accounting policies which were relevant to the conducted business activity and in accordance with International Financial Reporting Standards.

**Representations of the Management Board**

The Management Board represents that, to the best of its knowledge, the consolidated financial statements for the period from 01/01/2022 to 31/12/2022 and comparatives have been prepared in accordance with the applicable accounting policies, which give a true, fair and clear view of the financial and asset position of the Issuer's capital group and its financial result.
The report on the activity of the Issuer's capital group presents a true view of the development, achievements and situation of the Issuer's capital group, including a description of the main threats and risks.

These consolidated financial statements are subject to audit by a statutory auditor.

**Going concern**

These consolidated financial statements have been prepared based on the assumption that the business activity will continue in the foreseeable future. As of the day of presentation of these financial statements there are no circumstances indicating a threat to the continuation of the activity.

**Functional currency**

The items included in the Group's consolidated financial statements are measured in the currency of the basic business environment in which the Company carries out its operations ("functional currency"). The reporting currency for the financial statements is the Polish zloty (PLN). The financial statements have been prepared in zloty thousand (PLN thousand), and all values, unless indicated otherwise, are given in PLN thousand. Any differences between the total amount and the sum of their components are due to rounding.

Transactions expressed in foreign currencies are converted into functional currency according to the exchange rate applicable on the day of transaction. Exchange gains and losses on the settlement of these transactions and on the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Exchange differences on monetary items, such as financial assets at fair value by financial result, are reported within gains and losses on changes in fair value.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (in thousands of PLN) fair value expressed in a foreign currency is translated using the exchange rates prevailing at the date at which the fair value was measured.

# IV. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| Profit and loss account | Note No. | in PLN thousand<br>For the period:<br>from 01/01/2022 to 31/12/2022 | For the period:<br>from 01/01/2021 to 31/12/2021 |
|---|---|---|---|
| **Continued operations** | | | |
| Sales revenue | 17 | 3,319,329 | 2,505,568 |
| Own cost of sales | 18 | -3,048,846 | -2,273,968 |
| **Gross profit from sales** | | **270,483** | **231,600** |
| Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method | 19 | | |
| Other operating and investment activity revenue | 20 | 22,584 | 31,349 |
| Other costs of operating and investment activities | 20 | -114,695 | -88,474 |
| **EBIT** | | **178,372** | **174,475** |
| Financial revenue | | 9,890 | 4,514 |
| Financial expenses | 21 | -37,101 | -22,932 |
| **Pre-tax activity profit (loss)** | | **151,161** | **156,057** |
| Income tax attributable to continuing operations | 22 | -31,966 | -28,047 |
| **Profit (loss) on continuing operations** | | **119,195** | **128,010** |
| **Discontinued operations** | 23 | | |
| Revenue from discontinued operations | | | |
| Costs of discontinued operations | | | |
| **Pre-tax profit (loss) on discontinued operations** | | | |
| Income tax attributable to discontinued activities | | | |
| **Profit (loss) on discontinued operations** | | | |
| **NET PROFIT (LOSS)** | | **119,195** | **128,010** |
| Assigned to non-controlling shares | | | |
| **Assigned to the owners of the parent** | - | **119,195** | **128,010** |

| Other comprehensive income | Note No. | in PLN thousand<br>For the period:<br>from 01/01/2022 to 31/12/2022 | For the period:<br>from 01/01/2021 to 31/12/2021 |
|---|---|---|---|
| Components which will not be subsequently reclassified to the income statement | | | |
| Components which will be reclassified into profit or loss when certain conditions are met | | | |
| **Other total net income** | 24 | | |
| Assigned to non-controlling shares | | | |
| **Assigned to the owners of the parent** | - | - | - |

| Total comprehensive income | Note No. | in PLN thousand<br>For the period:<br>from 01/01/2022 to 31/12/2022 | For the period:<br>from 01/01/2021 to 31/12/2021 |
|---|---|---|---|
| Total comprehensive income | | 119,195 | 128,010 |
| Assigned to non-controlling shares | | | |
| **Assigned to the owners of the parent** | - | **119,195** | **128,010** |

## Profit per share, in PLN

| Profit per share | Note No. | In PLN<br>For the period:<br>from 01/01/2022<br>to 31/12/2022 | In PLN<br>For the period:<br>from 01/01/2021<br>to 31/12/2021 |
|---|---|---|---|
| **Basic profit per share, including:** | | **1.30** | **1.40** |
| From continuing activities | | 1.30 | 1.40 |
| From discontinued activities | | | |
| **Diluted profit per share, including:** | | **1.30** | **1.40** |
| From continuing activities | | 1.30 | 1.40 |
| From discontinued activities | | | |

## V. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | in PLN thousand | |
|---|---|---|---|
| Assets | Note No. | As of: | As of: |
| | | 31/12/2022 | 31/12/2021 |
| **Fixed assets** | | **729,720** | **714,745** |
| Tangible fixed assets | 1 | 170,466 | 152,997 |
| Investment property | 2 | 489,014 | 506,252 |
| Intangible assets | 3 | 5,261 | 5,822 |
| Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | 4 | 10,969 | 10,439 |
| Investments measured using the equity method. | 5 | | |
| Long-term trading and other receivables, including: | 6 | 3,996 | 6,009 |
| prepayments and accruals | | 419 | 47 |
| Biological assets | 7 | | |
| Deferred income tax assets | 22 | 50,014 | 33,226 |
| **Current assets** | | **1,518,326** | **1,325,860** |
| Inventory | 9 | 392,911 | 316,155 |
| Receivables on account of the income tax | 22 | | |
| Trading and other receivables, including: | 6 | 577,694 | 501,856 |
| prepayments and accruals | | 2,234 | 3,860 |
| Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | 4 | 40,161 | 40,073 |
| Cash and cash equivalents | 10 | 507,560 | 467,776 |
| Fixed assets held for sale | 11 | | |
| **Total assets** | - | **2,248,046** | **2,040,605** |

| Capitals and liabilities | Note No. | in PLN thousand | |
|---|---|---|---|
| | | As of: | As of: |
| | | 31/12/2022 | 31/12/2021 |
| **Equity** | **12** | **681,989** | **582,281** |
| Issued share capital | | 9,174 | 9,174 |
| Issue price surplus over nominal value of shares | | | |
| Other reserve capitals | | 220,499 | 220,499 |
| Retained profit, including: | | 452,316 | 352,608 |
| Profit/loss in the reporting period | | *119,195* | *128,010* |
| Equity attributable to shareholders of the parent | | 681,989 | 582,281 |
| Capital attributable to non-controlling shares | | | |
| **Total liabilities** | | **1,566,057** | **1,458,324** |
| **Long-term liabilities and provisions for liabilities** | | **648,600** | **668,359** |
| Deferred income tax provision | 22 | 34,497 | 22,826 |
| Other provisions for long-term liabilities | 13 | 7,434 | 6,134 |
| Long-term financial liabilities, except for provisions, trading liabilities and other liabilities | 14 | 395,325 | 366,721 |
| Long-term trading and other liabilities, including: | 15 | 211,344 | 272,678 |
| prepayments and accruals | | | |
| **Short-term liabilities and provisions for liabilities** | | **917,457** | **789,965** |
| Provisions for short-term liabilities | 13 | 4,596 | 5,497 |
| Short-term financial liabilities, except for provisions, trading liabilities and other liabilities | 14 | 53,012 | 90,391 |
| Trading and other liabilities, including: | 15 | 848,220 | 674,415 |
| prepayments and accruals | | 1,020 | 1,128 |
| Liabilities under deferred income tax | 22 | 11,629 | 19,662 |
| Liabilities directly related to fixed assets classified as held for sale | 11 | | |
| **Total capitals and liabilities** | - | **2,248,046** | **2,040,605** |

## VI. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | in PLN thousand | |
|---|---|---|---|
| Statement of cash flows | Note No. | For the period: | For the period: |
| | | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Pre-tax profit** | | **151,161** | **156,057** |
| **Total adjustments** | | **27,258** | 86,722 |
| Amortisation | | 16,067 | 13,429 |
| Profit / loss under exchange rate differences | | 8,875 | |
| Profit / loss on investment activities | | 9,821 | -1,426 |
| Borrowing costs | | 30,545 | 17,652 |
| Change in liabilities with the exclusion of financial liabilities | | 112,473 | 303,318 |
| Change in receivables | | -72,571 | -206,866 |
| Change in inventories | | -76,756 | -33,333 |
| Change in provisions | | 398 | -142 |
| Profit / loss on other financial instruments | | -1,278 | 4,529 |
| Other changes in working capital | | -316 | -10,439 |
| **Cash from operating activity** | | **178,419** | **242,779** |
| Income tax paid | | -45,117 | -37,404 |
| **Net cash from operating activities** | | **133,302** | **205,375** |
| Sale of tangible fixed assets | | 2,828 | 1,857 |
| Purchase of property, plant and equipment | | -7,139 | -2,867 |
| Sale of intangible assets | | | |
| Purchase of intangible assets | | | -44 |
| Sale of investment property | | 560 | |
| Purchase of investment property | | -784 | -3,757 |
| Repayment of loans granted to related parties | | | |
| Granting loans to related parties | | | |
| Repayment of loans granted to other parties | | | |
| Granting loans to other parties | | | |
| Sales of financial instruments classified as investing activity | | | |
| Acquisition of financial instruments classified as investing activity | | -530 | -10,123 |
| Received dividends | | | |
| Received interest | | 1,016 | 518 |
| Other inflows (expenditure) from investment activity | | | -40,073 |
| **Net cash from investment activity** | | **-4,049** | **-54,489** |
| Inflows from shareholders | | | |
| Payments to owners | | -18,349 | -7,340 |
| Commitment of liabilities under loans and credits | | 78,917 | 146,542 |
| Repayment of liabilities under loans and credits | | -96,636 | -123,107 |
| Repayment of liabilities under leasing | | -21,838 | -19,101 |
| Receipt under issue of debt instruments | | | 50,000 |

| | | | |
|---|---|---|---|
| Expenditure on redemption of debt instruments | | | -1,449 |
| Interest paid and other debt service expenditure | | -31,561 | -17,652 |
| Other financial receipts/expenditures | | | |
| **Cash from financial activity** | | **-89,467** | **27,893** |
| **Net increases (decreases) in cash and cash equivalents** | | **39,786** | **178,779** |
| Effect of changes in foreign exchange rates on cash denominated in foreign currencies | | | |
| Change in cash and cash equivalents, net of foreign exchange differences | | **39,786** | **178,779** |
| Opening balance of cash and cash equivalents | | 467,776 | 288,997 |
| **Cash closing balance** | | **507,560** | **467,776** |
| including cash and cash equivalents with restricted availability | | 71,973 | 172,429 |

## VII. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Changes in equity | Share capital | Issue price surplus over nominal value of shares | Other reserve capitals | Retained earnings attributable to the shareholders of the parent/ supplementary capital | Equity attributable to shareholders of the parent | Equity attributable to non-controlling shares | TOTAL |
|---|---|---|---|---|---|---|---|
| **As of 01-01-2022** | **9,174** | | **220,499** | **352,608** | **582,281** | | **582,281** |
| Total profits (losses) for the period | | | | 119,195 | 119,195 | | 119,195 |
| Other comprehensive income | | | | | | | |
| **Comprehensive income for the period** | | | | **119,195** | **119,195** | | **119,195** |
| Owner contributions | | | | | | | |
| Payments to owners | | | | -18,349 | -18,349 | | -18,349 |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | |
| Other changes in equity | | | | -1,138 | -1,138 | | -1,138 |
| **Change in equity during the period** | | | | **99,708** | **99,708** | | **99,708** |
| **As of 31-12-2022** | **9,174** | | **220,499** | **452,316** | **681,989** | | **681,989** |

| Changes in equity | Share capital | Issue price surplus over nominal value of shares | Other reserve capitals | Retained earnings attributable to the shareholders of the parent/ supplementary capital | Equity attributable to shareholders of the parent | Equity attributable to non-controlling shares | TOTAL |
|---|---|---|---|---|---|---|---|
| **As of 01-01-2021** | **9,174** | | **220,499** | **231,936** | **461,610** | | **461,610** |
| Total profits (losses) for the period | | | | 128,010 | 128,010 | | 128,010 |
| Other comprehensive income | | | | | | | |
| **Comprehensive income for the period** | | | | **128,010** | **128,010** | | **128,010** |
| Owner contributions | | | | | | | |
| Payments to owners | | | | -7,339 | -7,339 | | -7,339 |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | |
| Other changes in equity | | | | | | | - |
| **Change in equity during the period** | | | | **120,671** | **120,671** | | **120,671** |
| **As of 31-12-2021** | **9,174** | | **220,499** | **352,608** | **582,281** | | **582,281** |

## VIII. ACCOUNTING POLICIES APPLIED BY THE GROUP

**Intangible assets**

The Capital Group includes in intangible assets the assets which meet the following criteria: they may be excluded or separated from the business entity and sold, transferred, licensed or put to use for consideration to third parties, both individually and together with related contracts, components of assets or liabilities, or arise from contractual or other legal rights, regardless of whether they are transferable or separable from the business entity or from other rights or liabilities.

The initial recognition of a component of intangible assets is made according to their acquisition prices or cost of production.

The acquisition price includes the purchase price of an asset component (i.e. the amount due to the seller less deductible value added tax and excise tax), public and legal charges (in the case of imports) and expenditures directly attributable to the purchase and adaptation of the asset component for its intended use. Rebates and discounts granted by the seller and other similar reductions and recoveries reduce the acquisition price of an asset component.

If an intangible asset component is acquired in exchange for capital instruments of the Company preparing the financial statements, the acquisition price of an asset component corresponds to the fair value of the issued capital instruments, which equals the fair value of a given asset component.

In accordance with IAS, borrowing costs which are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

At least as of the balance sheet date, intangible assets are measured at acquisition price or production cost less amortisation write-downs, as well as impairment losses.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. The revaluation write-downs under impairment losses are recognised in the profit and loss account.

Amortisation write-downs of intangible assets are done by spreading their initial value over their estimated economic useful lives. Amortisation is made beginning from the first day of the month in which the intangible assets are accepted for use. Amortisation is interrupted at the end of the month in which the accumulated amortisation amount equals the initial amount or in which the intangible and legal asset component is to be liquidated, sold or found to be in short supply.
Amortisation write-downs of intangible assets components are done on a straight-line basis at the following rates:

| Item | Annual amortisation rate |
|---|---|
| computer software | 5%-50% |
| other intangible assets | 20%-50% |

The correctness of the amortisation rates applied to individual intangible asset components shall be verified at least annually. Any changes resulting from the verification of amortisation rates affect (as a change of estimated values) the appropriate adjustment made in the amortisation write-downs for the current financial year and in subsequent financial years.

Intangible assets with indefinite useful lives and those not yet in use (in progress) are tested for impairment on an annual basis in relation to individual assets or at the level of a cash-generating unit. In the case of other intangible assets, an annual assessment is carried out whether there is any indication that their value may be impaired. Any possible revaluation write-downs are recognised in the profit and loss account.

Except for development works, intangible assets generated by the entity itself are not included in assets, and expenditures incurred for their production are included in costs of the period in which they were incurred.

The cost of an intangible asset component (development works) comprises all costs incurred by the entity in the period in which it was constructed or adapted for use until its date of acceptance for use (or until the balance sheet date if the component is not yet available for use), including non-deductible VAT and excise taxes.

A given intangible asset item may be de-recognised from the balance sheet upon disposal or when no economic benefits are expected from the further use of such asset component. Gains or losses resulting from sale/ liquidation or cessation of use of intangible assets are defined as the difference between sales revenue and the net value of these assets, and are recognised in the profit and loss account.

**Cost of research and development works**

Research costs are recognised in the income statement when incurred. Expenditures incurred on development works performed as part of a given project are carried forward to the next period if it can be deemed that they will be recovered in the future. After the initial recognition of development expenditures, the historical cost model is applied, according to which asset components are recognised at acquisition prices less accumulated amortisation and accumulated revaluation write-downs on impairment losses. Any expenditure carried forward is amortised over the estimated period in which it will generate revenue from the sale of a given project.

The costs of development works are assessed for possible impairment annually - if an asset has not yet been put into use, or more frequently - if during the reporting period there is an indication of impairment indicating that its balance sheet value may not be recoverable.

**Goodwill**

Goodwill under the acquisition of a business entity is initially recognised at acquisition cost, being the excess of the cost of business entities' merger over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.
After initial recognition, goodwill is disclosed at acquisition cost less any accumulated impairment losses. Testing for impairment is carried out once a year or more frequently if there are indications of impairment. Goodwill is not subject to amortisation. As of the acquisition date, the acquired goodwill is allocated to each of the cash-generating units which may benefit from the merger synergy. Impairment is determined by estimating the recoverable amount of a cash-generating unit to which goodwill relates. If the recoverable amount of a cash-generating unit is lower than its balance-sheet value, an impairment loss is recognised. An impairment loss is not reversed in a subsequent period. If goodwill forms part of a cash-generating unit and part of the operations within that unit is sold, then when determining the profit or loss on the sale of such operations, goodwill related to the operations sold is included in its balance-sheet value; in such circumstances, the goodwill sold is determined on the basis of the relative value of the activities sold and the value of the retained part of the cash-generating unit.

**Tangible fixed assets**

Tangible fixed assets are initially recognised at acquisition price or production cost. The acquisition price is increased by all costs directly related to the purchase and adjustment of the asset component to its usable condition. Costs incurred after the date of commissioning of a fixed asset, such as maintenance and repair costs, are recognised in the income statement at the moment they are incurred.

Fixed assets at the time of their acquisition are divided into components being items of significant value to which separate useful lives can be assigned. The costs of general overhauls, as well as significant spare parts and equipment, if used for a period longer than one year, are also included.

After initial recognition, property, plant and equipment is disclosed at acquisition cost or production price less depreciation and any revaluation write-downs under impairment losses.

In accordance with IAS 23, borrowing costs which are directly attributable to the acquisition, construction or production of an asset component are included in the acquisition price or production cost of that asset component.

Amortisation is calculated on a straight-line basis over the estimated useful life of a given asset component, and the amortisation rates for particular groups of tangible fixed assets are as follows:

| Item | Annual amortisation rate |
|---|---|
| Land (right of perpetual usufruct) | is not amortised |
| Buildings and structures | 1.5% – 2.5% |
| Machines and technical equipment | 7% – 30% |
| Means of transport | 10-20% |
| Investments in third-party fixed assets | in proportion to the useful life of the main asset |

Amortisation commences in the first monthly period following the month in which the asset is brought into use. The correctness of the applied amortisation rates is periodically verified (once a year), causing the adjustment of amortisation write-downs in subsequent years.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of tangible fixed assets may not be recoverable, the assets are reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. Revaluation write-downs under impairment losses are recognised in the income statement under “other operating costs”.

An item of property, plant and equipment may be de-recognised from the balance sheet upon disposal or when no future economic benefits are expected from the further use of such asset component. Profits or losses resulting from sale/liquidation or cessation of use of fixed assets are defined as the difference between revenue from sale and the net value of these fixed assets and are recognised in the profit and loss account.

Fixed assets under construction or assembly are disclosed at acquisition price or production cost. Fixed assets under construction are not amortised until their construction is completed and they are put to use.
In the case of permanent abandonment of expenditures for fixed assets under construction, all costs incurred in relation to the works performed so far shall be charged to the costs of the period. Investments may be suspended if there is a justified intention to continue such investments in subsequent periods. The investment is suspended based on the decision of the Company's Management Board. As of each balance-sheet date, expenditures on fixed assets under construction are subject to analysis regarding impairment and the necessity to make possible impairment write-downs.

Advance payments paid for the purchase of Tangible Fixed Assets are presented in the financial statements under other short-term receivables.

**The right of perpetual usufruct of land**

The right of perpetual usufruct of land acquired by way of an administrative decision is recognised in the balance sheet at fair value. The fair value of a right is deemed to be one of two values: its market value, if the Company has such information, or the value determined by an expert.

The excess of the fair value determined in this manner over the costs incurred to acquire the right of perpetual usufruct of land by way of an administrative decision is disclosed correspondingly in the "profit brought forward".

The right of perpetual usufruct of land acquired on the secondary market is measured at acquisition price and is not subject to revaluation.

The right of perpetual usufruct of land is amortised proportionally to the period for which it was granted.

**Leasing**

Financial lease contracts under which the carry-over takes place of substantially the entire risk and practically all benefits arising from the ownership of the subject of lease onto the lessee, are activated as of the date of the inception of lease according to the lower of the following two values: the fair value of the subject of lease, or the current value of minimum lease charges. The minimum lease charges are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.

Fixed assets used under finance lease agreements are amortised according to the same rules as those applied to own assets. However, if it is not reasonably certain that the entity will obtain ownership by the end of the lease term, the asset is amortised over the shorter of the estimated useful life of the asset and the lease term.

Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from the ownership of the subject of lease are classified as operating lease contracts. Lease rents under operating lease are recognised as the costs in the income statement with the straight-line method throughout the term of lease.
Assets leased under financial leases are presented in the balance sheet as receivables in the amount equal to the net investment. The net investment is the sum of the minimum lease payments due to the lessor under the finance lease agreement and any unguaranteed residual value attributed to the lessor discounted at the interest rate of the lease. Finance income arising from a finance lease of an asset is

recognised in a manner that reflects a constant periodic rate of return on the net investment in the lease.

**Non-renewable natural resources**

Non-renewable natural resources are initially recognised at cost.
The purchase price is increased by all costs directly related to the purchase or adaptation of the asset for use.
Costs incurred after the date of including non-renewable natural resources in the records (use) are recognised in the income statement at the time they are incurred.
After initial recognition, non-renewable natural resources are carried at acquisition price or production cost less any depreciation and any revaluation write-downs under impairment losses. Amortisation is calculated naturally.

If, at the time of preparing the financial statements, circumstances occurred which indicate that the balance-sheet value of non-renewable natural resources may not be recoverable, the asset is reviewed for impairment. If there is any indication that an asset may be impaired and its balance-sheet value exceeds its estimated recoverable value, then the value of those assets or the cash-generating units to which they belong is reduced to the recoverable value. The recoverable value corresponds to the greater of the two amounts: the fair value decreased by costs of sale or the use value. When determining the use value, the estimated future cash flows are discounted to their present value using a gross discount rate which reflects current market assessments of the time value of money and the risks specific to the asset component. In the case of an asset component which does not generate cash inflows in a significantly independent manner, the recoverable value is determined for the cash-generating unit to which the component belongs. Revaluation write-downs under impairment losses are recognised in the income statement under “other operating costs”.

An item of non-renewable natural resources may be de-recognised on disposal or when no future economic benefits are expected from further use of such asset component. Profits or losses resulting from sale/ liquidation or cessation of use of non-renewable natural resources are defined as the difference between revenue from sale and the net value of these assets and are recognised in the profit and loss account.

**Fixed assets and groups of assets held for sale**

Fixed assets and groups of net assets are classified as held for sale if their balance sheet value will be recovered primarily as a result of a sale transaction and not as a result of their further use. This condition is considered to be met only if the asset component (or a group of net assets held for sale) is available for immediate sale in its present condition and a sale transaction is highly probable within one year from the moment of reclassification.

Fixed assets classified as held for sale and groups of net assets held for sale are measured at the lower of the two values: balance-sheet value or fair value less sale costs.

**Simplifications applied to non-investment fixed assets**

Depreciation (amortisation) of fixed assets and intangible assets with a low initial value (not exceeding PLN 10,000) is carried out in a simplified manner by making one-off write-downs of the entire initial value of such fixed assets.
The Group applies a simplification, according to which the moment of acceptance of a fixed asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the fixed asset for use took place.
The Group applies simplification, according to which the moment of acceptance of an intangible asset

for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the intangible asset for use took place.

The verification of amortisation rates is considered to have been carried out when all fixed asset components with a net value exceeding PLN 50 thousand are included in the verification.

**Investment property**

Investment property means land and buildings and structures acquired for the purpose of deriving economic benefits from the increase in the value of these assets or from other benefits, e.g., revenue from rent. These assets are not used by the Group.

Investment real properties are initially measured at acquisition cost or production cost, including transaction costs. After initial recognition, investment real properties are measured at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in the income statement in the period in which they arise. The fair value of investment property reflects market conditions as of the balance-sheet date.

**Inventories**

During the financial year, direct and indirect materials are recognised at acquisition price or purchase cost. Direct and indirect materials are distributed according to the FIFO method. The adopted purchase price may constitute the purchase price, provided that the costs incurred in connection with the purchase of materials constitute insignificant value in relation to the purchase cost. The purchase price of materials processed also includes storage costs necessary during the production process.

During the financial year, goods are recognised at acquisition price or purchase cost. The goods are distributed according to FIFO prices.

Land and property intended for resale, treated as goods, are recorded and spent according to the principle of detailed identification.

Finished products, semi-finished products and products in progress are measured according to actual costs incurred for the production of finished products.

In the case of property development activities, all expenditures related to the execution of the task are capitalised in inventories as work in progress.

The acquisition price or production cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The inventory acquisition costs comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, loading and unloading costs, and other costs directly attributable to the acquisition of finished goods, materials and services. Discounts, rebates and other similar items shall be deducted in determining purchase costs.

The expenditures incurred to complete the construction contract before the contract is entered into, provided that it is probable that they will be recovered, are also recognised as work in progress.

As of the balance-sheet date, inventories are measured at acquisition or purchase prices or production cost, however, not higher than their net selling price (net realisable value). Net realisable value is the difference between the estimated selling price in the ordinary course of business and the estimated costs of completion and the costs necessary to make the sale.

Revaluation write-downs of tangible current asset components, related to impairment or measurement as of the balance-sheet date are charged to other operating expenses. If the reason for making a revaluation write-down ceases to exist, the value of tangible current assets is credited to other operating income. Circumstances indicating the need to make a revaluation write-down on inventories include in particular:

- impairment of the value in use of inventories (destruction, overdue inventories),
- the balance of inventories exceeds the demand and the possibility of sale by the Company,
- low inventory turnover;
- the loss of market value due to lower sales prices of competitors.

As of the date, an ageing analysis of inventories is prepared, broken down by assortment, and the amount of revaluation write-downs is determined.

**Receivables**

Trade receivables and other receivables are recognised and disclosed at initially invoiced amounts. After the initial recognition, receivables are measured at amortised cost using the effective interest rate, taking into account revaluation write-downs on the value of receivables.

For trade receivables measured at amortised cost, the Group applies a simplified model to determine the expected impairment over the entire life cycle, using matrices of payment delays based on historical data, taking into account the requirements of the standard in relation to current and forecast economic conditions.

Receivables from customers are initially recognised at the transaction price. After the initial recognition, receivables are measured as follows:

- receivables not transferred to full factoring: in the amount of amortised cost including write-downs for expected credit loss (however, receivables from customers with maturity below 12 months from the date of origin are not discounted),

- receivables transferred to full factoring: at fair value through financial result, but due to the short period of time between recognition of the receivables and their transfer to the factor and the low credit risk of the counterparty (factor), the fair value of these receivables is close to their carrying amount,

Receivables also include the un-invoiced portion of revenue which will arise from the estimation of the value of revenue under unfinished construction contracts and other long-term contracts.

**Cash and cash equivalents, including restricted cash**

The reported item 'Cash and cash equivalents' consists of cash on hand, demand deposits and those deposits that are readily convertible to a specific amount of cash and that are exposed to an insignificant risk of changes in value.

The Group's restricted cash primarily includes:

- providing security for bank guarantees,
- cash accumulated in open housing trust accounts,
- cash accumulated in split payment accounts,
- funds in escrow accounts

The Group reports restricted cash in the statement of financial position within cash and cash equivalents, while for the purposes of the statement of cash flows, the opening and closing cash balances are separated into a separate line item without deducting cash.

**Prepayments and accruals**

In order to maintain matching of revenue and costs related to their achievement, costs and revenue related to particular reporting periods are separated. Prepaid expenses and costs, i.e. those related to future periods, are disclosed under prepayments, whereas accruals include amounts classified as costs of the current period, even though they will be covered in the future reporting period. Write-downs of deferrals or accruals of expenses are made on the time basis or on the basis of the amount of benefits. The time and the method of accruals and prepayments should depend on the nature of the accrued costs and subject to the prudence principle. The scope of typical expenditures settled over time includes in particular:

- prepaid press subscriptions,
- property insurance contributions,
- lease costs (rents);
- fees for occupation of roadway,

Items in the amount of probable liabilities related to the current reporting period are recognised in the accrual item.

**Revenue accruals and prepayments**

Revenue accruals and prepayments include mainly cash received to finance the acquisition of fixed assets under construction and intangible assets, which are accounted for in parallel with amortisation write-downs on fixed assets financed from such sources.

**Financial instruments**

Any contract that gives rise to a financial asset component of one party and a financial liability or capital instrument of the other party simultaneously is a financial instrument, provided that the contract between two or more parties has a clear economic effect.

The entity preparing the financial statements classifies the financial instruments into the following categories:

- financial asset components or financial liabilities measured at fair value through profit and loss account - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a current actual pattern of short-term profit generation;
- held-to-maturity investments - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold to maturity;
- loans and receivables - non-derivative financial assets with fixed or determinable payments that are not traded on an active market;
- financial assets available for sale - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investments or financial assets measured at fair value through financial result.

**Recognition and de-recognition of a financial asset component and a financial liability**

A financial asset or financial liability is disclosed on the balance sheet when it becomes a party to the contractual provisions of that instrument. Regular-way purchase and sale transactions of financial assets and financial liabilities are recognised on the date of the transaction.

A financial asset is de-recognised from the balance sheet when the rights to economic benefits and risks arising from the contract have been exercised, cancelled or have expired.

**Measurement of financial instruments as of the day of their creation**

As of the date of acquisition, financial assets and liabilities are measured by the Group at fair value, i.e. most often at the fair value of the payment made in the case of an asset component or the amount received in the case of a liability.

The Group includes the transaction costs in the initial measurement value of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through income statement.

**Measurement of financial instruments as of the balance-sheet date**

The measurement of financial instruments as of the balance-sheet date is carried out as follows:

- at amortised cost, taking into account the effective interest rate: held-to-maturity investments, loans and receivables and other financial liabilities; measurement may also be performed at the value requiring payment if the discount effects are not significant;
- at fair value: financial assets and liabilities of the category measured at fair value through profit and loss account and the category of financial assets available for sale.

The effects of measurement of financial assets available for sale are recognised in equity.

The effects of measurement of financial assets and liabilities classified into other categories are recognised in the income statement.

**Hedge accounting**

Derivative instruments hedging cash flows with a highly probable planned transaction are recognised at fair value taking into account changes in such value:

- in the part deemed to be an effective hedge - directly in the equity,
- in the part deemed ineffective - in the profit and loss account.

Derivative instruments hedging the fair value of assets and liabilities are recognised at fair value. The effects of a change in the fair value of these instruments are recognised in the income statement.

**Discontinuation of hedge accounting**

The person preparing financial statements ceases to apply hedge accounting to cash flows if:

- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative profit or loss on the hedging instrument which is recognised directly in equity shall remain separately recognised in equity until the planned transaction occurs;
- the hedge no longer meets the criteria for hedge accounting. In such a case, the cumulative profit or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated profit or loss related to the hedging instrument, recognised directly in equity, is recognised in the profit and loss account.

**Derivatives**

Derivatives are recognised at fair value at the date the contract is entered into and subsequently remeasured to fair value at each reporting period end date. Derivatives are reported as assets when their value is positive and as liabilities when their value is negative, and the gain or loss on valuation of the instruments is recognised immediately in profit or loss.

A derivative financial instrument is classified as a short-term financial instrument if the settlement date for that instrument or part of it is within one year of the end of the reporting period. If the settlement date of a financial instrument is more than one year from the end of the reporting period, such an instrument or part of it is classified as a non-current financial instrument.

**Equity**

Equity is recognised in the accounting books with the division into types and according to the principles determined by the provisions of law and the provisions of the articles of association of the Group.

Capital from the sale of shares above their nominal value is created from the surplus of the issue price of shares, above their nominal value reduced by the costs of the issue. The costs of shares issue incurred at the establishment of a joint-stock company or increase in the initial capital reduce capital of the issue of shares above the nominal value of the surplus of the issue value over the nominal value of shares.

Undistributed financial result includes: amounts resulting from profit distribution, undistributed result brought forward, effects of errors from previous periods.

A separate equity item is non-controlling shares.

**Bank credits and loans**

All bank credits, loans and debt securities are initially recognised at their purchase price corresponding to the fair value of cash received, less costs related to obtaining a given credit or loan.

After initial recognition, interest-bearing credits, loans and debt securities are subsequently measured at adjusted acquisition price in the form of amortised cost, using the effective interest rate method. When calculating the adjusted purchase price, the costs related to obtaining a credit or loan, as well as discounts or premiums obtained at the settlement of the liability, shall be taken into account.

**Liabilities**

After initial recognition, all liabilities, except those measured at fair value, are measured, as a rule, at adjusted acquisition price using the effective interest rate method.

However, liabilities with a maturity of no more than 12 months after the balance-sheet date are not discounted.

Liabilities are presented in the financial statements divided into long-term and short-term liabilities. Moreover, liabilities towards related entities and liabilities towards other entities are separated.

Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries.
The liabilities also include amounts relating to the settlement of construction and other long-term services.

Amounts retained by suppliers are disclosed separately in the financial statements.

**Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised in the financial statements because:

- it is not probable that an outflow of resources containing economic benefits will be required to settle the obligations, or
- the amount of the obligation cannot be measured with sufficient reliability.

The identified contingent liabilities are subject to presentation in the financial statements in additional notes and explanations.

**Provisions**

Provisions are created when the person preparing the financial statements has a present obligation (legal or constructive) arising from past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of that liability.

If the reporting entity expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset component, but only if there is a sufficient assurance that the reimbursement will actually be made.

Costs related to a given provision are disclosed in the income statement, less all reimbursements.

The Group creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.

If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money and the possible risks specific to the liability. If the discounting method is applied, an increase in the provision due to the passage of time is recognised as borrowing costs.

Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision.
The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

**Provisions for employee benefits**

The reporting entity creates a provision for the costs of accumulating paid absences, which it will have to incur as a result of the entitlement unused by the employees, and which accrued as of the balance-sheet date, as well as for retirement severance pay.

Provisions for unused leave are calculated on the basis of the actual number of days of unused leave in the current period, increased by the number of days of unused leave in previous periods. The provision for the cost of accumulating compensated absences is recognised after deducting any amounts already paid. The leave reserve is not discounted.

The provision for retirement severance pays is created on the basis of the number of employees and the number of years remaining until the date of retirement. The provision for retirement severance pays is subject to discounting.

**Revenue**

The amount of revenue is determined by the Entity according to the fair value of the payment received or due. The fair value of the consideration is determined by discounting all future cash inflows using the imputed interest rate. The imputed interest rate is most simply set at the interest rate for a similar financial instrument issued by an issuer of similar creditworthiness, or at the rate that discounts the nominal value of the financial instrument to the current cash selling price of the goods or service.

The difference between the nominal and fair value of receivables (discount) is recognised as costs of the activity to which the receivables relate.

The amount of revenue arising from a transaction is usually determined by contract between the Entity and the buyer or user of the asset component. It is measured at the fair value of the consideration paid, taking into account the amount of trade discounts and wholesale rebates granted by the Entity. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the transaction is recognised based on the stage of completion of the transaction at the balance-sheet date. The result of a transaction can be reliably estimated if all of the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the entity,
- the degree of execution of the transaction at the balance-sheet date can be determined reliably,
- the costs incurred in connection with the transaction and the costs of completing the transaction can be measured reliably.

The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the periods in which the services are rendered. Revenue recognition based on this method provides useful information about the extent of service activities and their results for a given period. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. When there is uncertainty about the recoverability of an amount already included in revenue, the entity recognises the unrecoverable amount or the amount for which recovery has ceased to be probable as an expense, rather than as an adjustment of the amount of revenue originally recognised.

The person preparing the financial statements applies the completion method based on the ratio of costs incurred to total costs expected for the performance of a given service.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses incurred that are expected to be recoverable. If the outcome of the transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and expenditure incurred is recognised as an expense. When the uncertainty which prevented the outcome of the contract from being estimated reliably has been removed, revenue from transactions shall be recognised on the basis of the stage of completion of the transaction at the balance-sheet date.

Interest income arising from an entity transferring an asset to another entity for use (e.g. a loan, financial lease) is recognised taking into account the effective interest rate.

Royalties (e.g. under licences or similar entitlements) are recognised on an accrual basis in accordance with the substance of the contracts entered into.

Dividends are recognised at the moment the entity's right to obtain them is established.

Revenue from barter transactions is recognised only if it has an economic substance.

**Accounting in terms of grants**

Subsidies are recognized if there is reasonable certainty that the subsidy will be obtained and all related conditions will be met.
Grants relating to items of property, plant and equipment are recognised as deferred income and are accounted for systematically in other operating income over the useful life of the depreciable asset.
Grants relating to cost items are recognised as a reduction in expenses as they are incurred and the excess of the grant received over the value of the relevant expenses is recognised in other operating income.

**Costs**

The entity preparing the financial statements recognises costs in accordance with the principle of matching revenue and costs and the precautionary principle.

Own cost of sales as of the balance-sheet date is adjusted by the change in the fair value of financial instruments which hedge cash flows when the transaction is no longer effective and when the hedged item is realised.

Costs are accounted for by cost centres and by nature, with the basic cost reporting format used in the income statement being the cost accounting format.

The total cost of products, goods and materials sold includes:

- production cost of products sold,
- production cost of services sold,
- value of goods and materials sold,

In addition, the costs of the reporting period, which affect the financial result, are other operating costs, related indirectly to the operating activity, including in particular:

- overhead
- selling costs
- loss on sale of property, plant and equipment and intangible assets
- donations made
- established provisions for disputes, penalties, damages and other costs indirectly related to operating activities, as well as financial costs related to financing the activity.

**Transactions in foreign currencies**

Transactions expressed in currencies other than the Polish zloty are converted into Polish zloty using the exchange rate in force on the date of the transaction or the exchange rate defined in the forward-type contract accompanying a given transaction.

As of the balance sheet date, monetary items expressed in currencies other than the Polish zloty are converted into the Polish zloty at the closing rate (spot rate) applicable at the end of the reporting period, i.e. the spot rate of exchange applicable at the balance-sheet date. Non-monetary balance sheet items denominated in foreign currencies are disclosed at the historical exchange rate as of the transaction date.
Exchange differences resulting from such translation are disclosed under financial income or expenses or, in cases provided for in the accounting policies, capitalised in the value of assets, except for cash items constituting a hedge of exchange risk, which are recognised directly in capital in accordance with the cash flows hedge accounting policies.

The exchange rate applicable on the transaction date shall be the average exchange rate of the National Bank of Poland (NBP) announced on the day preceding the transaction date.

Immediate realisation rate as of the balance sheet date shall be the average exchange rate of the NBP announced as of the balance-sheet date.

**Income tax**

Obligatory encumbrances on the result include: current tax and deferred tax. Current tax encumbrance is calculated based on the tax result (tax base) of a given financial year. The tax profit (loss) differs from the net book profit (loss) due to exemption of taxable revenue and costs constituting costs of obtaining revenue in subsequent years and cost and revenue items which will never be subject to taxation. Tax encumbrances are calculated using tax rates applicable for a given financial year.

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future. Deferred tax is calculated on the basis of differences between the balance-sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base. Deferred tax provisions are created for all taxable temporary differences, whereas deferred tax asset components are recognised to the extent that it is probable that they will be available, against which the deductible temporary differences can be utilised against recognised future taxable profits. An asset component is also created on the basis of tax losses which can be settled and are carried forward, as well as unused tax exemptions.

The deferred income tax asset component and provisions may be offset when it is expected that the deferred tax asset component and provision will be realised in the same tax period.

An item of assets or a tax liability does not arise if the temporary difference results from goodwill or from the initial recognition of another asset component or liability in a transaction which does not affect either the tax result or the accounting result. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, unless the entity is able to control the timing of the reversal and it is probable that the reversal will not occur in the foreseeable future.

The value of a deferred tax asset is subject to analysis as of each balance-sheet date, and in the event that the expected future tax profits are not sufficient for the realisation of an asset component or a part thereof, it is written down. Deferred tax is calculated at tax rates which will apply at the moment when the asset item is realised or the liability becomes due. Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In the latter case, the deferred tax is also settled directly in equity.

**Other taxes**

Revenues, expenses, and assets are recognised net of the amount of value added tax, except:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities, in which case it is recognised as part of the cost of acquiring the asset or as an expense, as appropriate,
- receivables and liabilities, which are stated including the amount of value added tax.

The net amount of value added tax recoverable from, or payable to, the tax authorities is included in the balance sheet as part of receivables or liabilities.

Other taxes, i.e. tax on means of transport, real estate tax, personal tax, are recognised in the operating expenses of the Group's business.

**Profit per share**

Earnings per share are calculated by dividing the net gain for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during a given period.

Diluted profit per share for each period are calculated by dividing the net profit for a given period adjusted for possible changes in profit resulting from the change of potential ordinary shares into ordinary shares by the adjusted weighted average number of ordinary shares.

**Mergers and consolidation**

Subsidiaries are all economic entities (including structured entities) controlled by the Compiler of financial statements. The Compiler of financial statements controls an entity when it is exposed to, or has the right to variable returns from, its involvement in that entity, and has the ability to influence those returns in its power over the entity. Subsidiaries are subject to full consolidation as of the date the control is transferred to the Group. Consolidation shall cease as from the date on which control ceases.

The Compiler of financial statements recognises business mergers using the purchase method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed from former owners of the acquiree and the capital interests issued by the group. The consideration transferred shall include the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business merger are initially measured at their acquisition-date fair values. As of the acquisition date, the Compiler of financial statements shall recognise all non-controlling interests in the acquiree, either at fair value or at the proportional share value (corresponding to the non-controlling share) in the acquiree's identifiable net assets. In the case of a business merger achieved in stages, the acquirer shall remeasure the balance sheet value of its previously held capital share in the acquiree at its acquisition-date fair value and recognise the resulting profit or loss. A contingent consideration that is classified as part of equity is not subject to a revaluation and its subsequent settlement is accounted for within equity.

Intragroup transactions and settlements and unrealised profits arising from intragroup transactions shall be eliminated.

Changes in ownership interests in subsidiaries which do not result in a loss of control, transactions with non-controlling shareholders which do not cause the loss of control, are recognised as capital transactions, i.e. transactions with owners acting in their capacity as capital holders. The difference between the fair value of the consideration transferred and the share acquired in the balance sheet value of the subsidiary's net assets is recognised in equity. Gains or losses on sale of non-controlling interests are also recognised in equity.

Upon loss of control by the Group, any retained interest in the entity is measured at fair value as of the date of loss of control, with a change in the balance sheet value recognised in the financial result. Fair value constitutes the initial balance sheet value for the purpose of subsequent recognition of a retained interest as an associate, joint venture or financial asset component. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are recognised as if the group had directly sold the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the financial result.

Associates are all entities on which the Compiler of financial statements has significant influence, but which it does not control, which is usually the case when holding between 20% and 50% of the voting rights. Investments in associates measured are recognised using the equity method. Under this method, the investment in the associate is initially recognised at cost and the balance sheet value is increased or decreased to recognise the investor's share in the associate's results after the date of acquisition. The Group's investment in associates includes goodwill as of the acquisition date. If the ownership share in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is appropriately reclassified to the result. The share of the Compiler of financial statements in the financial result after the acquisition is recognised in the result report and its share in other comprehensive income after the acquisition is recognised in other comprehensive income together with an appropriate adjustment to the balance sheet value of the investment. When the Compiler of financial statements share in losses of an associate becomes equal to or greater than its share in that associate, including any other unsecured receivables, the reporting Compiler of financial statements shall de-recognise further losses unless it has assumed legal obligations or constructive obligations or made payments on behalf of the associate.

At each reporting date the Group determines whether there is objective evidence that an investment in an associate is impaired. If an impairment loss has been incurred, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its balance sheet value, and recognises that amount, in addition to its "share in the associate's profit/(loss)", in the result report.

A business merger under common control is a business merger in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. This applies in particular to transactions such as the transfer of companies or undertakings between Group entities or the merger of a parent and its subsidiary.

The Group applies the pooling of shares method to settle the effects of mergers between entities under common control.

**Principle of no-offsetting**

This principle applies to the prohibition of offsetting assets and liabilities, unless IFRS requires or permits offsetting.

Income and expense items may be offset only when:

- offset is required by IFRS,
- profits, losses and related costs arising from the same or similar transactions or events are not material.

The following transactions, presented by way of offsetting, are accepted by the Group:

- profits and losses on the sale of fixed assets, including investments and assets used in operating activities, are recognised in the amount of the difference between the revenue earned on the sale and the balance sheet value of a given asset component plus selling expenses;
- expenditure related to the provision which is contractually reimbursed by a third party (e.g. supplier's guarantee) is offset against the corresponding amount of reimbursement;
- deferred income tax assets and liabilities are disclosed as surplus assets or provisions;
- advances received for the performance of work under construction contracts are offset against the value of revenue due under those contracts, provided that compensation is possible under the terms of the contract;
- gains and losses arising from a group of similar transactions are recognised in the net amount, e.g. foreign exchange difference gains and losses or gains and losses arising from the measurement of financial instruments held for trading and hedging recognised in the financial result, gains or losses arising from the discounting of long-term settlements;
- and liabilities under settlement of input VAT and due VAT, concerning future settlement periods.

**Cash flow statement**

The cash flow statement is drawn up using the indirect method.

**Changes in principles, changes in estimates, errors of previous years**

A change in accounting policies is made when the legal regulations concerning accounting are changed, and when this results in the increase of reliability of financial statements containing information on the impact of transactions, other events and conditions on the financial position, financial result or cash flows.
In the case of changes in the accounting policy, it is assumed that the new accounting policies have always been applied. Related adjustments are shown as equity adjustments - in the item of profit/loss brought forward. In order to ensure comparability of data, the financial statements (comparable data) for previous years should be amended accordingly, so that the statements also reflect the changes made to accounting policies.

The items of the financial statements determined on the basis of estimates are subject to verification in the event of changes in the circumstances on which the estimates were based or as a result of obtaining new information or gaining greater experience.

Adjustments caused by the removal of material errors from previous periods are charged to equity - in the item of profits/losses brought forward. In preparing the financial statements, it is assumed that the error has already been corrected at the time of the occurrence of the error. This means that the amount of the adjustment relating to a prior period shall be included in the profit and loss account for that period.

**Exceptional items**

Exceptional items are disclosed separately in the financial statements when necessary for an understanding of the financial position and the results of the Compiler of financial statements. These are significant items of income or expense which have been separately disclosed because of the materiality of the amounts or the nature of the event.

**Business segments**

In accordance with the requirements of IFRS 8, the Group identifies operating segments on the basis of internal reports which are regularly verified by the Management Board in order to allocate resources to particular segments and assess the results of their activities.

Segment activities are assessed mainly on the basis of revenue and results at the EBIT level.

The following segments are identified within the group within which the entity operates:

| | | | | |
|---|---|---|---|---|
| Construction and assembly activity | Property development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other reserves |

To the Other group other ancillary activities are assigned which do not affect the assessment of the financial position of the entity. All assets and liabilities are assigned to the main activity segments.

**Transactions with related parties**

The accounting policies and the significant estimates and assumptions presented in the accounting policy also apply to transactions with related parties.
**Items based on estimates and professional judgment**

Lease contract classification - The Compiler of financial statements classifies leasing as an operating or finance lease based on an assessment of the extent to which risks and rewards incidental to ownership of the leased item are attributable to the lessor, and to which to the lessee. This assessment is based on the substance of each transaction.
The Compiler of financial statements makes judgments as to whether the result of the construction contract can be estimated reliably. The assessment shall be based on an analysis of the likelihood of the economic benefits associated with a given contract. Revenue from the performance of construction contracts is determined proportionally to the degree of advancement, measured as the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. Contract budgets are subject to a formal updating process. If the stage of advancement of the service cannot be reliably determined as of the balance-sheet date, the revenue is determined at the amount of contract costs incurred, for which it is probable that they will be recovered.

The Compiler of financial statements assesses whether there is any indication that an asset is impaired. Impairment of an asset occurs when the balance sheet value of an asset or a cash-generating unit exceeds its recoverable amount, understood as the fair value less sales costs or the value in use of an asset component or cash-generating unit, whichever is higher. The assessment is based on the estimation of future cash inflows and outflows from the continuing use of the asset component and from its ultimate sale, and the application of an appropriate discount rate to these future cash inflows.
The Compiler of financial statements assesses whether there is any indication that shares (stocks) in

subsidiaries are impaired. The impairment test for a cash-generating unit is based on the estimation of future discounted cash flows (DCF method) generated by the company. Similarly, goodwill is tested for impairment.

The Compiler of financial statements assesses the probability of payment of receivables by taking into account their past due date, hedges established and the debtor's situation, on a transaction-by-transaction basis.

The entity preparing the financial statements makes judgements with respect to the expenditures necessary to fulfil a given obligation as of the balance-sheet date, related to the pending court disputes. The assessment is based on an estimate of the amount the entity would be required to pay to settle the obligation at the balance-sheet date.

The Compiler of financial statements recognises a deferred tax asset component on the basis of the assumption that taxable income shall be achieved in the future, against which it can be utilised. A decrease in tax income in the future could make this assumption unjustified.

The Compiler of financial statements applies the method of percentage advancement of works in the settlement of long-term contracts. Application of this method requires the Entity to estimate the proportion of contract costs incurred to date to total estimated contract costs. In justified cases, when this method would not reliably reflect the stage of completion of the contract, another method may be applied, reliably reflecting the stage of completion of the contract.

Amortisation rates are determined based on the anticipated useful economic life of property, plant and equipment components and intangible assets. The useful economic lives are reviewed annually by the Entity based on current estimates.

The entity measures investment property at fair value using the DCF method based on estimation of future discounted cash flows.

## IX. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL STATEMENTS

In the current financial year, the Compiler of financial statements did not make any significant changes in the accounting policy, other than those required by law (significant changes, if any, described in a separate part of the statements), mainly resulting from changes in IFRS approved for use by the European Union.

## X. IMPACT OF CURRENT AND FUTURE CHANGES IN THE ACCOUNTING REGULATIONS ON THE FINANCIAL STATEMENTS.

| The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2021 | Impact on financial statements / reference |
|---|---|
| Amendments to IFRS 4 “Insurance Contracts” - postponed application of IFRS 9 “Financial Instruments” until 2021. | will not have any significant impact on the financial statements |
| Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” and IFRS 16 “Leasing” - reform of the reference interest rate | will not have any significant impact on the financial statements |
| **The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2022** | **Impact on financial statements / reference** |
| Amendments to IFRS 3 “Business Combinations” - updated references to the Framework | will not have any significant impact on the financial statements |
| IAS 16 “Property, Plant and Equipment” - revenue from products manufactured during the period of preparing property, plant and equipment to be put into operation | will not have any significant impact on the financial statements |
| IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - clarification on the costs recognised in the analysis of whether a contract is an onerous contract | will not have any significant impact on the financial statements |
| The 2018 - 2020 annual amendment programme - amendments contain clarifications and define the guidelines for standards on recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and to the illustrative examples for IFRS 16 “Leases”. | will not have any significant impact on the financial statements |
| **The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2023** | **Impact on financial statements / reference** |
| IFRS 17 “Insurance Contracts” and amendments to IFRS 17 | will not have any significant impact on the financial statements |
| Amendments to IAS 1 “Presentation of Financial Statements” - classification of liabilities as short- or long-term liabilities | will not have any significant impact on the financial statements |
| Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Board Guidelines on Disclosure of Accounting Policies in Practice, the issue of materiality in relation to accounting policies, | will not have any significant impact on the financial statements |
| Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, the definition of accounting estimates, | will not have any significant impact on the financial statements |
| Amendments to IAS 12 “Income Taxes”, obligation to recognise deferred tax on transactions, i.e. leases, | will not have any significant impact on the financial statements |
| IFRS 17 “Insurance Contracts”, first-time adoption of IFRS 17 and IFRS 9, comparative information, | will not have any significant impact on the financial statements |
| **The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2024.** | **Impact on financial statements / charge** |
| Amendments to IFRS 16 "Leases" - lease obligations in sale and leaseback transactions | will not have any significant impact on the financial statements |
| Amendments to IAS 1 “Presentation of Financial Statements” - classification of liabilities as short- or long-term liabilities | will not have any significant impact on the financial statements |

# XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 Property, plant and equipment

| Ownership structure of fixed assets | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Own tangible fixed assets | 92,446 | 86,009 |
| Property, plant and equipment used under operating lease, rent, hire or similar | 78,020 | 66,988 |
| **Total** | **170,466** | **152,997** |
| Fixed assets pledged as hedging for liabilities | 51,579 | 53,672 |

| Costs of external financing capitalised in the value of fixed assets | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Interest | | |
| Foreign exchange differences | | |
| Other borrowing costs | | |
| **Total** | | |

| Fixed assets used under a finance lease agreement | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Costs | 110,696 | 94,822 |
| Depreciation | -32,676 | -27,834 |
| **Total** | **78,020** | **66,988** |

| Fixed assets by types | land | buildings and structures | technical equipment and machinery | means of transport | other fixed assets | Fixed assets in progress | Advances on fixed assets in progress | Fixed assets held for sale | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **As of 01-01-2021** | | | | | | | | | |
| Costs | 23,122 | 67,035 | 104,439 | 41,754 | 6,714 | 1,339 | | | 244,403 |
| Depreciation and revaluation write-downs | | -20,275 | -55,279 | -18,541 | -6,577 | -20,051 | | | -120,722 |
| **Net book value** | **23,122** | **46,760** | **49,160** | **23,213** | **137** | **-18,712** | - | - | **123,681** |
| Increases | | 1,633 | 9,821 | 6,914 | 1,542 | 20,051 | | | 39,961 |
| including revaluation surplus | | | | | | | | | |
| Decreases | -656 | | -4,910 | -4,903 | -175 | | | | -10,644 |
| including changes in the accumulated amortisation | -656 | | | | | | | | -656 |
| Exchange rate differences | | | | | | | | | |
| **As of 31-12-2021** | | | | | | | | | |
| **Net book value** | **22,466** | **48,393** | **54,071** | **25,224** | **1,504** | **1,339** | - | - | **152,997** |
| **As of 01-01-2022** | | | | | | | | | |
| **Costs** | 22,466 | 68,668 | 124,583 | 58,789 | 8,809 | 20,986 | | | 304,302 |
| Depreciation | | -22,224 | -62,494 | -21,760 | -6,950 | -20,410 | | | -133,837 |
| Revaluation write-downs | | | | | | | | | |
| Net book value | **22,466** | **46,444** | **62,090** | **37,028** | **1,860** | **577** | - | - | **170,465** |
| **As of 31-12-2022** | | | | | | | | | |
| **Costs** | - | - | **15,233** | **15,024** | **728** | **-404** | - | - | **304,302** |
| Increases, including: | | | 16,931 | 16,789 | 778 | 1,293 | | | 35,791 |
| - acquisition | | | 2,030 | 3,231 | 778 | 1,100 | | | 7,139 |
| -acquisition subsidiaries | | | | | | | | | |
| -revaluation surplus | | | | | | | | | |
| -carry-over | | | | 359 | | | | | 359 |
| - other | | | 14,901 | 13,199 | | 193 | | | 28,293 |
| Decreases, including: | | | -1,697 | -1,765 | -50 | -1,697 | | | -5,209 |
| -sale | | | -1,117 | -1,711 | | | | | -2,828 |
| -reallocation to the group held for sale | | | | | | | | | |
| - other | | | -580 | -54 | -50 | -1,697 | | | -2,381 |
| **Depreciation** | - | **-1,949** | **-7,215** | **-3,219** | **-373** | **-359** | - | - | **-13,115** |
| Increases, including: | | -1,949 | -7,983 | -3,811 | -423 | -359 | | | -14,525 |
| - amortisation | | -1,949 | -7,983 | -3,811 | -423 | | | | -14,166 |

| Fixed assets by types | land | buildings and structures | technical equipment and machinery | means of transport | other fixed assets | Fixed assets in progress | Advances on fixed assets in progress | Fixed assets held for sale | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| -acquisition subsidiaries | | | | | | | | | |
| - other | | | | | | -359 | | | -359 |
| Decreases | | | 768 | 592 | 50 | | | | 1,410 |
| -sale | | | 567 | 556 | | | | | 1,123 |
| -reallocation to the group held for sale | | | | | | | | | |
| -carry-over | | | | | | | | | |
| - other | | | 201 | 36 | 50 | | | | 287 |
| Revaluation write-downs | | | | | | | | | |
| -revaluation write-downs | | | | | | | | | |
| -reversals of revaluation write-downs | | | | | | | | | |
| Foreign exchange differences | | | | | | | | | |
| **Net value** | **22,466** | **46,444** | **62,091** | **37,028** | **1,860** | **577** | - | - | **170,466** |

No oversize expenditures on fixed assets are planned for the upcoming reporting periods under the approved investment plans.
MIRBUD S.A. has started the expansion of its premises in Skierniewice at ul. Unii Europejskiej 18. The planned costs associated with the investment will amount to approximately PLN 6.5 million and will be successively recognised under fixed assets under construction, while upon completion of the works, they will increase the value of fixed assets in the buildings and structures group.

## Note 2 Investment property

| Investment property measured according to the fair value model | undeveloped land | buildings and structures | TOTAL |
|---|---|---|---|
| **As of 01-01-2021** | **15,138** | **407,208** | **422,346** |
| New property acquisitions | | 3,757 | 3,757 |
| Increases resulting from subsequent expenditure capitalisation | | | |
| Increases resulting from acquisition as a result of entity merger | | | |
| Net amount of profits or losses resulting from fair value measurement adjustments | | -5,461 | -5,461 |
| Carry-overs to investments for lease | | 110,875 | 110,875 |
| Carry-overs to and from inventories | | -123 | -123 |
| Sales | | -36,003 | -36,003 |
| Carry-overs to and from owner-occupied property | | | |
| Other changes | | 10,861 | 10,861 |
| **As of 31-12-2021** | **15,138** | **491,115** | **506,252** |
| New property acquisitions | | 784 | 784 |
| Increases resulting from subsequent expenditure capitalisation | | | |
| Increases resulting from acquisition as a result of entity merger | | | |
| Net amount of profits or losses resulting from fair value measurement adjustments | | -16,406 | -16,406 |
| Carry-overs to investments for lease | | | |
| Carry-overs to and from inventories | | -560 | -560 |
| Sales | | | |
| Carry-overs to and from owner-occupied property | | -1,057 | -1,057 |
| Other changes | | | |
| **As of 31-12-2022** | **15,138** | **473,876** | **489,014** |

Neither in the current nor in the previous reporting period did MIRBUD S.A. have any investments in property. However, the company has a capital commitment in subsidiaries for which property investment is a significant part of the activities.

Estimated cash flows from these properties were part of the impairment test for capital investments in subsidiaries.

In 2021, there was an increase in the value of investment properties, influenced by:

a) transaction relating to the purchase by Marywilska 44 sp. z o.o. from Expo Mazury S.A. w likwidacji of the remaining real property located in Ostróda, at ul. Grunwaldzka 55 and 55A, covering halls with a total area of 27.099 m² intended for warehousing and logistic operations. The property included halls which previously constituted investment real properties (with a value of PLN 3,128 thousand), property constituting fixed assets (with a value of PLN 62,835 thousand) and other fixed assets (with a value of PLN 11,162 thousand). The transaction increased the value of investment real properties by PLN 76,928 thousand;
b) transaction concerning the purchase of a retail pavilion with a leasable area of 4,071 m2 located in Starachowice, by Marywilska 44 sp. z o.o. from JHM 1 sp. z o.o., with a total value of PLN 15,809 thousand;
c) transaction concerning the purchase of a retail park, together with the necessary infrastructure and car park, located in Rumia at ul. Dębogórska 132 with lease area of 2982 m2, by Marywilska 44 sp. z o.o. from JHM 2 sp. z o.o., with a total value of PLN 15,010 thousand.
d) Q3 2021 purchase of developed property in Skierniewice, ul. Sobieskiego, with a value of PLN 3,757 .

In addition, the following factors contribute to the value of investment real properties:

a) purchase of 31/12/2020 by Marywilska 44 sp. z o.o. from Expo Mazury S.A. w likwidacji of the property situated in Ostróda at ul. Grunwaldzka 55 covering halls with a total area of 29.625 m² intended for warehousing and logistic operations. The property included halls which previously constituted investment real properties (with a value of PLN 36,637 thousand) and fixed assets (with a value of PLN 32,497 thousand). The transaction increased the value of investment real properties by PLN 43,336 .
b) recognition of an asset under the right to use land property located in Warsaw at ul. Marywilska 44 used on the basis of long-term lease contracts - recognition in accordance with IFRS 16 “Leases” as of 31/12/2022 - PLN 136,336 thousand;
c) the amount of PLN 14.9 million disclosed in the consolidated financial statements relates to undeveloped land properties situated in Wola Pękoszewska, Skierniewice, at ul. Unii Europejskiej, and Rawa Mazowiecka, at ul. Biała.
d) Shopping Centre building with a value of PLN 125 million
e) Park Handlowy Marywilska 44 building completed on 31/12/2017, with a value of PLN 28 million

As of 31.12.2022. Marywilska 44 Sp. z o.o. has carried out a valuation of its investment properties. The fair value of the Ostróda property has been reduced by an amount of PLN 10,068 thousand. . Considering the above, ss of 31/12/2022, the fair value of the Marywilska 44 shopping complex was PLN 309,515 thousand, and of the complex in Ostróda - PLN 149,899 .

| Ownership structure of investment property value | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Own | 352,678 | 362,522 |
| Used under operating lease, rent, hire and similar | 136,336 | 143,730 |
| **Total** | **489,014** | **506,252** |

| Investment property used under financial lease contracts | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Capitalised leasing costs | -16,406 | -5,461 |
| Fair value changes | -1,057 | 10,861 |
| **Total** | **-17,463** | **5,400** |

| Data on investment property measured at fair value carried out by the entity | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Book value | 489,014 | 506,252 |
| Revenue from rent | 54,898 | 42,104 |
| Direct operating costs for investment property yielding rent income | -20,829 | -19,208 |
| Direct operating costs for investment real property not yielding rent income | -6,338 | |
| **Total:** | **27,731** | **22,896** |
| Amounts of restrictions on the realisation of economic benefits | | |
| Contractual purchase, construction or adaptation amounts | | |

| Investment real property according to the fair value hierarchy | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| I | | |
| II | 489,014 | 506,252 |
| III | | |
| **Total** | **489,014** | **506,252** |

IFRS 13 introduces a fair value determination hierarchy, based on three levels of obtaining input information. Three levels of fair value determination hierarchy.

Level one (I) contains input information from an active market and is treated as the source of most reliable data. Data from this level should be used whenever possible.

Level two (II) contains input information other than from an active market, which are however observable (objective, measurable). This level includes the following possible sources of information and data: quotations for similar assets and liabilities from an active market; quotations for the same or similar assets and liabilities from markets which are not active; markets other than quoted markets which are nevertheless observable (interest rates, credit spreads, etc.); other market-based information.

Level three (III) contains unobservable data used when information from the first two measurement levels cannot be obtained. This includes any measurements with subjective input data. IFRS 13 distinguishes three main fair value measurement methods: market approach; cost approach; flow approach.

## Note 3 Intangible assets

| Intangible asset ownership structure | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Own intangible assets | 5,261 | 5,822 |
| Intangible assets used under operating lease, rent, hire or similar | | |
| **Total** | **5,261** | **5,822** |
| Intangible assets pledged as hedging for liabilities | | |

| Costs of external financing capitalised in the value of intangible assets | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Interest | | |
| Foreign exchange differences | | |
| Other borrowing costs | | |
| **Total** | **-** | **-** |

Data does not exist.

| Intangible assets used under financial lease contracts | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Costs | 4,281 | 4,281 |
| Depreciation | -3,604 | -3,100 |
| **Total** | **677** | **1,180** |

Data does not exist.

| Intangible and legal assets | Costs of research and development | Goodwill | Plans and licenses | Other intangible assets | Advances for intangible assets | TOTAL |
|---|---|---|---|---|---|---|
| As of 01-01-2021 | | | | | | |
| Costs | | 13,026 | 6,756 | | 34 | 19,816 |
| Depreciation and revaluation write-downs | | -8,517 | -5,345 | | | -13,862 |
| Net book value | | 4,509 | 1,411 | | 34 | 5,954 |
| Increases | | | 234 | | | 234 |
| including revaluation surplus | | | | | | |
| Decreases | | | -366 | | | -366 |
| including changes in the accumulated amortisation | | | -366 | | | -366 |
| Exchange rate differences | | | | | | |
| As of 31-12-2021 | | | | | | |
| **Net book value** as of 01/01/2022 | - | 4,509 | 1,279 | - | 34 | 5,822 |
| Costs | | 4,509 | 6,701 | | 34 | 11,244 |
| Depreciation | | | -5,949 | | -34 | -5,983 |
| Revaluation write-downs | | | | | | |
| **Net book value** as of 31/12/2022 | - | 4,509 | 752 | - | - | 5,261 |
| **Costs** | | **4,509** | **6,701** | | **34** | **11,244** |
| Increases, including: | | | 78 | | | 78 |
| - acquisition | | | 44 | | | 44 |
| -acquisition subsidiaries | | | | | | |
| -revaluation surplus | | | | | | |
| -carry-over | | | | | | |
| - other | | | 34 | | | 34 |
| Decreases, including: | | | -1 | | | -1 |
| -sale | | | | | | |
| -reallocation to the group held for sale | | | | | | |
| - other | | | -1 | | | -1 |
| **Depreciation** | | | **-5,949** | | **-34** | **-5,983** |
| Increases, including: | | | -605 | | -34 | -639 |
| - amortisation | | | -606 | | | -606 |
| -acquisition subsidiaries | | | | | | |
| - other | | | | | -34 | -34 |
| Decreases | | | 1 | | | 1 |
| -sale | | | | | | |
| -reallocation to the group held for sale | | | | | | |
| -carry-over | | | | | | |
| - other | | | 1 | | | 1 |
| **Revaluation write-downs** | | | | | | |
| -revaluation write-downs | | | | | | |
| -reversals of revaluation write-downs | | | | | | |
| Foreign exchange differences | | | | | | |
| **Net value** | - | 4,509 | 752 | - | - | 5,261 |

The main component of intangible assets is the SAP system. The plan has a useful life of 20 years and its residual value is PLN 0.00.

Goodwill has been allocated to the relevant activity segments as cash-generating units. The impairment tests carried out for these units, based on discounted cash flows, indicated that the recoverable value of these assets was higher than their book value.

Cash flows have been designed on the basis of historical data and the best Management Board forecasts. The discount factors were selected on the basis of external sources and presented in the note corresponding to the report on activity segments.

**Note 4 Long-term financial assets (excluding trading receivables, assets measured using the equity method and cash and cash equivalents) and financial data of subsidiaries**

Shares in other entities are initially recognised at fair value plus transaction costs. In later periods they are recognised at fair value.

After the initial recognition, the Group measures all investments in equity instruments at fair value. For all the investments being set, the Group chose the option to present profits and losses on changes in fair value of equity instruments in other comprehensive income. If such a choice is made, profits and losses on the change in fair value are not subsequently reclassified to financial result when the investment is no longer disclosed. Impairment write-downs (and reversals of write-downs) in respect of equity investments measured at fair value through other comprehensive income are not presented on other changes in fair value.

Dividends from such investments are recognised in financial result when the Company's right to receive payment is established.

| Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Capital investments in subsidiaries | 316 | 316 |
| Other | 10,741 | 10,123 |
| **Total** | **11,057** | **10,439** |

| Other financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | in PLN thousand | | | |
|---|---|---|---|---|
| | As of: | Increases | Decreases | As of: |
| | 31/12/2021 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | 31/12/2022 |
| **Long-term financial assets** | **10,439** | **530** | **-** | **10,969** |
| **in related entities** | **316** | **-** | **-** | **316** |
| - shares | 316 | | | 316 |
| - loans granted | | | | |
| - other long-term financial assets | | | | |
| **in other entities** | **10,123** | **530** | **-** | **10,653** |
| - shares | 10,123 | | | 10,123 |
| - financial assets available for sale | | | | |
| - financial assets held to maturity | | | | |
| - assets under derivative instruments | | | | |
| - loans granted | | | | |
| - other long-term financial assets | | 530 | | 530 |
| **Short-term financial assets** | **40,073** | **88** | | **40,161** |
| **in subsidiaries and jointly controlled entities** | - | - | - | - |
| - shares available for trade | | | | |
| - other securities | | | | |
| - loans granted | | | | |
| - other short-term financial assets | | | | |
| **in associates** | **40,073** | | | **40,073** |
| - shares available for trade | | | | |
| - other securities | 40,073 | | | 40,073 |
| - loans granted | | | | |
| - other short-term financial assets | | | | |
| **in other entities** | | **88** | | **88** |
| - shares (listed) | | | | |
| - other shares | | | | |
| - financial assets measured at fair value by financial result | | | | |
| - financial assets available for sale | | | | |
| - financial assets held to maturity | | | | |
| - assets under derivative instruments | | | | |
| - loans granted | | | | |
| - other short-term financial assets | | 88 | | 88 |
| **Total** | **50,512** | **618** | **-** | **51,130** |

On 24/07/2021, JHM DEVELOPMENT S.A. purchased shares in HAKAMORE Sp. z o.o. w upadłości with its registered office in Warsaw (currently - Skierniewice) from the Official Receiver of the Company under the business name STAL-MET Nieczaj Sp. z o.o. w upadłości with its registered office in Słupsk. In the following months, the Company acquired most of the receivables of HAKAMORE Sp. z o.o., including, among others, the bonds issued by HAKAMORE Sp. z o.o. w upadłości.
HAKAMORE is the owner of 19.87 ha of land properties located in Łódź at ul. Politechniki, Wróblewskiego and Różana. The purpose of the purchase was to acquire attractive land for executing a development project.
On 8 October 2021, by decision of the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, JHM DEVELOPMENT S.A. was entered as a shareholder of HAKAMORE Sp. z o.o. w upadłości. In accordance with the decision, JHM DEVELOPMENT S.A. holds 60,100 shares with a total value of PLN 3,005,000.
Due to the fact that HAKAMORE Sp. z o.o. is currently in bankruptcy, JHM DEVELOPMENT S.A. does not control HAKAMORE Sp. z o.o. w upadłości as of the balance sheet date. Accordingly, the financial statements of HAKAMORE Sp. z o.o. w upadłości will not be consolidated as of 31/12/2021.
JHM DEVELOPMENT shall undertake all factual and legal actions aiming at legally ending the bankruptcy proceedings, and thus taking control over the financial and operating activities of HAKAMORE Sp. z o.o. w upadłości. The Management Board of the Company expects that the acquisition of control over HAKAMORE Sp. z o. o. w upadłości will take place in 2023.
Until the date of assuming control over HAKAMORE Sp. z o. o. w upadłości, the shares in the Company will be carried at cost. To verify the value of the shares as of the balance sheet date, an impairment test of these shares was performed.
According to HAKAMORE's 2021 financial statements, the entity's net asset value is PLN -2,764 thousand. In this report, the value of property owned by HAKAMORE Sp. z o.o. w upadłości was determined to be PLN 33,500 thousand which does not reflect its current market value.
As of 28/02/2022, the net market value of the property owned by HAKAMORE has been estimated by an appraiser at PLN 61,420 thousand. Taking into account the above estimation, the value of the property in question should be updated, and thus the net equity value of HAKAMORE should be higher by PLN 27,920 thousand, i.e. should amount to PLN 25,156 thousand.
Taking into account even the net value of the property for forced sale, which in the same report was estimated at PLN 49,136 thousand, the net equity value of HAKAMORE Sp. z o. o. w upadłości should amount to PLN 12,872 thousand.
The acquisition price of the shares amounted to PLN 10,123 thousand and is thus lower than the net equity of HAKAMORE Sp. z o.o. after taking into account the increase in value of the property owned by the company (even for a forced sale).
To the best knowledge of the Company's Management Board, the bankruptcy proceedings of HAKAMORE sp. z o. o. w upadłości will be discontinued in 2023. This will make it possible to execute a significant investment project on the land owned by HAKAMORE Sp. z o.o. w upadłości and thus to utilise the full potential of the property in question. Thus, in order to assess the value of assets and net capital of HAKAMORE Sp. z o. o. w upadłości, the Management Board of the Company relies on the market value of the property.

Under a bond sale agreement dated 08/10/2021, JHM DEVELOPMENT S.A. purchased bonds issued and outstanding at maturity issued by HAKAMORE Sp. z o.o. w upadłości with its registered office in Warsaw. The cost of purchasing the bonds amounted to PLN 40,073 thousand.
The Company purchased private market instruments representing 26,754 (twenty-six thousand, seven hundred and fifty-four) A series bonds issued by HAKAMORE Sp. z o.o. w upadłości with a nominal value of PLN 1,000.00 (one thousand).

The total value of receivables under the bonds as of the acquisition date amounted to PLN 39,327 thousand, which consisted of the nominal value of the bonds (PLN 26,754 thousand), the value of interest accrued as of the day before the declaration of bankruptcy of HAKAMORE Sp. z o.o. in the amount of PLN 6,579 thousand, and accrued interest on the bonds as of the date of the conclusion of the sales agreement in the amount of PLN 5,994 thousand. In addition, the Company acquired other receivables of HAKAMORE Sp. z o.o. with a total value of PLN 2,156 thousand.

HAKAMORE is the owner of 19.87 ha of land properties located in Łódź at ul. Politechniki, Wróblewskiego and Różana. As of 28/02/2022, the net market value of these properties was estimated by the appraiser at PLN 61,420 thousand, and PLN 49,136 thousand for the forced sale, estimated in the same report.
In an appraisal report prepared by a property valuer as of 15.03.2023. the total market value of the property was determined at PLN 71,008 thousand.

The total value of receivables of HAKAMORE Sp. z o.o. recognised by the Official Receiver on the list of receivables which were not purchased by JHM DEVELOPMENT S.A. amounts to PLN 2,227 thousand. The list of receivables was not approved by the judge commissioner.

Thus, in the event of the sale of the assets of HAKAMORE Sp. z o. o. w upadłości, the Company will have cash to cover all claims recognised on the list of claims, as well as all claims which JHM DEVELOPMENT S.A. has acquired.

The economic point of the above-described transactions was intended by the Company not to acquire shares or financial instruments in order to derive future economic benefits from their ownership, but to realise the business objective of acquiring ownership of a land property and expanding the land bank for the Company's main operational activities.

Therefore, the resulting difference between the value of the acquired bonds, shares in HAKAMORE Sp. z o.o. w upadłości and other receivables and the market value of the property is not subject to write-down at the balance sheet date.

| Basic financial data of the main directly controlled subsidiaries | JHM Development S.A | Kobylarnia S.A. | Marywilska 44 Sp. z o.o. | Mirbud Ukraina Sp. z o.o. |
|---|---|---|---|---|
| Total assets | 641,542 | 390,244 | 506,171 | |
| Long-term liabilities | 91,795 | 125,775 | 171,584 | |
| Short-term liabilities | 142,355 | 163,161 | 15,178 | |
| Equity | 407,045 | 101,308 | 319,408 | |
| Direct share in capital | 100.00% | 100.00% | 57.47% | 100.00% |
| Share in equity | 100.00% | 100.00% | 57.47% (direct and indirect share 100%) | |
| Sales revenue | 131,534 | 985,642 | 54,368 | |
| Net profit (loss) | 12,823 | 13,413 | -404 | |
| Total income for the net financial year | 12,823 | 13,413 | -404 | |
| Total net cash flows | -51,362 | 15,699 | 5,909 | |

| Basic financial data of main, indirectly controlled subsidiaries | JHM 1 Sp. z o.o. w likwidacji |
|---|---|
| Total assets | 10,201 |
| Long-term liabilities | |
| Short-term liabilities | 961 |
| Equity | 9,240 |
| Share in equity (direct and indirect) | 100.00% |
| Sales revenue | |
| Net profit (loss) | 46 |
| Total income for the net financial year | 46 |
| Total net cash flows | -13,712 |

Pursuant to a resolution of 02/12/2020 (Notarial Deed Repository A No. 11976/2020) of the Extraordinary General Meeting of Shareholders of Marywilska 44 sp. z o.o. share capital of Marywilska 44 sp. z o.o. was increased by a contribution made by the parent MIRBUD S.A.

Pursuant to the above resolution, the share capital of Marywilska 44 sp. z o.o. was increased by PLN 78,250 thousand, increasing the number of shares by 1,565,000 pcs. The shares in the increased share capital were fully covered with a cash contribution in the amount of PLN 156,500,000.00. The surplus over the total nominal value of the shares, in the amount of PLN 78,250 thousand, was transferred to the supplementary capital of Marywilska 44 Sp. z o.o. The share capital increase was registered in the National Court Register on 10/06/2021 in an incorrect manner, inconsistently with the Company's request and the actual state of affairs regarding the amount of the share capital, the amount of capital contributed by individual shareholders. The Company's Management Board has filed appropriate petitions to correct the error.

On 31/08/2021, the Management Board was informed that the increased share capital was duly registered on 10/06/2021 by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register. The Company's share capital amounts to PLN 148,250,000.00. This value consists of:

- **1,565,000 shares with a nominal value of PLN 50 each**, making a total of PLN 78,250,000 - shares owned by MIRBUD S.A. Share of MIRBUD S.A. in the Company's share capital will be: 53.88%.
- **1,339,800 shares with a nominal value of PLN 50 each**, making a total of PLN 66,990,000 - shares owned by JHM DEVELOPMENT S.A. Share of JHM DEVELOPMENT S.A. in the Company's share capital will be: 46.12%.

The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00.

Accordingly, the Issuer assumed that the acquisition of control over Marywilska 44 sp. z o.o. took place on 1 July 2021.

Thus, as of 01/07/2021 JHM Development S.A. lost control over a directly controlled subsidiary.

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilska 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. The capital for the capital increase was fully contributed and an application was submitted on 28 December 2021 to register the above-described capital increase.

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 - Marywilska 44 Sp. z o.o. The entry was made on 5 April 2022 the issuer has acquired 1,810,200 shares

in the share capital of Marywilska 44 Sp. z o.o. with a total value of PLN 90,510,000.00, which constitutes 57.47% of the share capital of Marywilska 44 Sp. z o.o.

The funds from the capital increase were used to purchase retail and service properties located in Starachowice and Rumia, respectively, from MIRBUD Capital Group entities.

**Note 5 Investments measured using the equity method**

Neither in the current nor in the previous reporting period did the item occur.

**Note 6 Trading and other receivables**

| Trading and other receivables | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Long-term receivables** | **3,576** | **5,961** |
| trade receivables from related entities | | |
| trade receivables from other entities | | |
| other receivables from related entities | | |
| other receivables from other entities | 3,576 | 5,961 |
| **Short-term receivables** | **575,460** | **497,997** |
| trade receivables from related entities | | |
| trade receivables from other entities | 438,975 | 397,512 |
| retained amounts under execution of contracts from related entities | | |
| retained amounts under execution of contracts from other entities | 55,556 | 47,306 |
| other receivables from related entities | | |
| other receivables from other entities | 2,640 | 5,772 |
| amounts transferred for deliveries | 22,884 | 34,132 |
| budget receivables except for corporate income tax settlements | 1,046 | 8,392 |
| disputed receivables brought before the court | 3,996 | 4,883 |
| accrual of receivables under settlement of long-term contracts | 50,364 | |
| **Total** | **579,037** | **503,958** |

| Age structure of receivables | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Gross trade receivables** | **603,592** | **527,626** |
| **not past due, including:** | **393,334** | **372,964** |
| payable up to 1 month | 256,269 | 225,923 |
| payable from 1 to 3 months | 77,932 | 93,774 |
| payable from 3 to 12 months | 55,556 | 47,306 |
| payable from 1 to 5 years | 3,576 | 5,961 |
| **past due, including:** | **210,258** | **154,662** |
| past due up to 1 month | 32,391 | 59,529 |
| past due from 1 to 3 months | 25,631 | 47,350 |
| past due from 3 to 6 months | 87,584 | 22,485 |
| past due from 6 to 12 months | 37,980 | 2,859 |
| past due over 12 months | 26,672 | 22,439 |
| receivables in respect of which credit risk has significantly increased | -2,087 | -1,413 |
| receivables revaluation write-down | -22,468 | -22,255 |
| **Net trade receivables** | **579,037** | **503,958** |

With reference to the table above, as of the date of publication of the financial statements, PLN 66,979 thousand was settled out of the range of overdue receivables.

| Receivables revaluation write-downs | Trade receivables | Disputed receivables | Other | Total |
|---|---|---|---|---|
| **As of 01-01-2021** | **-22,193** | - | **-2,594** | **-8,580** |
| Increases | -2,152 | | -242 | -2,394 |
| Releases | 276 | | 607 | 883 |
| Utilisation | 2,630 | | | 2,630 |
| **As of 31-12-2021** | **-21,439** | - | **-2,229** | **-23,668** |
| Increases | -403 | | -1,443 | -1,847 |
| Releases | 401 | | 380 | 781 |
| Utilisation | 179 | | | 179 |
| **as of 31-12-2022** | **-21,262** | - | **-3,293** | **-24,555** |

**Revaluation write-downs in respect of credit losses.**

The Company uses a simplified write-down matrix to calculate expected credit losses. In order to determine expected credit losses, trade receivables were grouped based on probability of credit risk characteristics and past due bands. The Company states that it has one hegemonic group of receivables.

The liability default rate was established on the basis of historical data from 2020 to 2022.

The recoverability is estimated on the basis of historical data as the balance includes a group of dispersed items grouped according to the probability of credit risk and customer behaviour in the past.

A further adjustment is then made to take account of the impact of future factors not reflected in the historical data.

The liability default rate established as of 31/12/2022 is: 2
- for non-matured receivables - 0.02%
- for receivables past due up to 1 month - 0.03%
- for receivables past due from 1 month to 3 months - 0.07%
- for receivables past due from 3 to 6 months - 0.23%
- for receivables past due from 6 to 12 months - 0.69%
- for receivables past due over 12 months - 97.20%

As of 31/12/2022, the Group has recognised a write-down for potential credit risk in the amount of PLN 2,087 thousand.

## Note 7 Biological assets

Neither in the current nor in the previous reporting period did the item occur.

## Note 8 Other assets not elsewhere classified (including prepayments and accruals)

| Other assets | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Other long-term assets** | **419** | **47** |
| Long-term cost prepayments | 419 | 47 |
| Other long-term assets not elsewhere classified | | |
| **Other short-term assets** | **2,234** | **3,860** |
| Short-term cost prepayments | 2,234 | 3,860 |
| Other short-term assets not elsewhere classified | | |
| **Total** | **2,654** | **3,907** |

## Note 9 Inventories

| Inventories | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Materials | 9,511 | 9,073 |
| Semi-finished products and work in progress | 221,963 | 177,872 |
| Finished products | | |
| Goods | 105,591 | 96,080 |
| Completed development contracts | 55,845 | 33,130 |
| **Total** | **392,911** | **316,155** |

| Inventory revaluation write-downs | Materials | Semi-finished products and work in progress | Finished products | Goods |
|---|---|---|---|---|
| **As of 01-01-2021** | - | - | - | - |
| Increases | | | | |
| Releases | | | | |
| Utilisation | | | | |
| **As of 31-12-2021** | - | - | - | - |
| Increases | | | | |
| Releases | | | | |
| Utilisation | | | | |
| **as of 31-12-2022** | - | - | - | - |

There were no circumstances indicating the need to make revaluation write-downs on inventories.

## Note 10 Cash and cash equivalents

| Cash and cash equivalents | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Cash on hand and with banks | 435,587 | 295,347 |
| Term deposits | 59,026 | 127,915 |
| Other monetary assets | 12,947 | 44,515 |
| **Total** | **507,560** | **467,776** |

Term deposits in the amount of PLN 40,803 thousand are interest-bearing cash constituting a hedge for proper execution of construction contracts, obtained from advances of MIRBUD S.A. investors.

The term deposit in the amount of PLN 1,100 thousand constitutes interest-bearing funds used as hedging for the Marywilska 44 company's credit contract.

Term deposits in the amount of PLN 15,342 thousand represent cash of JHM Development S.A., of which PLN 10,300 thousand comes from the return of cash contributions to shareholders from the liquidated company, JHM 2 Sp. z o.o.

Other cash assets are funds accumulated on individual housing accounts by purchasers of residential units for property development investments in the course of construction.

As a result, they are limited in their use.

write-downs for impairment of cash and cash equivalents have been determined individually for each balance relating to a given financial institution. External rankings of banks and publicly available information on the default rates for individual rankings were used to assess credit risk. The analysis showed that these assets have a low credit risk as of the reporting date. The Company used the simplification allowed by the standard and the impairment write-down determined on the basis of 12-months' credit losses.

## Note 11 Fixed assets held for sale and liabilities related to them

Neither in the current nor in the previous reporting period did the item occur.

## Note 12 Capitals

| Capitals and liabilities | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Share capital | 9,174 | 9,174 |
| Issue price surplus over nominal value of shares | | |
| Other reserve capitals | 220,499 | 220,499 |
| Retained profit attributable to the shareholders of the parent/supplementary capital, including: | 452,316 | 352,608 |
| *Profit/loss in the reporting period* | *119,195* | *128,010* |
| **Equity attributable to shareholders of the parent company/supplementary capital** | **681,989** | **582,281** |
| Capital attributable to non-controlling shares | | |
| **Total** | **681,989** | **582,281** |

Pursuant to a resolution of 02/12/2020 (Notarial Deed Repository A No. 11976/2020) of the Extraordinary General Meeting of Shareholders of Marywilska 44 sp. z o.o. share capital of Marywilska 44 sp. z o.o. was increased by a contribution made by the parent MIRBUD S.A.

Pursuant to the above resolution, the share capital of Marywilska 44 sp. z o.o. in 2021 was increased by PLN 78,250 thousand, increasing the number of shares by 1,565,000 pcs. The shares in the increased share capital were fully covered with a cash contribution in the amount of PLN 156,500,000.00. The surplus over the total nominal value of the shares, in the amount of PLN 78,250 thousand, was transferred to the supplementary capital of Marywilska 44 Sp. z o.o.

The share capital increase was registered in the National Court Register on 10/06/2021 in an incorrect manner, inconsistently with the Company's request and the actual state of affairs regarding the amount of the share capital, the amount of capital contributed by individual shareholders. The Company's Management Board has filed appropriate petitions to correct the error.

On 31/08/2021, the Management Board was informed that the increased share capital was duly registered on 10/06/2021 by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register. The Company's share capital amounts to PLN 148,250,000.00. This value consists of:

- **1,565,000 shares with a nominal value of PLN 50 each**, making a total of PLN 78,250,000 - shares owned by MIRBUD S.A. Share of MIRBUD S.A. in the Company's share capital will be: 53.88%.
- **1,339,800 shares with a nominal value of PLN 50 each**, making a total of PLN 66,990,000 - shares owned by JHM DEVELOPMENT S.A. Share of JHM DEVELOPMENT S.A. in the Company's share capital will be: 46.12%.

The difference in the value of the shares results from the redemption of shares with a nominal value of PLN 3,010,000.00.

Accordingly, the Issuer assumed that the acquisition of control over Marywilska 44 sp. z o.o. took place on 1 July 2021.

On 17 November 2021, the Extraordinary Meeting of Shareholders of Marywilska 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. The capital for the capital increase was fully contributed and an application was submitted on 28 December 2022 to register the above-described capital increase. As of the date of publication of this report, the Issuer has not received a court decision on the capital increase. The funds from the capital increase were used to purchase retail and service properties located in Starachowice and Rumia, respectively, from MIRBUD Capital Group entities.

### Reserve capital

| Other reserve capitals | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Other capital attributable to equity holders of the parent entity, including: | 220,499 | 220,499 |
| *Total other comprehensive income - issue of shares* | *220,499* | *220,499* |
| **Total** | **220,499** | **220,499** |

| Share capital structure | Number of shares | Value of capital | share nominal value | Registration date | Method of coverage |
|---|---|---|---|---|---|
| | thousand pieces | in PLN thousand | in PLN | dd/mm/yyyy | |
| Ordinary A series shares | 19,500 | 1,950 | 0.10 | 22/12/2006 | Contribution in cash |
| Ordinary B series shares | 14,625 | 1,463 | 0.10 | 22/12/2006 | Contribution in cash |
| Ordinary C series shares | 2,264 | 226 | 0.10 | 22/12/2006 | Contribution in cash |
| Ordinary D series shares | 3,611 | 361 | 0.10 | 22/12/2006 | Contribution in cash |
| Ordinary E series shares | 5,000 | 500 | 0.10 | 11/12/2019 | Contribution in cash |
| Ordinary F series shares | 10,000 | 1,000 | 0.10 | 03/03/2010 | Contribution in cash |
| Ordinary G series shares | 10,000 | 1,000 | 0.10 | 19/05/2010 | Contribution in cash |
| Ordinary H series shares | 10,000 | 1,000 | 0.10 | 18/08/2010 | Contribution in cash |
| Ordinary I series shares | 7,493 | 749 | 0.10 | 25/06/2014 | Contribution in cash |
| Ordinary J series shares | 2,874 | 287 | 0.10 | 11/09/2019 | Contribution in cash |
| Ordinary K series shares | 6,378 | 638 | 0.10 | 30/09/2019 | Contribution in cash |
| **Total at the beginning of the period** | **91,744** | **9,174** | - | - | - |
| **Total at the end of the period** | **91,744** | **9,174** | - | - | - |
| **Total as of the date of approval of financial statements for publication** | **91,744** | **9,174** | - | - | - |

| Share capital structure | Jerzy Mirgos | Nationale-Nederlanden OFE | Other shareholders |
|---|---|---|---|
| **As of 31-12-2021** | | | |
| Owned ordinary shares | 41,271,064 | 10,281,000 | 40,192,136 |
| Preference shares held | | | |
| Share in capital | 44.99% | 11.21% | 43.81% |
| Share in profit | 44.99% | 11.21% | 43.81% |
| Share in voting | 44.99% | 11.21% | 43.81% |
| **As of 31-12-2022** | | | |
| Owned ordinary shares | 41,600,000 | 9,171,000 | 40,973,000 |
| Preference shares held | | | |
| Share in capital | 45.34% | 10.00% | 44.66% |
| Share in profit | 45.34% | 10.00% | 44.66% |
| Share in voting | 45.34% | 10.00% | 44.66% |
| **Balance as of the date of approval of financial statements for publication** | | | |
| Owned ordinary shares | 41,600,000 | 9,221,837 | 40,922,363 |
| Preference shares held | | | |
| Share in capital | 45.34% | 10.05% | 44.61% |
| Share in profit | 45.34% | 10.05% | 44.61% |
| Share in voting | 45.34% | 10.05% | 44.61% |

## Note 13 Provisions

| Provisions | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Long-term provisions** | **7,434** | **6,134** |
| provisions for retirement benefits | 673 | 588 |
| other long-term provisions | 6,761 | 5,546 |
| **Short-term provisions** | **4,596** | **5,497** |
| provisions for retirement benefits | 435 | 1,183 |
| provisions for warranty repairs | 2,081 | 1,054 |
| provisions for losses under settlements of long-term contracts | | |
| other short-term provisions | 2,081 | 3,260 |
| **Total** | **12,030** | **11,632** |

## Note 14 Financial liabilities excluding provisions, liabilities and other payables

| Bank loans and credits and other debt instruments | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Long-term financial liabilities, except for provisions, trading liabilities and other liabilities** | **395,325** | **366,721** |
| Financial liabilities due to related entities | | |
| Loans and credits from other entities | 161,294 | 128,705 |
| Liabilities under derivative instruments | | |
| Issued debt securities | 62,070 | 62,070 |
| Liabilities under financial lease | 40,860 | 31,713 |
| Other | 131,101 | 144,233 |
| *including liability resulting from measurement of long-term lease agreements in accordance with IFRS 16* | *130,813* | *143,730* |
| **Short-term financial liabilities, except for provisions, trading liabilities and other liabilities** | **53,012** | **90,391** |
| Financial liabilities due to related entities | | |
| Loans and credits from other entities | 29,928 | 76,555 |
| Liabilities under derivative instruments | | |
| Issued debt securities | 233 | 144 |
| Liabilities under financial lease | 17,103 | 13,693 |
| Other | 5,748 | |
| including liability resulting from measurement of long-term lease agreements in accordance with IFRS 16 | 5,523 | |
| **Total** | **448,337** | **457,112** |

| Debt instruments structure | in PLN thousand | | | | | |
|---|---|---|---|---|---|---|
| | loans and credits | Liabilities under derivative instruments | Issued debt securities | Liabilities under financial lease | Other | Total |
| **as of 01/01/2021** | **183,594** | **-** | **13,519** | **37,352** | **138,330** | **372,795** |
| Accrued interest | 7,368 | | 850 | 1,183 | 9,075 | 18,476 |
| Interest paid | -7,368 | | -706 | -1,183 | -9,075 | -18,332 |
| Drawdown | 146,542 | | 49,959 | 22,069 | | 218,571 |
| Repayment | -123,108 | | -1,449 | -13,640 | -5,461 | -143,657 |
| Average liability level | 194,427 | | 37,867 | 41,379 | 141,532 | 415,205 |
| Real interest rate | 3.79% | | 2.24% | 2.86% | 6.41% | 4.45% |
| **as of 31/12/2021** | **205,260** | | **62,214** | **45,405** | **144,233** | **457,112** |
| minimum payments up to 1 month | 2,309 | | | 1,202 | 510 | 3,510 |
| minimum payments from 1 to 3 months | 11,406 | | | 3,574 | 1,029 | 14,980 |
| minimum payments from 3 to 12 months | 14,098 | | 144 | 9,322 | 1,566 | 23,564 |
| minimum payments within 1 year | 27,813 | | 144 | 14,097 | 3,210 | 45,264 |
| minimum payments within 1 to 5 years | 177,447 | | 61,885 | 31,308 | 29,924 | 300,564 |
| minimum payments over 5 years | 10,841 | | | 1,474 | 107,491 | 119,806 |
| interest due up to 1 year | 7,779 | | | 1,298 | 9,265 | 18,341 |
| interest due from 1 to 5 years | 31,115 | | 11,930 | 5,192 | 37,058 | 85,295 |
| interest due over 5 years | 1,054 | | | | 7,342 | 8,397 |
| Approximate fair value | 216,101 | | 73,959 | 46,879 | 196,885 | 448,608 |
| **as of 01/01/2022** | **205,260** | | **62,214** | **45,405** | **144,233** | **457,112** |
| Accrued interest | 12,516 | | 7,344 | 3,697 | 9,449 | 33,006 |
| Interest paid | -12,516 | | -6,862 | -3,697 | -9,449 | -32,524 |
| Drawdown | 78,917 | | 41 | 28,059 | | 107,017 |
| Repayment | -96,636 | | | -15,500 | -6,338 | -120,316 |
| Average liability level | 198,241 | | 62,070 | 51,684 | 140,033 | 452,029 |
| Real interest rate | 6.31% | | 11.83% | 7.15% | 6.75% | 7.30% |
| **as of 31/12/2022** | **191,223** | **-** | **62,303** | **57,963** | **136,849** | **448,337** |

| | | | | | | |
|---|---|---|---|---|---|---|
| minimum payments up to 1 month | 1,521 | | | 1,565 | 441 | 3,085 |
| minimum payments from 1 to 3 months | 4,327 | | 3,017 | 4,691 | 892 | 12,035 |
| minimum payments from 3 to 12 months | 12,777 | | 9,053 | 11,805 | 4,190 | 33,635 |
| minimum payments within 1 year | 18,625 | | 12,070 | 18,061 | 5,523 | 54,279 |
| minimum payments within 1 to 5 years | 172,598 | | 50,000 | 39,902 | 28,061 | 290,561 |
| minimum payments over 5 years | 9,440 | | | | 102,752 | 112,192 |
| interest due up to 1 year | 12,073 | | 32,653 | 4,146 | 12,429 | 61,301 |
| interest due from 1 to 5 years | 48,291 | | 12,084 | 16,585 | 43,608 | 120,568 |
| interest due over 5 years | 1,176 | | | | 44,425 | 45,601 |
| Approximate fair value | 200,663 | | 103,790 | 57,963 | 136,336 | 540,368 |

**B series bonds**

On 14/08/2018, following the reduction of the subscriptions, the Management Board of JHM DEVELOPMENT S.A., by virtue of Resolution No. XVI/2018, allotted 10,500 B series ordinary bearer Bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 10.5 million. The issue price of the Bonds was equal to the nominal value. The Issue Day was 14/08/2018.

The Bonds were issued pursuant to the procedure specified in Article 33(2) of the Bond Act of 15 January 2015 and were addressed to no more than 149 individually designated addressees in a manner which does not constitute a public offering of bonds or a public bond offering referred to in Article 3 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Therefore, there was no requirement to draw up or make available to the public a prospectus or an information memorandum.

In order to hedge the Bonds, on 14/08/2018 the Issuer submitted a declaration on the establishment of hedging for the receivables under the Bonds in the form of a mortgage on the constructed premises, and the joint mortgage was registered by the court in the land and mortgage registers of the real properties hedging the Bonds.

The interest rate on the Bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. The Bonds redemption date was set at 14/08/2021. The transferability of Bonds is not subject to any restrictions.

On 08/11/2018, the Issuer introduced B series Bonds to trading in the alternative trading system on the Catalyst market organised by the Warsaw Stock Exchange and BondSpot S.A.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and planned property development projects of the Issuer, including financing of land purchase for new property development projects of the Issuer.

PLN 9.0 million was allocated for a property development project in Łódź at ul. Jugosłowiańska, for the purchase of a building plot in Żyrardów at ul. Ks. J. Popiełuszki: PLN 914 thousand, and for payment for construction works in Katowice at ul. Pułaskiego: PLN 282

As of 31/12/2020, the Issuer made an early partial redemption of 9,059 B series bonds as part of the Bond Periodic Amortisation.

**C series bonds**

On 30 June 2020, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice adopted Resolution No. X/2020 on the allocation of 7,000 C series unsecured bearer rate bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 7.0 million. The issue price of the Bonds is equal to the nominal value. The Issue Day was 30/06/2020.

The issue of the bonds was effected by means of a bid conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public bid for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which there is no obligation to publish a prospectus.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and planned property development projects of the Issuer, including financing of land purchase for new property development projects of the Issuer.

The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling in the 11th, 12th and 13th interest periods, the Issuer will be required to unconditionally partially redeem 25% of the total number of issued Bonds.

The final redemption date was set for 30/12/2023. The transferability of the bonds is not subject to any restrictions.

**D series Bonds**

On 14 October 2020, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice adopted Resolution No. XIV/2020 on the allocation of 5,070 D series unsecured bearer rate bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 5.07 million. The issue price of the Bonds is equal to the nominal value. The Issue Day was 16/10/2020.

The issue of the bonds was effected by means of a bid conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public bid for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which there is no obligation to publish a prospectus.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and planned property development projects of the Issuer, including financing of land purchase for new property development projects of the Issuer.

The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling in the 10th, 11th and 12th interest periods, the Issuer will be required to each time unconditionally partially redeem 25% of the total number of issued Bonds.

The final redemption date was set for 30/12/2023. The transferability of the bonds is not subject to any restrictions.

**E series bonds**

On 26 November 2021, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice, by way of Resolution No. XXV/2021 concerning the allocation of 50,000 E series secured bearer coupon bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 50.0 million, made a conditional allocation of E series bonds. The condition for the effective allocation of the Bonds to investors was the settlement of the Bonds purchase transaction by the National Depository for Securities in the delivery versus payment mode. The issue price of the Bonds is equal to the nominal value. The Issue Day is 17/12/2021.

**The Bonds were offered in the manner provided for in Article 33(1) of the Bond Act, i.e. by way of a public offering, the conduct of which does not involve the obligation to draw up a prospectus pursuant to Article 1(4)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the offering was addressed solely to qualified investors).**

Funds from the issue shall be earmarked for execution of new residential projects, including purchase of land and for financing and/or refinancing of a Permitted Transaction, where a Permitted Transaction means actual and legal actions taken by the Issuer which are intended to lead, directly or indirectly, to the purchase by the Issuer of the perpetual usufruct right to property situated in Łódź and the ownership right to property situated in Łódź, including in particular:

a) purchase of shares in Hakamore sp. z o.o. w upadłości;

b) purchase from Hakamore creditors the claims of such creditors against the company, including bonds, or cause the funds necessary to satisfy all creditors to be made available to Hakamore; and

c) causing the discontinuation of bankruptcy proceedings against Hakamore; and then

d) concluding with Hakamore, after the end of bankruptcy proceedings, a contract for the sale of property pursuant to which the sales price or a part of the sales price of property may be settled by contractual deduction of the Issuer's receivables due to Hakamore and acquired from previous creditors with HKM's receivables due to the Issuer for payment of the sales price of property.

The interest rate on the bonds is variable, based on WIBOR 6M plus margin. Interest will be paid on a semi-annual basis. On the interest payment dates falling on 17/12/2024 and 17/06/2025, the Issuer will be required to each time unconditionally partially redeem 10% of the total number of issued Bonds. The final redemption date was set for 17/12/2025. The transferability of the bonds is not subject to any restrictions.

On 30 March 2023 JHM Development S.A. redeemed 25% of the total number of issued Series C and D Bonds, i.e. 3,017 pcs. The redemption of the Bonds and the payment of the interest due took place in accordance with the Terms of Issue.

**Liabilities under credits and loans owned by MIRBUD S.A. as of 31/12/2022**

| 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 |
| **Total credits and loans** | | | | **99,490** | **24,766** | **124,256** | | |

As of 31/12/2022 the value of credits and loans has been measured at amortised cost. As a result of the measurement, the value of liabilities under credits and loans was increased by PLN 4,426 thousand.

### Liabilities under credits and loans of the Companies from the MIRBUD S.A. Group as of 31/12/2022

| 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 |
|---|---|---|---|---|---|---|---|---|
| Bank Spółdzielczy | JHM Development S.A. | 8,823 | PLN | 6,992 | 365 | WIBOR 3M + margin | 31/12/2034 | mortgage on property |
| Bank Polskiej Spółdzielczości S.A. | JHM Development S.A. | 28,445 | PLN | 14,760 | | WIBOR 3M + margin | 30/06/2025 | mortgage on property |
| Bank Ochrony Środowiska S.A. | JHM Development S.A. | 31,900 | PLN | 11,290 | | WIBOR 1M + margin | 30/06/2024 | mortgages on property |
| SANTANDER BANK POLSKA S.A. | MARYWILSKA 44 sp. z o.o. | 33,000 | PLN | 15,397 | 3,486 | WIBOR 3M + margin | 02/05/2028 | cash deposit, assignment of receivables, registered pledge of a bank account, surety, mortgage |
| SANTANDER BANK POLSKA S.A. | MARYWILSKA 44 sp. z o.o. | 1,342 | EUR | 5,213 | 687 | EURIBOR 3M + margin | 30/10/2030 | assignment of receivables, registered pledge on bank account, mortgage |
| BGK | Kobylarnia S.A. | 6,212 | PLN | 3,727 | 621 | WIBOR 1M + margin | 31/12/2029 | mortgage, surety of MIRBUD |
| **Total credits and loans** | | | | **57,379** | **5,159** | **62,538** | | |

**Liabilities under credits and loans owned by MIRBUD S.A. as of 31/12/2021**

| 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. | 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 |
| **Total credits and loans** | | | | **49,110** | **69,551** | **118,661** | | |

As of 31/12/2021, the value of credits and loans has been measured at amortised cost. As a result of the measurement, the value of liabilities under credits and loans was reduced by PLN 1,530 thousand of liabilities overdue up to 1 month were repaid.

**Liabilities under credits and loans of the Companies from the MIRBUD S.A. Group as of 31/12/2021**

| 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 |
|---|---|---|---|---|---|---|---|---|
| SANTANDER BANK POLSKA S.A. | JHM Development S.A. | 48,291 | PLN | 38,762 | | WIBOR 1M + margin | 04/11/2023 | mortgage on property |
| Bank Spółdzielczy | JHM Development S.A. | 8,823 | PLN | 7,470 | 401 | WIBOR 3M + margin | 31/12/2034 | mortgage on property |
| SANTANDER BANK POLSKA S.A. | JHM Development S.A. | 2,000 | PLN | 388 | | WIBOR 1M + margin | 04/11/2023 | mortgage on property |
| Bank Polskiej Spółdzielczości S.A. | JHM Development S.A. | 19,580 | PLN | 3,288 | | WIBOR 3M + margin | 30/12/2023 | mortgage on property |
| SANTANDER BANK POLSKA S.A. | JHM 1 Sp. z o.o. | 2,350 | EUR | 0 | 6,384 | EURIBOR + margin | 31/10/2030 | mortgage, sureties of MIRBUD |
| Bank Ochrony Środowiska S.A. | JHM Development S.A. | 31,900 | PLN | 319 | | WIBOR 3M + margin | 30/06/2024 | mortgages on property |
| Warszawski Bank Spółdzielczy | JHM Development S.A. | 7,800 | PLN | 1,790 | | WIBOR 3M + margin | 30/06/2023 | mortgage on property |
| SANTANDER BANK POLSKA S.A. | MARYWILSKA 44 sp. z o.o. | 33,000 | PLN | 18,593 | 3,486 | WIBOR 3M + margin | 02/05/2028 | cash deposit, assignment of receivables, registered pledge of a bank account, surety, mortgage |
| SANTANDER BANK POLSKA S.A. | MARYWILSKA 44 sp. z o.o. | 1,400 | PLN | | | WIBOR 1M + margin | 30/12/2022 | assignment of receivables, registered pledge on bank account |
| BGK | Kobylarnia S.A. | 15,000 | PLN | | | WIBOR 3M + margin | 30/11/2021 | mortgage, surety of MIRBUD |
| BGK | Kobylarnia S.A. | 6,212 | PLN | 4,348 | 621 | WIBOR 1M + margin | 31/12/2029 | mortgage, surety of MIRBUD |
| **Total credits and loans** | | | | **74,958** | **10,892** | **85,850** | | |

## Note 15. Trading and other liabilities

| Trading and other liabilities | in PLN PLN | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Long-term liabilities** | **211,344** | **272,678** |
| Trade liabilities to related entities | | |
| retained amounts to related entities | | |
| Other liabilities due to related entities | | |
| Trade liabilities to other entities | | |
| Retained amounts to other entities | 91,217 | 97,646 |
| Advance payments received | 120,127 | 175,032 |
| Other liabilities due to other entities | | |
| **Short-term liabilities** | **847,200** | **673,286** |
| Trade liabilities to related entities | | |
| retained amounts to related entities | | |
| Other liabilities due to related entities | | |
| Trade liabilities to other entities | 351,540 | 376,350 |
| Liabilities under settlement of long-term contracts | 136,300 | 89,627 |
| Advance payments received | 187,977 | 107,514 |
| Bills of exchange liabilities | | |
| Budget liabilities except for corporate income tax settlements | 22,879 | 29,808 |
| Remuneration settlements | 6,640 | 5,221 |
| Retained amounts to other entities | 141,104 | 62,661 |
| Other liabilities due to other entities | 759 | 2,106 |
| **Total** | **1,058,544** | **945,964** |

As of 31/12/2022, the amount of liability due to advances received on account of executed road contracts amounted to PLN 192,717 thousand thousand of liabilities overdue up to 1 month were repaid.

| Age structure of liabilities | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Trade liabilities** | **1,058,544** | **945,964** |
| **not overdue** | **1,032,021** | **937,245** |
| payable up to 1 month | 402,466 | 417,319 |
| payable from 1 to 3 months | 89,129 | 77,074 |
| payable from 3 to 12 months | 329,081 | 170,175 |
| payable from 1 to 5 years | 211,344 | 272,678 |
| past due up to 1 month | 25,160 | 8,367 |
| past due from 1 to 3 months | 1,363 | 352 |
| past due from 3 to 6 months | | |
| past due from 6 to 12 months | | |
| past due over 12 months | | |
| **Total overdue** | **26,523** | **8,719** |

At the date of publication of the consolidated financial statements, PLN 24,035 thousand of the range of overdue liabilities had been repaid.

## Note 16 Other current liabilities and provisions not elsewhere classified (including accruals and prepayments)

| Other liabilities and provisions not classified, including accruals and prepayments | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Long-term** | - | - |
| Revenue settled in time | | |
| Cost prepayments | | |
| Other items | | |
| **Short-term** | **1,020** | **1,128** |
| Revenue settled in time | | |
| Cost prepayments | 1,020 | 1,128 |
| Other items | | |
| **Total** | **1,020** | **1,128** |

## Note 17 Sales revenue

| Structure of sales revenue | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Net revenue from sales of products and services | **3,284,401** | **2,436,725** |
| - to related entities | | |
| - to other entities | 3,284,401 | 2,436,725 |
| **Net revenue from sales of goods** | **8,637** | **11,712** |
| - to related entities | | |
| - to other entities | 8,637 | 11,712 |
| **Net revenue from sales of materials** | **26,291** | **57,132** |
| - to related entities | | |
| - to other entities | 26,291 | 57,132 |
| **Total** | **3,319,329** | **2,505,568** |

| Geographical structure of sales revenue | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Net revenue from sales of products and services | **3,284,401** | **2,436,725** |
| - domestic sales | 3,284,401 | 2,436,725 |
| - export sale | | |
| **Net revenue from sales of goods** | **8,637** | **11,712** |
| - domestic sales | 8,637 | 11,712 |
| - export sale | | |
| **Net revenue from sales of materials** | **26,291** | **57,132** |
| - domestic sales | 26,291 | 57,132 |
| - export sale | | |
| **Total** | **3,319,329** | **2,505,568** |

| Settlement of profits or losses on long-term services in progress | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Revenue invoiced for services in progress | 3,370,337 | 2,526,352 |
| Adjustment of revenue under the settlement of the progress of construction services | -85,937 | -89,627 |
| Total | 3,284,401 | 2,436,725 |
| Costs incurred for services in progress | -3,016,220 | -2,209,276 |
| Adjustment of costs under the settlement of the progress of construction services | | |
| Total | -3,016,220 | -2,209,276 |
| Losses on contracts in progress | | |
| **Impact on the current financial result** | **-85,937** | **-89,627** |
| **Impact on the accumulated results of contracts unfinished as of the balance-sheet date** | **268,180** | **227,448** |

In the construction industry there is a seasonality of annual sales resulting from the production processes taking place in the construction industry and from the cycle on the construction and assembly services market. Due to technological and atmospheric conditions, the majority of construction works are carried out in the period from March to November. Possible delays resulting from atmospheric conditions are assumed in the investment implementation schedules and do not threaten their timely completion.

## Note 18 Own cost of sales

| Own costs of sales | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Production cost of products sold** | **-3,016,220** | **-2,209,276** |
| - to related entities | | |
| - to other entities | -3,016,220 | -2,209,276 |
| **Value of goods sold** | **-7,792** | **-11,054** |
| - to related entities | | |
| - to other entities | -7,792 | -11,054 |
| **Value of materials sold** | **-24,833** | **-53,638** |
| - to related entities | | |
| - to other entities | -24,833 | -53,638 |
| Total | -3,048,846 | -2,273,968 |

| Own costs of sales | in PLN thousand | |
|---|---|---|
| | For the period: from 01/01/2022 to 31/12/2022 | For the period: from 01/01/2021 to 31/12/2021 |
| **Production cost of products sold** | **-3,016,220** | **-2,209,276** |
| - own costs of domestic sales | -3,016,220 | -2,209,276 |
| - own costs of export sales | | |
| **Value of goods sold** | **-7,792** | **-11,054** |
| - own costs of domestic sales | -7,792 | -11,054 |
| - own costs of export sales | | |
| **Value of materials sold** | **-24,833** | **-53,638** |
| - own costs of domestic sales | -24,833 | -53,638 |
| - own costs of export sales | | |
| **Total** | **-3,048,846** | **-2,273,968** |

| Cost structure by types | in PLN thousand | |
|---|---|---|
| | For the period: from 01/01/2022 to 31/12/2022 | For the period: from 01/01/2021 to 31/12/2021 |
| Amortisation | -16,067 | -13,429 |
| Consumption of materials and energy | -699,525 | -401,282 |
| Outsourced services | -2,253,216 | -1,715,709 |
| Taxes and fees, including: | -6,837 | -5,284 |
| Remunerations | -109,861 | -87,545 |
| Social insurance and other benefits | -20,993 | -16,584 |
| Other costs by type | -48,128 | -41,949 |
| Value of goods and materials sold | -35,942 | -64,977 |
| Manufacturing cost of products for internal purposes | | |
| **Total** | **-3,190,567** | **-2,346,760** |

| Recognition of costs by type in the financial statements | in PLN thousand | |
|---|---|---|
| | For the period: from 01/01/2022 to 31/12/2022 | For the period: from 01/01/2021 to 31/12/2021 |
| In own costs of sales | -3,048,846 | -2,273,968 |
| In the change of balance of assets | -68,360 | -7,270 |
| In costs of sales | -6,227 | -6,841 |
| In general overheads | -67,135 | -58,680 |
| In other items | | |
| **Total:** | **-3,190,567** | **-2,346,760** |

## Note 19 Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method

The item did not occur in the current and previous financial year.

## Note 20 Other revenue and costs

| Other revenue and costs of operating and investment activities | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Selling costs | -6,227 | -6,841 |
| Overheads | -67,135 | -58,680 |
| Revaluation write-downs of non-investment assets | -249 | -2,163 |
| Reversal of revaluation write-downs of non-investment assets | 394 | 1,144 |
| Restructuring costs | | |
| Court proceedings settlement result | -262 | -232 |
| Result of sale of non-investment fixed assets | 289 | 1,426 |
| Revenue from revaluation of investment property | | |
| Costs under revaluation of investment property | -16,406 | -5,461 |
| Result of sale of investment property | | |
| Result of sale of all or part of subordinate entities | | |
| Result of sale of other financial investments | | |
| Dividends | | |
| Interest | 1,016 | 518 |
| Result of revaluation of other financial investments measured at fair value through financial result | | |
| Result of measurement of investments recognised using the equity method | | |
| Revaluation write-downs of other financial assets | | |
| Reversal of write-downs on other financial assets | | |
| Foreign exchange differences of operating and investment activities | 8,875 | 3,996 |
| Other revenue | 21,900 | 28,778 |
| Other costs | -24,416 | -15,097 |
| **Total revenue** | **32,474** | **35,863** |
| **Total costs** | **-114,695** | **-88,474** |

The item of revenue and costs under revaluation of investment property includes the result from the measurement of individual investment real properties and write-downs constituting depreciation of the asset under the right of use of the property under the long-term lease contract.

| Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Revenue from increase in the value of investments measured according to the equity method | | |
| Costs under decrease in the value of investments measured under the equity method | | |
| **Total** | | |

The above items did not occur.

| Structure of revaluation write-downs of non-investment assets | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Property, plant and equipment** | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| **Intangible assets** | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| **Receivables** | **145** | **-1,019** |
| -revaluation write-down created | -249 | -2,163 |
| -revaluation write-down reversal | 394 | 1,144 |
| **Inventory** | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| **Fixed assets held for sale** | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| **Other** | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| **Total asset revaluation write-downs** | **-249** | **-2,163** |
| **Total reversal of revaluation write-downs** | **394** | **1,144** |

| Revenue and costs from investment property | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Revenue from sales to related entities | | |
| Revenue from sales to other entities | | |
| Own costs of sales for related entities | | |
| Own costs of sales for other entities | | |
| Increase of fair value of investment property | | |
| Decrease of fair value of investment property | -16,406 | -5,461 |
| **Result on investments in property** | **-16,406** | **-5,461** |

| Revenue and costs from financial investments | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Dividends to related entities | | |
| Dividends to other entities | | |
| Interest to related entities | | |
| Interest to other entities | 1,016 | 518 |
| Revenue from the sale of all or part of subordinate entities | | |
| Own cost of sales of all or part of subordinate entities | | |
| Revenue from increase in the value of derivative instruments | | |
| Costs under decrease of value of derivative instruments | | |
| Revenue from ineffective hedging instruments | | |
| Costs from ineffective hedging instruments | | |
| Reversal of write-downs on other financial assets | | |
| Revaluation write-downs of other financial assets | | |
| Revenue from increase in investments measured at fair value through financial result | | |
| Costs under decrease of investments measured at fair value through financial result | | |
| Foreign exchange gains | 8,875 | 3,996 |
| Foreign exchange losses | | |
| **Results of financial investment activities** | **9,890** | **4,514** |

| Other revenue | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Subsidies received | 11 | 12,234 |
| Other revenue from other entities - re-invoices | 13,764 | 6,450 |
| Other revenue from other entities | 8,126 | 10,095 |
| **Total** | **21,900** | **28,778** |

| Other costs | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Donations | -169 | -452 |
| Other costs from other entities - re-invoices | -13,764 | -6,450 |
| Other costs from other entities | -10,483 | -8,195 |
| **Total** | **-24,416** | **-15,097** |

## Note 21 Financial costs

| Financial costs | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Interest on credits | -12,516 | -7,349 |
| Interest on loans from related entities | | |
| Interest on loans from other entities | | |
| Interest on bonds for related entities | | |
| Interest on bonds for other entities | -5,899 | -26 |
| Interest on liabilities under finance lease agreements from related entities | | |
| Interest on liabilities under finance lease agreements from other entities | -13,146 | -10,258 |
| Other interest for related entities | | |
| Other interest for other entities | -272 | -278 |
| Measurement of equity instruments | | |
| Interest under factoring contracts | | -19 |
| Foreign exchange differences on financial liabilities | -578 | |
| Other financial costs for related entities | | |
| Other financial costs for other entities | -4,690 | -5,001 |
| **Total financial costs** | **-37,101** | **-22,932** |

The increase in the value of interest on liabilities under finance lease agreements from other entities, as compared to the previous year, results from recognition in financial expenses of the interest part of the lease payments incurred under long-term land lease agreements (recognition in accordance with IFRS 16) in the amount of PLN 9,449 .

**Note 22 Income tax**

| Income tax | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Income tax current part | -37,084 | -40,925 |
| Income tax deferred part | 5,118 | 12,878 |
| Other tax burdens on the financial result | | |
| Adjustments relating to previous years | | |
| **Total income tax** | **-31,966** | **-28,047** |

| Reconciliation of the effective tax rate | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Pre-tax profit (loss) | 151,161 | 156,056 |
| Statutory rate of tax in % | 19% | 19% |
| Tax at the statutory rate (normative) | -28,721 | -29,651 |
| Tax effect of the received dividend | | |
| Tax exemptions | | |
| Assets under tax loss for the reporting period not recognised in deferred tax | | |
| Tax effect of other revenue and costs permanently not constituting revenue and tax costs | -3,245 | 1,604 |
| Other | | |
| **Income tax in the profit and loss account** | **-31,966** | **-28,047** |

| Deferred tax | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| **Deferred tax asset** | **50,014** | **33,226** |
| - for provisions for employee benefits | 743 | 804 |
| - for other provisions | 1,516 | 1,127 |
| - on account of accrued interest | 422 | 37 |
| - for write-downs on current assets | 602 | 269 |
| - on account of investment measurement | | 291 |
| - for settlement of construction contracts | 30,303 | 16,247 |
| - for losses from previous years | 1,255 | 3,073 |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | 8,859 | 5,390 |
| - under foreign exchange differences | 68 | 38 |
| - other | 6,246 | 5,950 |
| **Deferred tax liability** | **34,497** | **22,826** |
| - on account of accrued interest | 269 | 159 |
| - on account of investment measurement | 117 | 425 |
| - for settlement of construction contracts | 9,569 | 260 |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | 22,050 | 21,923 |
| - under foreign exchange differences | 338 | 2 |
| - for goodwill | | |
| - other | 2,154 | 57 |
| **Net deferred income tax assets (Provision)** | **15,517** | **10,400** |

| Net deferred income tax assets (Provision) | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Deferred net income tax assets (provisions) at the beginning of the period** | **10,400** | **-2,478** |
| Reference to financial result | 5,118 | 12,878 |
| Reference to other total income | | |
| Other charge to equity | | |
| Subsidiaries | | |
| **Deferred net income tax assets (provision) at the end of the period** | **15,517** | **10,400** |

| Receivables (income tax liabilities) | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Opening balance of receivables (income tax liabilities)** | **-19,662** | **-16,142** |
| Payment (refund) of income tax | 45,117 | 37,405 |
| Current income tax accrual | -37,084 | -40,925 |
| **Receivables (liabilities under deferred income tax) at the end of the period** | **-11,629** | **-19,662** |

## Note 23 Other total income

| Other comprehensive income | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| **Components which will not be subsequently reclassified to the income statement** | | |
| Exchange differences on translation of foreign entities | | |
| Actuarial profits and losses | | |
| Income tax on items not be carried forward in later periods | | |
| **Components which will be reclassified into profit or loss when certain conditions are met** | | |
| Effects of measurement of financial instruments by other comprehensive income | | |
| Effective part of hedge accounting | | |
| Effects of revaluation of fixed assets | | |
| Carry-over to the report on income statement | | |
| Income tax related to the items presented in other comprehensive income | | |
| **Other total net income** | - | - |
| Assigned to non-controlling shares | | |
| **Assigned to the owners of the parent** | - | - |

Neither in the current period nor in the comparative period did any items occur which affected other comprehensive income.

## Note 24 Earnings per share

| Earnings per share | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Gain (loss) on continued operations attributable to owners of the parent | 119,195 | 128,010 |
| Profit (loss) on discontinued activities attributable to owners of the parent | | |
| **Total** | **119,195** | **128,010** |
| **Weighted average number of ordinary shares in thousands of pieces** | **91,744** | **91,744** |
| **Basic profit per share** | **1.30** | **1.40** |
| Costs of interest on convertible bonds (net of tax) | | |
| **Profit (loss) to determine diluted profit per share** | **119,195** | **128,010** |
| Share options issued in thousands of pieces | | |
| Theoretical conversion of convertible bonds in thousands of pieces | | |
| **Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces** | **91,744** | **91,744** |
| **Diluted earnings per share** | **1.30** | **1.40** |

## Note 25 Operating segments

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. In the Group, where the Issuer is a parent, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.

Other activities, which do not have a significant effect on the financial and asset situation of the Compiler of the financial statements, have been assigned to other items.

| Selected items of the income statement for segments in PLN thousand in the reporting period | Construction and assembly activity | Property development activity | Activity connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 |
| **Continued operations** | - | - | - | - | - | - | - |
| Sales revenue | **3,265,872** | **131,534** | **54,368** | **44,950** | **3,496,724** | **-177,395** | **3,319,329** |
| Own cost of sales | -3,068,557 | -93,187 | -20,724 | -43,389 | -3,225,857 | **177,011** | -3,048,846 |
| Gross profit from sales | **197,315** | **38,347** | **33,644** | **1,562** | **270,867** | **-384** | **270,483** |
| EBIT | 146,235 | 23,213 | 11,470 | 1,562 | 182,480 | **-4,108** | 178,372 |
| Pre-tax activity profit (loss) | **161,371** | **16,138** | **-464** | **1,562** | **178,607** | **-27,446** | **151,161** |
| Income tax attributable to continuing operations | -29,001 | -3,315 | 60 | -297 | -32,553 | **587** | -31,966 |
| Profit (loss) on continuing operations | **132,370** | **12,823** | **-404** | **1,265** | **146,054** | **-26,859** | **119,195** |
| **Discontinued operations** | - | - | - | - | - | - | - |
| Profit (loss) on discontinued activities | | | | | | | |
| **NET PROFIT (LOSS)** | **132,370** | **12,823** | **-404** | **1,265** | **146,054** | **-26,859** | **119,195** |
| **Assigned to the owners of the parent** | **132,370** | **12,823** | **-404** | **1,265** | **146,054** | **-26,859** | **119,195** |

| Concentration of recipients by business activity segments | Construction and assembly activity | Property development activity | Activity connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 | from 01/01/2022 to 31/12/2022 |
| Recipient 1 | **1,632,679** | | | | **1,632,679** | | **1,632,679** |
| Recipient 2 | 871,094 | | | | 871,094 | | 871,094 |
| Recipient 3 | **95,123** | | | | **95,123** | | **95,123** |
| TOTAL | **2,598,897** | | | | **2,598,897** | | **2,598,897** |

| Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period | Construction and assembly activity | Property development activity | Activity connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | As of: | As of: | As of: | As of: | As of: | As of: | As of: |
| | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 |
| Fixed assets | 671,769 | 180,718 | 494,809 | | 1,347,296 | -617,576 | 729,719 |
| Current assets | 1,144,606 | 460,824 | 11,362 | | 1,616,792 | -98,465 | 1,518,326 |
| **Total assets** | **1,816,375** | **641,542** | **506,171** | - | **2,964,088** | **-716,042** | **2,248,046** |
| Equity | **568,668** | **407,045** | **319,408** | | **1,295,121** | **-613,132** | **681,989** |
| Long-term liabilities and provisions for liabilities | 382,321 | 91,890 | 171,584 | | 645,795 | 2,806 | 648,600 |
| Short-term liabilities and provisions for liabilities | **865,387** | **142,607** | **15,179** | | **1,023,172** | **-105,716** | **917,457** |
| **Total capitals and liabilities** | **1,816,375** | **641,542** | **506,171** | - | **2,964,088** | **-716,042** | **2,248,046** |

| Other data on operating segments in the reporting period | Construction and assembly activity | Property development activity | Activity connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | As of: | As of: | As of: | As of: | As of: | As of: | As of: |
| | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 | 31/12/2022 |
| Goodwill allocated to a segment | **4,509** | | | | | | **4,509** |
| Risk-free rate | 6.94% | 6.94% | 6.94% | 6.94% | 6.94% | | |
| General risk acc. to Damodoran | 7.19% | 7.19% | 7.19% | 7.19% | 7.19% | | |
| Beta coefficient for the industry acc. to Damodoran | 0.88 | 0.50 | 0.37 | 0.81 | 0.86 | | |
| Individual risks | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | | |
| **Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method** | **14.43%** | **9.06%** | **7.23%** | **13.44%** | **14.10%** | | **14.10%** |

| Selected items of the income statement for segments in PLN thousand in the comparative period | Construction and assembly activity | Property development activity | Activities connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 | from 01/01/2021 to 31/12/2021 |
| **Continued operations** | - | - | - | - | - | - | - |
| Sales revenue | **2,344,038** | **96,952** | **29,447** | **33,308** | **2,604,470** | **-98,902** | **2,505,568** |
| Own cost of sales | 7,139 | -74,018 | -14,376 | -31,391 | -112,646 | -2,161,323 | -2,273,968 |
| Gross profit from sales | **2,351,177** | **33,581** | **22,883** | **3,094** | **2,410,735** | **-2,179,136** | **231,600** |
| EBIT | 96,904 | 13,598 | 9,638 | 11,337 | 176,954 | -2,480 | 174,474 |
| Pre-tax activity profit (loss) | **92,855** | **13,757** | **1,164** | **11,834** | **158,627** | **-2,570** | **156,057** |
| Income tax attributable to continuing operations | -19,062 | -2,582 | -55 | | -27,815 | -232 | -28,047 |
| Profit (loss) on continuing operations | **102,276** | **16,538** | **661** | **11,337** | **130,812** | **-2,802** | **128,010** |
| **Discontinued operations** | - | - | - | - | - | - | - |
| Profit (loss) on discontinued activities | | | | | | | |
| **NET PROFIT (LOSS)** | **102,276** | **16,538** | **661** | **11,337** | **130,812** | **-2,802** | **128,010** |
| **Assigned to the owners of the parent** | **102,276** | **16,538** | **661** | **11,337** | **130,812** | **-2,802** | **128,010** |

As of 01/01/2021, the Group does not carry out trade fair and exhibition operations and the result obtained by Expo Mazury S.A. w likwidacji in 2021 was mainly from the settlement of subsidies and was disclosed in the “Others” segment.

| Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period | Construction and assembly activity | Property development activity | Activities connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | As of: | As of: | As of: | As of: | As of: | As of: | As of: |
| | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 |
| Fixed assets | 616,218 | 116,078 | 593,001 | | 1,329,934 | -615,189 | 714,745 |
| Current assets | 876,361 | 352,126 | 7,434 | 135,928 | 1,385,891 | -60,031 | 1,325,860 |
| **Total assets** | **1,547,467** | **546,408** | **552,832** | **69,118** | **2,715,826** | **-675,221** | **2,040,605** |
| Equity | 445,660 | 301,686 | 406,091 | 135,928 | 1,192,440 | -610,159 | 582,281 |
| Long-term liabilities and provisions for liabilities | 428,272 | 75,871 | 173,805 | | 672,175 | -3,816 | 668,359 |
| Short-term liabilities and provisions for liabilities | 618,647 | 90,647 | 20,539 | | 851,212 | -61,247 | 789,965 |
| **Total capitals and liabilities** | **1,547,469** | **546,408** | **552,832** | **69,118** | **2,715,826** | **-675,222** | **2,040,605** |

| Other segment data in PLN thousand in the comparative period | Construction and assembly activity | Property development activity | Activities connected with lease of investment property | Other | Total | Exclusions | Total after interlinking |
|---|---|---|---|---|---|---|---|
| | As of: | As of: | As of: | As of: | As of: | As of: | As of: |
| | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 | 31/12/2021 |
| Goodwill allocated to a segment | **4,509** | | | | | | **4,509** |
| Risk-free rate | 3.10% | 3.10% | 3.10% | 3.10% | 3.10% | | |
| General risk acc. to Damodoran | 6.90% | 6.90% | 6.90% | 6.90% | 6.90% | | |
| Beta coefficient for the industry acc. to Damodoran | 0.72 | 0.58 | 0.36 | 0.37 | 0.58 | | |
| Individual risks | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | | |
| **Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method** | **9.20%** | **7.80%** | **5.60%** | **5.70%** | **7.80%** | | **7.80%** |

## Note 26 Transactions with related entities

| Transactions with related entities | in PLN thousand | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Subsidiaries | | Jointly controlled entities and associates | | Other related entities without capital connections | | Members of the Management Board and Supervisory Board and key personnel | |
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| Sales revenue | 107,159 | 84,005 | | | | | | |
| Revenue from the sale of fixed assets | | | | | | | | |
| Revenue from interest | 1,237 | 1,135 | | | | | | |
| Other revenue | | 8,000 | | | | | | |
| Acquisition of inventories and other costs capitalised at the value of current assets | | | | | | | | |
| Acquisition of services and other operating costs | | | | | | | | |
| Acquisition of fixed assets | | | | | | | | |
| Cost of interest | -2,086 | -2,648 | | | | | | |
| Other costs | | | | | | | | |
| Loans received | | | | | | | | |
| Loans granted | | | | | | | | |
| Costs of remuneration | | | | | | | 6,825 | 6,147 |
| Loan receivables | | | | | | | | |
| Trading and other receivables | 19,368 | 17,788 | | | | | | |
| Liabilities on account of loans | | | | | | | | |
| Trading and other liabilities | -88,985 | -21,090 | | | | | | |

| Remuneration of key personnel of subsidiaries | Entity | Position | Remunerations | | Loans granted to key personnel | | Additional information |
|---|---|---|---|---|---|---|---|
| | | | in PLN thousand | | in PLN thousand | | |
| | | | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 | |
| Management Board | MIRBUD S.A. | | 6,470 | 5,791 | | | |
| Supervisory Board | MIRBUD S.A. | | 355 | 356 | | | |
| The Management Board | Kobylarnia S.A. | | 2,512 | 1,345 | | | |
| Supervisory Board | Kobylarnia S.A. | | 55 | 55 | | | |
| The Management Board | JHM Development S.A. | | 1,726 | 1,763 | | | |
| Supervisory Board | JHM Development S.A. | | 69 | 79 | | | |
| The Management Board | Marywilska 44 Sp. z o.o. | | 1,590 | 976 | | | |
| Supervisory Board | Marywilska 44 Sp. z o.o. | | 81 | 81 | | | |
| **Total** | | | **12,858** | **10,446** | | | |

### Note 27 Statutory Auditor's remuneration

| Statutory Auditor's remuneration | in PLN thousand | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Remuneration for the audit of the individual and consolidated financial statements | 108 | 97 |
| Remuneration for the interim review of the separate and consolidated financial statements | 64 | 66 |
| Other services | 6 | |
| **Total** | **178** | **163** |

## Note 28 Financial instruments

| Financial assets according to IAS 39 | Available for sale | | Measured at fair value by financial result | | Loans and receivables | | Hedging instruments | |
|---|---|---|---|---|---|---|---|---|
| | As of: 31/12/2022 | As of: 31/12/2021 | As of: 31/12/2022 | As of: 31/12/2021 | As of: 31/12/2022 | As of: 31/12/2021 | As of: 31/12/2022 | As of: 31/12/2021 |
| Loans granted | - | - | - | - | | | - | - |
| Derivative financial instruments | | | | | | | | |
| Other financial instruments measured at fair value | | | | | | | | |
| Trade and other receivables | | | | | 579,037 | 503,958 | | |
| Cash and cash equivalents | | | | | 507,560 | 467,776 | | |
| Other financial assets | | | | | | 618 | | |
| **Total financial assets** | - | - | - | - | **1,086,597** | **972,351** | - | - |
| Revenue from dividends | | | | | | | | |
| Revenue from interest | - | - | - | - | 1,016 | 518 | - | - |
| Exchange profits (losses) | | | | | 8,875 | 3,996 | | |
| Reversal (creation) of write-downs | - | - | - | - | 145 | -1,019 | - | - |
| Profits (losses) on measurement and implementation | | | | | | | | |
| Profits (losses) on derivative instruments | - | - | - | - | | | - | - |
| **Total impact of financial assets on the profit and loss account** | - | - | - | - | **10,036** | **3,495** | - | - |

| Financial liabilities according to IAS 39 | Equity instruments | | Measured at fair value by financial result | | Measured at amortised cost | | Hedging instruments | |
|---|---|---|---|---|---|---|---|---|
| | As of: | As of: | 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 | 31/12/2022 | 31/12/2021 |
| Credits | - | - | - | - | 448,337 | 457,112 | - | - |
| Derivative financial instruments | | | | | | | | |
| Other financial instruments measured at fair value | | | | | | | | |
| Trade and other liabilities | | | | | 1,058,544 | 945,964 | | |
| Other financial liabilities | | | | | | | | |
| **Total financial liabilities** | - | - | - | - | **1,506,881** | **1,403,076** | - | - |
| Interest | - | - | - | - | -25,662 | -17,626 | - | - |
| Exchange profits (losses) | | | | | **-578** | | | |
| Profits (losses) on measurement and implementation | - | - | - | - | - | - | - | - |
| Profits (losses) on derivative instruments | | | | | | | | |
| **Total impact of financial liabilities on the profit or loss account** | - | - | - | - | **-26,240** | **-17,626** | - | - |

| Financial instruments according to the fair value hierarchy | Level I | | Level II | | Level III | |
|---|---|---|---|---|---|---|
| | 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 |
| **Assets** | - | - | - | - | - | - |
| Derivative financial instruments in assets | - | - | - | - | - | - |
| Other financial instruments measured at fair value | | | | | | |
| Other financial assets | - | - | - | - | - | - |
| **Liabilities** | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | - |
| Other financial instruments measured at fair value | | | | | | |
| Other financial liabilities | - | - | - | - | - | - |

Both in the current and the comparative period, there were no financial instruments measured at fair value.

**Note 29 Errors related to previous reporting periods**

No material errors were found in the previous reporting period.

**Note 30 Transactions with non-controlling shareholders**

This item does not exist.

**Note 31 Business combinations**

There were no business mergers in the current period.

**Note 32 Significant planned capital expenditures**

As of the date of approval of the report for publication, MIRBUD S.A. has commenced the expansion of its premises in Skierniewice, at ul. Unii Europejskiej 18. The planned value of the investment is PLN 6.5 million.

KOBYLARNIA S.A. plans to replenish its machinery fleet by the end of 2023. The main investment intentions are the purchase of new transport vehicles amounting to PLN 4 million and the construction machinery totalling PLN 10 million, which will significantly improve the efficiency and scope of services provided at all locations.

The investment plans of KOBYLARNIA S.A. also include the purchase of a new asphalt mixing plant, which will be located in Kobylarnia. The estimated cost of the investment will be PLN 25 million.

**Note 33 Material events after the balance-sheet date**

In the period between the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events that would not be included in these financial statements.

**Note 34 Employment structure**

| Employment structure | full-time equivalent | |
|---|---|---|
| | For the period: | For the period: |
| | from 01/01/2022 to 31/12/2022 | from 01/01/2021 to 31/12/2021 |
| Non-production employees | 519 | 494 |
| Production employees | 313 | 285 |
| Employees under contractual agreements | 262 | 211 |
| **Total** | **1,094** | **990** |

**Note 35 Dividends declared and paid**

Shares of all series are ordinary shares, one share entitles to one vote at the General Meeting of Shareholders. Shares of all series carry the same right to dividend and return on capital. As of the balance-sheet date, there were no dividend restrictions.

On 12 May 2022, the Ordinary General Meeting of Shareholders of Kobylarnia S.A. adopted Resolution No. 5/2022 on the distribution of profit for the financial year 2021. Pursuant to the adopted Resolution, the Ordinary General Meeting of Shareholders of Kobylarnia S.A. decided to allocate the amount of PLN 20,000,000.00 for the payment of dividends to the sole shareholder of the Company, while the amount of PLN 1,161,804.00 was allocated to supplementary capital.
3 June 2022 was adopted as the dividend payment date. The dividend was paid on the date indicated.

On 12 May 2022, the Ordinary General Meeting of Shareholders of JHM Development S.A. adopted Resolution No. 9/2022 on the distribution of profit for the financial year 2021. In accordance with the Resolution, the Company's Ordinary General Meeting decided to allocate the amount of PLN 4,844,000.00 for the payment of dividends, while the amount of PLN 11,925,245.86 was allocated to the Company's supplementary capital.

On the basis of Resolution No. XXVII/2021, the Management Board of JHM Development S.A., with the consent of the Supervisory Board expressed in Resolution No. XXIII/2021 of 20 December 2021, paid an advance for the expected dividend to the sole shareholder of the Company in the amount of PLN 3,460,000. The remaining dividend to be paid represents an amount of PLN 1,384,000.00. 26 May 2022 was adopted as the remaining dividend payment date. On the date indicated, the remaining amount was paid.

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.

**Note 36 Effects of division, restructuring and discontinued activities**

In the reporting period there were no changes regarding the merger of business entities, acquisition or sale of entities from the Issuer's group, long-term investments, division, restructuring or discontinuation of activity.

## Note 37 Limitations on disposition and hedges established on assets

| Hedge title | Hedge type | Value of debt | Hedge value in PLN thousand | | Balance sheet value of the hedge object in PLN thousand | | expiry date |
|---|---|---|---|---|---|---|---|
| | | As of: | As of: | As of: | As of: | As of: | |
| | | 31/12/2022 | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 | dd/mm/yyyy |
| Credit hedge 202-129/3/II/2/2008 | mortgage | 366 | 26,700 | 26,700 | 19,692 | 20,487 | 01/03/2023 |
| Hedge for the ARP loan | mortgage | 34,200 | 60,000 | 60,000 | 70,115 | 77,869 | 28/02/2023 |
| Hedge for the non-revolving credit facility, pursuant to contract dated 06/10/2021 granted by AION BANK SA/NV | mortgage | | | 74,076 | | 62,769 | 31/12/2023 |
| Hedge for the KIN\|173850 credit | cash deposit, assignment of receivables, registered pledge of a bank account, surety | 18,883 | 59,977 | 54,777 | 105,801 | 87,784 | 02/05/2028 |
| Hedge for a working capital, developer credit, pursuant to contract 3472510/88/K/OB/22, granted by Bank Polskiej Spółdzielczości S.A. | mortgage | | 69,105 | | 32,492 | | 30/06/2025 |
| Hedge for a working capital, developer credit 3472510/112/K/OB/21, granted by Bank Polskiej Spółdzielczości S.A. | mortgage | 14,760 | 48,360 | 43,292 | 32,723 | 12,253 | 30/06/2024 |
| Investment credit K00593/22 in EUR | assignment of receivables, registered pledge on bank account | 5,900 | 9,682 | | 15,809 | | 30/10/2030 |
| Hedge for an investment credit, pursuant to contract 22/KG110/19, granted by Bank Spółdzielczy | mortgage | 7,357 | 17,645 | 17,645 | 11,119 | 11,348 | 31/12/2034 |
| Hedge for the WK14-000016 credit | mortgage | | 20,804 | 21,482 | 5,804 | 6,482 | 30/11/2023 |
| Hedge for the 19/5066 credit | mortgage | 4,348 | 24,281 | 24,672 | 14,964 | 15,355 | 31/12/2029 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Guarantee Agreement No. 4620-04744 | bill of exchange, registered pledge | | | 27,131 | | 2,981 | 15/02/2022 |
| Hedge for a working capital, developer credit, pursuant to contract 050/21/7, granted by Warszawski Bank Spółdzielczy | mortgage | | | 11,700 | | 10,543 | 30/06/2023 |
| Hedge for a working capital, developer credit, pursuant to contract K01311/20, granted by Santander Bank Polska | mortgage | | | 75,436 | | 81,696 | 04/11/2023 |
| Hedge for a working capital, developer credit, pursuant to contract 3472510/30/K/OB/21, granted by Bank Polskiej Spółdzielczości S.A. | mortgage | | | 33,286 | | 18,182 | 30/12/2023 |
| Hedge for a working capital, developer facility, pursuant to contract S/10/07/2021/1245/K/KON, granted by Bank Ochrony Środowiska | mortgage | 11,290 | 47,850 | 47,850 | 38,305 | 11,807 | 30/06/2024 |
| Hedge for a working capital facility, pursuant to contract KNK\|1622269 granted by Deutsche Bank (currently Santander Bank Polska S.A.) | mortgage hedge, registered pledge on shares | | | 1,388 | | 3,525 | 31/10/2030 |
| Hedge for a working capital, developer credit, pursuant to contract 050/22/22/K, granted by Warszawski Bank Spółdzielczy | mortgage | | 19,665 | | 4,806 | | 30/12/2024 |
| Hedge for a working capital, developer facility, pursuant to contract S/49/05/2022/1245/K/KON, granted by Bank Ochrony Środowiska | mortgage | | 34,500 | | 8,096 | | 30/06/2024 |
| Hedge for the benefit of a hedging administrator for E series bonds issued by JHM Development S.A. | hedge in kind - mortgage entry on real estate | 50,000 | 55,000 | 55,000 | 15,010 | 15,010 | 31/12/2026 |
| **Total** | _ | **147,104** | **493,569** | **574,435** | **374,736** | **438,091** | _ |

**Note 38 Litigation**

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.

In the period covered by this report, there were significant litigation pending concerning receivables of Kobylarnia S.A. - a subsidiary of the Issuer.

On 25/02/2020, KOBYLARNIA S.A. as the leader of the consortium filed a lawsuit against the GDDKiA for the value of the object of dispute of PLN 67.422 thousand, including a claim for indexation of the Consortium’s remuneration in connection with the performance of investment development tasks: the Inowrocław bypass (connector), the Bolków bypass, construction of a section of the S-5 dual carriageway. The total value of disputes between KOBYLARNIA S.A. and GDDKiA as of 31/12/2022 amounted to PLN 71,820 thousand.

On 22.02.2023 the Company signed an agreement with the State Treasury General Director of National Roads and Motorways for the amount of PLN 1,031 thousand gross plus half of the statutory interest on the aforementioned amount calculated in the period from 31.03.2020 until the date of payment - the agreement concerns the compensation for the costs incurred on account of the delivery of materials along the extended routes and the costs on account of the performance of works on the Jaroszewo interchange not covered by the agreement "Design and construction of the S-5 dual carriageway on the section from the Jaroszewo interchange (without the interchange) to the voivodeship border with a length of approx. 25.1 km" (S-5 sec. 7)

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

## Note 39 Contingent liabilities

| 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 | | |
|---|---|---|---|---|---|---|
| | | As of: 31/12/2022 | As of: 31/12/2021 | As of: 31/12/2022 | As of: 31/12/2021 | surety expiry date |
| **To related parties** | - | - | - | - | - | - |
| 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 |
| **To other parties** | - | - | - | - | - | - |
| **Total** | - - | **128,818** | **168,277** | **73,231** | **99,532** | - |

| Other contingent liabilities | in PLN thousand | |
|---|---|---|
| | As of: 31/12/2022 | As of: 31/12/2021 |
| Under proper performance guarantee | 667,223 | 556,815 |
| Under rectifying faults and defects | 260,087 | 330,001 |
| Under advance return | 192,717 | 130,142 |
| **Total** | **1,120,028** | **1,016,958** |

## Note 40 Objectives and principles of risk management

| Risk group | Risk | Possibility of occurrence | Relevance to the Group's activities | Effect of risk on financial result | Effect of risk on equity |
|---|---|---|---|---|---|
| *Risks related to military conflict in Ukraine* | **Administrative restrictions on carrying out construction and assembly activities** | average | high | high | high |
| | **Manpower availability and supply chain disruption** | high | high | high | average |
| *Epidemiological risk* | **Administrative restrictions on carrying out construction and assembly activities** | average | high | high | high |
| | **Manpower availability and supply chain disruption** | average | average | high | average |
| *External financial risks* | **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 |
| *Downturn risk* | **change in the macroeconomic situation and economic situation in Poland** | high | high | high | average |
| | **in the construction industry** | high | high | high | average |
| *Risks related to competition* | **in the construction industry** | high | high | high | high |
| *External legal risks* | **changes in provisions of law, in particular tax law** | average | average | average | average |
| | **related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property** | low | high | high | average |

| Risk group | Risk | Possibility of occurrence | Relevance to the Group's activities | Effect of risk on financial result | Effect of risk on equity |
|---|---|---|---|---|---|
| Risks related to the current activities | **related to the implementation of the development strategy** | average | high | average | average |
| | **related to financing development with bank credits** | high | high | average | high |
| | **related to the building infrastructure** | low | average | low | low |
| | **related to liability for breach of environmental regulations** | low | average | average | low |
| | **related to penalties for non-performance or untimely performance of orders** | 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 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 a significant impact of this risk on the financial result does not anticipate an impact on the Issuer's equity.

- No delays in the execution of contracts in the area of property development operations. The company observes a significant decrease in the dynamics of sales of units. If the conflict continues, there may be negative financial consequences caused by:
  - drop in demand for premises associated with the unstable economic situation,
  - disruptions to projects' financing,
  - general contractors' and subcontractors' delays.

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible impact of this risk on the financial result and equity of the Issuer.

- As of the report date, in the area of commercial space lease, there is no significant, unfavourable impact of the conflict in Ukraine, which affects the financial results of MARYWILSKA 44 Sp. z o.o.

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible negative impact of this risk on the financial result and equity of the Issuer.

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.

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

With regard to the current settlement period, the Management Board of the Issuer does not expect a possible impact of this risk on the financial result and equity of the Issuer.

- As of the report date, in the area of retail space lease, there is no significant, unfavourable impact of the state of epidemic threat, which affects the financial results of MARYWILSKA 44 Sp. z o.o.

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

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

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

### External financial risks

### Financial risk management

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 72% based on foreign capital through:

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

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

**Debt ratio =** ***Total liabilities/ Assets***

**Long-term debt ratio =** ***Long-term liabilities / Assets***

**Short-term debt ratio =** ***Short-term liabilities / Assets***

**Debt to equity ratio = Liabilities** ***/ Equity***

While conducting business activity, the Group is exposed to the following risks: credit risk, currency risk, interest rate risk, liquidity risk.

**Credit risk management**

Credit risk results from the balances of trade receivables of loans and cash and cash equivalents. The customers of the Company's services are 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.

With regard to commercial customers, the Company manages the credit risk and analyses it for each new customer before concluding a contract, among others, by using reports from business intelligence agencies and the contractor's documentation of the source of financing for the construction contract.

With respect to entities subject to the provisions of the Public Procurement Law (e.g. the General Directorate for National Roads and Motorways, local governments), due to the obligation of these entities to budget the costs of the concluded construction works contract in advance, the credit risk is, according to the Management Board, negligible.
The Company maintains deposits - deposits in financial institutions, which have a high credit rating.

## 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, Kobylarnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group.
The hedged level of the WIBOR rate is at 1.80 p.p.

| Items exposed to change in interest rates | Cash flow risk | | Fair value risk | |
|---|---|---|---|---|
| | As of: 31/12/2022 | As of: 31/12/2021 | As of: 31/12/2022 | As of: 31/12/2021 |
| Liabilities under credits and loans | 191,223 | 205,260 | | |
| Loans granted | | 88 | | |
| Other financial assets | | | | |
| Other financial liabilities | 189,064 | 189,638 | | |
| **Total** | **380,286** | **394,987** | - | - |

### 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.

| Sensitivity analysis for items exposed to change in interest rates | As of: 31/12/2022 | Effect on net profit/(loss) | | Effect on the balance sheet total | |
|---|---|---|---|---|---|
| | | increase by 1% | decrease by 1% | increase by 1% | decrease by 1% |
| Liabilities under credits and loans | 191,223 | -1,549 | 1,549 | 1,912 | -1,912 |
| Loans granted | | | | | |
| Other financial assets | | | | | |
| Other financial liabilities | 189,064 | -1,531 | 1,531 | 1,891 | -1,891 |
| **Total** | **380,286** | **-3,080** | **3,080** | **3,803** | **-3,803** |

| Sensitivity analysis for items exposed to change in interest rates | As of: 31/12/2021 | Effect on net profit/(loss) | | Effect on the balance sheet total | |
|---|---|---|---|---|---|
| | | increase by 1% | decrease by 1% | increase by 1% | decrease by 1% |
| Liabilities under credits and loans | 205,260 | -1,663 | 1,663 | 2,053 | -2,053 |
| Loans granted | 88 | 1 | -1 | | |
| Other financial assets | | | | | |
| Other financial liabilities | 189,638 | -1,536 | 1,536 | 1,896 | -1,896 |
| **Total** | **394,987** | **-3,198** | **3,198** | **3,949** | **-3,949** |

### 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 | 1,258 | 1,388 | | | | |
| Loans granted | | | | | | |
| Trading and other receivables | 75,308 | 48,128 | | | | |
| Trading and other liabilities | | | | | | |
| Cash | 20,408 | 5,538 | | | | |
| Other financial assets | | | | | | |
| **Total** | **96,974** | **55,054** | - | - | - | - |

### 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: 31/12/2022 | Effect on net profit/(loss) | | Effect on the balance sheet total | |
|---|---|---|---|---|---|
| | | increase by 10% | decrease by 10% | increase by 10% | decrease by 10% |
| Liabilities under credits and loans | 1,258 | 102 | -102 | 126 | -126 |
| Loans granted | | | | | |
| Trading and other receivables | 75,308 | 6,100 | -6,100 | 7,531 | -7,531 |
| Trading and other liabilities | | | | | |
| Cash | 20,408 | 1,653 | -1,653 | 2,041 | -2,041 |
| Other financial assets | | | | | |
| **Total** | **96,974** | **7,855** | **-7,855** | **9,697** | **-9,697** |

| Sensitivity analysis for items exposed to exchange rate changes (Euro) | As of: 31/12/2021 | Effect on net profit/(loss) | | Effect on the balance sheet total | |
|---|---|---|---|---|---|
| | | increase by 10% | decrease by 10% | increase by 10% | decrease by 10% |
| Liabilities under credits and loans | 1,388 | 112 | -112 | 139 | -139 |
| Loans granted | | | | | |
| Trading and other receivables | 48,128 | 3,898 | -3,898 | 4,813 | -4,813 |
| Trading and other liabilities | | | | | |
| Cash | 5,538 | 449 | -449 | 554 | -554 |
| Other financial assets | | | | | |
| **Total** | 55,054 | 4,459 | -4,459 | 5,505 | -5,505 |

The Issuer's Management Board estimates that in 2023 the share of revenue 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 of the conflict in Ukraine, financial institutions are further tightening their 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.

**- in the development industry**

The situation on the property development market in Poland in the period covered by these financial statements affects the operations and financial results of the Group, however, it should be remembered that the economic situation in the property development industry is characterised by cyclicality.

The very good business climate in the property development industry over the past few years has been influenced by low mortgage rates. The situation changed in the last quarter of 2021, when interest rates rose sharply and remained at very high levels going into 2022. This has been accompanied by a tightening of banks' mortgage lending policies, taking into account the requirements of Recommendation S 2022 issued by the Financial Supervision Commission. The recommendation increased the buffer against changes in the WIBOR index, reduced the maximum loan term from 35 years to 25 years and tightened the requirements for the ratio of credit charges to the total annual income of a retail customer. This has resulted in a drastic reduction in customers' creditworthiness. As a result of this approach, many potential customers of the developers are not able to obtain mortgage to purchase an apartment on reasonable financial terms.

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

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

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

The further successful development of property development activities and the construction and letting of retail premises depend on the ability to purchase plots of land in attractive locations and at prices which enable satisfactory margins to be realised. Due to the limited number of attractive plots available with the desired design parameters, the Companies cannot guarantee that in the future it will be possible to purchase a sufficient number of attractive plots to implement the assumed development plans.
Moreover, the possibility to purchase attractive plots of land for new development projects and commercial and service projects depends on a number of factors, such as:

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

- the possibility of ensuring the required own contribution and obtaining bank financing for the implementation of projects.

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

**- sudden changes in housing prices**

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

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

**- in the sector of shopping hall management and lease of retail space**

Apart from property development activities, an important additional area of the Group's activity is management of shopping halls and lease of retail space. This activity is carried out by a subsidiary, Marywilska 44. The level of commercial activity and the demand for lease of retail space in the given shopping halls depends on the general macroeconomic situation in a given market, the level of competition and the level of consumption, and in particular the demand for products from the popular segment in a given market.

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

**Risks related to competition:**

**- in the construction industry**

The economic 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.

**- in the development industry**

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

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

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

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

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

**- for the activity of managed shopping halls and lease of retail space**

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

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

The operations of Marywilska 44 are exposed to the same risk in respect of management of retail facilities in Rumia and Starachowice purchased in 2021 from JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o. w likwidacji.

The risk of retail space lease activity in the field of warehouses and logistics halls located in Ostróda managed by Marywilska 44 depends on the stability of the macroeconomic situation and the overall economic situation in Poland, as well as competition in the industry.

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 include:

- 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 Articles $649^1$ – $649^5$ of the Civil Code, at the request of the contractor, the Company acting as an investor (general contractor) is obliged to grant a guarantee of payment to the contractor (general contractor) for construction works in the form of a bank or insurance guarantee, as well as a bank letter of credit or bank surety granted at the investor's request.

The occurrence of any of the above factors, which translate into claims against the 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 | 448,337 | 457,112 |
| Cash and cash equivalents | -507,560 | -467,776 |
| **Net debt** | **-59,224** | **-10,663** |
| Equity | 681,989 | 582,281 |
| **Total capital** | **622,765** | **571,618** |
| **Debt ratio** | **-10%** | **-2%** |

| Financial liquidity hedging ratios | in PLN thousand | |
|---|---|---|
| | As of: | As of: |
| | 31/12/2022 | 31/12/2021 |
| Net debt | | |
| EBITDA | 194,438 | 192,417 |
| Equity | 681,989 | 582,281 |
| Total assets | 2,248,046 | 2,040,605 |
| **net debt/EBITDA** | **0.0** | **0.0** |
| **equity/total assets** | **0.3** | **0.3** |

EBIT for the last 12 months accepted.

## XII. APPROVAL FOR PUBLICATION

The financial statements were approved for publication and signed by the Management Board on 21/04/2023.

| | |
|---|---|
| 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 |

| |
|---|
| Anna Zuchora |
| Person entrusted with bookkeeping |