Skierniewice, 29 August 2023

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

Dear Shareholders, in line with our previous predictions construction companies in Poland will continue to operate in unfavourable economic conditions in the first half of 2023. High inflation and the continued restrictive monetary policy of the National Bank of Poland negatively affect the cost of credit servicing for construction companies, the profitability of investment projects, as well as the cost of labour and construction materials. High interest rates and difficult access to mortgages are also effectively limiting sales in the property development market. The latest signs of gradual drops in inflation, a correction of the hitherto rampant energy costs and the observed stabilisation of the prices of certain raw materials and construction materials allow us to plan for the future with hope, but we should certainly not expect a return to the economic situation prior to the outbreak of war in Ukraine.

For construction companies in the country, the gradual exodus of construction workers of Ukrainian origin, who emigrate to other European countries or return to their homeland, is becoming an increasing problem. This will pose the greatest challenge for the Polish economy in the near future.

The continuing decline in the supply of new contracts is a worrying phenomenon that we are currently observing in the construction market in Poland. This is particularly the case with building construction contracts - projects executed by local government units, the railway and energy infrastructure sectors, where employers, faced with uncertain economic conditions and a lack of EU funding, are putting investment plans on hold. However, the above does not apply to road infrastructure contracts. Thanks to the efficient implementation of the programmes of the General Directorate for National Roads and Motorways, this market remains attractive for general contractors specialising in this segment, resulting in increased price competition in tender procedures.

However, we are optimistic about the government's announcements to modernise Poland's military infrastructure and the stimulation of the housing market as a result of the implementation of the government's "2% Safe Credit" programme.

In the first half of 2023, MIRBUD S.A., the parent of the MIRBUD Capital Group, focused mainly on the execution of its current contracts. As at 30 June this year, the company was executing 28 large volume construction contracts and 23 road infrastructure construction contracts carried out jointly in consortium with the Group's subsidiary, KOBYLARNIA S.A. It should be noted that road infrastructure contracts account for as much as 76% of the value of the order portfolio held and filled to a net value of PLN 4.8 billion. In terms of its size, the MIRBUD Group is currently ranked 4th among the largest construction groups in Poland. Such a filled order portfolio allows us to take a sensible and comfortable approach to bidding for new contracts.

The Group's business is invariably dominated by sales of construction and assembly services which currently generate 94.3% of revenue. 62.3% constituted revenue from the sales of road and engineering works, 21.4% - the sales of construction services for public utility buildings, while 16.2% - the sales of works for the construction of industrial buildings. In this respect, we have observed changes compared to the corresponding period in 2022. At that time, the sales structure was respectively: 94.7%, 54.3%, 13.2%, and 32.5%.

As previously announced, we recorded a slight decrease in revenue due to objective external circumstances in the period under review, i.e. the postponement of commencement of construction works on certain road contracts due to delays in obtaining administrative decisions, the periodic slow-down of the logistics and warehousing project segment and the prolonged commissioning procedure for the development project in Zakopane. In addition to maintaining a high fill level of the order portfolio, one of our most important objectives is to continuously improve the profitability of the contracts we execute. In this respect, we have recorded increases in each of the Group's core activity areas. Relative to the same period of the previous year, the profitability of sales of road and engineering works increased from 6.2 to 7%, public utility buildings from 3.5 to 4.7% and industrial buildings from 6.7 to 8.3%. Overall, the profitability of sales of construction and assembly services increased from 6 to 6.7%, while the profitability of sales for the Group as a whole (including property development activities and commercial space leases) increased to from 7.61% to 8.38%.

In the property development activity segment, JHM DEVELOPMENT's result was influenced by external and internal factors. The aforementioned restrictive monetary policy of the NBP and difficult access to mortgages should be noted among the external factors effectively limiting developers' sales from mid-2022 onwards. For JHM DEVELOPMENT's operations, however, internal conditions were much more significant for the sales result, caused by the currently low stock of finished units in the portfolio. Currently, the company has a relatively small number of completed units for sale (178 units in total, mainly in two locations – Bydgoszcz and Gdańsk), while 1,258 units in eight locations are under construction. The planned commissioning of six more projects by the end of this year, which will result in 950 units being put on sale, will certainly have a positive impact on the company's results in the coming quarters. It is worth mentioning that 444 units in the aforementioned projects have already been sold under preliminary and property development contracts (not recognised in revenue).

An undisputed success in the commercial space lease segment is the maintenance of the high commercialisation rate of the facilities in Warsaw, Ostróda, Rumia and Starachowice, as well as the increase in the number of visits to the shopping complex in Warsaw. The result of this company's activities is also positively influenced by the indexation of rents for lessees included in the contracts.

In accordance with the Dividend Policy adopted by MIRBUD S.A., the company shares the profit generated with its shareholders every year. In the current year, the payout value was PLN 0.26 per share. This is 30% more than last year, but perhaps less than some of our investors would have liked. The decision to pay a dividend of this amount was primarily driven by development plans. We regard the purchase of more than 5% of shares in the railway company Torpol, the announcements of further potential investments in entities from the railway and hydraulic engineering market, or in commercial real estate as an investment in the future of the Group and an opportunity to create conditions for further organic growth.

Although MIRBUD S.A. has been one of the so-called dividend companies for several years, in our opinion it is not only the regular payment of dividends that makes the company attractive to investors. In addition to satisfaction with the achieved results, the Group's most important objective is further, stable development on the construction market in Poland, which will consolidate MIRBUD S.A.'s position among the largest general contractors in the construction industry. This is a strategy we are trying to implement consistently.

Yours faithfully,

Jerzy Mirgos,

President of the Management Board of MIRBUD S.A.

MIRBUD S.A.
96-100 Skierniewice, ul. Unii Europejskiej 18
Phone: (+48) 46 833 98 28, fax (+48) 46 833 98 32
sekretariat@mirbud.pl

REGON 750772302
NIP 836 17 02 207
KRS 0000270385

District Court for Łódź-Śródmieście 20th Division of the National Court Register Paid share capital: PLN 9,174,420

www.mirbud.pl