



MANAGEMENT REPORT for the period from 01/01/2023 to 30/06/2023

MIRBUD S.A.

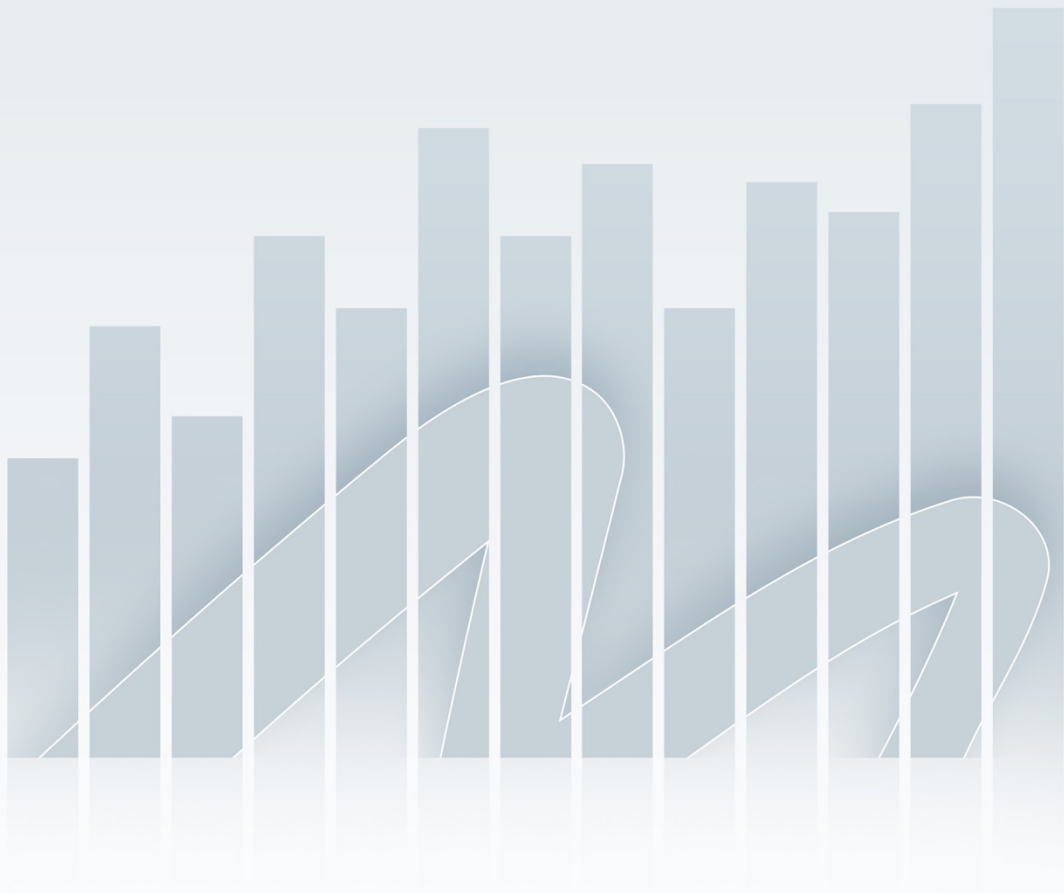


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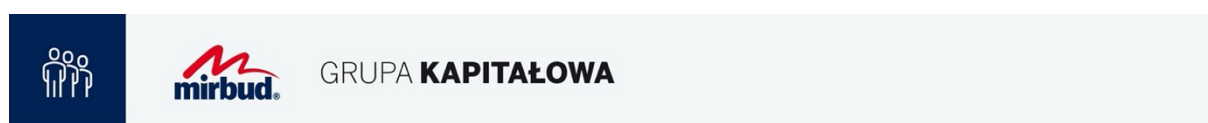


1. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS



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

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



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

The accounting policies adopted in the preparation of the financial statements have been presented in detail in the introduction to the financial statements for the period from 01/01/2023 to 30/06/2023.

2. MIRBUD S.A. ACTIVITIES

2.1. Description of the Capital Group and its core activities

The MIRBUD Capital Group employs over 1000 employees, including highly qualified engineering staff with various specialisations in the construction industry. The Company’s advantage is also a well-developed machine park which ensures performance of most of the work on the basis of its own facilities.

Since 2008, **MIRBUD S.A.** has been successively building a stable Capital Group with a diversified range of activities. JHM DEVELOPMENT S.A. carries out investment tasks in the field of housing construction in a development system, while KOBYLARNIA S.A., a company located in Kobylarnia near Bydgoszcz, extends the scope of the Group's activities by road and bridge works, as well as the production of bituminous mass.

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

In November 2017 the Management Board of MIRBUD S.A. made a decision concerning the establishment of a sole proprietorship company under the name of: МІРБУД Limited liability company (abbreviated name: ТОВ «МІРБУД») with its registered office in Kyiv. The company was registered on 25 January 2018. Currently, the company has no operations in Ukraine.

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

Basic data of the parent company

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



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

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

On 03/10/2011, the District Court in Bydgoszcz, 13th Commercial Division of the National Court Register entered the transformation of Przedsiębiorstwo Budowy Dróg i Mostów Spółki z o.o. [Road and Bridge Construction Enterprise] – a subsidiary of MIRBUD S.A., into Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] to the Register of Entrepreneurs of the National Court Register, under the KRS number 0000396760 On 01/07/2020, the name of the Company was changed. Since that date, the Company has operated under the following business name: Kobyłarnia Spółka Akcyjna.



Full name of the entity:	KOBYLARNIA S.A.
Entity's registered office:	Kobyłarnia
Legal form:	Joint stock company

NIP:	953-22-34-789
REGON:	091631706
Address details:	ul. Zakole 1, 86-051 Brzoza
phone/fax	+48(52) 381-06-10
E-mail:	sekretariat@kobylarnia.pl
Website:	www.kobylarnia.pl
Country of registered office:	Poland

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

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



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

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

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

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



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

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

The Company was established on 13/09/2011 based on the notarial deed Repertory "A" No. 4812/2011. The Company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000396588, on 20/09/2011. With effect from 1 July 2022, the Extraordinary Meeting of Shareholders of the Company adopted a resolution to put JHM 1 Sp. z o.o. into liquidation. From this date, the company is named JHM 1 Sp. z o.o. w likwidacji. Liquidation of the subsidiary, JHM 1 Sp. z o.o., is part of the process of reorganisation of the MIRBUD Capital Group, about which the Issuer informed in Current Reports No. 36/2020 and 41/2021. As at the balance sheet date, the Company was deleted from the National Court Register. The commercial property in Rumia, previously owned by the Company, is now managed by MARYWILSKA 44 Sp. z o.o.

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

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

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

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

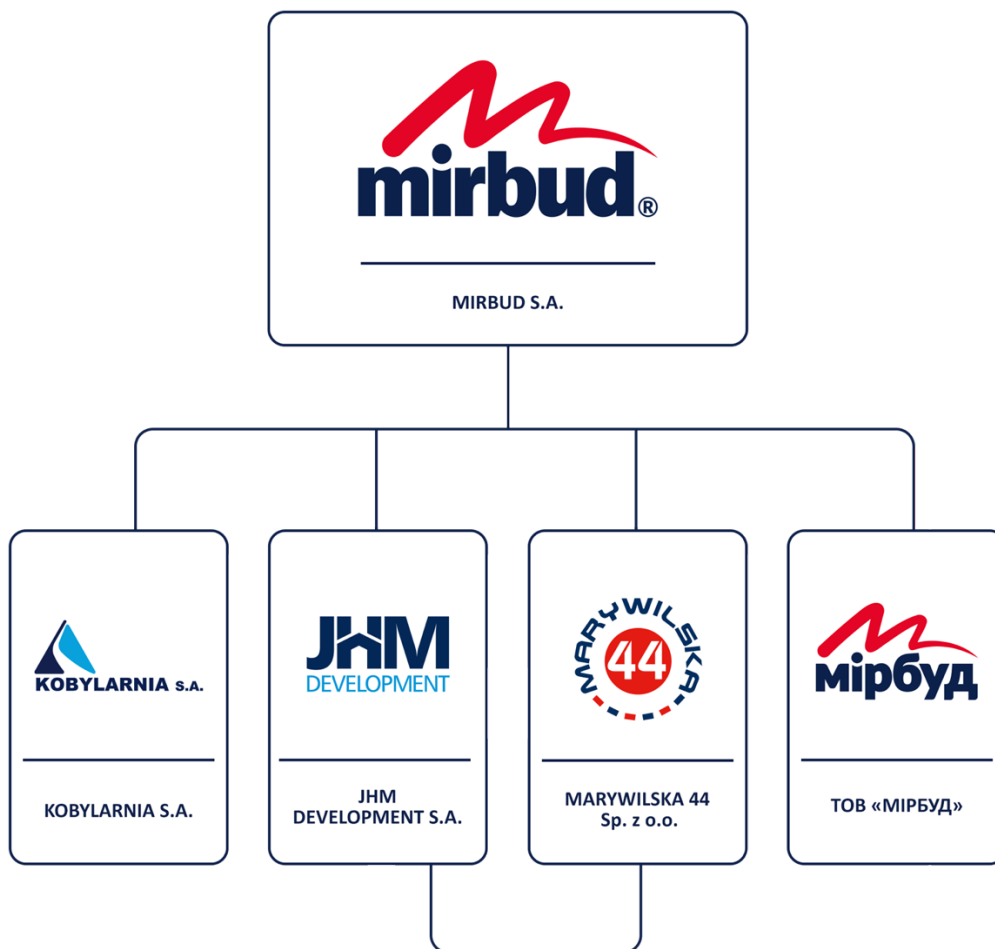


Full name of the entity:	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «МІРБУД» (MIRBUD sp. z o.o.)
Entity's registered office:	Kyiv
Legal form:	limited liability company
NIP:	418873426552
REGON (ЄДРПОУ Code):	41887344
Address details:	ul. Bratysławska 14B, 02156 Kyiv
Country of registered office:	Ukraine

On 24/07/2021, JHM DEVELOPMENT S.A. purchased a company under the name of STAL-MET Nieczaj Sp. z o. o. w upadłości with its registered office in Słupsk, shares in HAKAMORE Sp. z o. o. w upadłości with its registered office in Warsaw (currently in Skierniewice).

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

Diagram: The MIRBUD Capital Group structure as at 30/06/2023



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

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 30/06/2023

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

The share capital of TOB «МІРБУД» amounts to UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 30/06/2023 this amounted to PLN 265,94.99, and according to the average exchange rate of the National Bank of Poland as at 31/12/2022 this amounted to PLN 299,121.30). The sole partner of the company is MIRBUD S.A. As at 30/06/2023, the value of the contributed capital amounted to PLN 315,877.09.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as at 30/06/2023

Name of the entity	Share capital	Nominal value of shares	Share of JHM DEVELOPMENT S.A. in the share capital
MARYWILSKA 44 Spółka z o.o.	PLN 157,500,000	PLN 66,990,000	42.53%

Core business of MIRBUD S.A.



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

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

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

MIRBUD S.A. guarantees the highest quality of services, efficient organisation, fast pace of work based on the highest standards and professional technical staff. The entity's core business in accordance with its Articles of Association and the entry in the National Court Register is as follows:

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

KOBYLARNIA S.A.



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

- Kobyłarnia near Bydgoszcz - the Teltomat production plant with the capacity of 240 Mg/h and the Teltomat 120 production plant with the capacity of 160 Mg/h;
- Bogusławice near Włocławek - the Teltomat 160 production plant with the capacity of 200 Mg/h;
- Miękinia near Wrocław - the Amman Uniwersal production plant with a capacity of 240 mg/h.

The company provides services also in the scope of leasing construction equipment and specialised means of transport.

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

- execution of road and bridge works;
- production of mineral-bituminous and concrete masses;
- construction equipment lease.

JHM DEVELOPMENT S.A.



JHM DEVELOPMENT S.A carries out investments in the construction and sale of single-family and multi-family residential buildings. The Company's activities also include purchase and sale of property on its own account, as well as the lease and management of property. The establishment of the Company in 2008 initiated the process of building the MIRBUD Capital Group.

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

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

MARYWILSKA 44 Sp. z o.o.



According to the Polish Classification of Businesses, the core activities of the subsidiary Marywilka 44 Sp. z o.o. are:

- the implementation of building projects related to erection of buildings;
- lease and management of own or leased property.

ТОВ «МІРБУД»

According to the Polish Classification of Businesses, the core activities of the subsidiary ТОВ «МІРБУД» are:

- general construction and civil engineering.

The Company was established for the purpose of conducting business activity in Ukraine. The Company analysed the market potential, participated in tenders and recognised the possibility of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine. At present, due to the military conflict, the Company's operations are suspended. Not subject to consolidation. The Company had no active operations in Ukraine in the first half of 2023.

Figure: Geographical structure of the MIRBUD Capital Group in Poland.



3. FINANCIAL POSITION OF MIRBUD S.A.

3.1. Discussion of selected items of the financial statements of MIRBUD S.A. as of 30/06/2023 and 31/12/2022

Table: Selected items of the Company's assets as at 30 June 2023 and 31 December 2022 in PLN thousand.

Specification	30/06/2023	% share in total assets	31/12/2022	% share in total assets	Change in PLN thousand	Change in %
Fixed assets, including:	607,970	45%	582,228	41%	25,742	4%
Property, plant and equipment	70,566	5%	69,538	5%	1,028	1%
Investment property		0%		0%	0	0%
Intangible assets	202	0%	389	0%	-187	-48%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	496,392	37%	472,108	33%	24,284	5%
Investments measured using the equity method	0	0%	0	0%	-	0%
Long-term trading and other receivables		0%		0%	0	0%
biological assets		0%		0%	0	0%
Deferred income tax assets	36,672	3%	34,235	2%	2,437	7%
Other fixed assets not elsewhere classified (including prepayments and accruals)	4,138	0%	5,958	0%	-1820	-31%
Current assets, including:	730,764	55%	843,904	59%	-113,140	-13%
Inventories	1,733	0%	1,267	0%	466	37%
Receivables on account of the income tax	775	0%	0	0%	775	0%
Trading receivables and other receivables	631,152	47%	548,836	38%	82,316	15%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	0	0%	0	0%	-	0%
Cash and cash equivalents	97,104	7%	293,801	21%	- 196,697	-67%
Other current assets n.e.c.		0%		0%	-	0%
fixed assets held for sale	-	0%	-	0%	-	0%
Total assets	1,338,734	100%	1,426,132	100%	-87,398	-6%

As at 30/06/2023, compared to the end of 2022, the value of the balance sheet total and the structure of assets of MIRBUD S.A. changed significantly.

Current assets which, as at 30/06/2023, comprise 45% of the Company's total assets (decrease in the share of current assets in the balance sheet total by 4 p.p. compared to the end of 2022) constitute the dominating value.

Fixed assets consist primarily of property, plant and equipment representing 45% of the total assets of MIRBUD S.A. as at 30/06/2023 (increase by 4 p.p. compared to the end of 2022).

Fixed assets comprise mainly long-term financial assets (which are mainly capital investments in subsidiaries: JHM DEVELOPMENT S.A., KOBYLARNIA S.A., Marywilska 44 sp. z o.o.) and shares in TORPOL S.A., which accounted for 37% of total assets (a 4 p.p. increase in share in total assets compared to 2022).

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

- purchase by MIRBUD S.A. means of transport and leased machinery and equipment for the amount of almost PLN 1.8 million;
- a significant extension of the settlement period for contracts in the industrial and warehouse segment concluded with Panattoni Group Companies;
- successive settlement by MIRBUD S.A. of advances received for the performance of road contracts, including: construction of a section of the S1 expressway, the so-called Węgierska Górka bypass, construction of a section of the A1 motorway; Olesno bypass, (value of unsettled advances for construction works: PLN 60 million);
- purchase of shares in TORPOL S.A.

Table: Selected items of liability items as at 30 June 2023 and 31 December 2022 in PLN thousand.

Specification	30/06/2023	% share in total liabilities	31/12/2022	% share in total liabilities	Change in PLN thousand	Change in %
Equity	480,589	36%	467,360	33%	13,229	3%
Long-term liabilities and provisions for liabilities	210,450	16%	256,547	18%	-46,097	-18%
- Provisions under deferred income tax	33,603	3%	22,991	2%	10,612	46%
- other provisions for long-term liabilities	61	0%	61	0%	0	0%
- long-term financial liabilities for trading liabilities and other liabilities	80,112	6%	122,002	9%	-41,890	-34%
- long-term trading and other liabilities	96,674	7%	111,493	8%	-14,819	-13%
- other long-term liabilities and provisions n.e.c.	0	0%	0	0%	0	0%
Short-term liabilities and provisions for liabilities	647,695	48%	702,225	49%	-54,530	-8%
- Provisions for short-term liabilities	2,176	0%	2,216	0%	-40	-2%
- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	56,729	4%	34,355	2%	22,374	65%
- trade and other liabilities	588,286	44%	653,940	46%	-65,654	-10%
- liabilities under deferred income tax	0	0%	11,230	1%	-11,230	-100%
other long-term liabilities and provisions n.e.c.	504	0%	484	0%	20	0%
Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
Total liabilities	1,338,734	100%	1,426,132	100%	-87,398	-6%

As at 30/06/2023, the structure of liabilities has not changed significantly. The Company's operations of are financed in 36% from own funds, and in 64% from external capital. The share of long-term liabilities in financing amounted to 16% (a decrease in the share by 2 p.p. compared to 2022), while the share of short-term liabilities increased by 2 p.p. compared to 2022 and stood at 48%.

The structure of liabilities in the reported period was mainly influenced by:

- partial repayment of long-term credits and a loan from ARP S.A.;
- purchase of leased machinery and equipment and vehicles by MIRBUD S.A. for a total of approx. PLN 1.8 million - increase in long-term and short-term financial liabilities;

- successive settlement by MIRBUD S.A. of advances received from the General Directorate for National Roads and Motorways for execution of road contracts (balance of not settled advances - PLN 60 million);
- rollover of working capital credits taken out by MIRBUD S.A. at PKO BP, BOŚ S.A., mBank S.A. for approx. PLN 50 million for successive periods of 24 to 36 months.

Table: Selected items of the Company's statement of comprehensive income for the period 01/01/2023 to 30/06/2023 and 01/01/2022 to 30/06/2022

Specification	Period from 01/01/2023 to 30/06/2023	Profitability	Period from 01/01/2022 to 30/06/2022	Profitability	Change in PLN thousand	Change in %
Sales revenue	870,673	-----	966,480	-----	-95,807	-10%
Profit from sales	60,201	6.91%	65,111	6.74%	-4,910	-8%
Operating profit EBIT	42,334	4.86%	49,376	5.11%	-7,042	-14%
Pre-tax profit	44,617	5.12%	70,332	7.28%	-25,715	-37%
Net profit	37,082	4.26%	59,926	6.20%	-22,844	-38%

In the first half of 2023, MIRBUD S.A.'s revenue was 10% lower than in the corresponding period of 2022, which was mainly due to the Company's significantly lower revenue from the sale of construction and assembly services mainly in the production and service buildings segment (down 56%) and the delay in issuing the decision on permission for the execution of a road project for the Kielce bypass project (S-74). Profitability on sales in this period increased slightly by 0.17 p.p. compared to 2022, while net profitability was 1.94 p.p. lower.

The decrease in profitability at the level of net profit resulting from business operations in 2022 was lower than indicated above due to the fact that the financial result was significantly affected by the dividend paid from subsidiaries in the corresponding period of the previous year. In the first half of 2023, the Company received PLN 15 million less in dividends from its subsidiaries than in the corresponding period last year.

The Company's profitability levels were influenced by:

- a decline in profitability of road contracts;
- increase in profitability in the segment of manufacturing and service buildings
- rising wage costs.

3.2 Assessment of financial resources and liquidity management

The management of financial resources of MIRBUD S.A. assumes basing the Group's financing structure on long-term sources of financing. The Company finances its operations in 64% based on foreign capital through:

- credits,
- loans,
- advances;
- leasing;

- factoring.

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

The Management Board of the Company is responsible for managing liquidity at MIRBUD S.A. The main objectives of the Company's financial resources and liquidity management are as follows:

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

The above goals are implemented in response to changing economic and business conditions through effective management of credit, interest rate and currency

In the coming years the Group's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing with particular consideration of advances from the Employer for infrastructural contracts and for a gradual reduction of debt in the long-term perspective.

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

Table: MIRBUD Group debt ratios

Specification	30/06/2023	31/12/2022
Total debt ratio <i>Total liabilities / Assets</i>	0.64	0.67
Long-term debt ratio <i>Long-term liabilities / Assets</i>	0.16	0.18
Short-term debt ratio <i>Short-term liabilities / Assets</i>	0.48	0.49
Debt to equity ratio <i>Liabilities / Equity</i>	1.79	2.05

In the reporting period, the level of debt decreased by 3% and its structure changed (the share of long-term debt decreased by 2 p.p. and the share of short-term debt increased), which was the result of:

- a decrease in trade liabilities resulting from market conditions forcing faster payment of liabilities;
- maturity of the PLN 35 million credit with BOS in October 2023 (the Company plans to roll over the liability to a 24- or 36-month period);
- changes in market conditions for the supply of materials forcing early payment or advance payments, which resulted in increased use of available working capital credits;
- partial repayment of long-term credits and a loan from ARP S.A.;

- successive settlement by MIRBUD S.A. of advances received from the General Directorate for National Roads and Motorways for execution of road contracts (balance of not settled advances - PLN 60 million);

The level and structure of MIRBUD S.A. indebtedness in the 2023 outlook was influenced by the timing of payment of receivables by Panattoni Group companies and the effective implementation of the strategy of financing large road contracts from advances from the Employer.

Table: Company liquidity ratios

Specification	30/06/2023	31/12/2022
Current liquidity ratio		
Current assets / Short-term liabilities	1.13	1.20
Accelerated liquidity ratio		
(Current assets - Inventories - Short-term prepayments and accruals)/Current liabilities	1.13	1.20
Cash liquidity ratio		
Cash / Short-term liabilities	0.15	0.42

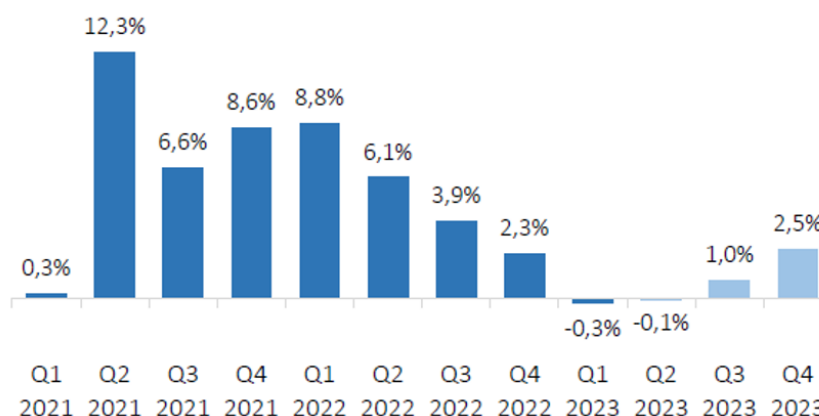
The liquidity of MIRBUD S.A. as of 30/06/2023 compared to 31/12/2022 has not changed significantly and is still at a high level. The cash liquidity ratio was reduced due to the Company's investment in TORPOL S.A. shares and the prolonged term of payment of receivables by the Panattoni Group Companies.

4. MIRBUD S.A. ACTIVITIES AND DEVELOPMENT PROSPECTS

4.1. Specificity of the market

According to a preliminary estimate by Statistics Poland, in the first quarter of 2023 Poland's GDP increased by 3.8 percent compared to the previous one, while on an annual basis there was a decrease of 0.3 percent. Economic activity data for June indicate continued deceleration of the Polish economy. In real terms, the value of industrial production sold decreased by 1.4 percent year-on-year (compared to a 3.2 percent year-on-year decline in May) and the value of retail sales dropped by 4.7 percent (compared to a 6.8 percent decline in May). Low figures for April and May point to an expected weak GDP growth for the second quarter of 2023, which, as in the first quarter of this year, could show negative figures (-0.1 percent). In contrast, forecasts of GDP dynamics for the second half of the year assume a gradual improvement in the economy's growth rate. According to Statistics Poland, we face low GDP growth with high inflation in 2023. At the end of the first half of this year, the consensus forecast for GDP growth remained at 1 percent. The main reasons for economists to be more optimistic are the better-than-expected GDP dynamics in the first quarter of this year, the clearly visible price correction in the energy raw material market, the beginning recovery in the housing credit market, the need to complete the disbursement of EU investments from the 2014-2020 budget by the end of 2023, as well as the significant drop in inflation (not only consumer, but especially industrial prices) expected in the second half of the year.

Chart: Polish GDP dynamics (% , y/y)



Source: Spectis based on IHS Markit and Statistics Poland

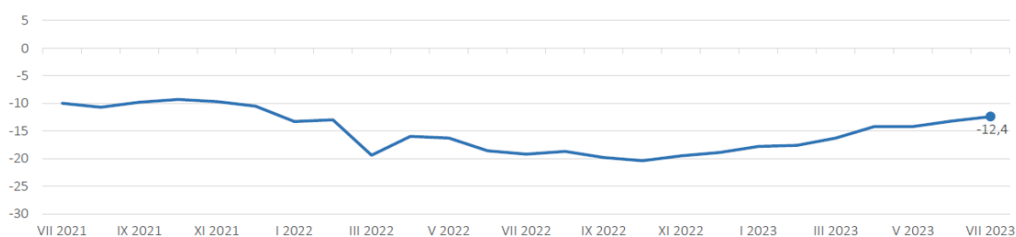
After the first five months of this year, real construction production growth stood at 3.7 percent with the prospect of declines later in the year. The situation in the sector is not uniform, after a 1.2 percent increase in April, there was a 0.7 percent decline in construction production in May. May's adjustment consisted of a 9.1 percent increase among engineering contractors, a 0.9 percent increase in the specialist contractors segment and as much as a 12.2 percent decrease among building construction companies.

Confirmation of the deteriorating situation in the construction industry is the weakening dynamics in the area of public construction works contracts. The figures show increases in the number of tenders advertised (already up by just 0.5 percent year-on-year) and awarded (4 percent year-on-year) in the Public Procurement Bulletin. For larger tenders published in the TED Official Journal of the European Union, there is a 7 percent decrease in the number of announced tenders and a 6 percent increase in the number of awarded tenders. The latest figures therefore show that the dynamics of the public procurement market are gradually slowing down.

The prevailing economic slump means that the number of new orders which would provide a stable cash flow to cover the high upkeep costs is decreasing. The above results in a decline in revenue for construction companies. This situation leads to fierce price competition which may have a negative impact on the profitability of the business in the coming years. According to Statistics Poland, in July 2023 the overall economic climate index was at minus 7.9 (minus 9.7 the month before), which could indicate an improvement in the industry. Nevertheless, pessimism still prevails in the industry, which translates into postponing investment decisions.

In July this year, the seasonally-adjusted index of construction industry rose to -12.4 points, the best result in 18 months. There were 331 construction company bankruptcies in the first half of the year, an increase of nearly 160 percent compared to the corresponding period last year (142 percent for the economy as a whole). Small entities are primarily responsible for such a significant increase in the number of bankruptcies.

Chart: Overall economic climate index for construction industry (points), seasonally adjusted data



Source: Spectis based on CSO data

According to forecasts, this year has seen an accumulation of challenges and problems in the construction industry, consisting of wage pressure, high energy and construction material prices, the negative effects of the war in Ukraine, inflation, interest rates, or the uncertainty and collapse of demand from the housing sector. This situation is resulting in a decline in the number of orders, companies are finding it increasingly difficult to win contracts and the industry is looking forward to EU funding and public budgets for further projects.

Research conducted by CAS¹ shows that in the period from the first quarter of 2023 to the second quarter of 2023, the actual costs of construction projects increased for the construction industry in general by an average of 1.01 percent, including in particular the road infrastructure sector by 1.94 percent, the rail infrastructure sector by -0.14 percent and the building construction sector by 0.52 percent. In the second quarter of 2023, the actual costs of procuring inputs changed as follows: labour - up by 2.67 percent, materials - up by 0.44 percent and equipment - up by 1.67 percent.

¹ Customer Specific Article

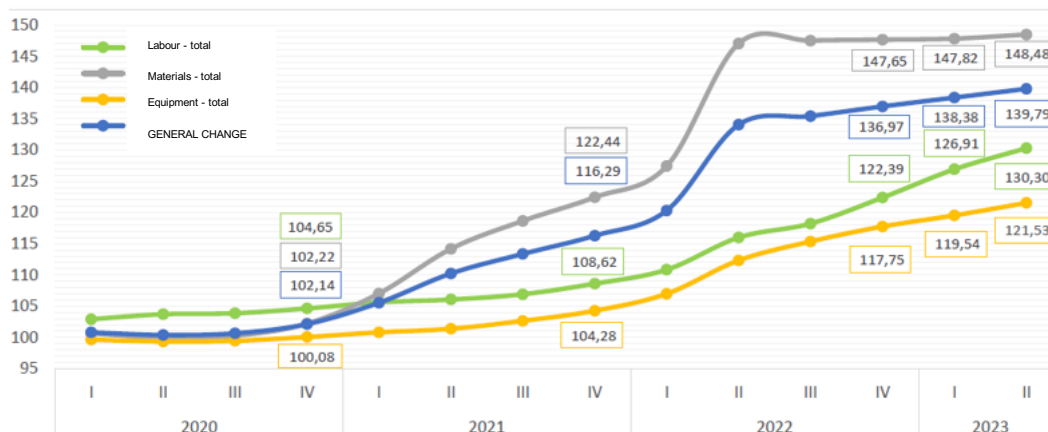
Average wages in the business sector increased by 11.9 percent in June this year (compared to 12.2 percent in May). Wage dynamics in the construction industry remained noticeably lower at only 7.5 percent, driven by a downturn among companies specialising in building construction (a 3.2 percent year-on-year decline in wages), while wages are growing at double-digit rates among engineering and specialist companies. Employment dynamics in the business sector slowed to 0.5 percent in May. In the construction industry alone, employment dropped by 1.1 percent. Employment dynamics in this sector are expected to stabilise in the coming months. At the end of June, the registered unemployment rate dropped by 0.1 p.p. to 5 percent, the lowest June reading in the history of the Third Republic of Poland. This means that the labour market remains resilient to the economic slowdown.

The general economic downturn in the construction industry is also indicated by a decline in the production of basic building materials. After a nearly 21 percent decline in April this year in June, the cement market recorded an 18 percent year-on-year decline in production, while the production of concrete mix dropped by 19 percent. At the same time, there has been a stabilisation in the prices of strategic materials. Nevertheless, they continue to be high. In the second quarter of 2023 material prices in year-on-year comparison remained very similar, which may indicate a stabilisation of prices after the very dynamic changes that took place in the second quarter of 2022 and were primarily driven by the situation related to the war in Ukraine. However, prices and trends for individual materials continue to show significant dynamics, indicating that the market remains volatile. Increases in the prices of construction products could be the result of possible increases in energy, emissions or gas prices. July saw an upward trend in the price of oil, with Brent crude approaching USD 85 on the London Stock Exchange at the end of the month.

In March 2022 construction steel prices reached a record price of around PLN 9500/tonne due to the unstable geopolitical situation. Ribbed bars cost between PLN 7700 and PLN 8000 net (between PLN 9500 and approximately PLN 9900/t gross). From the end of February 2023 onwards, stabilisation and only slight fluctuations in steel prices can be observed. This year's July was another month without significant price increases. In July this year, prices for this material remained at a similar level, ranging from PLN 2770 to PLN 2970 per tonne.

The average increase in total material procurement costs in the second quarter of 2023 was almost imperceptible at 0.44 percent, equipment operation costs increased by 1.67 percent and labour costs by 2.67 percent. The increase in material procurement costs was observed in the road infrastructure sector, with an average increase of 1.82 percent. The cost of materials dropped by 1.07 percent in the rail infrastructure sector, while in building construction sector, material procurement costs also dropped by 0.42 percent.

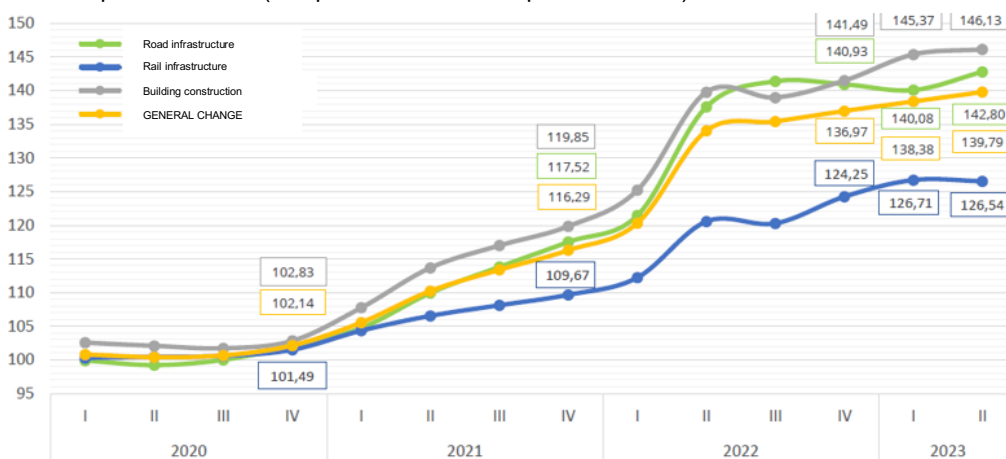
Chart: Change in RMS cost for all sectors in general according to CAS analysis in the first quarter of 2020 – second quarter of 2023 (compared to the fourth quarter of 2019)



Source: Contract Advisory Services "Report on construction industry costs"

It should be noted that in the second quarter of 2023, the year-on-year comparison of construction material prices to the first quarter of 2022 remained very similar at +0.99 percent. This may indicate a sustained stabilisation of prices in construction materials after the very dynamic changes that took place in the second quarter of 2022 and were primarily driven by the situation related to the war in Ukraine.

Chart: Change in costs in sectors according to CAS analysis in the first quarter of 2020 – second quarter of 2023 (compared to the fourth quarter of 2019)



Source: Contract Advisory Services “Report on construction industry costs”

In the case of road construction companies, the rising costs of executed projects are also becoming a fundamental barrier to continuing operations. According to a study by the Polish Association of Construction Industry Employers and the Polish Economic Chamber of Road Construction, raising the indexation of road contracts for the General Directorate for National Roads and Motorways from 5 to 10 percent is already insufficient. Approximately one third of companies record losses on some contracts of such kind. According to industry estimates, the real cost increase is between 18 and 45 percent, depending on the contract won between 2020 and 2022². The reason for this is both the increase in fuel and energy prices as well as rising labour and financing costs. Roads and railways operate with very low-set limits, beyond which cost increases “eat away” at the assumed margin.

The salvation from the situation at hand and possible bankruptcies, according to the PACIE and PECRC, is to raise the indexation limit to 20 percent which would require a government decision. The situation is much worse for companies executing local government projects, where the vast majority of contracts were not covered by indexation clauses.

² PACIE “Selected aspects of the road construction segment operations” (March 2023)

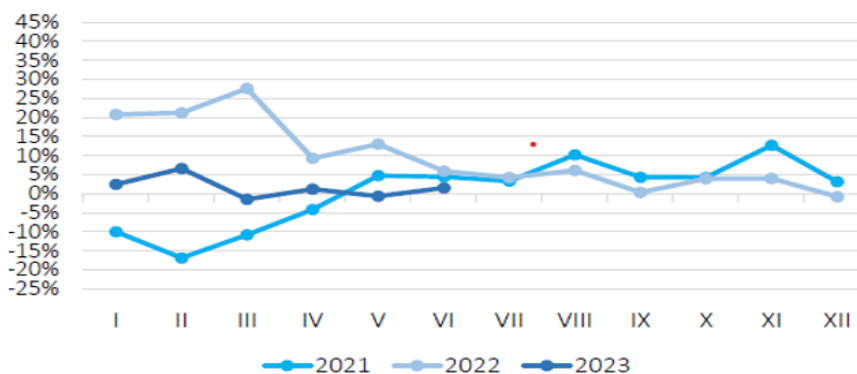
Construction and assembly segment

Performance results in the construction industry were slightly weaker than expected in June this year. At the end of the first half of this year construction and assembly production rose by 1.5 percent year-on-year, compared with a year-on-year decline of 0.7 percent in May. However, the recorded improvement was mainly due to the low reference base, i.e. the decline in production in June 2022. On a monthly basis, construction output declined once again, closing the entire second quarter with a decline.

In June alone, the production performance of companies specialising in building construction improved slightly, although in this case the improvement represents a reduction in the scale of the annual decline in production (-5.7 percent year-on-year compared to -12.2 percent in May this year). In June this year, the production dynamics of enterprises whose main activity is the construction of civil engineering structures (i.e. related to infrastructure projects), on the other hand, declined again slightly after the May increase. In this group of companies, production dynamics dropped from 9.1 percent year-on-year in May this year to +5.9 percent year-on-year.

Due to the stage progress of the process and the large scale of projects (especially infrastructure-related), construction and assembly production is characterised by high month-to-month volatility. Therefore, notwithstanding the weaker production result in June this year, production in the third quarter is forecast to increase towards 5 percent year-on-year and up to 5 to 10 percent in the fourth quarter. Assuming a stable production performance in the following months, the stronger improvement in the annual dynamics will be largely due to the lower reference bases.

Chart: Construction and assembly production
Construction (Polish Classification of Activities, Section F)



Source: Spectis based on CSO data

There is a very clear downturn in the building construction industry at the moment where in the first quarter of 2023 construction and assembly production was 6.4 percent lower year-on-year. The weakening activity was already becoming apparent by the end of 2022. In the fourth quarter of 2022, the dynamics of construction and assembly production declined to 0.3 percent year-on-year, compared to an average year-on-year growth rate of 26 percent in the first three quarters of the year. The weakening activity in this area was primarily the result of the worsened situation in the residential segment, where, following the rise in interest rates and the tightening of prudential regulations, the availability of mortgages decreased and their sales collapsed (PLN 45 billion in 2022 compared to PLN 90 billion in 2021). According to the estimates of Statistics Poland, at the end of May 2023 there were just under 809,000 units under construction, across all types of construction which is 7.7 percent less

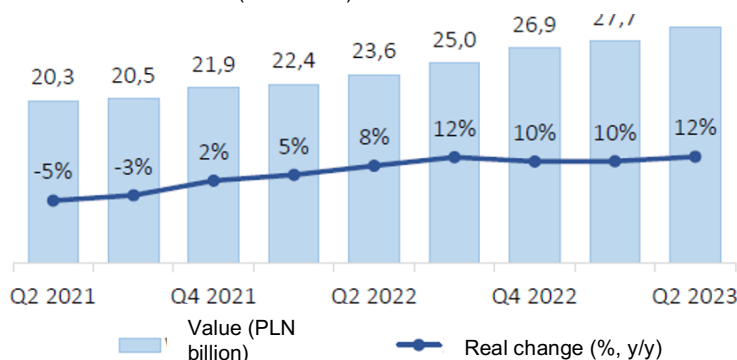
than in the corresponding period of the previous year. The number of units under construction year-on-year has been decreasing since August 2022.

The situation in the commercial building segment seems better. In the first quarter of 2023 construction and assembly production in the non-residential buildings segment increased by 7.6 percent year-on-year, following a decline in the fourth quarter of 2022 by 6.5 percent year-on-year. However, the situation varies depending on the category of buildings. The fastest production growth (approx. 40 percent year-on-year) was recorded in the hotel buildings and transport and communication buildings categories. However, both of these categories saw a clear 15-20 percent drop in production in 2022. Output in the commercial buildings and industrial and warehousing categories also increased in the first quarter with increases in these categories being modest and noticeably slower than in the first half of 2022. However, a very clear regression persists in the office segment, where the value of production dropped by 15 percent year-on-year in the first quarter of 2023. This is the sixth consecutive quarter where year-on-year production has declined. The office segment is still strongly affected by the effects of the pandemic-related reduction in office work, which was compounded by the large supply of new space handed over in previous years.³

■ Road engineering construction

Road projects carried out centrally by the General Directorate for National Roads and Motorways stand out positively against the background of the decline in the supply of new building construction contracts. Road construction accounts for the largest share of civil engineering construction in Poland, at approx. 40 percent. Naturally, the largest investor here is the General Directorate for National Roads and Motorways. This is undoubtedly influenced by the fact that these projects are financed by a road fund fed by road user fees and a bond issue by Bank Gospodarstwa Krajowego.

Chart: Construction and assembly production according to the Polish Classification of Types of Constructions (PKOB) Motorways, expressways, streets and other roads (PKOB 211)



Source: Spectis based on CSO data

The investments carried out by the General Directorate for National Roads and Motorways are part of the development of the European TEN-T network (Trans-European Transport Networks), the aim of which is to ensure territorial cohesion of the EU and improve the free movement of people and goods. The TEN-T network comprises several hundred transport routes within the European Union, mainly road transport routes connecting all Member States. Expanding the network allows the continuity of the expansion of the most important roads in Poland to be maintained. In the case of Poland, the TEN-T network runs through two main transport routes: the Baltic Sea – Adriatic Sea corridor and the Baltic Sea – North Sea corridor. The length of expressways under construction at the end of May this year increased to 1165 km, which translates into a 1.5 percent year-on-year decrease.

³ BOŚ Industry Report 27/06/2023

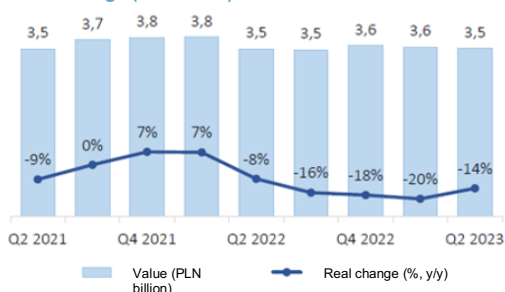
Since the beginning of 2023, the General Directorate for National Roads and Motorways has signed eight contracts for sections with a total length of 94 km and a value of more than PLN 3.5 billion. Tenders have been announced for eight tasks with a total length of nearly 142 km, and seventeen more tender procedures are underway for sections with a total length of approx. 230 km. According to Tomasz Żuchowski, acting director of the General Directorate of National Roads and Motorways, the Directorate’s annual investment expenditure over the past three years has remained at approximately PLN 15 billion. This year it is expected to reach 17.9 billion, with nearly 23.7 billion in 2024 and almost 31.3 billion in 2025.

■ Building construction

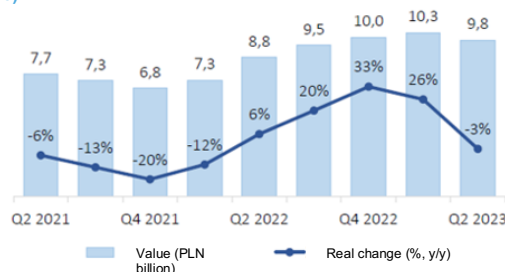
In the first quarter of 2023 construction and assembly production in the non-residential buildings segment increased by 7.6 percent year-on-year, following a decline in the fourth quarter of 2022 by 6.5 percent year-on-year. However, the situation varies depending on the category of buildings. The fastest production growth (approx. 40 percent year-on-year) was recorded in the hotel buildings and transport and communication buildings categories. Output in the commercial buildings and industrial and warehousing categories also increased in the first quarter of this year with increases in these categories being modest and noticeably slower than in the first half of 2022. However, a very clear regression persists in the office segment, where the value of production dropped by 15 percent year-on-year in the first quarter of 2023. This is the sixth consecutive quarter where year-on-year production has declined. The office segment is still strongly affected by the effects of the pandemic-related reduction in office work, which was compounded by the large supply of new space in previous years.

Chart: Construction and assembly production according to PKOB

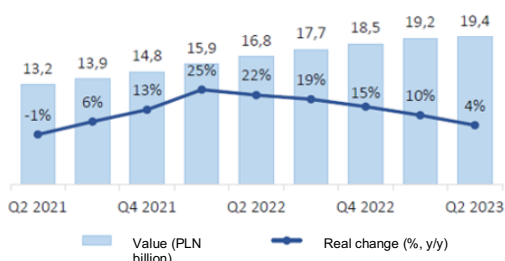
Office buildings (PKOB 124)



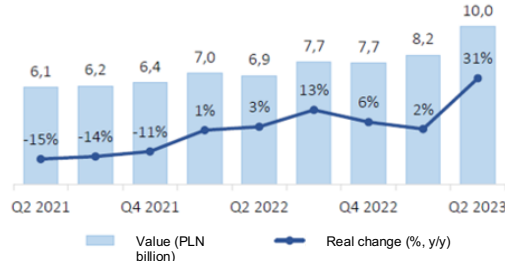
Commercial and service buildings (PKOB 123)



Industrial and warehouse buildings (PKOB 125)



Public utility buildings (PKOB 126)



Source: Spectis based on CSO data

■ Railway construction

The railway construction sector in Poland remains a moderately concentrated market. Of the 80 companies analysed, the top five contractors hold as much as 43 percent of the market. Over the last decade, the Polish railway construction market has been an unstable one, characterised by high volatility in the volume of orders and heavily dependent on the investment activity of a single employer - PKP PLK. The delayed start of using EU funds available to Poland under the 2021-2027 budget poses an increasing threat to sustaining the economic situation in this segment.

With regard to the implementation of the National Railway Programme, as at the end of May 2023, investments worth PLN 33.5 billion have been completed and projects worth PLN 42.6 billion were under construction (down 16 percent year-on-year).

■ **Energy and hydraulic construction**

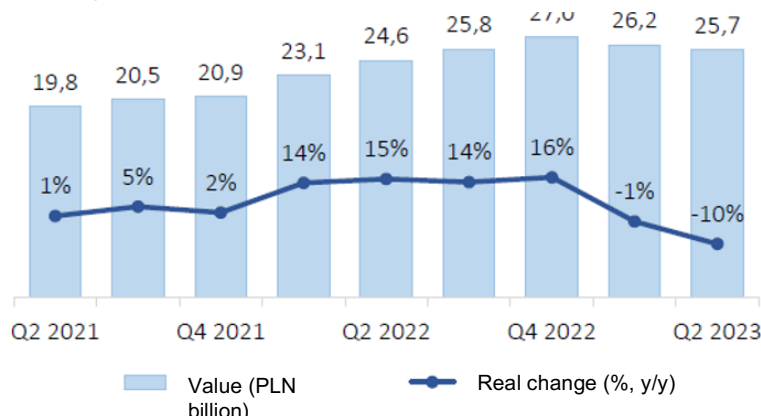
In the field of hydraulic engineering, the main client-investor is the Państwowe Gospodarstwo Wodne Wody Polskie. There are currently 300 projects in execution, all worth PLN 20 billion. Their objectives include the modernisation of inland transport routes and the expansion and strengthening of the country's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

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

Real property development segment

In the residential building segment, in the first quarter of 2023, the real value of construction and assembly production is estimated to have dropped by 24 percent year-on-year. The economic situation started to worsen clearly in the second half of 2022, when production growth slowed to 4 percent compared to 5 percent year-on-year.

Chart: Construction and assembly production according to the Polish Classification of Types of Constructions (PKOB), residential buildings

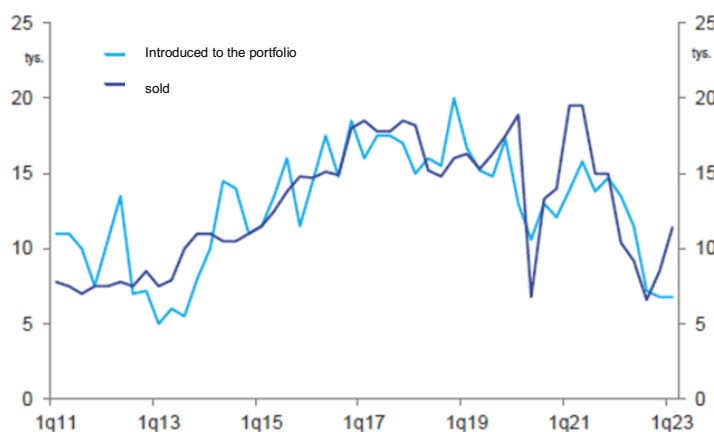


Source: Spectris based on GUS data

There has been a very significant slowdown in sales in the property development market in 2022. According to data from *JLL*, in the six largest cities (Warsaw, Łódź, Poznań, Wrocław, Kraków, Tri-City), developers sold just under 35,000 units which means a drop of 50 percent year-on-year. The main reason for the collapse in demand was the aforementioned deterioration in the availability of home credits following the rapid and strong increase in interest rates. In addition, coupled with high housing prices, the propensity to buy homes has been influenced by declining real household incomes. In June, the number of units for which construction had started dropped by 33 percent. At the same time, the number of units for which building permit had been issued fell by 40 percent.

In the first quarter of 2023, there were signs of improving demand. According to *JLL* data, the situation in the residential market has improved slightly, with developers in the 6 largest markets selling 11,400 units, meaning an increase of 9.6 percent year-on-year. The increase in sales is probably linked to the announcement of the introduction of the government’s “2% Safe Credit” housing programme in July this year, under which a preferential credit with an interest rate subsidy will be available to a certain group of buyers. It is likely that buyers who have been putting off the decision to buy a unit, and who will not be able to make use of the preferential loan, have decided to buy units fearing that it will increase housing prices. The increase in sales in the first quarter of this year was also helped by the FSA’s decision to lower the minimum safety buffer when banks assess the creditworthiness of applicants for fixed-rate mortgages. In February 2023, this buffer was reduced to 2.5 percentage points from the 5 percentage points level in force since February 2022. The relaxation of prudential policy rules has already had an impact on the level of mortgage sales in March and April, which, according to NBP data, averaged almost PLN 3.3 billion against an average of PLN 2.2 billion in sales over the previous six months. At the same time, March mortgage sales still remained more than twice as low as in March 2022.

Chart: Quarterly demand and new supply of flats in 6 cities (Warsaw, Kraków, Tri-City, Wrocław, Poznań, Łódź)



Source: JLL

As far as investor activity is concerned, there was a continuation of the downward trend in the first half of this year in housing development. There were 37.3 percent fewer building permits year-on-year (driven somewhat more strongly by the property development segment - down 44 percent vs. a 27 percent decline among individual investors) and a 26 percent drop in the number of unit construction started (down 15 percent in the individual investor segment and a 34 percent decline among developers).

Market indices have deteriorated. The number of units for which permits were issued after May this year dropped to 252,000 (a decrease of 25 percent year-on-year), the number of units whose construction has begun was 174,000 (a decrease of nearly 32 percent year-on-year), while the number of units completed amounted to 241,000 (up by over 1 percent year-on-year).

As of April this year, there has been a slight deceleration in the downward trend in the housing credit market (down 23 percent year-on-year in terms of the value of credits and 27 percent in terms of the number of credits). In the near term, a further deceleration in the rate of decline can be expected (to around -10 percent), as indicated by May's improvement in the housing credit demand index (+4 percent). Improvement in this area will undoubtedly be influenced by the government's "2% Safe Credit" programme, which comes into force in July this year. Average daily sales of units in July this year were higher than in 2021 which was a very good year in these terms.⁴ More than 10,400 units were put up for sale in the second quarter of this year which was a quarter more than in the first quarter of this year. Despite this, it was 32 percent less than in the same period a year earlier. According to the data of Statistics Poland, the number of applications for building permits for already commenced construction is significantly lower compared to the previous year. It is to be expected that the government's programme will result in a surge in demand accompanied by an increase in housing prices.

Commercial space rental segment

In the case of the warehousing and industrial market, in the first quarter of 2023, developers delivered almost 2 million sq.m. of warehouse space for use, while at the same time there is almost 2 million sq.m.

⁴ money.pl

of readily available warehouses waiting for tenants. Just over 2 million sq.m. remains under construction, while the vacancy rate has risen to levels not seen in Poland for over 2 years.⁵

Total volume of space leased in the first quarter of 2023 exceeded 1.2 million sq.m., down almost 22 percent year-on-year and 20.6 percent quarter-on-quarter. At the same time, this is the lowest level of tenant activity recorded in Poland since the first quarter of 2020. In contrast, net demand for warehouse and industrial space amounted to 661,800 sq.m. and accounted for almost 55 percent of the total transaction volume.

Continued high inflation, which is affecting consumers' purchasing power, is causing policy changes with regard to stockpiling and the organisation of supply chains, currently making tenants more cautious about leasing warehouse space.

After a period of increased property development activity, which in recent quarters has translated into a record supply of warehouse space, developers are now focusing on securing land and planning new projects. However, the continuing difficulties in obtaining financing for new projects, particularly of a speculative nature, and the unstable geopolitical situation constitute significant barriers for new projects.

4.2. Market prospects

Construction and assembly segment

■ road engineering construction

Large road projects will be one of the main drivers of the Polish construction market in the coming years. In 2023, the General Directorate for National Roads and Motorways plans to announce tenders for new projects worth approx. PLN 29 billion. By 2030, 3,800 km of roads will have been built as part of the TEN-T network in Poland which is more than originally planned. The total length of the TEN-T road network in Poland is approximately 7,700 km. The projects of the General Directorate for National Roads and Motorways are executed mainly under the following three programmes:

- **Government Programme for the Construction of National Roads** to 2030 (*with an outlook to 2033*) - execution of road projects along national roads, expressways and motorways with a total length of over 6,100 km with a quota limit of PLN 294.4 billion;
- **100 Bypasses Programme** for 2020-2030 - construction of city bypasses and improvement of road safety, 100 tasks with a total length of approx. 820 km with a quota limit of PLN 28 billion;
- **Programme for the Strengthening of the National Road Network** until 2030 - comprehensive maintenance of the national road network with a quota limit of PLN 58.3 billion.

Table: Planned expenditure of the General Directorate for National Roads and Motorways on investment tasks (in PLN million)

	2023.	2024	2025
Government Programme for the Construction of National Roads	15,570.8	18,111.6	23,932.5
100 Bypasses Programme	636.9	1,362.3	2,086.6

⁵ Occupier Insight

National Road Fund	16,207.7	19,473.9	26,019.1
Investment tasks on the existing network	1,506.7	3,752.2	4,975.7
Preparatory process for GPCNR and 100BP tasks	179.6	469.7	289.5
Budget	1,686.3	4,221.9	5,265.2
Capital expenditure	17,894.0	23,695.8	31,284.3

Source: General Directorate for National Roads and Motorways

As mentioned earlier, as part of road investments in 2023 the General Directorate for National Roads and Motorways signed 8 contracts for 94 km worth more than PLN 3.5 billion and tenders were announced for 8 tasks with a total length of 141.8 km. Out for current tenders: 5 tasks with a length of 62.2 km are at the stage before bids, 10 tasks with a length of 166.1 km are at the stage where bids are being examined and evaluated, bid has been selected for 1 task and 1 task is being conducted through a competitive dialogue.

The tender plan of the General Directorate for National Roads and Motorways for the second half of 2023 covers a total of 351 km, including the GPCNR with a total length of 351 km and the 100BP with a total length of 85.1 km. The Safe Road Infrastructure Programme plans to launch 227 tenders for new projects and to complete 353 km of current projects. Thirty-six tenders related to the adaptation of roads to 11.5 t/axle with a length of 283 km are also to be announced, while road repairs with a total length of approx. 255 km are planned to be completed.

■ Building construction

Current trends, i.e. a weak economic situation in housing construction and an improvement in public investment projects are expected to be maintained for building construction in the second half of the year. The poorer performance of housing development output will be the result of a continued decline in the number of units under construction. Although the number of units under construction is stabilising after the decline in the first half of 2022, their earlier sharp drop is still affecting the lower number of units under construction compared to the situation from the previous year.

Increases in building maintenance costs are a major challenge in the case of office buildings due to high inflation and rising energy costs. Moreover, due to the difficult-to-estimate construction and financing costs of new projects, developers are forced to postpone the start of their projects. Longer contracts of up to 7-10 years are becoming more common to offset the high cost of finishing the space (increases of approx. 30 percent on average) and to limit rent increases. There is now as much as five times less new office space under construction in Warsaw than three years ago, heralding a reduced portfolio and a supply gap in 2023 and 2024.

The current upward trend in building construction of local and central government projects is expected to continue in the second half of the year. This increase should occur as a result of the cumulative execution of investment programmes financed from the 2014-2020 EU financial perspective (settlement by the end of this year). Higher investment activity is also expected from some companies in the energy sector.

■ Railway construction

The EU's sustainable transport policy favours any form of rail transport, which should translate into an increase in the number of concluded rail contracts and executed projects. The estimated value of the 270 ongoing and planned major railway projects is PLN 125 billion, of which PLN 37 billion (30 percent of the total) is for projects under construction and PLN 88 billion for projects at the tender, planning or preliminary conception stage. Such a significant disparity between the value of projects under

construction and those planned demonstrates the high long-term growth potential of this construction industry segment⁶.

The long-term outlook for railway construction will be significantly influenced by the execution of the so-called railway component accompanying the potential execution of the Solidarity Transport Hub connecting 120 cities with the STH in a travel time of less than 2.5 hours. Railway-related tasks are to be completed by the end of 2034, which covers the next two EU financial perspectives. As part of it, 1,981 km of rail lines are planned to be completed by 2034. Preparatory works on 1,600 km are expected to be completed by 2023. First construction works are expected to commence in 2023.

The lack of new tenders is also apparent in the rail segment. At this point, PKP PLK did not present official tender plans for 2023.

■ Energy and hydraulic construction

In terms of the energy sector, the 2022 merger of Orlen with Lotos Group and PGNiG is expected to result in capital expenditure in 2023 of PLN 36 billion, a record amount in the company's history. The corporation is planning to execute SMR (small modular reactor) technology projects. Refusal of network connections is one of the biggest problems for the Polish energy sector which will hinder its transformation in the long term. In 2021 alone, refusals were issued for more than 3,700 connections with a total capacity of 15 GW. The scale of refusals now reaches up to 60-80 percent of all applications submitted. The main reason for this is the lack of technical ability of connection, i.e. the lack of free network connection capacity. Investing in the modernisation and expansion of distribution networks is what is primarily needed in this situation. Works are currently underway to amend the so-called Transmission Special Purpose Act by bringing certain distribution projects under it. Energy groups plan to spend a total of approx. PLN 130 billion on distribution investments by 2030 (they currently spend approx. PLN 8 billion per year). Transmission networks also require major investments. PSE plans to spend PLN 32 billion on the modernisation and expansion of its electricity infrastructure by 2032.

The inevitable energy transition (RES, gas, nuclear) makes energy construction an attractive part of the construction market in the coming years, which will be a huge challenge but also a growth opportunity for many companies.

The National Recovery Plan, under which Poland can receive PLN 106.9 billion in grants and PLN 51.6 billion in loans is currently of key importance for the financing of infrastructure projects. If Poland receives these funds, the effect of their impact will not be felt until 2024-2025. In 2023, under the pre-financing of the NRP implemented by the Polish Development Fund (PDF), the scale of expenditure is expected to be approx. PLN 20 billion. These measures are crucial for the engineering industry. The lack of NRP funding is severely limiting work on the railway. At the end of November 2022, there were 27 tenders worth PLN 3 billion which remained unresolved due to lack of funds. There is also still no decision on the indexation of ongoing contracts on an appropriate scale for the needs. Inflation and the price increases that follow put construction companies in a difficult position and, in an extreme scenario, threaten to paralyse railway projects.

Real property development segment

Sales of units are expected to increase in the coming quarters, but will still remain at relatively low levels, well below the 2020-2021 sales average.⁷ Recovering demand in the housing market will prompt

⁶ Spectis Report "Railway construction in Poland, 2022-2027"

⁷ BOŚ Sector analyses 27/06/2023

developers to launch new projects in the second half of 2023 (“unfreezing” investment projects put on hold during the downturn). However, this phenomenon will be gradual and will not affect the surge in demand for construction services in the residential segment in the current year. This is because developers are waiting for the trend of increased demand to become firmly established before making most of the investment decisions.

A boost in sales is expected, among other things, as a result of launch of the government’s “2% Safe Credit” programme in July this year for people under 45 years of age buying their first home. The Ministry of Economic Development and Technology estimates that between 30,000 and 50,000 people will benefit from the programme annually. According to Waldemar Buda, the Minister of Economic Development and Technology, approx. 4,000 applications were submitted as of 12 July this year. The credit will also be able to be used on the secondary market and for the purchase of a building plot, which will limit its impact on the property development market and thus on construction. Nevertheless, the launch of the programme will provide an additional impetus for the launch of new projects by developers, who will expand their portfolio to accommodate people using government support. In addition, declining inflation, resulting in rising real incomes in the household sector, and the expected easing of monetary policy in 2024 will constitute factors favouring investments.

Commercial space rental segment

Real property development activity related to commercial spaces is expected to remain low in 2023 and 2024. Currently, there is a record low amount of office spaces under construction and no new large-scale projects are planned. The supply of new office space introduced on the market will therefore be limited in the near future, which will be particularly evident in the Warsaw market. Additionally, it is assumed that the volume of unused rental space will remain high during this period, clearly above the pre-epidemic average nationwide. Although vacancy level will remain relatively high, we expect its share in Warsaw to decrease, i.e. the trend seen since the middle of 2021 will continue. In 2023, the increase in rents, which last year was underpinned by increases in the cost of maintaining office buildings, rising construction costs and finance costs, may continue.

The observed increase in gross demand (volume of rental transactions) and absorption of space in 2022 does not, in the opinion of BOŚ Bank analysts, mean a lasting improvement in the office space rental market. The high volume of rental transactions to date has partly been the result of the cumulative effect of tenants’ decisions to lease space that were postponed during the pandemic. Thus, this phenomenon may be temporary. In the next two years’ outlook, demand for office space leases will be under pressure from negative factors. Firstly, existing structural factors will have an impact, i.e.:

- less demand for office space than before the pandemic, due to the strengthening of the hybrid working model in many companies;
- a progressive process of renegotiating existing contracts (often concluded even before the pandemic) to reduce the lease area, as well as to make lease rules more flexible;
- the growing importance of subletting (more and more tenants are demanding this option in their contracts) which is increasingly becoming an alternative to traditional space leasing.⁸

In the near term, property development activity will remain rather low. As indicated, currently there is a record low amount of office spaces under construction and no new large-scale projects are planned. The uncertainty about the final shape of the office market, including the time needed to develop working models that take into account the lessons learned during the pandemic (an outlook for approx. 2 to 3 years) will continue to be the first and foremost reason for the persisting low level of construction activity.

⁸ BOŚ BANK Industry Report 16/02/2023

According to analysts at Avison Young, the warehouse sector is also facing a slowdown in investments. Pressure is now apparent on lowering sales prices of warehouse properties which translates into higher capitalisation rates. The difference is to some extent “compensated” to owners or developers by increases in base rent rates. The start of new projects is currently complicated by difficulties in obtaining project financing and its higher cost, as well as lower availability of materials, labour or a slowdown in activity on the part of lessees. It is expected that newly built warehouse facilities should reach a certain equilibrium this year. Transactions for slightly older warehouse properties will continue to be analysed on a case-by-case basis in terms of rent and final value per square metre.

The company’s experts predict that further dynamic development of retail parks and everyday shopping centres awaits in the near future. Approximately 375,000 sq.m. was under construction at the end of June 2023, of which more than 227,000 sq.m. is scheduled for delivery in the second half of 2023. New supply shows invariably mainly in the retail park format. 2023 should be a year of construction of more retail parks and convenience facilities, while the market will also turn more strongly towards the modernisation of existing facilities, in line with the trend towards sustainable development.

Cost factors

The price of construction materials remains an important factor that has been holding back cost growth in the construction sector for several months. Nevertheless, the situation in this respect is expected to be better in 2023 compared to 2021 and 2022.

Prices of construction materials are subject to the risk of rising electricity costs. This risk applies the most to the production of those construction materials where the share of energy consumption costs in total costs is high. The cement industry is a case in point. Taking into account the current share of energy costs in the total costs of cement plants, which is less than 20 percent, the assumed increase in electricity prices would translate into an increase in cement production costs due to a 13 to 15 percent increase in electricity prices. The increase in electricity prices is the main reason why cement prices are now rising several times faster than the average increase in the price of construction materials. Cement prices are reflected in the prices of many other types of construction materials, most notably concrete and various types of concrete products, hence a possible further dynamic increase in cement prices could cover other groups of construction materials and again generate cost problems in the building construction industry.

The prospect of an oil deficit in the second half of this year is having an increasingly strong impact on crude prices. The uncertain situation to date related to the demand for this commodity is generating supply problems, mainly due to OPEC+ restrictive production policy. Oil price rises may be supported by announced measures by Beijing authorities to support the economy and optimistic signals from the US, where the GDP for the second quarter of this year indicated 2.4 percent growth (assumed 1.7 percent).

In the coming quarters, the increase in labour costs in the construction sector is expected to be slightly slower compared to 2022, in line with the economy on average. Additionally, the slowdown in wage increase may be somewhat more pronounced in the construction industry due to lower activity levels and therefore lower demand for workers.

Although cost pressure in the building construction industry is expected to lessen in 2023, it will still remain a significant challenge for companies. According to a survey by Statistics Poland regarding construction companies (the results cover the entire sector, not just the construction of buildings), employment costs are now a significant barrier to doing business for 70 percent of construction companies (although the companies’ financial results indicate that the increase in wage costs is now

slower compared to previous years, entrepreneurs are probably also including the dynamically rising costs of subcontracting in their assessment of the employment cost barrier), and the cost of materials for 66 percent of companies.

Ukraine - an opportunity for Polish construction companies?

According to the Ukrainian authorities and the European Investment Bank, the total cost of Ukraine's post-war reconstruction projects will be more than USD 1 trillion. Recent estimates show that more than 100 000 sq. km have been devastated as a result of the war. Civil and energy infrastructure was particularly damaged. The Kyiv School of Economics estimates that total infrastructure losses to date have amounted to USD 136 billion. This situation gives Polish construction companies a great opportunity to win new contracts. Undoubtedly, reconstruction also involves numerous risks, such as increased demand for building services, materials and raw materials or professionals, among others. This will cause market prices to rise again in a few years' time.

Nevertheless, there is no reason why Polish companies should be favoured in the reconstruction process in Ukraine. Although Polish entities will adapt more easily to the peculiarities of the Ukrainian market compared to Western companies due to the cultural proximity of our countries, it seems that Ukrainian companies will also be ready to rebuild their homeland. It should also be noted that current Ukrainian legislation makes it significantly more difficult for non-Ukrainian companies to access the local market. For that market to open, a key factor will therefore be a change in the country's legal regulations to make it easier to obtain administrative decisions and to issue them in a transparent and structured, rather than discretionary, manner.

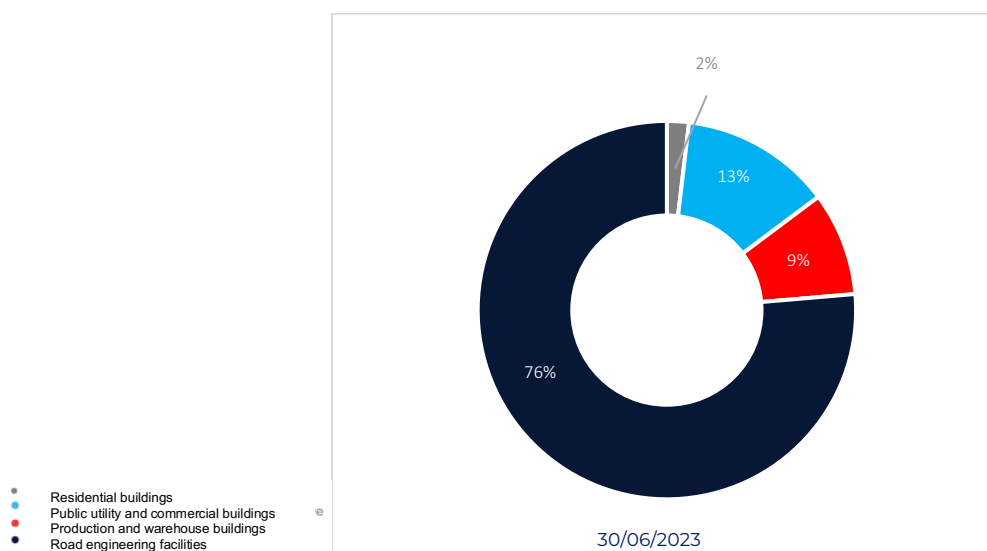
4.3. Description of MIRBUD S.A.'s activities in the first half of 2023

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

Construction and assembly works segment

Construction is one of the strategic sectors of the Polish economy. It is also a kind of barometer that determines the economic cycle in advance. In the first half of 2023, the decline in economic situation of the construction industry was becoming increasingly apparent. The market is experiencing a clear decline in the supply of new contracts, mainly for building construction, while the high level of involvement of general contractors in the construction of the country's road infrastructure is sustained by the efficient implementation of government road programmes by the General Directorate for National Roads and Motorways.

At the end of June 2023, it was road construction contracts performed mainly for the General Directorate for National Roads and Motorways which constituted the predominant exposure of the MIRBUD Capital Group's order portfolio. The total value of the portfolio was net PLN 4.81 billion, of which as much as PLN 3.59 billion (76%) were road infrastructure contracts to be executed by 2026, while PLN 1.25 billion was the value of contracted building construction works (24%).



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

- achieving a satisfactory financial result from operations in the construction and assembly segment despite rising prices for raw materials and construction materials;
- filling and maintaining the value of the MIRBUD Capital Group order portfolio at approximately PLN 5 billion for the years 2023-2026;
- development of construction operations in the military infrastructure market;

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

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

Additionally, in accordance with the Dividend Policy adopted in 2020, MIRBUD S.A., the Group’s parent, paid a dividend of PLN 0.26 per share in 2023 on its standalone profit for 2022 of PLN 0.26 per share which constituted a 30% increase on the previous year.

Road engineering construction

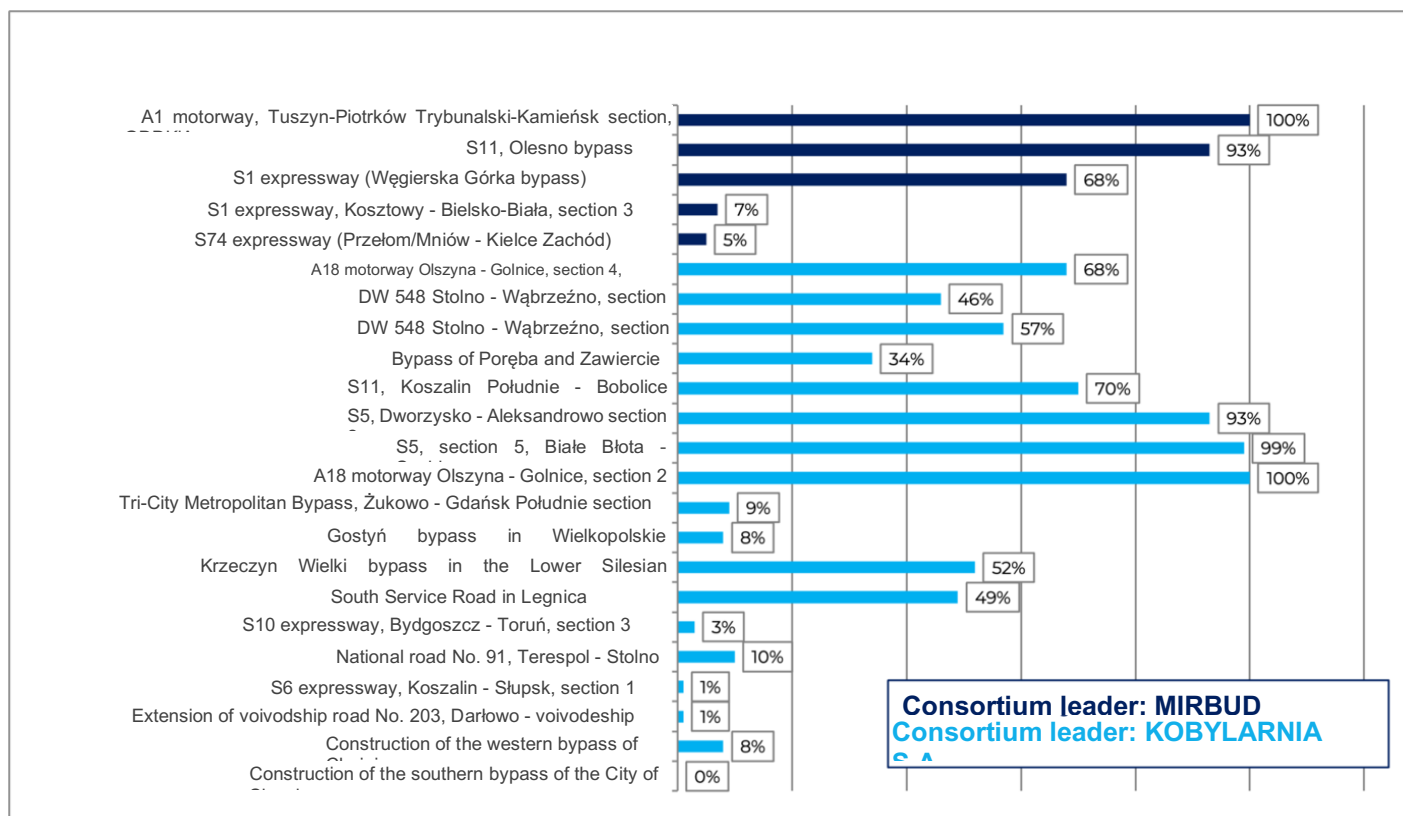
Road infrastructure construction contracts in the MIRBUD Capital Group are carried out by a consortium which almost always comprises two Group companies, i.e. MIRBUD S.A. and the subsidiary, KOBYLARNIA S.A. Due to logistical possibilities, contracts located in the north, north-west and west of the country are carried out by a consortium led by KOBYLARNIA S.A. The Company has its own bitumen mixing plants in Bydgoszcz, Miękinia near Wrocław and near Włocławek.

The road infrastructure contracts located in central Poland and the south of the country are being carried out by a consortium of companies led by MIRBUD S.A.

The consortium’s major achievements in the first half of 2023 include:

- signing of a contract for the construction of the Chojnice western road bypass with a net value of PLN 46.8 million;
- signing of a contract for the construction and reconstruction of existing road sections along the southern bypass of the City of Słupsk with a net value of PLN 104.6 million.

The progress of work on road infrastructure construction sites at the end of June 2023 is shown in the chart below:



Building construction

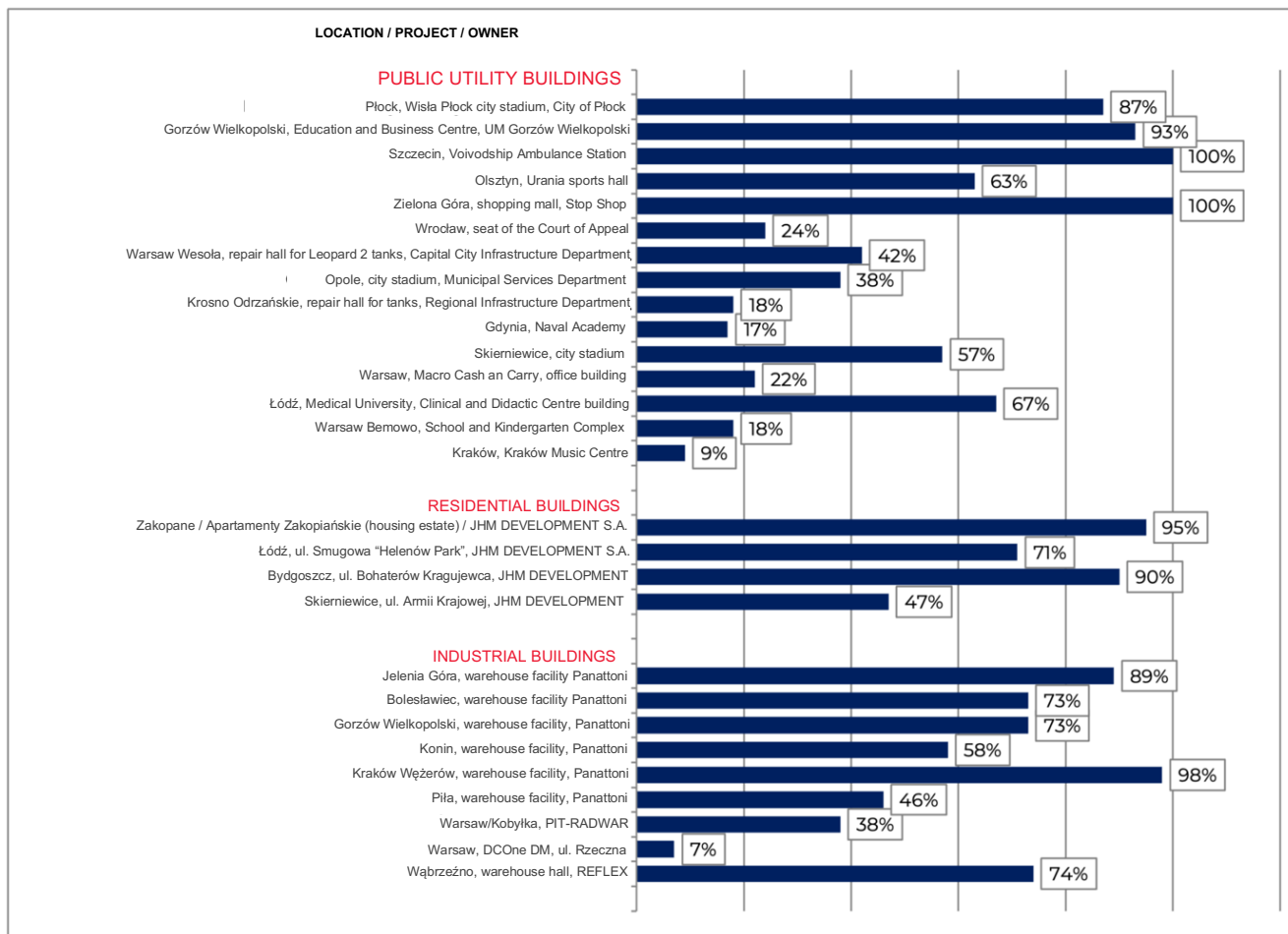
Building construction tasks in the Group are carried out exclusively by MIRBUD S.A.. The Company specialises in all segments of building construction: industrial buildings, public utility buildings, as well as residential buildings constructed exclusively for its subsidiary, JHM DEVELOPMENT.

The most important achievements of MIRBUD S.A. in the field of building construction in the first half of 2023 include:

- signing of a contract for the construction of warehouse, production and service halls in Warsaw with a net value of EUR 17.9 million;
- signing of an indexation contract for the reconstruction and extension of the Urania sports and entertainment hall in Olsztyn with a net value of PLN 25 million;
- signing of a contract for the construction of a primary school in the Grodzisk Mazowiecki Municipality with a net value of PLN 31.6 million;
- signing of a contract for the design and construction of a logistics centre in Wielkopolska with a net value of PLN 106.3 million.

In addition, after the end of the reporting period, the Company signed a contract for the construction of a commercial and service building complex in Mysiadło, Piaseczno powiat, Masovian Voivodeship, with a net value of PLN 69.3 million, as well as a contract for the design and construction of a commercial and service facility of the Retail Park type in Ostróda with a net value of PLN 78.7 million.

As at the end of June this year the Company executed 29 building construction contracts. The progress of works on the construction sites is shown in the chart below:



4.4. Corporate Social Responsibility

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

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

The structure of sales revenue, and profitability by business segment for MIRBUD S.A. in the first half of 2023 compared to the first half of 2022 are presented in the following tables:

Table: Sales made by MIRBUD S.A. in the periods from 01/01/2023 to 30/06/2023 and 01/01/2022 to 31/12/2022 by segments

Specification	Sales revenue	Structure of revenue	Sales revenue	Structure of revenue
	01/01/2023 - 30/06/2023	in %	01/01/2022 - 30/06/2022	in %
Sale of construction and assembly services:	860,248	98.8%	957,700	99.1%
- residential buildings	39,137	4.5%	40,843	4.3%
- public utility buildings	241,645	28.1%	168,756	17.6%
- production and service buildings	182,874	21.3%	416,359	43.5%
- road and engineering works	396,592	46.1%	331,742	34.6%
Other	10,425	1.2%	8,780	0.9%
TOTAL	870,673	100%	966,480	100%

The value of the Company's revenue in the first half of 2023 as compared to the first half of 2022 decreased by approx. 10%. This was mainly due to the fact that the Company achieved significantly lower revenue from the sale of construction and assembly services mainly in the production and service buildings segment (down 56%), which could not be offset by increased revenue from engineering and road works (an increase in sales revenue of approx. 19.5% year-on-year) and from the sale of construction and assembly services in the public utility buildings segment (an increase in sales revenue of approx. 43% year-on-year).

The sales structure of MIRBUD S.A. was mainly influenced by:

- the advanced stage of execution of road construction contracts e.g. construction of a fragment of the A1 motorway, a fragment of the S1 expressway (Węgierska Górka bypass), Olesno bypass;
- a decrease in the dynamics, number and value of short-term warehouse and logistics facility projects (the Company acquired 2 contracts with a total value of approx. PLN 191 million in the first half of 2023 for implementation in the above segment compared to 6 contracts with a total value of approx. PLN 500 million in the corresponding period last year)
- initial phase of projects related to Poland's defensive abilities
- as a result of the economic situation, a temporary reduction in demand for housing
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. in the periods from 01/01/2023 to 30/06/2023 and 01/01/2022 to 30/06/2022 by segments

Specification	Profit/loss on sales 01/01/2023 - 30/06/2023	Sales profitability in %	Profit/loss on sales 01/01/2022 - 30/06/2022	Sales profitability in %
Sale of construction and assembly services:	61,551	7.2%	64,996	6.8%
- residential buildings	3,479	8.9%	3,210	7.9%
- public utility buildings	11,298	4.7%	5,880	3.5%
- production and service buildings	15,257	8.3%	27,875	6.7%
- road and engineering works	31,516	7.9%	28,031	8.4%
Other	- 1,350	-12.9%	115	1.3%
TOTAL	60,201	6.9%	65,111	6.7%

The Company achieved a positive financial result on sales in all its segments of activity. Compared to 2022, MIRBUD S.A.'s return on sales in the first half of 2023 increased by 0.02 p.p.

Noteworthy is the fact that it was possible to maintain a high level of profitability in all segments of construction and assembly services, and the profitability of such segments as production and service buildings, public utility buildings, and residential buildings increased.

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

4.6. Information on sales and supply markets

4.6.1. Customers

MIRBUD S.A.

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

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

In the first half of 2023, significant market volatility was felt mainly due to the conflict in Ukraine and the withholding of funds from the European Union under the National Recovery Plan.

Although the price levels for materials and services have stabilised, a significant increase in aggressive competition between contractors in the medium and long term may adversely affect the profitability of contracts executed in subsequent years.

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

On 15/03/2023 the Issuer concluded an indexation annex to the contract with the Municipality of Olsztyn, concluded on 28 December 2021. The subject of the annex is to increase the Issuer's remuneration for the execution of the task titled "Reconstruction and extension of the Urania Sports and Entertainment Hall in Olsztyn" due to the awarded indexation amount of PLN 30,750,000.00 gross, which is 15 percent of the original contractual remuneration. Construction works for the project in question are scheduled to be completed on 16 October 2023.

The Company is also currently negotiating the introduction of indexation provisions to the contract with several public employers. The Management Board assesses the chances of obtaining indexation of public contracts for the construction of public utility buildings as high.

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

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

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

In the first half of 2023, the Company submitted bids in 63 non-public proceedings and 24 public tenders. The value of submitted bids amounted to PLN 9,094,245,007.90 net. During this period, 3 contracts were signed for the amount of PLN 224,291,779.22.

In the first half of 2023, the Company generated over 10% of its sales revenue with the following customers: General Directorate for National Roads and Motorways (46%) Panattoni Europe Group entities (approx. 14% in total).

4.6.2. Suppliers

MIRBUD S.A. and KOBYLARNIA S.A.



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

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

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

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

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

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

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

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

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

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

In previous years, MIRBUD S.A. was a company recognised primarily on the market of general contractors executing industrial construction investments. As of 2019, the scope of activities has expanded significantly. The company, acting in consortium with its subsidiary KOBYLARNIA S.A., carries out road construction contracts throughout the country. The value of road construction contracts outstanding as of 31 December 2022 amounted to PLN 3.6 billion and the completion period extends to 2026. The combination of the dominant share of long-term road contracts, prestigious volume public utility construction contracts and short-term, high-return industrial construction contracts ensures that the Company's revenue will remain at a stable, comparable level in future years.

In the first half of 2023, the Company submitted bids in 63 non-public proceedings and 24 public tenders. The value of submitted bids amounted to PLN 9,094,245,007.90 net. During this period, 3 contracts were signed for the amount of PLN 224,291,779.22.

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As of the date of the report, the value of contracts remaining in the MIRBUD S.A. portfolio for 2023 and beyond is approximately PLN 2.5 billion.

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

Information on the Issuer's investments, including equity investments in related parties is presented in Notes 2 to 4 to the Statements of MIRBUD S.A. for the period from 01/01/2023 to 30/06/2023.

4.9. Assessment of potential for achieving investment objectives

The Company's Management Board analyses and updates the financing structure on an ongoing basis in order to ensure an optimal and safe model for the use of financial resources. Within the available sources of financing, both own funds and bank credits, leasing and loans are used.

MIRBUD S.A. will continue to implement investment projects aimed at its development and increase in value in 2023 and in the following years. The nearest investment plans involve strengthening the Company's business base and competitiveness in the road segment, which will enable the Company to achieve higher profitability in the coming years. The Company plans to renew the machinery park and means of transport, which will significantly improve the effectiveness and scope of services provided in all locations, as part of the increase in the equipment potential. MIRBUD S.A. is systematically analysing market opportunities for the Group's development through the acquisition of an entity in the industry (railway, hydrotechnical and energy construction), which will enable a significant expansion of the range of construction and assembly services provided or significantly increase their profitability.

In June this year, MIRBUD S.A., the parent company of the MIRBUD Capital Group, disclosed its shareholding and the fact of exceeding 5 percent of the total number of shares in the railway company Torpol S.A. Thus, MIRBUD S.A. has exceeded the 5% threshold for voting rights in Torpol S.A. shares. Earlier this year, the Management Board of MIRBUD S.A. communicated the intention to purchase shares in one of Poland's railway companies. Purchases of shares in Torpol S.A. The Management Board sees this as an investment in the potential development of the Group towards the creation of a complementary portfolio for the execution of construction and assembly works, both of building construction (railway stations, viaducts) and of railway infrastructure, in partnership with a company in which it holds shares or other companies.

In the first half of 2023, the Issuer commenced a project consisting in the expansion of the Company's registered office at an estimated cost of approx. PLN 13 million, project completion date - first quarter of 2024.

4.11 Risk factors

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

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

Risks related to the military conflict in Ukraine

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

In the short term, it is possible that the conflict will continue or spread, which could affect the Company'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.

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 at the date of publication of this report, according to the best knowledge of the Management Board of the Issuer, it is not possible to precisely determine the impact of the coronavirus epidemic 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 pandemic is officially over in Poland, there was no mandatory quarantine. 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 Employer or state administration to suspend the works,
 - other events which are difficult to predict.

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

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

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

Liquidity risk management

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

- ensuring stable and effective financing of the Group's operations;
- continuous monitoring of the Company's and the Group's debt levels;
- 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 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

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

As at 30/06/2023, MIRBUD S.A. had no interest rate hedging transactions for long-term credits.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Liabilities under credits and loans	112,240	128,685		
Loans granted				
Other financial assets				
Other financial liabilities	24,601	27,672		
Total	136,841	156,357		

Risk of changes in interest rates - sensitivity to changes

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 30 June 2023 and 31 December 2022 at the level of - 1.0/+1.0 point for the Polish zloty and the Euro.

The effect of the change in interest rates on the net result and the balance sheet total as at 30 June 2023 and 31 December 2022 is presented below.

Analysis of sensitivity of items exposed to interest rate changes	As at:	Effect on net profit/loss		Effect on balance sheet total	
		increase by	decrease by	increase by	decrease by
		1%	1%	1%	1%
Liabilities under credits and loans	112 240	-909	909	1 122	-1 122

Loans granted

Other financial assets

Other financial liabilities

Total	112 240	-909	909	1 122	-1 122
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Analysis of sensitivity of items exposed to interest rate changes	As at:		Effect on net profit/loss		Effect on balance sheet total	
	31/12/2022		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	Liabilities under credits and loans	128 685		-1 042	1 042	1 287
Loans granted						
Other financial assets						
Other financial liabilities	27 672		-224	224	277	-277
Total	156 357		-1 266	1 266	1 564	-1 564

Risk of changes in foreign exchange rates

MIRBUD S.A. generates revenue in foreign currencies. In the first half of 2023, the Company generated over 17% 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 profits. In order to minimise the exchange rate risk, the Company hedges the exchange rate level by entering into FORWARD-type transactions. The Issuer did not enter into hedging transactions for the exchange rate in the first half of 2023.

Items exposed to change in foreign exchange rates	EUR		USD		Other	
	As at:	As at:	As at:	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Liabilities under credits and loans						
Loans granted						
Trading and other receivables	53,112	75,308				
Trading and other liabilities						
Cash	5,769	20,290				
Other financial assets						
Total	58,881	95,598				

Risk of changes in exchange rates - sensitivity to changes

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 30 June 2023 and as at 31 December 2022.

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

Analysis of sensitivity of items exposed to change in foreign exchange rates (Euro)	As at:		Effect on net profit/loss		Effect on balance sheet total	
	30/06/2023		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%

Liabilities under credits and loans					
Loans granted					
Trading and other receivables	53 112	4 302	-4 302	5 311	-5 311
Trading and other receivables					
Cash	5 769	467	-467	577	-577
Other financial assets					
Total	58 881	4 769	-4 769	5 888	-5 888

Analysis of sensitivity of items exposed to change in foreign exchange rates (Euro)	As at: 31/12/2022	Effect on net profit/loss		Effect on balance sheet total	
		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
Liabilities under credits and loans					
Loans granted					
Trading and other receivables	75 308	6 100	-6 100	7 531	-7 531
Trading and other liabilities					
Cash	20 290	1 643	-1 643	2 029	-2 029
Other financial assets					
Total	95 598	7 743	-7 743	9 560	-9 560

The Issuer's Management Board estimates that in 2023 the share of revenue in Euro will decrease by approx. 40% (it will gradually decrease in the second half of 2023). As of 30/06/2023 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 Company tries to take into account the market situation by adapting its 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 Company's activities, its financial situation and development prospects.

Economic situation risk:

- change in the macroeconomic situation and economic situation in Poland

Revenue of MIRBUD S.A. is earned in full on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an impact on the financial results achieved by the Company: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

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

- in the construction industry

The activities of the Company 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 Company.

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

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.

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 Company's 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 Company's activities, financial position or its development prospects.

Risks related to the current activities

- risk associated with the implementation of the development strategy

The Polish market and the situation on local markets where the Company operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the Company's future financial results, development and market position depend on its ability to prepare and implement a long-term strategy in an uncertain and changing market environment.

In particular, the implementation of the Company's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Company'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:
- 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 Company makes every effort to ensure that the assumed strategy is implemented and tries to analyse on an ongoing basis all market and industry factors which have and may have an effect on the implementation of the strategy,

The factors described above may cause that the Company 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 Company finances its development and current activities with the use of bank credits and leasing. In the future, the Company intends 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 Company's 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 Company's good financial standing, it cannot be ruled out that in the future, as a result of unfavourable market processes, it will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company 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 Company 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 Company'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 Company'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 Company 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 Company'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 Company 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 Company 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:

Risk related to claims against the Company on account of construction of flats and retail and service facilities, 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 flats under the statutory warranty for physical and legal defects of buildings. The period covered by these claims is 5 years.

Moreover, pursuant to Articles 649¹ to 649⁵ of the Civil Code, at the request of the contractor, the Company acting as an investor is obliged to grant a guarantee of payment to the contractor (general contractor) for construction works in the form of a bank or insurance guarantee, as well as a bank letter of credit or bank surety granted at the investor's request.

The occurrence of any of the above factors, which translate into claims against the Company, may have an adverse effect on the Company's activities, financial position or its development prospects.

- related to the production process

Construction contracts contain a number of clauses concerning proper and timely performance of the contract, proper removal of defects and faults, which involves the provision of a guarantee deposit or securing the contract with an insurance or bank guarantee. The security is usually provided in the form of an insurance guarantee, bank deposit or cash deposit within a specific period of time after the contract

is signed and settled after the contract completion. The amount of the security depends on the type of contract. Typically, it is between 5% and 10% of the contract price.

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

In order to minimise the risk, the Company's 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.

Debt ratio calculation	in PLN thousand	
	As at:	As at:
	30/06/2023	31/12/2022
Total credits	136,841	156,357
Cash and cash equivalents	-97,104	-293,801
Net debt	39,738	-137,444
Equity	480,589	467,361
Total capital	520,327	329,917
Debt ratio	8%	-42%

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	30/06/2023	31/12/2022
Net dept	39,738	-137,444
EBITDA	136,856	57,524
Equity	480,589	467,361
Total Assets	1,338,734	1,426,132
net debt/EBITDA	0.3	-2.4
total equity/assets	0.4	0.3

4.10. Information on credits, loans, guarantees and sureties

4.10.1. Credits and loans

Detailed information on credits and loans taken out by the Company in the first half of 2023 and in previous years is presented in the table below.



MANAGEMENT REPORT OF MIRBUD S.A. FOR H1 2023

Table: Liabilities under credits and loans owned by MIRBUD S.A. as of 30 June 2023 in PLN thousand.

Name of the entity	Obliged entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	15,000	PLN			WIBOR 1M + margin	24/06/2024	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	9,650		WIBOR 1M + margin	31/10/2024	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	16,200	12,000	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		34,762	WIBOR 1M + margin	17/10/2023	assignment of a business receivable, mortgage
Total credits and loans				61,050	46,762	107,811		

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

Name of the entity	Obliged entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	15,000	PLN	10,669		WIBOR 1M + margin	24/06/2024	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN		366	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK S.A.	MIRBUD S.A.	15,200	PLN	15,200		WIBOR 1M + margin	27/06/2025	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN		10,000	WIBOR 1M + margin	31/10/2024	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	19,800	14,400	WIBOR 1M + margin	29/12/2025	mortgages on property
BOŚ S.A.	MIRBUD S.A.	20,000	PLN	20,000		WIBOR 1M + margin	03/08/2024	BGK guarantee, registered pledge
BOŚ S.A.	MIRBUD S.A.	35,000	PLN	33,821		WIBOR 1M + margin	17/10/2023	assignment of a business receivable, mortgage
Total credits and loans				99,490	24,766	124,256		

In the period covered by the report, there were no cases of termination of loans or credit contracts or breach of their terms, which would result in disruption of the financing of the Company's activities.

As of 30/06/2023, MIRBUD S.A. did not show any debts due to loans, except for loans indicated in the above tables.

4.10.2. Loans granted

As of 30 June 2023, MIRBUD S.A. had the following receivables by virtue of granted loans.

4.10.3 Sureties and guarantees

MIRBUD S.A.

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

- JHM DEVELOPMENT or related Special Purpose Vehicles - for execution of development projects
- Marywilaska 44 Sp. z o.o. for refinancing capital expenditures
- Kobylarnia S.A. for execution of construction contracts

As of 30/06/2023, the balance of sureties is presented in the table below:



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Table: Sureties granted by MIRBUD S.A. as of 30/06/2023

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		surety expiry date
		As at:	As at:	As at:	As at:	
		30/06/2023	31/12/2022	30/06/2023	31/12/2022	
<u>To related parties</u>	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK S.A. credit	49,500	49,500	16,850	18,883	02/05/2028
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	15,000	15,000	0	0	30/11/2023
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	9,318	9,318	4,348	4,348	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
<u>To other parties</u>	-	-	-	-	-	-
<u>Total</u>	-	<u>128,818</u>	<u>128,818</u>	<u>70,991</u>	<u>73,231</u>	-

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

In accordance with the terms of the contract:

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

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

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

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

Contingent liabilities under the warranty for removal of defects and faults granted by the Companies of the MIRBUD Group to investors, created, lasting from 01/01/2023 to 30/06/2023, are as follows:

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	30/06/2023	31/12/2022

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Under proper performance guarantee	667,223	667,223
Under rectifying faults and defects	260,087	260,087
Under payment of receivables	192,717	192,717
<u>Total</u>	<u>1,120,028</u>	<u>1,120,028</u>

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

The Issuer did not issue shares during the reported period.

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

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

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

5. MAIN CONTRACTS

5.1. Insurance contracts

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

From 01/04/2023 to 31/03/2024, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 30/03/2023 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 17/MIRBUD/2022".

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

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2023 to 30/06/2023 in PLN thousand

Conclusion date of the contract	Contract value (net) in PLN thousand	Business partner	Subject of the contract
12/01/2023	57.607	Pomorskie Voivodeship - Voivodeship Roads Authority in Gdańsk	Construction of the Chojnice western road bypass. Consortium of companies composed of: <ul style="list-style-type: none"> • KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader), • MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).
06/03/2023	84,726	Development Concept One DM Sp. z o.o.	construction works for the erection of two warehouse, production and service buildings with rest and

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			refreshment and office facilities, with the leading production plant function, buildings accompanying in the scope and accompanying technical infrastructure, as well as with the road project necessary to connect the project with public roads. The buildings will be located at ul. Rzeczna 6 in Warsaw (Targówek District).
15/03/2023	30,750	Olsztyn Municipality	an increase in the Issuer's remuneration for the implementation of the task titled "Reconstruction and extension of the Urania Sports and Entertainment Hall in Olsztyn" due to the awarded indexation amount of PLN 30,750,000.00 gross, which is 15 percent of the original contractual remuneration. Construction works for the project in question are scheduled to be completed on 16 October 2023.
18/04/2023	31,596	GRODZISK MAZOWIECKI commune	execution of the investment task titled "Construction of a primary school with pre-school department in the village of Szczęsne, Grodzisk Mazowiecki Commune – STAGE II".
30/05/2023 (receipt of return signed contract)	106,300	Centrum Wynajmu Nieruchomości 4 Spółka Akcyjna	design, construction and handover to the Employer of a logistics centre located in Bolewicko, Miedzichowo municipality, Nowy Tomyśl powiat, together with land development and the necessary internal and external infrastructure
27/06/2023	104,700	City of Słupsk	"Continuation of the construction of the Słupsk City Ring", executed on the basis of project documentation titled "Construction of a new connection between national road No. 21 and voivodship road No. 210 (along ul. Słoneczna, ul. Rybacka and ul. Leśna)". Consortium of companies composed of: <ul style="list-style-type: none"> • KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Leader), • MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner).

On 17/05/2023 the Issuer, on behalf of the Consortium of companies:

- **MIRBUD S.A.** with its registered office in Skierniewice, ul. Unii Europejskiej 18, 96-100 Skierniewice;
- **KOBYLARNIA S.A.** with its registered office in Kobylarnia, ul. Zakole 1, 86-061 Brzoza;

- **PRIVATE JOINT STOCK COMPANY “ZRZESZENIE BUDOWLANE INTERBUDMONTAŻ”** with its registered office in Kyiv, T. Strokatcha, building 1, 03148 Kyiv, Ukraine

concluded with the State Treasury, General Directorate of National Roads and Motorways in Warsaw an annex to the contract dated 19 October 2019 titled “Construction of the S1 expressway (formerly S69) Bielsko-Biała-Żywiec-Zwardoń, section Przybędza-Milówka (bypass of Węgierska Górka)”. The subject of the annexes concluded is to postpone the contract completion date by 171 days, i.e. until 28 May 2024.

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

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

Conclusion date of the contract	Contract value (net) in PLN thousand	Business partner	Subject of the contract
03/08/2023	69,300	ED SAN III SANCAK Sp. K	construction of a complex of commercial and service buildings together with necessary internal systems, an advertising pylon and land development together with a traffic system and parking spaces as well as technical infrastructure in Mysiadło, Piaseczno powiat, Masovian Voivodeship
18/08/2023	78,772	ACE 10 Sp. z o.o.	design and construction of a retail and service facility of the Retail Park type together with the necessary technical infrastructure and land development in Ostróda, Warmian-Masurian Voivodeship

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

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

7. THE EFFECTS OF CHANGES IN THE STRUCTURE OF THE ECONOMIC ENTITY, INCLUDING AS A RESULT OF MERGING ENTITIES, GAINING OR LOSS OF CONTROL OVER SUBSIDIARIES AND LONG-

TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS, AND INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

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

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

8. ACHIEVED AND FORECAST FINANCIAL RESULTS

MIRBUD S.A. did not publish forecasts for financial results for 2023.

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

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

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

External factors

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

- availability and costs of bank credits and guarantees,
- trends in preferences of potential buyers of apartments,
- the level and conditions of competition,
- the rate of growth of investments in the public sector (in particular in road construction),
- price levels for construction materials and services,
- the availability on the market of qualified staff and the level of their salaries,
- demand in housing construction,
- the course and consequences of the military conflict in Ukraine.

Internal factors:

- financial standing of the Companies of the Group, in particular MIRBUD S.A.,
- a well-established position in the industrial building construction sector,
- systematic development of the Company in the engineering and road sector,
- development opportunities for the Company in the railway infrastructure sector,
- systematic filling of the portfolio for the years 2023 - 2026,
- diversified order portfolio for the years 2023 - 2026,
- the level of margin on the execution of contracts achieved through optimisation of production costs and improvement of technical solutions for the execution of construction, also thanks to the implementation of the process of development and implementation of the IT management system (a modern management system, in the Issuer's opinion, will improve control over operating activities through detailed ongoing analyses of individual projects, improve financial records, positively affect work efficiency and reduce the risk of core activities),
- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries.

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

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

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

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

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

The assumption of an effective internal control system in financial reporting is to ensure that the financial information contained in the financial statements and periodical reports is adequate and correct.

The internal control system for financial reporting in the MIRBUD Capital Group is implemented through:

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

- an independent assessment of the financial statements by an independent external auditor.

The financial reporting process is subject to ongoing review. The integrated financial and accounting system plays an important role in the control process for accounting and financial reporting. Not only does it make it possible to check the accuracy of the recorded operations, but it also allows the identification of the persons entering and accepting individual transactions. Access to financial data is restricted by an authorisation system. Access rights to the system are granted to the extent that they depend on the individual's assigned role and responsibilities and are subject to strict control.

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

The consolidated financial statements of the Capital Group are prepared by the Chief Accountant. The prepared annual consolidated financial statements are submitted to the economic and financial director for initial review and then to the full Management Board for final review and authorisation.

The consolidated financial reporting process is governed by the accounting policies adopted by the Group. It is also subject to detailed schedules covering key activities and checkpoints, with responsibility assigned for their timely and correct completion. The preparation of consolidated financial statements is carried out on the basis of uniform consolidation packages prepared electronically by the individual Group companies. Consolidation packages transferred by subsidiaries are subject to:

- verification procedures by the auditor auditing the Group's consolidated financial statements;
- analytical reviews by the Chief Financial Officer and the Chief Accountant of MIRBUD S.A.

One of the basic elements of control in the process of preparing financial statements of the Company is to audit the annual financial statements and review the interim financial statements by an independent auditor in order to express in his opinion and report whether the financial statements are correct and whether they present fairly and clearly the property and financial situation of MIRBUD S.A., as well as its financial result. The annual consolidated financial statements of the Capital Group, together with the auditor's opinion, shall be submitted to the Supervisory Board for assessment and the General Meeting of Shareholders for approval.

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

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

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

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

The Management Board of the Company states that as of 31 December 2022 there neither were nor are at present factors which could affect the reliability and correctness of the consolidated financial statements prepared.

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

The Management Board of the Company states that as of 31 December 2022 there neither were nor are at present factors which could affect the reliability and correctness of the consolidated financial statements prepared.

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

12. ADDITIONAL INFORMATION

12.1. Shareholder structure

12.1.1. Information about the dividend paid in the period from 01/01/2023 to 30/06/2023

MIRBUD S.A. made no dividend payments in the period from 01/01/ to 30/06/2023.

On 19 June 2023, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 10/2023 concerning the payment of dividends to the Issuer's shareholders. Pursuant to the adopted resolution, the General Meeting resolved to allocate a part of the profit for the financial year 2022 in the amount of PLN 23,853,492.00 to the payment of dividend to the Issuer's shareholders, i.e. PLN 0.26 gross per share. The number of shares covered by the dividend is 91,744,200. The dividend day was 26 June 2023. The dividend payment date is 21 July 2023. The dividend was paid on the date specified.

12.1.2. Information on the purchase and sale of own shares

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

12.1.3 Shares of the Company

As at 30/06/2023, the share capital of **MIRBUD S.A.** is divided into 91,744,200 fully paid bearer shares with a nominal value of PLN 0.10 each.

Table: Share capital structure

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	19,500,000	PLN 0.10	1,950	cash	22/12/2006
2	B	14,625,000	PLN 0.10	1,462	cash	22/12/2006
3	C	2,264,000	PLN 0.10	226	cash	22/12/2006
4	D	3,611,000	PLN 0.10	361	cash	22/12/2006
5	E	5,000,000	PLN 0.10	5000	cash	11/12/2009
6	F	10,000,000	PLN 0.10	1,000	cash	03/03/2010
7	G	10,000,000	PLN 0.10	1,000	cash	19/05/2010

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8	H	10,000,000	PLN 0.10	1,000	cash	18/08/2010
9	I	7,492,500	PLN 0.10	749	cash	26/05/2014
10	J	2,873,947	PLN 0.10	287	cash	11/09/2019
11	K	6,377,753	PLN 0.10	638	cash	30/09/2019
Total		91,744,200		9,174		

Table: Ownership structure of the share capital as at 30/06/2023

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,600,000	45.34%	41,600,000	45.34%
Nationale-Nederlanden Open Pension Fund	9,221,837	10.05%	9,221,837	10.05%
Other shareholders	40,922,363	44.60%	40,922,363	44.60%
Total	91,744,200	100.00%	91,744,200	100.00%

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

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

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

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,600,000	45.34%	41,600,000	45.34%
Nationale-Nederlanden Open Pension Fund	9,221,837	10.05%	9,221,837	10.05%
Other shareholders	40,922,363	44.60%	40,922,363	44.60%
Total	91,744,200	100.00%	91,744,200	100.00%

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

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as of 30/06/2023, 31/12/2022 and the date of preparation of the report is as follows:

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

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

Table. Shares of the Company held by members of management and supervisory bodies as at 30/06/2023

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

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

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

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

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

As at 30/06/2023 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in these statements and in current reports, the issuer did not have any information about contracts which may result in future changes in the proportions of shares held by the Issuer's existing shareholders.

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

There are no employee stock ownership plans in the Company

12.2. Influence of factors and unusual events on the financial result for the first half of 2023

In the first half of 2023, there were no factors or events unusual from the point of view of the specific nature of the Companies' business activities which could influence the financial result, apart from the factors related to the military conflict in Ukraine which are described in this report.

12.3. Changes in the basic principles of managing an enterprise

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

12.4. The Management Board and the Supervisory Board and the changes in supervisory and management bodies of MIRBUD S.A.

In the period from 01/01/2023 to 30/06/2023, the composition of the Management Board of MIRBUD S.A. did not change and it performed the duties with the following composition:

Table: Composition of the MIRBUD S.A. Management Board from 01/01/2023 to 30/06/2023

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

On 19 May 2023, the Issuer's Supervisory Board, in connection with the expiry of the term of office of the Member of the Management Board of MIRBUD S.A., appointed Mr. Tomasz Sałata to the Management Board for another five-year term, entrusting him with the position of Member of the Company's Management Board.

On 19 May 2023, the Issuer's Supervisory Board, in connection with the expiry of the term of office of the Member of the Management Board of MIRBUD S.A., appointed Mr. Paweł Korzeniowski to the Management Board for another five-year term, entrusting him with the position of Member of the Company's Management Board.

As at the date of the report, the composition of the Management Board of MIRBUD S.A. has not changed.

The composition of the Issuer's Supervisory Board has changed in the period from 01/01/2023 to 30/06/2023. On 30 January 2023, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2023 and Resolution No. 5/2023 on appointing the following persons to the Supervisory Board of MIRBUD S.A.:

- Mr. Stanisław Lipiec
- Mr. Jacek Tucharz

On 19 June 2023, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 23/2023 and Resolution No. 24/2023 on appointing the following persons to the Supervisory Board of MIRBUD S.A. for another term:

- Ms. Agnieszka Bujnowska (Pursuant to Resolution of the Supervisory Board No. XIII/2023 of 19 June 2023, Ms. Agnieszka Bujnowska serves as Secretary of the Supervisory Board of MIRBUD S.A.)
- Mr. Wiesław Kosonóg (Pursuant to Resolution of the Supervisory Board No. XII/2023 of 19 June 2023, Mr. Wiesław Kosonóg serves as the Chairman of the Supervisory Board of MIRBUD S.A.)

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2023 to 30/06/2023

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

As at the date of the report, the composition of the Supervisory Board of MIRBUD S.A. has not changed.

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

Mrs. Kaja Mirgos-Kwiatkowska, who has been a member of the Management Board of JHM DEVELOPMENT S.A. from 02/01/2020 and a member of the Management Board of Marywilka 44 sp. z o.o., from 01/08/2020 is the daughter of Mr. Jerzy Mirgos who, as of 30/06/2023, held 45.34% of the Issuer's shares.

12.6. Remuneration of members of the management and supervisory bodies

MIRBUD S.A.

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2023 to 30/06/2023

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	From sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	669	0	0	0	0	0	450	1,119
Sławomir Nowak	Vice-President of the Management Board	600	0	0	0	0	0	270	870
Paweł Korzeniowski	Member of the Management Board	620	0	0	0	0	0	26	646
Tomasz Sałata	Member of the Management Board	600	0	0	0	0	0	0	600
Agnieszka Bujnowska	Secretary of the Supervisory Board	33	0	0	0	0	0	30	63
Artur Sociński	Member of the Supervisory Board	27	0	0	0	0	0	0	27
Wiesław Kosonóg	Chairman of the Supervisory Board	39	0	0	0	0	0	9	48
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board	33						9	42
Stanisław Lipiec	Member of the Supervisory Board	20	0	0	0	0	0	0	20
Jacek Tucharz	Member of the Supervisory Board	18	0	0	0	0	0	0	18
TOTAL		2,659	-	-	-	-	-	794	3,453

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2022 to 30/06/2022

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	From sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	819	0	0	0	0	0	425	1,244
Slawomir Nowak	Vice-President of the Management Board	750	0	0	0	0	0	225	975
Pawel Korzeniowski	Member of the Management Board	710	0	0	0	0	0	25	735
Tomasz Sałata	Member of the Management Board	690	0	0	0	0	0	0	690
Hubert Bojdo	Member of the Supervisory Board	21	0	0	0	0	0	0	21
Agnieszka Bujnowska	Secretary of the Supervisory Board	24	0	0	0	0	0	30	54
Andrzej Zakrzewski	Member of the Supervisory Board	21	0	0	0	0	0	8	29
Waldemar Borzykowski	Member of the Supervisory Board	-	0	0	0	0	0	0	0
Artur Sociński	Member of the Supervisory Board	21	0	0	0	0	0	0	21
Wiesław Kosonóg	Chairman of the Supervisory Board	24	0	0	0	0	0	11	35
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board	24						8	32
Wiktoria Braun	Member of the Supervisory Board	22	0	0	0	0	0	0	22
TOTAL		3,126	-	-	-	-	-	753.	3,858

In the period from 01/01/2023 to 30/06/2023 members of the Issuer's management, supervisory and administrative bodies did not receive any awards or benefits for their functions, prizes or benefits except for the remuneration indicated in the table above.

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

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

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

As at 30/06/2023, the Company did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

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

No such events occurred in the reporting period.

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

No such events occurred in the reporting period.

12.9. Employees

MIRBUD S.A. headcount as at 30/06/2023 and 31/12/2022 is presented in the tables below.

Table: Employment at MIRBUD S.A. as at 30/06/2023

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	440	161

Table: Employment at MIRBUD S.A. as at 31/12/2022

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

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

12.10. Diversity policy

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

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

On 11/07/2022, MIRBUD S.A. entered into a contract with BGGM AUDYT spółka z ograniczoną odpowiedzialnością in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11 registered under KRS number 0000327377 in the National Court Register - Register of Entrepreneurs, maintained by the District Court for the City of Warsaw. The contract for the audit of the financial statements was signed with the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register and entered under number 3489 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors:

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

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

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

On 29/12/2022, MIRBUD S.A. entered into a contract with BGGM AUDYT spółka z ograniczoną odpowiedzialnością in Warsaw, address: 03-450 Warsaw, ul. Ratuszowa 11, registered under KRS No. 0000327377 in the National Court Register - Register of Entrepreneurs, maintained by the District Court for the City of Warsaw. Warsaw, in Warsaw, 13th Commercial Division of the National Court Register and entered under number 3489 on the list of entities authorized to audit financial statements kept by the National Council of Statutory Auditors for the service consisting in the assessment of the remuneration report in the period from 01/01/2022 to 31/12/2022 – remuneration of PLN 5,000 net

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

In the period from 01/01/2023 to 30/06/2023, the remuneration paid by the Company to statutory auditors amounted to PLN 40 thousand.

During the period from 01/01/2023 to 30/06/2023, no other unauthorised services were provided to the Company by the entity authorised to audit the financial statements.

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

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

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

As at 30/06/2023, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 4,212 thousand.

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

As at 30/06/2023, there was litigation pending concerning receivables brought by the Issuer for the total value of the object of dispute of PLN 1,140 thousand.

In the period covered by this report, there were significant litigation pending concerning receivables of Kobylnia 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 S5 expressway. The total value of disputes between KOBYLARNIA S.A. and GDDKiA as of 31/12/2022 amounted to PLN 71,820,000.

On 22/02/2023 the Company signed an agreement with the State Treasury, General Directorate of National Roads and Motorways, for a value of 1,031,227.49 gross plus one half of the statutory interest on the indicated amount calculated for the period from 31/03/2020 to the date of payment - the agreement concerns compensation for the costs incurred in connection with the delivery of materials along extended routes and costs for the implementation of works on the Jaroszewo interchange not covered by the contract. "Design and construction of the S5 expressway from the Jaroszewo interchange (without interchange) to the provincial border with a length of approximately 25.1 km." (S5, section 7)

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

13. STATEMENT OF THE CAPITAL GROUP ON NON-FINANCIAL INFORMATION

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

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

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

During the reporting period from 01/01/2023 to 30/06/2023, MIRBUD S.A. was subject to a set of corporate governance principles called “Good Practices of Companies Listed on the WSE 2021” (Good Practices 2021, DPSN2021), which were adopted by Resolution No. 13/1834/2021 of the Stock Exchange Board of 29 March 2021.

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

MIRBUD S.A. reported on the application of individual corporate governance principles in a Report dated 28.07.2021 transmitted via the EBI system. Statement on the application of individual corporate governance principles for companies listed on the WSE Main Market - “Good Practices of Companies Listed on the WSE 2021” MIRBUD S.A. has also posted at [www.https://relacje.mirbud.pl/lad-korporacyjny](https://relacje.mirbud.pl/lad-korporacyjny).

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

In the period from 01/01/2023 to 30/06/2023 the Company applied the rules of corporate governance of companies listed on the WSE Main Market - “Good Practices of Companies Listed on the WSE 2021” (Good Practices 2021, DPSN2021) with deviations about which the Issuer informed in the report of 28/07/2021 transferred via the EBI system.

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

