



Financial Statements

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

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

I. Basic financial data.....	5
II. General information about the entity.....	7
Core business.....	7
Duration.....	7
Management Board and Supervisory Board.....	8
III. Basic information on the financial statements.....	9
Basis of preparation.....	9
Representations of the Management Board.....	9
Going concern.....	9
Functional currency.....	9
IV. Statement of comprehensive income.....	10
V. Statement of financial position.....	12
VI. Statement of cash flows.....	14
VII. Statement of changes in equity.....	16
VIII. Accounting principles applied by the Group.....	19
Intangible assets.....	19
Cost of research and development works.....	20
Goodwill.....	20
Property, plant and equipment.....	21
The right of perpetual usufruct of land.....	22
Leasing.....	22
Non-renewable natural resources.....	23
Fixed assets and groups of assets held for sale.....	23
Simplifications applied to non-investment fixed assets.....	23
Investment property.....	24
Inventories.....	24
Receivables.....	25
Cash and cash equivalents, including restricted cash.....	25
Prepayments and accruals.....	26
Revenue prepayments and accruals.....	26
Financial instruments.....	26
Recognition and de-recognition of a financial asset component and a financial liability.....	27
Measurement of financial instruments as at the day of their creation.....	27
Measurement of financial instruments as at the balance-sheet date.....	27
Hedge accounting.....	27
Discontinuation of hedge accounting.....	27
Derivatives.....	28
Equity.....	28

Bank credits and loans	28
Liabilities	28
Contingent liabilities	29
Provisions	29
Provisions for employee benefits	29
Revenue	30
Accounting in terms of subsidies	30
Costs	31
Transactions in foreign currencies	31
Income tax	31
Other taxes	32
Profit per share	32
Mergers and consolidation	33
Principle of no-offsetting	34
Cash-flow statement	34
Changes in principles, changes in estimates, errors of previous years	34
Exceptional items	35
Business segments	35
Transactions with affiliates	35
Items based on estimates and professional judgement	35
IX. Changes in accounting principles and presentation of financial statements	36
X. Impact on the financial statements of current and future changes in the accounting regulations	37
XI. Notes to the separate financial statements	38
Note 1 Property, plant and equipment	38
Note 2 Investment property	41
Note 3 Intangible assets	42
Note 4 Long-term financial assets (excluding trading receivables, assets measured using the equity method and cash and cash equivalents)	44
Note 5 Investments measured using the equity method	45
Note 6 Trading and other receivables	45
Note 7 Biological assets	47
Note 8 Other assets not elsewhere classified (including accruals and prepayments)	47
Note 9 Inventories	47
Note 10 Cash and cash equivalents	48
Note 11 Fixed assets held for sale and liabilities related to them	48
Note 12 Capitals	49
Note 13 Provisions	51
Note 14 Financial liabilities, except for provisions, trading liabilities and other liabilities	52
Note 15 Trading liabilities and other liabilities	56

Note 16 Other current liabilities and reserves not elsewhere classified (including accruals and prepayments).....	57
Note 17 Sales revenue	57
Note 18 Own cost of sales.....	59
Note 19 Shares in profits or losses of associates and joint ventures accounted for in accordance with the equity method	60
Note 20 Other revenue and costs.....	61
Note 21 Financial costs.	64
Note 22 Income tax.....	64
Note 23 Other comprehensive income.	66
Note 24 Profit per share.....	67
Note 25 Operating segments.....	67
Note 26 Transactions with related entities.....	75
Note 27 The auditor's remuneration	77
Note 28 Financial instruments.	78
Note 29 Errors related to previous reporting periods.....	81
Note 30 Transactions with non-controlling shareholders.....	81
Note 31 Business mergers.	81
Note 32 Significant planned capital expenditures.....	81
Note 33 Material events after the balance-sheet date	81
Note 34 Employment structure.	81
Note 35 Dividends declared and paid.....	81
Note 36 Effects of de-mergers, restructuring and discontinued activities.....	82
Note 37 Limitations on disposition and hedging established on assets.....	82
Note 38 Judicial cases.....	83
Note 39 Contingent liabilities.	84
Note 40 Objectives and principles of risk management.....	85
XII. Approval for publication.....	99

I. Basic financial data.

Selected separate financial data	in PLN thousand		in EUR thousand	
	For the period:	For the period:	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 =			4,6130	4,6427
Sales revenue	870,673	966,480	188,742	208,174
Operating profit (loss)	42,334	49,376	9,177	10,635
Pre-tax profit (loss)	44,618	70,332	9,672	15,149
Net profit (loss)	37,083	56,926	8,039	12,261
Comprehensive income for the net financial year	37,083	56,926	8,039	12,261
Net cash flows from operating activities	-125,531	-142,482	-27,212	-30,690
Net cash flows from investment activities	-16,697	23,308	-3,620	5,020
Net cash flows from financial activities	-54,468	-30,909	-11,807	-6,658
Total net cash flows	-196,696	-150,083	-42,639	-32,327
Net profit (loss) per share in PLN/EUR	0.40	0.62	0.09	0.13
Net profit (loss) diluted per share in PLN/EUR	0.40	0.62	0.09	0.13

Selected separate financial data	in PLN thousand		in EUR thousand	
	As at:	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Asset and liability items according to the average exchange rate determined by the National Bank of Poland as of the reporting date, respectively: EUR 1 =			4.4503	4.6899
Total assets	1,338,734	1,426,132	300,819	304,086
Liabilities and provisions for liabilities	858,145	958,771	192,829	204,433
Long-term liabilities	210,450	256,547	47,289	54,702
Short-term liabilities	647,695	702,225	145,540	149,731
Equity	480,590	467,361	107,991	99,653
Share capital	9,174	9,174	2,062	1,956
Number of shares (in pieces)	91,744,200	91,744,200	91,744,200	91,744,200
Book value per share in PLN/EUR	5.24	5.09	1.18	1.09
Diluted book value per share in PLN/EUR	5.24	5.09	1.18	1.09

II. General information about the entity.

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

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.

Core business

The Issuer'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

Duration

The duration of the Issuer shall be unlimited.

Management Board and Supervisory Board

The Management Board	
Jerzy Mirgos	President of the Management Board
Sławomir Nowak	Vice-President of the Management Board
Paweł Korzeniowski	Member of the Management Board
Tomasz Sałata	Member of the Management Board

Supervisory Board	
Wiesław Kosonóg	Chairman of the Supervisory Board
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board
Agnieszka Maria Bujnowska	Secretary of the Supervisory Board
Stanisław Lipiec	Member of the Supervisory Board
Artur Sociński	Member of the Supervisory Board
Jacek Tucharz	Member of the Supervisory Board

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

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

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

On 7 December 2022, the term of office of Mr. Hubert Bojdo as a Member of the Supervisory Board expired.

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

On 30 January 2023, the Extraordinary General Meeting of Shareholders adopted a resolution on the appointment of Mr. Stanisław Lipiec and Mr. Jacek Tucharz to the Supervisory Board of MIRBUD S.A. 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 No. XIII/2023 of the Supervisory Board of 19 June 2023, Ms. Agnieszka Bujnowska serves as Secretary of the Supervisory Board of MIRBUD S.A.);

- Mr. Wiesław Kosonóg (pursuant to Resolution No. XII/2023 of the Supervisory Board of 19 June 2023, Mr. Wiesław Kosonóg serves as Chairman of the Supervisory Board of MIRBUD S.A.).

III. Basic information on the financial statements

Basis of preparation

The financial statements have been prepared pursuant to Article 4 of the Accounting Act of 29 September 1994, in accordance with the International Financial Reporting Standards (IFRS) approved for use by the European Union. The financial statements were prepared on the basis of the adopted accounting policies which were relevant to the conducted business activity and in accordance with International Financial Reporting Standards.

Representations of the Management Board

The Management Board represents that, to the best of its knowledge, the annual financial statements for the period from 01/01/2023 to 30/06/2023 and comparatives have been prepared in accordance with the applicable accounting policies, which give a true, fair and clear view of the Company's financial and asset position. The Management Board's report on business activities presents a comprehensive view of the development, achievements and the financial and asset situation, including a detailed description of fundamental threats and risk. The Management Board's report on activities is a development of the data contained in these statements and is published together with them.

The entity entitled to audit financial statements which carried out the annual audit of the financial statements, was selected in accordance with the provisions of law. This entity and the expert auditors who carried out the audit met the requirements allowing them to issue an unbiased and independent opinion, in accordance with the applicable provisions and professional standards.

Going concern

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

Functional currency

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

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

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

Consolidated financial statements in accordance with International Financial Reporting Standards (in PLN thousand) fair value expressed in a foreign currency is translated using the exchange rates applicable as at the date of fair value measurement.

IV. Statement of comprehensive income.

Profit and loss account	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Continued operations			
Sales revenue	17	870,673	966,480
Cost of goods sold	18	-810,472	-901,369
Gross profit from sales		60,201	65,111
Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	19		
Other operating and investment activity revenue	20	7,562	5,053
Other costs of operating and investment activities	20	-25,429	-20,788
EBIT		42,334	49,376
Financial revenue		10,958	29,231
Financial expenses	21	-8,674	-8,275
Pre-tax activity profit (loss)		44,618	70,332
Income tax attributable to continued operations	22	-7,535	-13,406
Profit (loss) on continued operations		37,083	56,926
Discontinued operations			
Revenue from discontinued operations	23		
Costs of discontinued operations			
Pre-tax profit (loss) on discontinued operations			
Income tax attributable to discontinued operations			
Profit (loss) on discontinued operations			
NET PROFIT (LOSS)		37,083	56,926
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	37,083	56,926

Other comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Components which will not be subsequently reclassified to the income statement			
Components which will be reclassified into profit or loss when certain conditions are met			
Other comprehensive net income	24		
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	-	-
Total comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Total comprehensive income		37,082	56,926
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	37,082	56,926

V. Statement of financial position.

Assets	Note No.	in PLN thousand		
		As at:	As at:	As at:
		30/06/2023	31/12/2022	30/06/2022
Fixed assets		607,970	582,228	583,170
Property, plant and equipment	1	70,566	69,538	68,353
Investment property	2			
Intangible assets	3	202	389	544
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	496,392	472,108	472,108
Investments measured using the equity method.	5			
Long-term trading and other receivables, including:	6	4,138	5,958	47
prepayments and accruals		47	419	47
Biological assets	7			
Deferred income tax assets	22	36,672	34,235	42,118
Current assets		730,764	843,904	898,274
Inventory	9	1,733	1,267	7,584
Receivables on account of the income tax	22	776		
Trade and other receivables, including:	6	631,152	548,836	816,591
prepayments and accruals		1,984	802	4,184
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4			
Cash and cash equivalents	10	97,104	293,801	74,099
Fixed assets held for sale	11			
Total assets	-	1,338,734	1,426,132	1,481,443

Capitals and liabilities	Note No.	in PLN thousand		
		As at:	As at:	As at:
		30/06/2023	31/12/2022	30/06/2022
Equity	12	480,590	467,361	404,066
Issued share capital		9,174	9,174	9,174
Issue price surplus over nominal value of shares				
Other reserve capitals		115,103	115,103	115,103
Retained profit, including:		356,313	343,083	279,788
<i>Profit/loss in the reporting period</i>		37,083	120,221	56,926
Equity attributable to shareholders of the parent		480,590	467,361	404,066
Equity attributable to non-controlling shares				
Total liabilities		858,145	958,771	1,077,377
Long-term liabilities and provisions for liabilities		210,450	256,547	320,747
Provision for deferred income tax	22	33,603	22,991	16,469
Other provisions for long-term liabilities	13	61	61	95
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	97,754	122,002	110,045
Long-term trading and other liabilities, including: prepayments and accruals	15	79,032	111,493	194,139
Short-term liabilities and provisions for liabilities		647,695	702,225	756,630
Provisions for short-term liabilities	13	2,176	2,176	2,288
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	56,729	34,355	34,815
Trade and other liabilities, including: prepayments and accruals	15	588,790	654,464	680,824
Liabilities under deferred income tax	22		11,230	38,703
Liabilities directly related to fixed assets classified as held for sale	11			
Total capitals and liabilities	-	1,338,734	1,426,132	1,481,443

VI. Statement of cash flows.

Statement of cash flows	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Pre-tax profit	44,618	70,332
Total adjustments	-159,559	-205,355
Amortisation	4,284	3,795
Profit / loss under exchange rate differences	2,412	-3,582
Profit / loss on investment activities	-61	7
Borrowing costs	5,912	3,893
Change in liabilities with the exclusion of financial liabilities	-98,134	197,178
Change in receivables	-64,410	-375,961
Change in inventory	-466	-6,509
Change in provisions		-1,392
Profit / loss on other financial instruments	-7,486	-21,300
Other changes in working capital	-1,610	-1,484
Cash from operating activities	-114,941	-135,023
Income tax paid	-10,591	-7,459
Net cash from operating activities	-125,531	-142,482
Sale of property, plant and equipment	150	356
Purchase of property, plant and equipment	-3,520	-2,696
Sale of intangible assets		
Purchase of intangible assets		
Sale of investment property		
Purchase of investment property		
Repayment of loans granted to related parties		
Granting loans to related parties		
Repayment of loans granted to other parties		
Granting loans to other parties		
Sales of financial instruments classified as investing activity		
Acquisition of financial instruments classified as investing activity	-24,284	
Received dividends	10,000	24,844
Received interest	958	805
Other inflows (expenditure) from investment activity		
Net cash from investment activity	-16,697	23,308
Inflows from shareholders		
Payments to owners	-23,853	-18,349
Commitment of liabilities under loans and credits	941	9,438
Repayment of liabilities under loans and credits	-17,385	-12,932
Repayment of liabilities under leasing	-4,889	-4,368

Inflow under issue of debt instruments		
Expenditure on redemption of debt instruments		
Interest paid and other debt service expenditure	-6,870	-4,698
Other financial receipts/expenditures	-2,412	
Cash from financial activity	-54,468	-30,909
<u>Net increases (decreases) in cash and cash equivalents</u>	<u>-196,696</u>	<u>-150,083</u>
Effect of changes in foreign exchange rates on cash denominated in foreign currencies		
Change in cash and cash equivalents, net of foreign exchange differences		
Opening balance of cash and cash equivalents	293,801	224,182
Closing balance of cash	97,104	74,099
including cash and cash equivalents with restricted availability	41,830	43,298

VII. Statement of changes in equity.

Changes in equity	Share capital	Issue price surplus over nominal value of shares	Other reserve capitals	Retained profit attributable to the shareholders of the parent/supplementary capital	Equity attributable to shareholders of the parent	Equity attributable to non-controlling shares	TOTAL
As at 01-01-2023	9,174		115,103	343,083	467,361		467,361
Total profits (losses) for the period				37,083	37,083		37,083
Other comprehensive income							
Comprehensive income for the period				37,083	37,083		37,083
Owner contributions							
Payments to owners				-23,853	-23,853		-23,853
Changes in ownership interests in subsidiaries not resulting in a loss of control							
Other changes in equity							
Changes in equity during the period				13,229	13,229		13,229
As at 30-06-2023	9,174		115,103	356,313	480,590		480,590

Changes in equity	Share capital	Issue price surplus over nominal value of shares	Other reserve capitals	Retained earnings attributable to the shareholders of the parent/ supplementary capital	Equity attributable to shareholders of the parent	Equity attributable to non-controlling shares	TOTAL
As at 01-01-2022	9,174		115,103	241,211	365,489		365,489
Total profits (losses) for the period				120,221	120,221		120,221
Other comprehensive income							
Comprehensive income for the period				120,221	120,221		120,221
Owner contributions							
Payments to owners				-18,349	-18,349		-18,349
Changes in ownership interests in subsidiaries not resulting in a loss of control							
Other changes in equity							-
Changes in equity during the period				101,872	101,872		101,872
As at 31-12-2022	9,174		115,103	343,083	467,361		467,361

Changes in equity	Share capital	Issue price surplus over nominal value of shares	Other reserve capitals	Retained earnings attributable to the shareholders of the parent/ supplementary capital	Equity attributable to shareholders of the parent	Equity attributable to non-controlling shares	TOTAL
As at 01-01-2022	9,174		115,103	241,211	365,489		365,489
Total profits (losses) for the period				56,926	56,926		<u>56,926</u>
Other comprehensive income							
Comprehensive income for the period				56,926	56,926		<u>56,926</u>
Owner contributions							
Payments to owners				-18,349	-18,349		<u>-18,349</u>
Changes in ownership interests in subsidiaries not resulting in a loss of control							
Other changes in equity							-
Changes in equity during the period				38,577	38,577		<u>38,577</u>
As at 30-06-2022	9,174		115,103	279,788	404,066		404,066

VIII. Accounting principles applied by the Group.

Intangible assets

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

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

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

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

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

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

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

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

Amortisation write-downs of intangible assets components are done on a straight-line basis at the following rates:

The correctness of the amortisation rates applied to individual intangible asset components shall be verified at least annually. Any changes resulting from the verification of amortisation rates affect (as a

change of estimated values) the appropriate adjustment made in the amortisation write-downs for the current financial year and in subsequent financial years.

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

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

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

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

Cost of research and development works

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

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

Goodwill

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

and the value of the retained part of the cash-generating unit.

Property, plant and equipment

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

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

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

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

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

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

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

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

are recognised in the profit and loss account under “other operating expenses”.

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

Fixed assets under construction or assembly are disclosed at acquisition price or production cost. Fixed assets under construction are not amortised until their construction is completed and they are put to use.

In the case of permanent abandonment of expenditures for fixed assets under construction, all costs incurred in relation to the works performed so far shall be charged to the costs of the period. Projects may be suspended if there is a justified intention to continue such projects in subsequent periods. The project is suspended based on the decision of the Company's Management Board. As of each balance-sheet date, expenditures on fixed assets under construction are subject to analysis regarding impairment and the necessity to make possible impairment write-downs.

Advances paid for the purchase of Property, Plant and Equipment are presented in the financial statements under other short-term receivables.

The right of perpetual usufruct of land

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

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

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

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

Leasing

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

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

Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from the ownership of the subject of lease are classified as operating lease contracts. Lease rents under operating lease are recognised as the costs in the profit and loss account with the straight-line method

throughout the term of lease.

Assets leased under financial leases are presented in the balance sheet as receivables in the amount equal to the net investment. The net investment is the sum of the minimum lease payments due to the lessor under the finance lease agreement and any unguaranteed residual value attributed to the lessor discounted at the interest rate of the lease. Finance income arising from a finance lease of an asset is recognised in a manner that reflects a constant periodic rate of return on the net investment in the lease.

Non-renewable natural resources

Non-renewable natural resources are initially recognised at cost.

The purchase price is increased by all costs directly related to the purchase or adaptation of the asset for use.

Costs incurred after the date of including non-renewable natural resources in the records (use) are recognised in the profit and loss account at the time they are incurred.

After initial recognition, non-renewable natural resources are carried at acquisition price or production cost less any depreciation and any revaluation write-downs under impairment losses. Amortisation is calculated naturally.

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

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

Fixed assets and groups of assets held for sale

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

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

Simplifications applied to non-investment fixed assets

Depreciation (amortisation) of fixed assets and intangible assets with a low initial value (not exceeding PLN 10,000) is carried out in a simplified manner by making one-off write-downs of the entire initial value of such fixed assets.

The Company applies a simplification, according to which the moment of acceptance of a fixed asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the fixed asset for use took place.

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

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

Investment property

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

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

Inventories

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

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

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

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

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

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

The inventory acquisition costs comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the tax authorities), transport, loading and unloading costs, and other costs directly attributable to the acquisition of finished goods, materials and

services. Discounts, rebates and other similar items shall be deducted in determining purchase costs.

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

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

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

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

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

Receivables

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

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

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

- receivables not transferred to full factoring: in the amount of amortised cost including write-downs for expected credit loss (however, receivables from customers with maturity below 12 months from the date of origin are not discounted),
- receivables transferred to full factoring: at fair value through financial result, but due to the short period of time between recognition of the receivables and their transfer to the factor and the low credit risk of the business partner (factor), the fair value of these receivables is close to their carrying amount,

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

Cash and cash equivalents, including restricted cash

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

The Company's restricted cash primarily includes:

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

Prepayments and accruals

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

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

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

Revenue prepayments and accruals

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

Financial instruments

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

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

- financial asset components or financial liabilities measured at fair value through profit and loss account - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
- held-to-maturity investments - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the positive intention and ability to hold to maturity.
- loans and receivables - non-derivative financial assets with fixed or determinable payments

that are not traded on an active market.

- financial assets available for sale - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investment developments or financial assets measured at fair value through financial result.

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

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

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

Measurement of financial instruments as at the day of their creation

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

The Company includes the transaction costs in the initial measurement value of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through profit and loss account.

Measurement of financial instruments as at the balance-sheet date

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

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

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

The effects of measurement of financial assets and liabilities classified into other categories are recognised in the profit and loss account.

Hedge accounting

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

- in the part deemed to be an effective hedge - directly in the equity;
- in the part deemed ineffective - in the income statement.

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

Discontinuation of hedge accounting

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

- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative gain or loss on the hedging instrument which is recognised directly in equity shall

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

Derivatives

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

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

Equity

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

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

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

Minority capitals are a separate item of equity.

Bank credits and loans

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

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

Liabilities

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

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

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

Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries.

The liabilities also include amounts relating to the settlement of construction and other long-term services.

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

Contingent liabilities

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

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

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

Provisions

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

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

Costs related to a given provision are disclosed in the profit and loss account, less all reimbursements. The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.

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

Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision.

The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

Provisions for employee benefits

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

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

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

pays is subject to discounting.

Revenue

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

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

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

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

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

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

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

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

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

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

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

Accounting in terms of subsidies

Subsidies are recognised if there is reasonable certainty that the subsidy will be obtained and all

related conditions will be met.

Subsidies relating to items of property, plant and equipment are recognised as deferred income and are accounted for systematically in other operating income over the useful life of the asset subject to amortisation.

Subsidies relating to cost items are recognised as a reduction in expenses as they are incurred and the excess of the subsidy received over the value of the relevant expenses is recognised in other operating revenue.

Costs

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

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

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

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

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

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

- Overheads;
- Sales costs;
- Loss on sale of property, plant and equipment and intangible assets;
- Donations made;
- Established provisions for disputes, penalties, damages and other costs indirectly related to operating activities, as well as financial costs related to financing the activity.

Transactions in foreign currencies

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

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

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

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

Income tax

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

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

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

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

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

Other taxes

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

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

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

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

Profit per share

Profit per share is calculated by dividing the net profit for the period attributable to ordinary share holders by the weighted average number of shares outstanding during a given period.

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

Mergers and consolidation

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

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

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

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

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

unless it has assumed legal obligations or constructive obligations or made payments on behalf of the associate.

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

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

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

Principle of no-offsetting

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

Income and expense items may be offset only when:

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

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

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

Cash-flow statement

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

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

A change in accounting policies is made when the legal regulations concerning accounting are changed, and when this results in the increase of reliability of financial statements containing information on the impact of transactions, other events and conditions on the financial position, financial result or cash flows.

In the case of changes in the accounting policy, it is assumed that the new accounting policies have always been applied. Related adjustments are shown as equity adjustments - in the item of profit/loss brought forward. In order to ensure comparability of data, the financial statements (comparable data) for previous years should be amended accordingly, so that the statements also reflect the changes made to accounting policies.

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

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

Exceptional items

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

Business segments

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

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

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

Construction and assembly activity	Property development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other
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Other ancillary activities are assigned to the "Other" group which do not affect the assessment of the financial position of the entity. All assets and liabilities are assigned to the main activity segments.

Transactions with affiliates

The accounting policies and the significant estimates and assumptions presented in the accounting policy also apply to transactions with related parties.

Items based on estimates and professional judgement

Lease contract classification - The Compiler of financial statements classifies leasing as an operating or finance lease based on an assessment of the extent to which risks and rewards incidental to ownership of the leased item are attributable to the lessor, and to which to the lessee. This assessment is based on the substance of each transaction.

The Compiler of financial statements makes judgements as to whether the result of the construction contract can be estimated reliably. The assessment shall be based on an analysis of the likelihood of

the economic benefits associated with a given contract. Revenue from the performance of construction contracts is determined proportionally to the degree of advancement, measured as the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. Contract budgets are subject to a formal updating process. If the stage of advancement of the service cannot be reliably determined as at the balance-sheet date, the revenue is determined at the amount of contract costs incurred, for which it is probable that they will be recovered.

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

The Compiler of financial statements assesses whether there is any indication that shares (stocks) in subsidiaries are impaired. The impairment test for a cash-generating unit is based on the estimation of future discounted cash flows (DCF method) generated by the company. Similarly, goodwill is tested for impairment.

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

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

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

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

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

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

IX. Changes in accounting principles and presentation of financial statements

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

X. Impact on the financial statements of current and future changes in the accounting regulations

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

XI. Notes to the separate financial statements.

Note 1 Property, plant and equipment

Ownership structure of fixed assets	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Own property, plant and equipment	29,930	27,509	27,518
Property, plant and equipment used under operating lease, rent, hire or similar	40,636	42,027	40,835
Total	70,566	69,537	68,353
Fixed assets pledged as hedging for liabilities	19,294	19,692	20,089

Costs of external financing capitalised in the value of fixed assets	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Interest			
Foreign exchange differences			
Other borrowing costs			
Total			

There were no borrowing costs activated in property, plant and equipment.

Fixed assets used under a finance lease agreement	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Costs	69,552	67,864	63,931
Depreciation	-28,916	-25,837	-23,096
Total	40,636	42,027	40,835

Fixed assets by types	land	buildings and structures	technical equipment and machinery	vehicles	other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Fixed assets held for sale	TOTAL
As at 01-01-2022									
Costs	1,982	29,943	46,680	24,378	1,172	358			104,512
Depreciation and revaluation write-downs		-9,456	-22,131	-11,699	-1,155				-44,441
Net book value	1,982	20,487	24,548	12,679	17	358	-	-	60,071
Increases			4,997	7,115	93	193			12,398
including revaluation surplus									
Decreases		-796	-706	-1,072		-359			-2,932
including changes in the accumulated amortisation									
Exchange rate differences									
As at 31-12-2022									
Net book value	1,982	19,692	28,839	18,722	110	193	-	-	69,537
As at 01-01-2023									
Costs	1,982	29,148	51,851	32,422	1,736	804			117,943
Depreciation		-9,854	-24,237	-12,117	-1,170				-47,377
Revaluation write-downs									
Net book value	1,982	19,294	27,614	20,305	566	804	-	-	70,565
As at 30-06-2023									
Costs	-	-	881	2,002	471	611	-	-	117,943
Increases, including:			1,203	3,048	475	611			5,338
- acquisition			1,203	1,231	475				2,909
-acquisition subsidiaries									
-revaluation surplus									
-carry-over									
- other				1,818		611			2,429
Decreases, including:			-322	-1,047	-4				-1,373
-sale			-91	-1,047	-4				-1,141
-reallocation to the group held for sale									
- other			-231						-231
Depreciation	-	-398	-2,105	-418	-15	-	-	-	-2,937
Increases, including:		-398	-2,105	-418	-15				-2,937
- amortisation		-398	-2,105	-418	-15				-2,937
-acquisition subsidiaries									
- other									
Decreases									

-sale									
-reallocation to the group held for sale									
-carry-over									
- other									
Revaluation write-downs									
-revaluation write-downs									
-reversals of revaluation write-downs									
Foreign exchange differences									
Net value	1,982	19,294	27,614	20,305	566	804	-	-	70,566
Fixed assets by types	land	buildings and structures	technical equipment and machinery	vehicles	other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Fixed assets held for sale	TOTAL

No oversize expenditures on fixed assets are planned for the upcoming reporting periods under the approved investment plans.

MIRBUD S.A. has started the expansion of its premises in Skierniewice at ul. Unii Europejskiej 18. The planned costs associated with the project will amount to approximately PLN 13 million and will be successively recognised under fixed assets in progress, while upon completion of the works they will increase the value of fixed assets in the buildings and structures group.

Note 2 Investment property

Investment property measured according to the fair value model	undeveloped land	buildings and structures	TOTAL
As at 01-01-2022			
New property acquisitions			
Increases resulting from subsequent expenditure capitalisation			
Increases resulting from acquisition as a result of entity merger			
Net amount of profits or losses resulting from fair value measurement adjustments			
Carry-overs to investments for lease			
Carry-overs to and from inventories			
Sales			
Carry-overs to and from owner-occupied property			
Other changes			
As at 31-12-2022			
New property acquisitions			
Increases resulting from subsequent expenditure capitalisation			
Increases resulting from acquisition as a result of entity merger			
Net amount of profits or losses resulting from fair value measurement adjustments			
Carry-overs to investments for lease			
Carry-overs to and from inventories			
Sales			
Carry-overs to and from owner-occupied property			
Other changes			
As at 30-06-2023			

Neither in the current nor in the previous reporting period, the entity did not have any investments in property.

However, the Company has a capital commitment in subsidiaries for which property investment is a significant part of the activities.

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

The Consolidated Financial Statements of the MIRBUD Group provide more detailed information on this item.

Note 3 Intangible assets

Intangible asset ownership structure	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Own intangible assets	202	389	544
Intangible assets used under operating lease, rent, hire or similar			
Total	202	389	544
Intangible assets pledged as hedging for liabilities			

Costs of external financing capitalised in the value of intangible assets	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Interest			
Foreign exchange differences			
Other borrowing costs			
Total			

Intangible assets used under financial lease contracts	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Costs	2,885	2,885	2,885
Depreciation	-2,532	-2,178	-2,355
Total	353	706	530

Intangible assets	Costs of research and development	Goodwill	Plans and licenses	Other intangible assets	Advances for intangible assets	TOTAL
As at 01-01-2022						
Costs			3,474			3,474
Depreciation and revaluation write-downs			-3,084			-3,084
Net book value			389			389
Increases						
including revaluation surplus						
Decreases						
including changes in the accumulated amortisation						
Exchange rate differences						
As at 31-12-2022						
Net book value	-	-	389	-	-	389
as at 01/01/2023						
Costs			3,474			3,474
Depreciation			-3,271			-3,271
Revaluation write-downs						
Net book value	-	-	202	-	-	202
as at 30/06/2023						
Costs			3,474			3,474
Increases, including:						
- acquisition						
-acquisition subsidiaries						
-revaluation surplus						
-carry-over						
- other						
Decreases, including:						
-sale						
-reallocation to the group held for sale						
- other						
Depreciation			-3,271			-3,271
Increases, including:						
- amortisation			-187			-187
-acquisition subsidiaries			-187			-187
- other						
Decreases						
-sale						
-reallocation to the group held for sale						
-carry-over						

- other					
Revaluation write-downs					
-revaluation write-downs					
-reversals of revaluation write-downs					
Foreign exchange differences					
Net value	-	-	202	-	202

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

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

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Capital investments in subsidiaries	472,108	472,108	472,108
Other	24,284		
Total	496,392	472,108	472,108

The following events contributed to the increase in capital investments in subsidiaries:

- Payment to increase the share capital in Marywilka 44 Sp. z o.o. made on 28/02/2021 in the amount of PLN 80,000 thousand;
- Payment to increase the share capital in Marywilka 44 Sp. z o.o. made on 17/11/2021 in the amount of PLN 24,520 thousand. As of 31/12/2021 the capital increase has not been registered by the National Court Register;
- Reimbursement of advance on account of bankruptcy estate in Expo Mazury S.A. in the amount of PLN 62,355 thousand. On 19 November 2021 by a decision of the District Court in Olsztyn, 8th Commercial Division of the National Court Register, Expo Mazury S.A. was deleted from the Register of Entrepreneurs.

Basic financial data of the main directly controlled subsidiaries	JHM Development S.A	Kobylarnia S.A.	Marywilka 44 Sp. z o.o.	Mirbud Ukraina Sp. z o.o.
Total assets	622,632	371,040	502,984	
Long-term liabilities	101,044	97,778	162,009	
Short-term liabilities	182,671	178,331	17,210	
Equity	335,658	94,931	323,765	
Direct share in capital	100.00%	100.00%	57.47%	100.00%
Share in equity	100.00%	100.00%	57.47% (direct and indirect share 100%)	
Sales revenue	16,922	347,092	29,953	
Net profit (loss)	-1,763	3,622	4,357	
Comprehensive income for the net financial year	-1,763	3,622	4,357	
Total net cash flows	2,464	-114,789	2,630	

Note 5 Investments measured using the equity method.

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

Note 6 Trading and other receivables.

Trade and other receivables	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
<u>Long-term receivables</u>	<u>4,091</u>	<u>5,538</u>	-
trade receivables from related entities			
trade receivables from other entities			
other receivables from related entities	4,091	5,538	
other receivables from other entities			
<u>Short-term receivables</u>	<u>629,167</u>	<u>548,034</u>	<u>812,407</u>
trade receivables from related entities	9,748	4,529	9,059
trade receivables from other entities	422,446	409,908	702,194
retained amounts under execution of contracts from related entities			
retained amounts under execution of contracts from other entities	59,195	55,376	48,505
other receivables from related entities			
other receivables from other entities	1	5	3
amounts transferred for deliveries	21,423	22,671	27,524
budget receivables except for corporate income tax settlements	6,902		
disputed receivables brought before the court	1,140	3,996	
accrual of receivables under settlement of long-term contracts	108,312	51,549	25,122
<u>Total</u>	<u>633,258</u>	<u>553,572</u>	<u>812,407</u>

Age structure of receivables	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Gross trade receivables	655,642	577,101	834,527
not past due, including:	453,330	370,283	518,407
payable up to 1 month	369,515	246,015	299,868
payable from 1 to 3 months	24,619	68,892	170,035
payable from 3 to 12 months	59,195	55,376	48,505
payable from 1 to 5 years			
past due, including:	202,313	206,818	316,120
past due up to 1 month	33,814	32,188	107,695
past due from 1 to 3 months	23,350	24,640	103,670
past due from 3 to 6 months	26,269	87,427	39,748
past due from 6 to 12 months	45,382	37,885	41,045
past due over 12 months	73,497	24,678	23,962
receivables in respect of which credit risk has significantly increased	-1,644	-1,644	-563
receivables revaluation write-down	-20,740	-21,885	-21,557
Net trade receivables	633,258	553,572	812,407

As at the date of publication of this report, PLN 11,827 thousand of overdue receivables had been settled.

Receivables revaluation write-downs	Trade receivables	Disputed receivables	Other	Total
As at 01-01-2022	-20,740	-	-1,671	-8,580
Increases			-1,409	-1,409
Releases				
Utilisation				
As at 31-12-2022	-20,740	-	-3,080	-23,820
Increases			-1,409	-1,409
Releases				
Utilisation				
as of 30-06-2023	-20,740	-	-4,489	-25,229

Revaluation write-downs in respect of credit losses.

Historical data indicates that the company has credit losses on receivables of approx. 1% of their gross value.

Revaluation write-downs in respect of items to which the credit risk has significantly increased.

The following are qualified for this item:

- receivables from business partners at risk of bankruptcy;

- receivables overdue more than 12 months, unless there are circumstances indicating high probability of recovery.

In 2020, the Company made a revaluation write-down for receivables of PLN 20,740 thousand. All trade receivables which were unlikely to be recovered as at the balance sheet date were included in the write-down.

As a result of a pending inspection by the Tax Inspection Office regarding the correctness of corporate income tax settlement for 2011, MIRBUD S.A. received a decision from the Łódź Tax Office, in which the amount of tax arrears amounted to PLN 1,108 thousand, together with interest due for that period. MIRBUD S.A. appealed against the decision of the Łódź Tax Office, and due to the uncertainty of the final outcome of the appeal proceedings, a revaluation write-down was created for the above amount. On 15/04/2021 the Company received a refund of PLN 291,841.00, partially settling the write-down, however the proceedings are still pending.

Note 7 Biological assets.

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

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

Other assets	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Other long-term assets	47	419	47
Long-term cost prepayments	47	419	47
Other long-term assets not elsewhere classified			
Other short-term assets	1,984	802	4,184
Short-term cost prepayments	1,984	802	4,184
Other short-term assets not elsewhere classified			
Total	2,031	1,222	4,231

Note 9 Inventories.

Inventory	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Materials	1,015	555	6,866
Semi-finished products and work in progress			
Finished products	18	11	18
Goods	700	700	700
Completed development contracts			
Total	1,733	1,267	7,584

On 15/12/2021, by way of a notarial deed No. 13668/2021, MIRBUD S.A. sold the land in Jastrzębia

Góra to JHM Development S.A.

Inventory revaluation write-downs	Materials	Semi-finished products and work in progress	Finished products	Goods	Completed property development contracts
As at 01-01-2022	-	-	-	-	-
Increases					
Releases					
Utilisation					
As at 31-12-2022	-	-	-	-	-
Increases					
Releases					
Utilisation					
as of 30-06-2023	-	-	-	-	-

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

Note 10 Cash and cash equivalents.

Cash and cash equivalents	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Cash in hand and at bank	55,273	251,217	30,801
Term deposits	41,830	42,584	43,298
Other monetary assets			
Total	97,104	293,801	74,099

Term deposits in the amount of PLN 41,830 thousand represent interest-bearing funds used as construction contract performance security and as security for the repayment of advances received from investors.

As a result, they are limited in their use.

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

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

Note 12 Capitals.

Capitals and liabilities	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Share capital	9,174	9,174	9,174
Issue price surplus over nominal value of shares			
Other reserve capitals	115,103	115,103	115,103
Retained profit attributable to the shareholders of the parent/supplementary capital, including:	356,312	343,083	279,788
<i>Profit/loss in the reporting period</i>	37,082	120,221	56,926
Equity attributable to shareholders of the parent company/supplementary capital	480,589	467,361	404,066
Equity attributable to non-controlling shares			
Total	480,589	467,361	404,066

Other reserve capitals	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Other capital attributable to equity holders of the parent entity, including:	115,103	115,103	115,103
<i>Total other comprehensive income - issue of shares</i>	115,103	115,103	115,103
Total	115,103	115,103	115,103

Share capital structure	Number of shares	Value of capital	share nominal value	Registration date	Method of coverage
	thousand pieces	in PLN thousand	in PLN	dd/mm/yyyy	
Ordinary A series shares	19,500	1,950	0.10	22/12/2006	Contribution in cash
Ordinary B series shares	14,625	1,463	0.10	22/12/2006	Contribution in cash
Ordinary C series shares	2,264	226	0.10	22/12/2006	Contribution in cash
Ordinary D series shares	3,611	361	0.10	22/12/2006	Contribution in cash
Ordinary E series shares	5,000	500	0.10	11/12/2009	Contribution in cash
Ordinary F series shares	10,000	1,000	0.10	03/03/2010	Contribution in cash
Ordinary G series shares	10,000	1,000	0.10	19/05/2010	Contribution in cash
Ordinary H series shares	10,000	1,000	0.10	18/08/2010	Contribution in cash
Ordinary I series shares	7,493	749	0.10	25/06/2014	Contribution in cash
Ordinary J series shares	2,874	287	0.10	11/09/2019	Contribution in cash
Ordinary K series shares	6,378	638	0.10	30/09/2019	Contribution in cash
Total at the beginning of the period	91,744	9,174	-	-	-
Total at the end of the period	91,744	9,174	-	-	-
Total as of the date of approval of financial statements for publication	91,744	9,174	-	-	-

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other shareholders
As at 31-12-2022			
Owned ordinary shares	41,600,000	9,171,000	40,973,000
Preference shares held			
Share in capital	45.34%	10.00%	44.66%
Share in profit	45.34%	10.00%	44.66%
Share in voting	45.34%	10.00%	44.66%
As at 30-06-2023			
Owned ordinary shares	41,600,000	9,221,837	40,922,363
Preference shares held			
Share in capital	45.34%	10.05%	44.61%
Share in profit	45.34%	10.05%	44.61%
Share in voting	45.34%	10.05%	44.61%
Balance as of the date of approval of financial statements for publication			
Owned ordinary shares	41,600,000	9,221,837	40,922,363
Preference shares held			
Share in capital	45.34%	10.05%	44.61%
Share in profit	45.34%	10.05%	44.61%
Share in voting	45.34%	10.05%	44.61%

Note 13 Provisions.

Provisions	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Long-term provisions	61	61	95
provisions for retirement benefits	61	61	95
other long-term provisions			
Short-term provisions	2,176	2,176	2,288
provisions for retirement benefits	176	176	1,185
provisions for warranty repairs	2,000	2,000	1,000
provisions for losses under settlements of long-term contracts			
other short-term provisions			103
Total	2,237	2,237	2,383

Note 14 Financial liabilities, except for provisions, trading liabilities and other liabilities.

Bank loans and credits and other debt instruments	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
<u>Long-term financial liabilities, except for provisions, trading liabilities and other liabilities</u>	<u>80,112</u>	<u>122,002</u>	<u>110,045</u>
Financial liabilities due to related entities			
Loans and credits from other entities	65,476	103,916	91,203
Liabilities under derivative instruments			
Issued debt securities			
Liabilities under financial lease	14,636	18,086	18,842
Other			
<i>including liability resulting from measurement of long-term lease agreements in accordance with IFRS 16</i>			
<u>Short-term financial liabilities, except for provisions, trading liabilities and other liabilities</u>	<u>56,729</u>	<u>34,355</u>	<u>34,815</u>
Financial liabilities due to related entities			
Loans and credits from other entities	46,764	24,769	25,498
Liabilities under derivative instruments			
Issued debt securities			
Liabilities under financial lease	9,965	9,587	9,317
Other			
<u>Total</u>	<u>136,841</u>	<u>156,357</u>	<u>144,860</u>

Debt instruments structure	in PLN thousand					Total
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	
as at 01/01/2022	183,594			37,352		220,946
Accrued interest	9,417			1,855		11,272
Interest paid	-9,417			-1,855		-11,272
Drawdown	13,182			8,355		21,537
Repayment	-7,588			-9,050		-16,638
Average liability level	124,459			28,020		152,479
Real interest rate	7.57%			6.62%		7.39%
as at 31/12/2022	128,685			27,672		156,357
minimum payments up to 1 month	1,122			938		2,060
minimum payments from 1 to 3 months	3,366			2,812		6,178
minimum payments from 3 to 12 months	8,976			6,795		15,771
minimum payments within 1 year	13,464			10,545		24,009
minimum payments within 1 to 5 years	115,221			17,128		132,349
minimum payments over 5 years						
interest due up to 1 year	9,012			1,832		10,843
interest due from 1 to 5 years	5,053			7,328		12,381
interest due over 5 years						
Approximate fair value	133,111			27,672		160,783
as at 01/01/2023	128,685			27,672		156,357
Accrued interest	5,004			1,063		6,068
Interest paid	-5,004			-1,063		-6,068
Drawdown	941			1,818		2,758
Repayment	-17,385			-4,889		-22,274
Average liability level	120,462			26,137		146,599
Real interest rate	4.15%			4.07%		4.14%
as at 30/06/2023	112,240			24,601		136,841
minimum payments up to 1 month	1,122			938		2,060
minimum payments from 1 to 3 months	3,366			2,812		6,178
minimum payments from 3 to 12 months	8,976			6,795		15,771
minimum payments within 1 year	13,464			10,545		24,009
minimum payments within 1 to 5 years	98,776			14,056		112,833
minimum payments over 5 years						
interest due up to 1 year	9,012			1,001		10,013
interest due from 1 to 5 years	5,053			4,003		9,056
interest due over 5 years						
Approximate fair value	112,240			24,601		136,841

Liabilities under credits and loans of MIRBUD S.A. as at 30/06/2023

Name of the entity	Obligated entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	15,000	PLN			WIBOR 1M + margin	24/06/2024	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN			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	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		

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

Liabilities under credits and loans of MIRBUD S.A. as at 31/12/2022

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

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

Note 15 Trading liabilities and other liabilities.

Trading and other liabilities	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
<u>Long-term liabilities</u>	<u>96,674</u>	<u>111,493</u>	<u>194,139</u>
Trade liabilities to related entities			
retained amounts to related entities			
Other liabilities due to related entities			
Trade liabilities to other entities			
Retained amounts to other entities	27,230	25,082	68,398
Advance payments received	69,444	86,410	125,741
Other liabilities due to other entities			
<u>Short-term liabilities</u>	<u>588,286</u>	<u>653,980</u>	<u>680,245</u>
Trade liabilities to related entities	65,479	63,364	15,971
retained amounts to related entities			
Other liabilities due to related entities	5,256	13,635	13,635
Trade liabilities to other entities	180,638	260,218	346,034
Liabilities under settlement of long-term contracts	162,106	136,300	189,420
Advance payments received	6,956	32,053	30,146
Bills of exchange liabilities			
Budget liabilities except for corporate income tax settlements		6,332	25,107
Remuneration settlements	3,939	3,469	3,087
Retained amounts to other entities	140,060	138,607	56,842
Other liabilities due to other entities	23,853		2
<u>Total</u>	<u>684,960</u>	<u>765,472</u>	<u>874,384</u>

Age structure of liabilities	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
<u>Trade liabilities</u>	<u>684,960</u>	<u>765,472</u>	<u>874,384</u>
not overdue	658,050	739,644	800,753
payable up to 1 month	363,611	377,088	426,649
payable from 1 to 3 months	50,750	80,403	92,977
payable from 3 to 12 months	147,015	170,661	86,988
payable from 1 to 5 years	96,674	111,493	194,139
past due up to 1 month	12,212	24,465	59,788
past due from 1 to 3 months	14,698	1,363	13,843
past due from 3 to 6 months			
past due from 6 to 12 months			
past due over 12 months			
<u>Total overdue</u>	<u>26,910</u>	<u>25,828</u>	<u>73,631</u>

At the date of publication of the consolidated interim financial statements, PLN 22,839 thousand of the range of overdue liabilities had been repaid.

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

Other liabilities and provisions not classified, including accruals and prepayments	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Long-term			
Revenue settled in time			
Cost prepayments			
Other items			
Short-term	504	484	579
Revenue settled in time			
Cost prepayments	504	484	579
Other items			
Total	504	484	579

Note 17 Sales revenue

Structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Net revenue from sales of products and services	861,982	959,799
- to related entities	39,649	43,804
- to other entities	822,333	915,996
Net revenue from sales of goods		
- to related entities		
- to other entities		
Net revenue from sales of materials	8,692	6,681
- to related entities		
- to other entities	8,692	6,681
Total	870,673	966,480

Geographical structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Net revenue from sales of products and services	861,982	959,799
- domestic sales	861,982	959,799
- export sale		
Net revenue from sales of goods		
- domestic sales		
- export sale		
Net revenue from sales of materials	8,692	6,681
- domestic sales	8,692	6,681
- export sale		
Total	870,673	966,480

Settlement of profits or losses on long-term services in progress	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Revenue invoiced for services in progress	915,776	1,124,097
Adjustment of revenue under the settlement of the progress of construction services	-53,794	-164,298
Total	861,982	959,799
Costs incurred for services in progress	-801,885	-900,982
Adjustment of costs under the settlement of the progress of construction services		
Total	-801,885	-900,982
Losses on contracts in progress		
Impact on the current financial result	-53,794	-164,298
Impact on the accumulated results of contracts unfinished as of the balance-sheet date	60,096	58,817

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

Note 18 Own cost of sales

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Production cost of products sold	-801,885	-900,982
- to related entities	-35,860	
- to other entities	-766,025	-900,982
Value of goods sold		
- to related entities		
- to other entities		
Value of materials sold	-8,586	-387
- to related entities		
- to other entities	-8,586	-387
Total	-810,472	-901,369

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Production cost of products sold	-801,885	-900,982
- own costs of domestic sales	-801,885	-900,982
- own costs of export sales		
Value of goods sold		
- own costs of domestic sales		
- own costs of export sales		
Value of materials sold	-8,586	-387
- own costs of domestic sales	-8,586	-387
- own costs of export sales		
Total	-810,472	-901,369

Cost structure by types	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Amortisation	-4,284	-3,795
Consumption of materials and energy	-111,246	-204,729
Third party services	-650,108	-665,050
Taxes and charges, including:	-677	-526
Remuneration	-29,645	-27,127
Social insurance and other benefits	-5,891	-5,150
Other costs by type	-18,014	-10,958
Value of goods and materials sold	-8,586	
Manufacturing cost of products for internal purposes		
Total	-828,452	-917,334

Recognition of costs by type in the financial statements	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
In own costs of sales	-810,472	-901,369
In the change of balance of assets		
In costs of sales		
In general overheads	-17,980	-15,965
In other items		
Total:	-828,452	-917,334

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

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

Note 20 Other revenue and costs

Other revenue and costs of operating and investment activities	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Selling costs		
Overheads	-17,980	-15,965
Revaluation write-downs of non-investment assets		
Reversal of revaluation write-downs of non-investment assets		
Restructuring costs		
Court proceedings settlement result	-94	-258
Result of sale of non-investment fixed assets	61	-7
Revenue from revaluation of investment property		
Costs under revaluation of investment property		
Result of sale of investment property		
Result of sale of all or part of subordinate entities		
Result of sale of other financial investments		
Dividends	10,000	24,844
Interest	958	805
Result of revaluation of other financial investments measured at fair value through financial result		
Result of measurement of investments recognised using the equity method		
Revaluation write-downs of other financial assets		
Reversal of write-downs on other financial assets		
Foreign exchange differences of operating and investment activities	-2,412	3,582
Other revenue	7,501	5,053
Other costs	-4,943	-4,559
Total revenue	18,519	34,284
Total costs	-25,429	-20,788

Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022

Revenue from increase in the value of investments measured according to the equity method

Costs under decrease in the value of investments measured under the equity method		
---	--	--

Total

The above items did not occur.

Structure of revaluation write-downs of non-investment assets	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Property, plant and equipment		
-revaluation write-down created		
-revaluation write-down reversal		
Intangible assets		
-revaluation write-down created		
-revaluation write-down reversal		
Receivables		
-revaluation write-down created		
-revaluation write-down reversal		
Inventories		
-revaluation write-down created		
-revaluation write-down reversal		
Fixed assets held for sale		
-revaluation write-down created		
-revaluation write-down reversal		
Other		
-revaluation write-down created		
-revaluation write-down reversal		
Total asset revaluation write-downs	-	-
Total reversal of revaluation write-downs	-	-

Revenue and costs from investment property	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Revenue from sales to related entities		
Revenue from sales to other entities		
Own costs of sales for related entities		
Own costs of sales for other entities		
Increase of fair value of investment property		
Decrease of fair value of investment property		
Result on investments in property		

The above items did not occur.

Revenue and costs from financial investments	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Dividends to related entities	10,000	24,844
Dividends to other entities		
Interest to related entities	575	664
Interest to other entities	958	805
Revenue from the sale of all or part of subordinate entities		
Own cost of sales of all or part of subordinate entities		
Revenue from increase in the value of derivative instruments		
Costs under decrease of value of derivative instruments		
Revenue from ineffective hedging instruments		
Costs from ineffective hedging instruments		
Reversal of write-downs on other financial assets		
Revaluation write-downs of other financial assets		
Revenue from increase in investments measured at fair value through financial result		
Costs under decrease of investments measured at fair value through financial result		
Foreign exchange profits		3,582
Foreign exchange losses	-2,412	
Results of financial investment activities	9,121	29,895

Other revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Subsidies received		
Other revenue from other entities - re-invoices	11,810	6,450
Other revenue from other entities	-4,309	-1,397
Total	7,501	5,053

Other costs	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Donations	-305	-450
Other costs from other entities - re-invoices	-11,810	-6,450
Other costs from other entities	7,172	2,342
Total	-4,943	-4,559

Note 21 Financial costs.

Financial expenses	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Interest on credits	-5,004	-3,935
Interest on loans from related entities		
Interest on loans from other entities		
Interest on bonds for related entities		
Interest on bonds for other entities		
Interest on liabilities under finance lease agreements from related entities		
Interest on liabilities under finance lease agreements from other entities	-1,063	-763
Other interest for related entities	-802	-676
Other interest for other entities	-56	-41
Measurement of equity instruments		
Interest under factoring contracts		
Foreign exchange differences on financial liabilities		
Other financial costs for related entities		
Other financial costs for other entities	-1,750	-2,860
Total financial costs	-8,675	-8,275

Note 22 Income tax.

Income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Income tax current part	639	-28,638
Income tax deferred part	-8,174	15,232
Other tax burdens on the financial result		
Adjustments relating to previous years		
Total income tax	-7,535	-13,406

Reconciliation of the effective tax rate	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Pre-tax profit (loss)	44,617	70,332
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-8,477	-13,363
Tax effect of the received dividend	1,900	4,720
Tax exemptions		
Assets under tax loss for the reporting period not recognised in deferred tax		
Tax effect of other revenue and costs permanently not constituting revenue and tax costs	-958	-4,764
Other		
Income tax in the profit and loss account	-7,535	-13,406

Deferred tax	in PLN thousand	
	As at:	As at:
	30/06/2023	31/12/2022
Deferred tax asset	36,672	34,235
- for provisions for employee benefits	45	45
- for other provisions		388
- on account of accrued interest		
- for write-downs on current assets		468
- on account of investment measurement		
- for settlement of construction contracts	30,817	26,274
- for losses from previous years		
- under tax and balance sheet differences in the value of fixed assets and lease contracts	4,674	5,258
- under foreign exchange differences		62
- other	1,136	1,740
Deferred tax liability	33,603	22,991
- on account of accrued interest		262
- on account of investment measurement		
- for settlement of construction contracts	20,904	9,794
- under tax and balance sheet differences in the value of fixed assets and lease contracts	8,446	8,568
- under foreign exchange differences		338
- for goodwill		
- other	4,253	4,029
Net deferred income tax assets (Provision)	3,070	11,244

Net deferred income tax assets (Provision)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 31/12/2022
Deferred net income tax assets (provisions) at the beginning of the period	11,244	10,417
Charge to financial result	-8,174	827
Charge to other comprehensive income		
Other charge to equity		
Subsidiaries		
Deferred net income tax assets (provision) at the end of the period	3,070	11,244

Receivables (income tax liabilities)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 31/12/2022
Opening balance of receivables (income tax liabilities)	-11,230	-17,524
Payment (refund) of income tax	11,366	33,127
Current income tax accrual	639	-26,833
Receivables (liabilities under deferred income tax) at the end of the period	776	-11,230

Note 23 Other comprehensive income.

Other comprehensive income	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Components which will not be subsequently reclassified to the income statement		
Exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on items not be carried forward in later periods		
Components which will be reclassified into profit or loss when certain conditions are met		
Effects of measurement of financial instruments by other comprehensive income		
Effective part of hedge accounting		
Effects of revaluation of fixed assets		
Carry-over to the report on income statement		
Income tax related to the items presented in other comprehensive income		
Other comprehensive net income	-	-

Assigned to non-controlling shares

Assigned to the owners of the parent

-

-

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

Note 24 Profit per share

Earnings per share	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Profit (loss) on continued operations attributable to owners of the parent	37,082	56,926
Profit (loss) on discontinued operations attributable to owners of the parent		
Total	37,082	56,926
Weighted average number of ordinary shares in thousands of pieces	91,744	91,744
Basic profit per share	<u>0.40</u>	<u>0.62</u>
Costs of interest on convertible bonds (net of tax)		
Profit (loss) to determine diluted profit per share	37,082	56,926
Share options issued in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces	91,744	91,744
Diluted earnings per share	<u>0.40</u>	<u>0.62</u>

Note 25 Operating segments

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. The Issuer's activity focuses on the provision of construction and assembly services, therefore, for the purposes of these financial statements, operating segments are not presented. In the Capital Group, where the Issuer is a parent, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.

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



Selected items of the income statement for segments in PLN thousand in the reporting period	Construction and assembly activity	Property development activity	Activity connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023
Continued operations	-	-	-	-	-	-	-
Sales revenue	861,326	-	-	9,347	870,673	-	870,673
Cost of goods sold	-801,411	-	-	-9,061	-810,472	-	-810,472
Gross profit from sales	59,916	-	-	286	60,201	-	60,201
EBIT	42,048	-	-	286	42,334	-	42,334
Pre-tax activity profit (loss)	44,331	-	-	286	44,617	-	44,617
Income tax attributable to continued operations	-7,481	-	-	-54	-7,535	-	-7,535
Profit (loss) on continued operations	36,851	-	-	231	37,082	-	37,082
Discontinued operations	-	-	-	-	-	-	-
Profit (loss) on discontinued operations	-	-	-	-	-	-	-
NET PROFIT (LOSS)	36,851	-	-	231	37,082	-	37,082
Assigned to the owners of the parent	36,851	-	-	231	37,082	-	37,082

Concentration of recipients by business activity segments	Construction and assembly activity	Property development activity	Activity connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023	from 01/01/2023 to 30/06/2023
Recipient 1	396,249				396,249		396,249
Recipient 2	119,817				119,817		119,817
Recipient 3	61,575				61,575		61,575
TOTAL	577,641				577,641		577,641

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activity	Property development activity	Activity connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
Fixed assets	607,970				607,970		607,970
Current assets	730,764				730,764		730,764
Total assets	1,338,734				1,338,734		1,338,734
Equity	480,590				480,590		480,590
Long-term liabilities and provisions for liabilities	210,450				210,450		210,450
Short-term liabilities and provisions for liabilities	647,696				647,696		647,696
Total capitals and liabilities	1,338,734				1,338,734		1,338,734

Other data on operating segments in the reporting period	Construction and assembly activity	Property development activity	Activity connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
Goodwill allocated to a segment							
Risk-free rate	6.94%	6.94%	6.94%	6.94%	6.94%		
General risk acc. to Damodoran	7.19%	7.19%	7.19%	7.19%	7.19%		
Beta coefficient for the industry acc. to Damodoran	0.88	0.50	0.37	0.81	0.88		
Individual risks	2.00%	2.00%	2.00%	2.00%	2.00%		
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	14.43%	9.06%	7.23%	13.44%	14.42%		14.42%

Selected items of the income statement for segments in PLN thousand in the comparative period	Construction and assembly activity	Property development activity	Activities connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022	from 01/01/2022 to 30/06/2022
Continued operations	-	-	-	-	-	-	-
Sales revenue	964,078	-	-	2,403	966,480	-	966,480
Cost of goods sold	-899,215	-	-	-2,154	-901,369	-	-901,369
Gross profit from sales	64,863	-	-	249	65,111	-	65,111
EBIT	49,128	-	-	249	49,377	-	49,376
Pre-tax activity profit (loss)	70,084	-	-	249	70,333	-	70,332
Income tax attributable to continued operations	-13,359	-	-	-47	-13,406	-	-13,406
Profit (loss) on continued operations	56,725	-	-	201	56,926	-	56,926
Discontinued operations	-	-	-	-	-	-	-
Profit (loss) on discontinued operations	-	-	-	-	-	-	-
NET PROFIT (LOSS)	56,725	-	-	201	56,926	-	56,926
Assigned to the owners of the parent	56,725	-	-	201	56,926	-	56,926

Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period	Construction and assembly activity	Property development activity	Activities connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022
Fixed assets	583,170				583,170		583,170
Current assets	898,274				898,274		898,274
Total assets	1,481,443	-	-	-	1,481,443	-	1,481,443
Equity	404,066				404,066		404,066
Long-term liabilities and provisions for liabilities	320,747				320,747		320,747
Short-term liabilities and provisions for liabilities	756,630				756,630		756,630
Total capitals and liabilities	1,481,443	-	-	-	1,481,443	-	1,481,443

Other segment data in PLN thousand in the comparative period	Construction and assembly activity	Property development activity	Activities connected with lease of investment property	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022
Goodwill allocated to a segment							
Risk-free rate	3.10%	3.10%	3.10%	3.10%	3.10%		
General risk acc. to Damodoran	6.90%	6.90%	6.90%	6.90%	6.90%		
Beta coefficient for the industry acc. to Damodoran	0.72	0.58	0.36	0.37	0.58		
Individual risks	2.00%	2.00%	2.00%	2.00%	2.00%		
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	9.20%	7.80%	5.60%	5.70%	7.80%		7.80%

Note 26 Transactions with related entities.

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital connections		Members of the Management Board and Supervisory Board and key personnel	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Sales revenue	39,649	105,743						
Revenue from the sale of fixed assets								
Revenue from interest	575	1,237						
Other revenue								
Acquisition of inventories and other costs capitalised at the value of current assets								
Acquisition of services and other operating costs								
Acquisition of fixed assets								
Cost of interest	-802	-2,086						
Other expenses								
Loans received								
Loans granted								
Costs of remuneration							3,181	3,616
Loan receivables								
Trade and other receivables	9,748	4,529						
Liabilities on account of loans								
Trading and other liabilities	-70,735	-77,000						

Remuneration of key personnel of subsidiaries	Entity	Position	Remuneration		Loans granted to key personnel		Additional information
			in PLN thousand		in PLN thousand		
			from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022	
Management Board	MIRBUD S.A.		3,005	3,456			
Supervisory Board	MIRBUD S.A.		176	160			
Total			3,181	3,616			

Note 27 The auditor's remuneration

Statutory Auditor's remuneration	in PLN thousand	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Remuneration for the audit of the individual and consolidated financial statements	40	25
Remuneration for the interim review of the separate and consolidated financial statements		
Other services		9
Total	40	34

Note 28 Financial instruments.

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at:	As at:	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	30/06/2023	31/12/2022
Loans granted	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial instruments measured at fair value								
Trade and other receivables					633,258	553,572		
Cash and cash equivalents					97,104	293,801		
Other financial assets								
Total financial assets	-	-	-	-	730,362	847,373	-	-
Revenue from dividends								
Revenue from interest	-	-	-	-	958	805	-	-
Foreign exchange profits (losses)					-2,412	3,582		
Reversal (creation) of write-downs	-	-	-	-			-	-
Profits (losses) on measurement and implementation								
Profits (losses) on derivative instruments	-	-	-	-			-	-
Total impact of financial assets on the profit and loss account	-	-	-	-	-1,454	4,387	-	-

Financial liabilities according to IAS 39	Equity instruments		Measured at fair value by financial result		Measured at amortised cost		Hedging instruments	
	As at:	As at:	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	30/06/2023	31/12/2022
Credits	-	-	-	-	136,841	156,357	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other liabilities					684,960	765,472		
Other financial liabilities								
Total financial liabilities	-	-	-	-	821,802	921,829	-	-
Interest	-	-	-	-	-6,870	-5,374	-	-
Foreign exchange profits (losses)								
Profits (losses) on measurement and implementation	-	-	-	-	-	-	-	-
Profits (losses) on derivative instruments								
Total impact of financial liabilities on the profit or loss account	-	-	-	-	-6,870	-5,374	-	-

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

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

Note 29 Errors related to previous reporting periods

No material errors were found in the previous reporting period.

Note 30 Transactions with non-controlling shareholders.

This item does not exist

Note 31 Business mergers.

There were no business mergers in the current period.

Note 32 Significant planned capital expenditures

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

Note 33 Material events after the balance-sheet date

In the period between the date of the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events which have not been included in these financial statements, except for the military conflict in Ukraine, the impact of which on the Company's operations and future financial results is described in Note 39.

Note 34 Employment structure.

Employment structure	full-time equivalent	
	For the period:	For the period:
	from 01/01/2023 to 30/06/2023	from 01/01/2022 to 30/06/2022
Non-production employees	270	269
Production employees	170	168
Employees under contractual agreements	161	157
Total	601	594

Note 35 Dividends declared and paid

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

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

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

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

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

Note 36 Effects of de-mergers, restructuring and discontinued activities

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

Note 37 Limitations on disposition and hedging established on assets

Hedge title	Hedge type	Value of debt	Hedge value in PLN thousand			Balance sheet value of the hedge object in PLN thousand		expiry date
		As at:	As at:	As at:	As at:	As at:		
		30/06/2023	30/06/2023	31/12/2022	30/06/2023	31/12/2022	dd/mm/yyyy	
Credit hedge 202-129/3/II/2/2008	mortgage		26,700	26,700	19,294	19,692	01/03/2023	
Total	-	-	26,700	26,700	19,294	19,692	-	

Assets as security of liabilities	in PLN thousand	
	As at:	As at:
	30/06/2023	31/12/2022
Property, plant and equipment	19,294	19,692
Investment property		
Financial assets		
Intangible assets		
Other assets		
Total	19,294	19,692

Note 38 Judicial cases.

W okresie objętym niniejszym raportem nie toczyły się żadne istotne postępowania dotyczące zobowiązań albo wierzytelności Emitenta lub jednostki od niego zależnej.

Na dzień 30.06.2023 roku toczyły się sprawy sądowe dotyczące zobowiązań przeciwko Emitentowi, na łączną wartość przedmiotu sporu 4.212 tys. zł.

Rezerwy na przyszłe zobowiązania, które mogą powstać z toczących się postępowań sądowych tworzone są w drodze szczegółowej analizy ryzyka ich powstania.

Na dzień 30.06.2023 roku toczyły się sprawy sądowe dotyczące wierzytelności z powództwa Emitenta na łączną wartość przedmiotu sporu 1.140 tys. zł.

Note 39 Contingent liabilities.

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

Other contingent liabilities	in PLN thousand		
	As at:	As at:	As at:
	30/06/2023	31/12/2022	30/06/2022
Under proper performance guarantee		667,223	583,738
Under rectifying faults and defects		260,087	249,794
Under advance return		192,718	122,827
Total		1,120,028	956,359

Note 40 Objectives and principles of risk management.

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on financial result	Effect of risk on equity
<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
	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
Risks related to the current activities	related to penalties for non-performance or untimely performance of orders	average	average	average	low
	related to claims against the Companies on account of construction of flats and retail and service facilities, sale of flats, and granting a guarantee of payment for construction works	low	average	average	low
	related to the production process	low	high	average	low

Risks related to military conflict in Ukraine

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

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

- There are no delays in the execution of construction contracts in the construction and assembly services area due to conflict. However, it cannot be ruled out that, if this state continues, the financial result of the contracts under execution may worsen and delays in the

execution of contracts may occur due to so-called force majeure events, including delays connected with:

- reduced availability and increased prices of building materials, fuels, services, equipment;
- disruption of supply chains;
- dynamic growth of prices of key energy sources, i.e. crude oil, natural gas;
- delays on the part of subcontractors employing workers from Ukraine and Belarus;
- extraordinary drop of PLN value - increase of material prices in foreign currencies.

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

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

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

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

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

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

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

Epidemiological risk

As 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.

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

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

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

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

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

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

Liquidity risk management

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

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

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

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

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

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

Current liquidity ratio = Current assets / Short-term liabilities

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

Cash liquidity ratio = Cash / Short-term liabilities

Risk of significant changes in interest rates

The Group Companies to a large extent use bank credits to finance their investment activities. The costs of interest on credits are affected by the amount of the WIBOR base rate for credits taken out in Polish 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, Kobylnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group.

The hedged level of the WIBOR rate is at 1.80 p.p.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As 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.

Sensitivity analysis for items exposed to change in interest rates			Effect on net profit/loss		Effect on the balance sheet total	
	As at:		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	30/06/2023					
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

Sensitivity analysis for items exposed to change in interest rates			Effect on net profit/loss		Effect on the balance sheet total	
	As at:		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	31/12/2022					
Liabilities under credits and loans	128,685		-1,042	1,042	1,287	-1,287
Loans granted						
Other financial assets						
Other financial liabilities	27,672		-224	224	277	-277
Total	156,357		-1,266	1,266	1,564	-1,564

Risk of changes in foreign exchange rates

Within the MIRBUD Group, only MIRBUD S.A. generates revenue in foreign currency. In the first half of 2023, MIRBUD S.A. 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						
Trade 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 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.

Sensitivity analysis for items exposed to exchange rate changes (Euro)	Effect on net profit/loss		Effect on the balance sheet total		
	As at:	increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
	30/06/2023				
Liabilities under credits and loans					
Loans granted					
Trade and other receivables	53,112	4,302	-4,302	5,311	-5,311
Trading and other liabilities					
Cash	5,769	467	-467	577	-577
Other financial assets					
Total	58,881	4,769	-4,769	5,888	-5,888

Sensitivity analysis for items exposed to exchange rate changes (Euro)	Effect on net profit/loss		Effect on the balance sheet total		
	As at:	increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
	31/12/2022				
Liabilities under credits and loans					
Loans granted					
Trade 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 Group Companies try to take into account the market situation by adapting their portfolio to the expected financial and credit capabilities of potential customers.

The introduction of any restrictions towards the availability of credits may have a material and adverse effect on the Companies' activities, financial situation and their development prospects.

Economic situation risk:

- change in the macroeconomic situation and economic situation in Poland

Revenue of the MIRBUD Group Companies are earned entirely on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the overall economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an effect on the financial results achieved by the Group Companies and the entire property development industry: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

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

- in the construction industry

The activities of the Group companies are closely correlated with the overall economic situation in Poland. The financial results achieved by the Company are most affected by the level of investments in enterprises, GDP growth rate, inflation rate, value of construction and assembly production, tax policy and increase in interest rates. There is a risk that negative changes in the above mentioned ratios, in particular the slowdown in the economic growth rate, the increase in the inflation rate caused by the increase in the prices of materials or the increase in interest rates, may have a negative impact on the activity and results of the Group Companies.

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

- in the development industry

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

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

The economic situation of the property development industry is significantly influenced by government programmes to facilitate purchase of one's own home. At the moment, the property development market is pinning high hopes on the government's introduction of the "2% Safe Credit" programme

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

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

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

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

Moreover, the possibility to purchase attractive plots of land for new development projects and commercial and service projects depends on a number of factors, such as:

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

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

- sudden changes in housing prices

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

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

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

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

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

Risks related to competition:

- in the construction industry

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

Further intensification of competition on the markets where the Company operates may have a material adverse effect on the Company's operations, results and financial position as well as on its future development outlook.

The Management Boards of the Companies, based on many years of experience, try to build a portfolio of contracts that will enable them to achieve an appropriate financial result.

- in the development industry

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

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

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

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

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

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

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

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

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

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

The intensification of competition in the markets where the Group operates may have a material and adverse effect on the Group's activities, results, financial situation and future development outlook.

External legal risks

- changes in provisions of law, in particular tax law

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provision which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies.

The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Group's Companies' operations, financial situation or its development prospects.

- related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property

The implementation of each of the investment projects by the Company requires the fulfilment of the requirements set forth in the law. In most cases, the Company is obliged to obtain various types of permits, which are issued by public administration bodies. Obtaining these administrative acts is a necessary condition for the commencement of the investment process. It should be noted that obtaining all permits and consents requires considerable effort and time. Public administration bodies issuing permits and consents operate on the basis of the provisions of the Code of Administrative Procedure and special acts. In these proceedings, the interest of local communities is taken into account in the first place and a number of planning issues are subject to wide public consultation (e.g. environmental issues). Additionally, lack of even a part of the documentation makes it impossible to commence the investment process. Moreover, the discovery of any misstatements, either on the part of the Company or in the administrative files, and in particular the existence of any contradictions between them may lead to the delay in the commencement of the investment process. There is also a risk that the already valid administrative decisions will be challenged by resuming proceedings or annulling decisions. Administrative decisions may also be challenged, in whole or in part, and consequently there is a risk that they will be annulled. In areas where local land-use plans have not been adopted, there is also a risk that the Companies will not be able to implement their plans due to difficulties related to the possibility of obtaining a development conditions' decision.

The occurrence of any of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects.

Risks related to the current activities

- risk associated with the implementation of the development strategy

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

In particular, the implementation of the Group's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Group's governing bodies, and which cannot always be predicted.

Such factors include:

- unpredictable market events, such as the occurrence of an economic crisis or recession in Poland or other European Union countries;
- radical and sudden changes in legal regulations or the methods of their interpretation (e.g. influencing the issuance of development conditions);
- natural disasters, epidemics in the areas where the Company operates, as well as a number of specific factors, such as:
- restrictions on the possibility of JHM DEVELOPMENT acquiring plots of land in attractive locations for housing development;
- reduced availability of bank financing for development and commercial projects;
- failure to implement property development projects and retail and service projects in accordance with the assumed schedule and cost estimate;
- changes in government programmes supporting the purchase of residential units by persons with average and below-average income;
- other operational risks described in these statements.

The Group Companies make every effort to ensure that the assumed strategy is implemented and try to analyse on an ongoing basis all market and industry factors which have and may have an impact on the implementation of the strategy,

The factors described above may cause that the Group will not be able to implement the assumed development strategy, including the planned property development projects, and therefore these factors may have a significant negative impact on the Company's activities, financial position, results or its development prospects.

- related to financing development with bank credits

The Group Companies finance their development and current activities with the use of bank credits and leasing. In the future, the Companies intend to use bank credits to finance the demand for working capital related to the increase in the scale of activities. However, there is a risk that in the future, in the event of adverse changes in the Companies activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, they will have difficult access to financing using credits, their cost will be higher than the current one, or they will be forced to repay or refinance their existing debt on worse terms. This may contribute to a slower than planned growth rate and deterioration of the financial results obtained.

The Management Board considers the current level of debt to be safe and does not see any threats to its timely service. Despite the good financial standing of most of the Group's companies, it cannot be ruled out that in the future, as a result of unfavourable market processes, they will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company of the Group is not able to settle its debts under credit contracts and loans on an ongoing

basis, repayments may become due and payable immediately. As a result, in order to satisfy its creditors, the Company will be forced to sell a part of its assets. The strategies of the Companies provide for a gradual exchange of short-term debt for long-term financing and that the newly acquired credit financing will be appropriate for the implementation of specific construction contracts and property development investments.

The occurrence of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects. In order to limit the risk, the Company performs on an ongoing basis an analysis of debt and the possibility of settling liabilities.

- related to the building infrastructure

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform additional infrastructure works as part of the investment project. The authorities may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project implementation, but which may be expected by the authorities as an investor's contribution to the development of the local community in connection with the investment.

The occurrence of any of the above factors, translating into delays in the implementation of projects or additional project costs, may have a material and adverse effect on the Group's activities, financial situation or its development prospects.

- related to liability for breach of environmental regulations

Pursuant to the applicable environmental protection regulations, entities which are owners or users of plots where hazardous substances are present, or where there has been an adverse transformation of the natural configuration of the land, may be required to remove them, or bear the cost of land reclamation or pay a fine. In order to minimise the risk of breaching environmental regulations, the Companies carry out technical analyses of future projects in terms of the risk related to liability for breach of environmental regulations. Until the date of preparing the statements, the Companies were not obliged to bear the costs of land reclamation or to pay any administrative penalties for this. However, it cannot be precluded that in the future the Group Companies will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.

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

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

The occurrence of any of the aforementioned factors may have an adverse effect on the Group's activities, financial position or its development prospects.

- related to penalties for non-performance or untimely performance of orders

Entities act as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Companies and determine the consequences of non-

performance of the assumed obligations. Such contracts, first of all, very precisely specify the deadlines - both for the performance of the ordered works, as well as the performance of other activities, e.g. removal of possible defects during the warranty period. If these deadlines are not met, the Companies may be at risk of paying contractual penalties.

In order to limit the risk of investors making a claim for payment for non-performance or improper performance of the Company's orders, the Company has taken the following actions:

- related to claims against the Companies on account of construction of flats and retail and service facilities, sale of flats, and granting a guarantee of payment for construction works

In order to implement numerous investments, the Company has concluded and will continue to conclude construction contracts with contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The Companies are also liable to purchasers of 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 Companies' contracts with subcontractors require subcontractors to secure proper performance of the contract in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

Capital risk management

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

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

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

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

Calculation of the debt ratio	in PLN thousand	
	As 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 debt	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
equity/total assets	0.4	0.3

XII. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 29 sierpnia 2023 r.

Jerzy Mirgos	Sławomir Nowak
President of the Management Board	Vice-President of the Management Board

Paweł Korzeniowski	Tomasz Sałata
Member of the Management Board	Member of the Management Board

Anna Zuchora
Person entrusted with bookkeeping