

Ladies and Gentlemen, Dear Shareholders,

Last year was the second in a row in which the Group's revenue exceeded PLN 3 billion. After the last few years of increase in the scale of our business, 2023 was marked by the consolidation of our market position and the strengthening of our organisational structures. It was also a year of stabilisation in the market. The Group used this time to increase the efficiency of execution of its existing contracts, replenish its order portfolio and build new competences in segments hitherto absent from our business. We also used this time to plan the Group's further development and new projects. The Group achieved financial results above market expectations in terms of revenue and net profit.

In 2023, we have achieved PLN 3.32 billion in revenue and 135 million in net profit. During this period, the Group improved profitability results in every business segment. This was achieved through, among other things, the completion and settlement of road infrastructure contracts and improved profitability of contracts for the construction of public utility buildings and production and warehouse buildings. The increase in profitability was also influenced by macroeconomic factors, i.e. cooling of the market and decrease in construction costs, as well as internal factors such as the significant increase in the level of revenue and profit on sales from property development activities.

The fourth quarter of 2023, in which the group companies concluded annexes to road infrastructure construction contracts with the General Directorate for National Roads and Motorways increasing the maximum indexation limit for contract works from 10 to 15 percent, proved crucial to the achieved financial results. In addition, the fourth quarter saw an accumulation of property development sales for the Zakopane and Żyrardów projects.

Group company, JHM DEVELOPMENT, sold 416 residential units by way of notarial deeds in 2023. This is a sales record to date, bringing the Group's share of net profit from property development activities to 12% in relation to total net profit. At the end of the year, the company had 662 units available and 411 signed preliminary and property development contracts. Given the level of sales in the first quarter of 2024, sales in the property development business will certainly exceed 500 residential and commercial units this year.

The Group is also steadily developing its commercial property rental segment, which, based on a high level of commercialisation, is generating stable year-on-year revenue and profit levels. In 2023, the commercial property portfolio was enriched by the addition of a property in Bolesławiec, where



the construction of halls with a usable area of 50,000 sq. m. for lease for logistics and warehousing purposes was completed in 2024.

The Group's core business continues to be the sale of construction and assembly services. In the Group's total revenue, road infrastructure construction accounted for approximately 55%, while building construction accounted for 36%. In the case of the former, the MIRBUD Capital Group has for years remained one of the leading general contractors in Poland, carrying out orders placed by the General Directorate of National Roads and Motorways and local government units. The aim of our activities in this segment is to further strengthen our position as one of the leading contractors in the country through the scale and number of executed contracts, but also through their timely completion while maintaining the high quality of rendered services.

We have seen unfavourable changes in the supply of new contracts in 2023 in the building construction segment. The marked cooling in the market for the construction of warehouse and production buildings was also accompanied, by a cooling in the market for the construction of public utility buildings, although not to such a significant extent. In anticipation of an influx of EU funds from the National Recovery Plan, many of the local governments were putting plans for commencing investments on hold. The resulting gap was partly filled by tenders funded by the government's "Polish Deal" programme, in which the participation of small and medium-sized companies faced significant barriers due to the financing structure.

These circumstances are reflected in the structure of the Group's order book. During the period under review, the Group's portfolio included contracts ensuring revenue until 2027 and, as in previous years, was characterised by a strong exposure to road infrastructure contracts (75%). This type of contract is characterised by a longer lead time compared to building construction contracts. For those carried out under the "design and build" formula, it is not uncommon for up to five years to elapse between the day the contract is signed and the day the project is handed over for use. This ensures revenue stability while exposing the contractor to market fluctuations. In 2023, the Group completed 10 such contracts for which agreements were signed between 2019 and 2020.

In addition to the road infrastructure contracts in the building construction section, the current structure of the Group's order portfolio is as follows: public utility buildings - 17%, warehouse and production buildings - 7%. To a small extent (1%), the Group also carries out residential construction contracts, but only for the needs of the subsidiary, JHM DEVELOPMENT S.A.

The MIRBUD CG has managed to maintain its order portfolio at a net level of PLN 4.62 billion despite a decline in the supply of new orders in the construction market in 2023. During this time, we have submitted bids in tenders for a total amount of PLN 37 billion. The efforts put into bidding for new contracts in the last quarter of the previous year will certainly result in expanding the order portfolio in 2024. As at 31 March this year, the portfolio had a net value of PLN 4.85 billion. The Group is awaiting the conclusion of contracts or the selection of its most favourable bid in tenders with a total net value of almost PLN 5 billion. Such a filled portfolio will allow revenue levels to be maintained between 2024 and 2028, and the expected cooling of the market gives hope that contract profitability will be kept at current levels.

In the medium term, the construction market in Poland will certainly be influenced by the availability and direction of disbursement of funds under the National Recovery Plan. At the moment, however, we do not know to what extent these funds will be spent on projects that are important for Poland, such as the construction of the Solidarity Transport Hub or the necessary energy transition and electromobility. We also do not know to what extent the government's existing road, motorway and bypass construction programmes will continue. In 2024, we expect a cooling of the construction market which may have a positive impact on the cost of construction works and the availability of subcontractors.



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Share capital (paid): PLN 9,174,420



Strengthening our position as one of the leading general contractors in Poland is not our only goal. We systematically analyse market opportunities for the Group's development through the acquisition of entities in the industry (railway, hydrotechnical and energy construction), which will enable a significant expansion of the range of construction and assembly services provided or significantly increase their profitability. One of the many options we are exploring is to participate in the energy transition in a broad sense. To this end we began the process of adapting our internal procedures in 2023, which in 2024 allowed MIRBUD to be one of the first companies in Poland to obtain the ISO 19443:2018 quality management certificate for the application of the ISO 9001:2015 standard by companies in the nuclear energy supply chain and providing products and services important for nuclear safety. When thinking about further development, we invariably look with hope to the rail sector, which will be one of the most promising in the country in the coming decades. The execution of this type of project means constructing not only rail systems, but also the accompanying engineering and building facilities, in which the Group has extensive experience. Working to gain competence in rail infrastructure construction in 2023, a rail construction division has been created within the Group's structure to support bidding and build organisational structures. In 2024, we started bidding for the execution of rail market projects. However, we are aware that projects that will allow the Group to take its place on this market will require significant financial expenses. Conclusive decisions in this area are expected to be made in 2024.

When discussing 2023, it is also impossible to overlook our efforts to develop governance in line with the new European CSRD. We are implementing the objectives of the MIRBUD Capital Group's 2024-2035 Sustainability Strategy, adopted in 2023, being aware of the impact of our activities on the environment, with concern for the environment, safe and friendly workplaces, relations with the local community and business partners, through a range of daily activities and the development of our organisational culture.

Ladies and Gentlemen, in 2023 we were pleased to see a further increase in MIRBUD S.A.'s market capitalisation. This is a huge vote of confidence for us, for which I would like to express my sincere thanks. The trust you place in us gives us a sense of responsibility, but also commitment to achieving the objectives we have set, the most important and unchanging of which remains the further development of the scale of our business and the growth of our financial results. I can assure you that we will continue to pursue it consistently in the years to come. I invite you to read the attached annual report and wish you sound investment decisions.

Yours faithfully,

Jerzy Mirgos,
President of the Management
Board of MIRBUD S.A.



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