



MIRBUD S.A.

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF MIRBUD S.A.

01 JANUARY 2019 – 31 DECEMBER 2019

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1. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS



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

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



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

The accounting policies adopted in the preparation of the financial statements have been presented in detail in the introduction to the financial statements for 2019.

2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

2.1. Description of the Capital Group and its core activities.

The MIRBUD Capital Group employs over 3000 employees, including highly qualified engineering staff with various specialisations in the construction industry. The Company's advantage is also a well-developed machine park which ensures performance of most of the work on the basis of its own facilities.

Since 2008, **MIRBUD S.A.** has been successively building a stable Capital Group with a diversified range of activities. Investment tasks in the field of housing construction in the developer system were taken over by a company separated from the structures of MIRBUD S.A. and listed on the Warsaw Stock Exchange - JHM Development S.A., and the shares purchased in 2010 in Przedsiębiorstwo Budowy Dróg i Mostów Kobylarnia S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] from Bydgoszcz allowed to extend the scope of activities to road and bridge works and production of bituminous masses.

Moreover, the MIRBUD Capital Group includes Marywilka 44 Sp. z o.o., the owner and manager of the largest shopping centre in Warsaw, and Expo Mazury S.A., the manager of the congress and exhibition centre in Ostróda.

In November 2017 the Management Board of MIRBUD S.A. made a decision concerning the establishment of a sole proprietorship company under the name of: МІРБУД Limited liability company (abbreviated name: ТОВ «МІРБУД») with its registered office in Kiev. The company was registered on 25 January 2018.

MIRBUD S.A. is the parent and prepares consolidated financial statements consisting of the statements of the parent and subsidiaries - **the JHM DEVELOPMENT Capital Group, PBDiM KOBYLARNIA S.A., EXPO MAZURY S.A.**

Basic data of the Parent

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 Code of Commercial Companies. The Company was registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000270385 on 22 December 2006. The Company is established for indefinite term.



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

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

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

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

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

On 03/10/2011, the District Court in Bydgoszcz, 13th Commercial Division of the National Court Register entered the transformation of Przedsiębiorstwo Budowy Dróg i Mostów Spółki z o.o. [Road and Bridge Construction Enterprise] – a subsidiary of MIRBUD S.A., into Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] to the Register of Entrepreneurs of the National Court Register, under the KRS number 0000396760



Full name of the entity:	Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.]
Entity's registered office:	Kobylarnia
Legal form:	joint-stock company
Tax Identification Number (NIP):	953-22-34-789
REGON:	091631706
Address details:	Kobylarnia 8 86-051 Brzoza
tel/fax	+48(52) 381-06-10
E-mail:	pbdim@kobylarnia.pl
Website:	www.kobylarnia.pl
Country of registered office:	Poland

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

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

The Company conducts business activities in Ukraine in the area of, among others, construction of residential and non-residential buildings, construction of roads and railways, performance of specialist construction works, finishing and architectural works.

The share capital of ТОВ «МІРБУД» is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2019, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09.



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

Subsidiary of MIRBUD S.A. – EXPO MAZURY S.A.

The company was established as a result of transformation of “Demuth Alfa” spółka z ograniczoną odpowiedzialnością spółka komandytowo - akcyjna [limited liability company, limited joint-stock company] with its registered office in Gdańsk into EXPO ARENA Spółka Akcyjna with its registered office in Ostróda based on the resolution of the General Meeting dated 12/05/2014 (notarial deed REP. A. 6450/2014) and of 20/05/2014 (notarial deed REP. A 6840/2014).

The company was entered in the National Court Register kept by the District Court for Olsztyn, 7th Commercial Division of the National Court Register, under the KRS number 0000513712, on 01/07/2014.

On 29 June 2015, the parent MIRBUD S.A. concluded a contract with “DEMUTH SIGMA” Spółka Komandytowo-Akcyjna [limited joint-stock company] with its registered office in Gdynia for the purchase of shares in that company.

On 14/01/2016, the Company changed its name from EXPO ARENA S.A. to EXPO MAZURY S.A.



Full name of the entity:	EXPO MAZURY S.A.
Entity's registered office:	Ostróda
Legal form:	joint-stock company
Tax Identification Number (NIP):	839-27-67-573
REGON:	771485919
Address details:	ul. Grunwaldzka 55, Ostróda
tel/fax	+48(89) 506-58-00 / +48(89) 647-78-77
E-mail:	sekretariat@expomazury.pl
Website:	www.expomazury.pl
Country of registered office:	Poland

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

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



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

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

The company was established on 13/09/2011 on the basis of the notarial deed Repertory "A" No. 4812/2011. The company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000396588, on 20/09/2011.

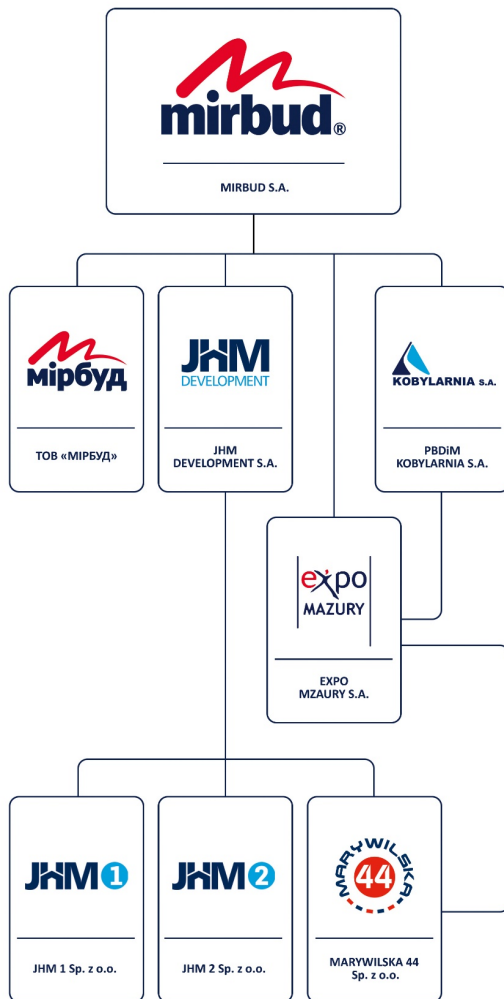
Full name of the entity:	JHM 1 Sp. z o.o.
Entity's registered office:	Skierniewice
Legal form:	limited liability company
Tax Identification Number (NIP):	836-185-59-68
REGON:	101288135
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46)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

Subsidiary of JHM DEVELOPMENT S.A. - JHM 2 Sp. z o.o.

The company was established on 16/02/2012 based on the notarial deed Repertory "A" No. 785/2012. The company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000415335, on 22/03/2012.

Full name of the entity:	JHM 2 Sp. z o.o.
Entity's registered office:	Skierniewice
Legal form:	limited liability company
Tax Identification Number (NIP):	836-185-64-65
REGON:	101387140
Address details:	ul. Unii Europejskiej 18, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46) 833 95 89

Diagram: The MIRBUD Capital Group structure as at 31/12/2019



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

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share of MIRBUD S.A. in the share capital
JHM DEVELOPMENT S.A.	173,000	100%
PBDiM KOBYLARNIA S.A.	21,000	100%
EXPO MAZURY S.A.*	132,928	67.71%
ТОВ «МІРБУД»	304	100%

*Total direct and indirect share of MIRBUD S.A. in the share capital 100%

JHM DEVELOPEMENT S.A.

On 12 July 2019, as a result of the conclusion and settlement of the transaction of acquisition of shares in the Issuer's subsidiary, JHM DEVELOPMENT S.A. ("Subsidiary"), resulting from the purchase of the Subsidiary's shares by the Issuer, the Issuer purchased 1,939,926 (in words: one million nine hundred and thirty-nine thousand nine hundred and twenty-six) shares of the Subsidiary, representing approximately 2.80 percent of all its shares.

On 24 September 2019, as a result of the conclusion and settlement of the transaction of acquisition of shares in the Issuer's subsidiary, JHM DEVELOPMENT S.A. ("Subsidiary"), resulting from the purchase of the Subsidiary's shares by the Issuer, the Issuer purchased 4,304,984 (in words: four million three hundred and four thousand nine hundred and eighty-four) shares of the Subsidiary, representing approximately 6.22 percent of all its shares.

On 20 December 2019, as a result of the settlement of the compulsory buyout (squeeze-out) of shares of the Issuer's subsidiary, JHM DEVELOPMENT S.A., the Issuer purchased 3,022,758 (three million twenty-two thousand seven hundred and fifty-eight) shares of the Subsidiary, representing approximately 4.37% of all its shares.

As a result of the above transactions, as at 20 December 2019 the Issuer achieved 100.00 % of shares in JHM DEVELOPMENT S.A.

PBDiM KOBYLARNIA S.A.

On 26 April 2019, the Ordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A., by virtue of Resolution No. 17/2019 (Repertory A No. 3761/2019), resolved to increase the Company's share capital from PLN 1,000,000.00 to PLN 6,000,000.00 by issuing 50,000,000 series C registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 20 May 2019. On 31/07/2019, the Register Court in Bydgoszcz, 13th Commercial Division of the National Court Register, registered the increase in the company's share capital to the amount of PLN 6,000,000.00. The shares of the new issue have been acquired by MIRBUD S.A. in full.

On 17 June 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 4/2019 (Repertory A No. 5323/2019), resolved to increase the Company's share capital from PLN 6,000,000.00 to PLN 11,000,000.00 by issuing 50,000,000 series D registered shares with a nominal value equal to the issue price of PLN 0.10 per share. - the capital was paid up by 05 August 2019. The shares were fully taken up by MIRBUD S.A. On 27/08/2019 the Registry Court in Bydgoszcz, 13th Commercial Division of the National Court Register did not register the increase in the share capital to the amount of PLN 11,000,000.00.

On 11 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 7615/2019), resolved to increase the Company's share capital from PLN 11,000,000.00 to PLN 16,000,000.00 by issuing 50,000,000 series E registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 30 September 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 8212/2019), resolved to increase the Company's share capital from PLN 16,000,000.00 to PLN 21,000,000.00 by issuing 50,000,000 series F registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A.

On 09 December 2019, the Extraordinary General Meeting of Shareholders, by virtue of Resolution No. 3/2019 (Repertory A No. 10321/2019), resolved to increase the Company's share capital from PLN 21,000,000.00 to PLN 25,000,000.00 by issuing 40,000,000 series G registered shares with a nominal value equal to the issue price of PLN 0.10 per share. The shares were fully taken up by MIRBUD S.A. The capital increase was entered in the National Court Register on 19 February 2020.

EXPO MAZURY S.A.

On 10 August 2018, the Extraordinary General Meeting of Shareholders of EXPO MAZURY S.A. adopted a resolution to amend the Company's Articles of Association with respect to granting the Company's Management Board the authorisation to increase the share capital within the limits of the authorised capital and the right to deprive the existing shareholders of the right to take up subscription within the limits of the authorised capital.

On 31 October 2018, the Management Board of EXPO MAZURY S.A. adopted a resolution on increasing the Company's share capital by PLN 7,000,000 through the issue of new F series ordinary registered shares with a nominal value of PLN 1.00 each, as part of a private subscription and exclusion of pre-emptive rights.

On 22 January 2019, EXPO MAZURY S.A. concluded an agreement with MIRBUD S.A. to take up 7,000,000 F series shares by way of a private subscription.

On 16 May 2019, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the increase of the share capital.

On 26 April 2019, by Notarial Deed (Rep. A No. 3768/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 137,928,000.00, i.e. by the amount of PLN 7,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The capital increase in question was not fully paid up and was therefore also not registered.

On 15 November 2019, by Notarial Deed (Rep. A No. 4957/2019) the Management Board of Expo Mazury Spółka Akcyjna adopted a resolution on increasing the share capital of the Company from PLN 132,928,000.00 to the amount of PLN 135,928,000.00, i.e. by the amount of PLN 3,000,000.00 through the issue within the authorised capital of PLN 5,000,000.00 of new G series ordinary registered shares with a nominal value of PLN 1.00 per share. The Court entered the capital increase in the National Court Register on 22 January 2020.

TOB «MIPBYD»

The share capital of TOB “MIPBYD” is UAH 1,900,000.00 (according to the average exchange rate of the National Bank of Poland as at 31/12/2019, PLN 304,380.00). The sole partner of the company is MIRBUD S.A. As at 31/12/2019, the value of the contributed capital amounted to PLN 264,877.09. The entity is not consolidated due to its immaterial character.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as at 31/12/2019

Name of the entity	Share capital	Nominal value of shares	Share of JHM DEVELOPMENT S.A. in the share capital
MARYWILSKA 44 Spółka z o.o.	70,000	*66,990	100.0%
JHM 1 Spółka z o.o.	9,001	9,001	100.0%
JHM 2 Spółka z o.o.	10,300	10,300	100.0%

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

Table: Structure of shares of Marywilka 44 Sp. z o.o. in subsidiaries and affiliates as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share in the share capital
EXPO MAZURY S.A.	3,500	2.57%

Table: Structure of shares of PBDiM Kobylarnia S.A. in subsidiaries and affiliates as at 31/12/2019

Name of the entity	Share capital in PLN thousand	Share in the share capital
EXPO MAZURY S.A.	39,427.9	29.01%

Core activities



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

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

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

MIRBUD S.A. guarantees the highest quality of services, efficient organisation, fast pace of work based on the highest standards and professional technical staff. The core activities of the parent **MIRBUD S. A.**, consistent with its Articles of Association and the entry in the National Court Register, are:

- General construction and civil engineering
- Freight transport by road
- Rental of construction and demolition equipment with operator service
- Advertising and publishing activities
- Renting of premises for own account
- Wholesale of materials for the construction industry



Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A.

[Construction Company For Roads and Bridges KOBYLARNIA S.A.]

is a subsidiary of **MIRBUD S.A.**, specialising in the comprehensive execution of road and bridge works. It is also a producer of mineral-bituminous and concrete masses, owning modern bitumen mass factories in:

- Kobylarnia - Teltomat production plant with a capacity of 240 Mg/h and Teltomat 120 production plant with a capacity of 160Mg/h,
- Bogusławice - Teltomat 160 production plant with a capacity of 200 Mg/h.

- Miękinia near Wrocław - the Amman Universal production plant with a capacity of 240 mg/h

Provides services also in the scope of renting construction equipment and specialised means of transport.

Kobylarnia S.A. has many years of experience and has completed several road engineering projects.

PBDiM KOBYLARNIA S.A. employs over 200 employees, including qualified technical staff

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

- Execution of road and bridge works
- Production of mineral-bituminous and concrete masses
- Construction equipment rental

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

- General construction and civil engineering

The company was established for the purpose of conducting business activity in Ukraine. Currently, it analyses the market potential, participates in tenders and recognises the possibilities of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine. It is not subject to consolidation, as **MIRBUD S.A.** did not exert any significant influence on the activity of this Company.



EXPO MAZURY S.A. (formerly EXPO ARENA S.A.) is a company managing the congress and exhibition centre in Ostróda. It is the largest facility of this type in north-eastern Poland. The area of the centre currently amounts to nearly 58 thousand square metres (exhibition area: over 40 thousand square metres), and conference area: over 2 thousand square metres. The core activities of the subsidiary **EXPO MAZURY S.A. (formerly EXPO ARENA S.A.)** according to the Polish Classification of Businesses are:

- The activities connected with the organisation of trade fairs, exhibitions and congresses
- Short- and long-term space lease

JHM DEVELOPMENT S.A. carries out investments in the construction and sale of single-family and multi-family residential buildings. It also deals with the purchase and sale of property on its own account, as well as the rental and management of property. The establishment of the Company in 2008 initiated the process of building the MIRBUD Capital Group. According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM DEVELOPMENT S.A.** are:



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



Marywilka 44, as a subsidiary of JHM DEVELOPMENT S.A., is the owner and manager of the largest shopping centre within the capital city of Warsaw. The establishment of the Company in 2010 initiated the process of building the JHM DEVELOPMENT Capital Group.

The core activities of the subsidiary **Marywilka 44 Sp. z o.o.** according to the Polish Classification of Businesses are:

- The implementation of building projects related to erection of buildings
- Rental and management of own or leased property.

According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM 1 Sp. z o.o.** are:

- Rental and management of own or leased property.

According to the Polish Classification of Businesses, the core activities of the subsidiary **JHM 2 Sp. z o.o.** are:

- The implementation of building projects related to erection of buildings
- Rental and management of own or leased property.

3. FINANCIAL POSITION OF MIRBUD S.A.

3.1. Discussion of selected items of the consolidated financial statements of MIRBUD S.A. as at 31/12/2019 and 31/12/2018.

Table: Selected items MIRBUD S.A.'s assets as at 31 December 2019 and 31 December 2018 in PLN thousand

Specification	31/12/2019	% share in total assets	31/12/2018	% share in total assets	Change in PLN thousand	Change in %
Fixed assets, including:	429,787	63%	383,649	59%	46,138	12%
Tangible fixed assets	43,368	6%	43,741	7%	-373	-1%
Investment property		0%		0%	0	0%
Intangible assets	1,493	0%	1,777	0%	-284	-16%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	380,892	56%	335,064	52%	45,828	14%
Investments measured using the equity method	0	0%	0	0%	0	
Long-term trading and other receivables	0	0%	0	0%	0	
biological assets	0	0%	0	0%	0	
Deferred income tax assets	3,936	1%	2,824	0%	1112	39%
Other fixed assets not classified elsewhere (including prepayments and accruals)	98	0%	243	0%	-145	-60%
Current assets, including:	251,967	37%	261,981	41%	-10,014	-4%
Inventories	8,445	1%	7,834	1%	611	8%
Receivables on account of the income tax	0	0%	0	0%	0	0%
Trading receivables and other receivables	153,894	23%	203,142	31%	-49,248	-24%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	0	0%	477	0%	-477	-100%
Cash and cash equivalents	89,001	13%	49,408	8%	39,593	80%
Other current assets n.e.c.	627	0%	1,120	0%	-493	-44%
fixed assets held for sale	-	0%	-	0%	-	
Total assets	681,754	100%	645,630	100%	36,124	6%

As at 31/12/2019, compared to the end of 2018, the value of the balance sheet total and the structure of assets of MIRBUD S.A. changed slightly.

As at 31/12/2019, compared to the end of 2018, the value of the Company's balance sheet total increased as a result of an increase in the value of long-term financial investments, cash, and long-term trading liabilities.

The structure of assets in this period did not change significantly.

The dominating value are the fixed assets, which as at 31/12/2019 constitute 63% of the Company's total assets (increase in share by 4 p.p. compared to 2018).

Fixed assets comprise mainly long-term financial assets (which are mainly capital investments in subsidiaries: JHM DEVELOPMENT S.A., PBDiM KOBYLARNIA S.A. EXPO Mazury S.A.) constituting 56% of total assets. (increase in share in total assets by 4 p.p. compared to 2018).

Current assets constitute 37% of all assets of MIRBUD S.A. as at 31/12/2019. (decrease in share in current assets by 4 p.p. compared to 2018). Significant items of current assets are: trading receivables and other receivables constituting 23% of total assets (decrease in the share of total assets by 8 p.p. compared to 2018). This item includes, among others, accrued receivables due to settlement of long-term contracts. Cash and other equivalents had a significant share in current assets as at 31/12/2019, constituting approximately 13% of total assets (increase in the share in total assets by 5 p.p. compared to 2018).

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

- receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net
- Additional payments to the capital in PBDiM KOBYLARNIA S.A., EXPO MAZURY S.A. and TOB "MIPBYD" in the total amount of almost PLN 46 million.

Table: Selected items of liabilities as at 31 December 2019 and 31 December 2018 in PLN thousand.

Specification	31/12/2019	% share in total liabilities	31/12/2018	% share in total liabilities	Change in PLN thousand	Change in %
Equity	274,883	40%	257,589	40%	17,294	7%
Issued share capital	9,174	1%	8,294	1%	880	11%
Gain (loss) attributable to owners of the entity	7,386	1%	6,271	1%	1,115	18%
Other capitals	258,323	38%	243,068	38%	15,255	6%
Capital attributable to non-controlling shares						
Long-term liabilities and provisions for liabilities	200,304	30%	125,485	19%	74,819	60%
- Provisions under deferred income tax	9,108	1%	9,174	1%	-66	-1%
- other provisions for long-term liabilities	126	0%	135	0%	-9	-7%
- long-term financial liabilities for trading liabilities and other liabilities	78,995	12%	78,536	12%	459	1%
- long-term trading and other liabilities	112,075	16%	37,640	6%	74,435	198%
- other long-term liabilities and provisions n.e.c.	0	0%	0	0%	0	0%
Short-term liabilities and provisions for liabilities	206,567	30%	262,556	41%	-55,989	-21%
- Provisions for short-term liabilities	1,627	0%	1,434	0%	193	13%

- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	51,308	8%	49,340	8%	1,968	4%
- trading and other liabilities	150,329	22%	207,475	32%	-57,146	-28%
- liabilities under deferred income tax	1,822	0%	492	0%	1,330	270%
Other long-term liabilities and provisions n.e.c.	1,482	0%	3,815	1%	-2,333	0%
Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
Total liabilities	681,754	100%	645,630	100%	36,124	6%

In 2019, the structure of liabilities of the Company has changed significantly and the activity of MIRBUD S.A. continues to be financed in 40% from own funds and in 60% from external capital.

The share of long-term liabilities in financing was 30% (share increase by 11 p.p., while the share of short-term liabilities was at 30% (share decrease by 11 p.p. compared to the end of 2018).

The biggest influence on the structure of the Company's liabilities is exerted by:

- systematic repayment of loans in ARP S.A,
- MIRBUD S.A. receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net, most part of which will be settled in a period of over 12 months
- achievement of 100% shareholding in JHM DEVELOPEMENT S.A. through share buy-back and buyout (squeeze-out) of shares
- rollover of short-term special purpose credits for execution of construction contracts for periods longer than 12 months
- changes in market conditions for the supply of materials forcing early payment or advance payments,

Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2019 to 31/12/2019 and 01/01/2018 to 31/12/2018 in PLN thousand

Specification	Period from 01/01/2019 to 31/12/2019	Profitability	Period from 01/01/2018 to 31/12/2018	Profitability	Change in PLN thousand	Change in %
Sales revenue	551,429	-----	621,284	-----	-69,855	-11%
Gain from sales	41,645	7.55%	31,628	5.09%	10,017	32%
Operating gain EBIT	18,993	3.44%	10,860	1.75%	8,133	75%
Pre-tax gain	9,584	1.74%	7,454	1.20%	2,130	29%
Net gain	7,386	1.34%	6,271	1.01%	1,115	18%

In 2019, MIRBUD S.A. generated revenue which was 11% lower than in 2018. This resulted mainly from a significant decrease in sales revenue from construction and assembly activities in the segment of production, commercial and service buildings and engineering and road works. Profitability on sales in this period increased by 2.49 p.p. compared to 2018, while net profitability was 0.33 p.p. higher than in 2018.

The profitability of the Company in 2019 was influenced by the following factors:

- revaluation write-down of 50% of receivables of FABRYKA BIZNESU sp. z o.o. amounting to PLN 4,402 thousand
- increase in profitability in the segment of manufacturing, commercial and service buildings

3.2. Assessment of financial resources and liquidity management

The management of the Issuer's financial resources assumes basing the Group's financing structure on long-term sources of financing. MIRBUD S.A. finances its operations in 60% based on foreign capital through:

- - credits
- - loans
- - advances
- - leasing
- - factoring

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

The Management Board is responsible for managing financial liquidity. The main objectives of financial resources and liquidity management are as follows:

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

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

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

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

Table: MIRBUD S.A. debt ratios

Specification	31/12/2019	31/12/2018
Total debt ratio <i>Total liabilities / Assets</i>	0.60	0.60
Long-term debt ratio <i>Long-term liabilities / Assets</i>	0.29	0.19
Short-term debt ratio <i>Short-term liabilities / Assets</i>	0.30	0.41
Debt to equity ratio <i>Liabilities / Equity</i>	1.48	1.51

In the reporting period, the level of debt remained unchanged, but its structure changed (the share of long-term debt increased by 10 p.p. and the share of short-term debt decreased), which was the result of:

- MIRBUD S.A. receiving advances for the execution of road contracts (construction of a part of the A1 motorway, construction of the Olesno bypass) in the total amount of PLN 75.6 million net, most part of which will be settled in a period of over 12 months
- rollover of the working capital credit taken out by MIRBUD S.A. in mbank S.A. for the next 24 months.
- changes in market conditions for the supply of materials forcing early payment or advance payments, which resulted in increased use of available working capital credits

The debt level of MIRBUD S.A. in the perspective of 2020 will be influenced by the scale of the executed infrastructure contracts and the strategy of financing large road contracts from advances from the Contracting Authority.

Table: Company liquidity ratios

Specification	31/12/2019	31/12/2018
Current liquidity ratio		
Current assets / Short-term liabilities	1.22	1.00
Accelerated liquidity ratio		
(Current assets - Inventories - Short-term prepayments)/Current liabilities	1.18	0.97
Cash liquidity ratio		
Cash / Short-term liabilities	0.43	0.19

As at 31/12/2019, MIRBUD S.A. improved the levels of all current liquidity ratios.

4. MIRBUD S.A. ACTIVITIES AND DEVELOPMENT PROSPECTS

4.1. Specificity of the market.

In May 2018, the European Commission published a proposal to allocate European funds to individual Member States as part of the Cohesion Policy during the EU's next financial perspective for 2021-2027. The proposed value of funds allocated to Poland is lower than the current financial perspective and amounts to EUR 73 billion in current prices. The structure of the division of allocations for individual measures is still unknown, but the scale of support in the area of infrastructure projects will most probably allow to maintain a significant role of EU funds in the development of the Polish construction sector in the coming years.

In 2019, the Polish economy began to slow down. According to the Central Statistical Office's estimates, the gross domestic product growth was 4.0% year-on-year compared to 5.1% in 2018. The slowdown was particularly felt in the last quarter of 2019, when economic growth was 3.1% compared to 3.9% in the third and 4.6% in the second quarter. In addition, according to the Central Statistical Office (GUS), inflation has been at its highest level since October 2012, which was caused, i.a., by increasing food prices. The last quarter also saw an acceleration in consumer price growth, with the consumer inflation rate reaching 3.4%, compared to 1.1% a year earlier. Overall, the average annual consumer price index reached 2.3%, compared to 1.6% in 2018.

In July last year the Council of Ministers adopted an update of the National Roads Construction Programme for 2014-2023 (with a view to 2025) submitted by the Ministry of Infrastructure and Construction. The amended document prioritises road investment tasks, taking into account the new limit available for investments implemented on the national road network. The National Roads Construction Programme assumes construction of approx. 3,900 km of motorways and expressways between 2014 and 2023 (with a perspective until 2025). Between 2019 and 2020 an accumulation of investments in road construction is expected. According to the list of contracts to be announced in 2019, published in January 2019, GDDKiA will announce tenders for construction works for 17 sections with a total length of 435 kilometres, including several sections of the planned S19 expressway with a total length of over 170 kilometres.

In accordance with the resolution of the Council of Ministers of 20 June 2017, the financial limit of the National Roads Construction Programme was increased from PLN 107 billion to PLN 135 billion. A decrease in expenditure is to take place from 2020, but with the next EU perspective from 2021 further sources of road financing are to come.

Even at the beginning of 2020, experts predicted that the downward trend in the annual production growth rate will be maintained in the coming quarters, however, activity in the construction industry will remain high, which will be mainly related to the expiry of the cycle in public investments.

At the beginning of March 2020, Poland faced a new, hitherto unknown, threat of the collapse of the world economy as a result of the coronavirus epidemic and the COVID-19 disease. At the time of writing this report, OECD economists' forecasts indicate that the shock to the world economy caused by the pandemic is greater than that of the global economic crisis in 2008. At the end of March, a vast majority of financial institutions significantly lowered their forecasts for Polish GDP growth in 2020. The range of measurements is currently so wide that it is difficult to determine even roughly the direction of further developments. The economists' estimates range from +3.0% to -3.7% of GDP growth in 2020 (and even to -5.6% in more pessimistic scenarios).

Taking into account preliminary forecasts of the scale of the recession in the United States and Western Europe, a 3% drop in GDP growth in Poland in 2020 is possible, especially in the context of the projected recession in Germany, which is the main recipient of manufacturing goods in Poland. On the other hand, however, there are also opinions among economists that the Polish economy will react relatively mildly to the global crisis due to Poland's low level of economic integration with the countries most affected by the epidemic, the relatively small contribution of the tourism and catering industry to Poland's GDP and the exceptionally early implementation of radical measures to prevent the spread of coronavirus, i.e. closing down schools and commercial and service facilities. The observation of the disease curve in individual European countries allows us to assume that the scale of the epidemic will not be as large in Poland as in Italy and Spain.

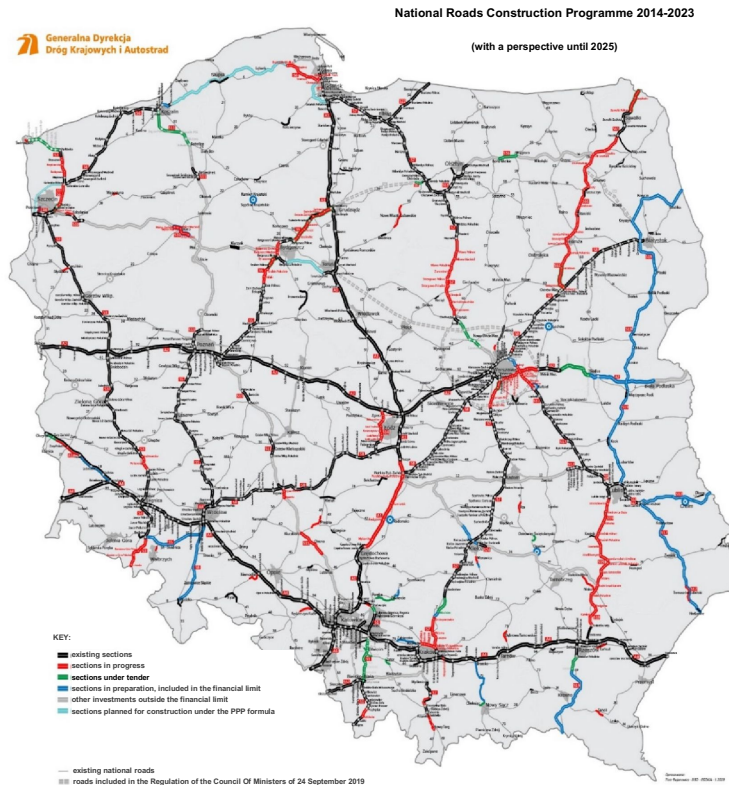
According to the opinion of economists, the current economic crisis will be completely different from the previous world crises. During previous crises, the service sector was the downturn-stabilising element. In the current situation, the service sector is the one most affected by the recession and the manufacturing and construction sectors are taking over the role of the downturn-stabilising factor. According to assurances published in early April by the government, the epidemic will not stop public investment in road and rail infrastructure. Subsidies for local governments for the development of local roads are also to be maintained.

Currently, construction companies in Poland work at approx. 80% of their capacity. This is a good result compared to other branches of the economy. Their biggest problem is the growing absenteeism of employees, mainly from Ukraine, and logistics problems in the supply chains, which may have an effect on timely completion of contracts. However, the most important factor which will affect the condition of the Polish economy will be the government's decision on further actions to counteract the epidemic. In Western Europe, the largest construction companies have decided to temporarily close their construction sites. If construction companies in Poland were forced to make a similar move, the domestic construction market would be threatened with a collapse similar to that observed in the tourism or service sector. If the continuity of the construction industry is maintained, the current situation creates an opportunity for construction companies operating exclusively on the Polish market to realise margins at higher than expected levels. In the area of housing construction, 2019 was a successful year. The data on building permits and commenced housing investments for February this year were very good and probably marked the peak in the housing boom which has continued for several years and is coming to an end. Unfortunately, the outbreak of the COVID-19 epidemic will also revolutionise this market. In the following months, what is expected is banks further tightening their credit policy, and a significant drop in demand for housing purchases. According to cautious forecasts, sales of apartments and commercial premises will drop by 20-30%.

4.2. Market prospects

Assuming the continuity of construction and assembly production is maintained in 2020, the construction market will continue to be driven by expenditure on infrastructure investments carried out by the largest clients, including in particular the General Directorate for National Roads and Motorways (GDDKiA). In 2019, GDDKiA completed 80 tasks with a total length of over 960 km. This year, 460 km of new roads were opened to traffic. Currently, drivers have 4,146.4 km of expressways at their disposal, including 1,696.2 km of motorways and 2,450.3 km of expressways. In addition to the roads put into operation, in 2019 GDDKiA signed 9 contracts for a total of 160.8 km and announced 34 tender procedures for tasks with a total length of 480.3 km. Taking into account the current completion time for road investments, they will be commissioned in a few years.

In parallel with the ongoing investment activities, GDDKiA is preparing a multi-faceted analysis of further development of the national road network in Poland. This includes the target network of express routes, i.e. new and existing motorways and expressways. Another scope of the analysis is the comprehensive coverage of the entire network, i.e. connection of fast routes with other national roads. In particular, this concerns the development of the programme of city bypasses - taking into account the current state of road infrastructure and the development needs of the country, a Programme for the Construction of 100 Ring Roads for 2020-2030 was developed - and towns and other road sections throughout the country. As part of the National Roads Construction Programme 2014-2023 (with a perspective until 2025), [GDDKiA](#) has already announced tenders for construction works for 192 sections with a total length of 2530.2 km. Contracts for construction works were signed for 166 sections with a total length of 2193 km and a value of approx. PLN 70 billion, of which over 1164.7 km of new roads were incorporated into traffic. The National Roads Construction Programme 2014-2023 (with a perspective until 2025), updated in September 2019, is estimated at PLN 142.2 billion and assumes the construction of 3568.1 km of new roads.



Maintaining continuity in the execution of government infrastructure investments may prove to be an opportunity to maintain the pace of development for those construction companies which, having a comfortable order portfolio on the verge of the prevailing pandemic, will be able to carry out contracts based on their own material and equipment base without major disruption. As at 31 December 2019, MIRBUD S.A. and PBDiM KOBYLARNIA S.A. had a portfolio of orders with a total net value exceeding PLN 3.5 billion net to be executed by 2023. At the time of writing this report, the value of this portfolio increased to PLN 4.5 billion net, of which the value of the road contract portfolio is PLN 3.7 billion net.

As of today, the Company is not active in the sector of railway construction, waterways and power engineering, which is why the significant outlays planned in these areas under the “National Railway Programme until 2023”, “Assumptions to the plans for the development of inland waterways in the years 2016-2030” and plans of the Ministry of Energy will not translate into the financial results achieved by the Company in the 2020 perspective.

4.3. Description of activities of MIRBUD S.A. in 2019

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

The most important achievements of the Company in the reporting period include:

- conclusion of construction contracts for: A1 motorway, Olesno bypass, a fragment of the S1 expressway, for a total amount of PLN 2.3 billion net
- entering the Warsaw general contractor market, and construction of three public buildings (2 schools and an office building) in the capital

The most important failures of the Company in the reporting period include:

- significant reduction of revenue from construction works in the segment of industrial, commercial and service buildings

Detailed information on the activities of MIRBUD S.A. in the reporting period and perspectives for 2020 are presented in the further part of this report.

MIRBUD S.A.

In 2019, the Company continued to provide a wide range of construction and assembly services in the area of industrial, building, residential and engineering and road construction performed under the general contractor system, and to a lesser extent it conducted transport activities, leased machinery, construction equipment and rolling stock, as well as publishing activities. In connection with the dynamic development, significant expansion of the business area and in order to improve the construction process, the Company has separated the Regions subordinate to technical directors. At present, there are Central, North-West and South Regions, and in the future an Eastern Region will also be created, all of which will benefit from the experience of local engineers.

Thanks to the consistent policy of selecting short-term profitable contracts and securing the prices of key materials, applied in the past years, the company has been less affected by the difficult situation on the construction market, related to the over-regulatory increase in prices of materials and services.

Despite the noticeable slowdown in the market for investments in storage halls and logistics halls, the storage and industrial hall segment remained a significant component of the Company's revenue in 2019. MIRBUD S.A. intensively develops cooperation with international warehouse space developers: Panattoni, MLP, which in 2019 provided approx. 60% of the Company's revenue, and thanks to their short lead time (up to 6 months) are not burdened with the risk of changes in prices of materials and services.

By the time of publication of this Report, contracts were concluded for the execution of 18 new investments (as a general contractor or consortium leader), including 15 contracts with a total value of approx. PLN 5 billion in 2019. The road construction area dominates in value among the contracts signed - as at 31/12/2019 MIRBUD S.A.'s order portfolio included 3 contracts concluded with the GDDKiA for the construction of the A1 motorway, the Olesno bypass, a fragment of the S1 expressway, for a total amount of approx. PLN 2.3 billion net.

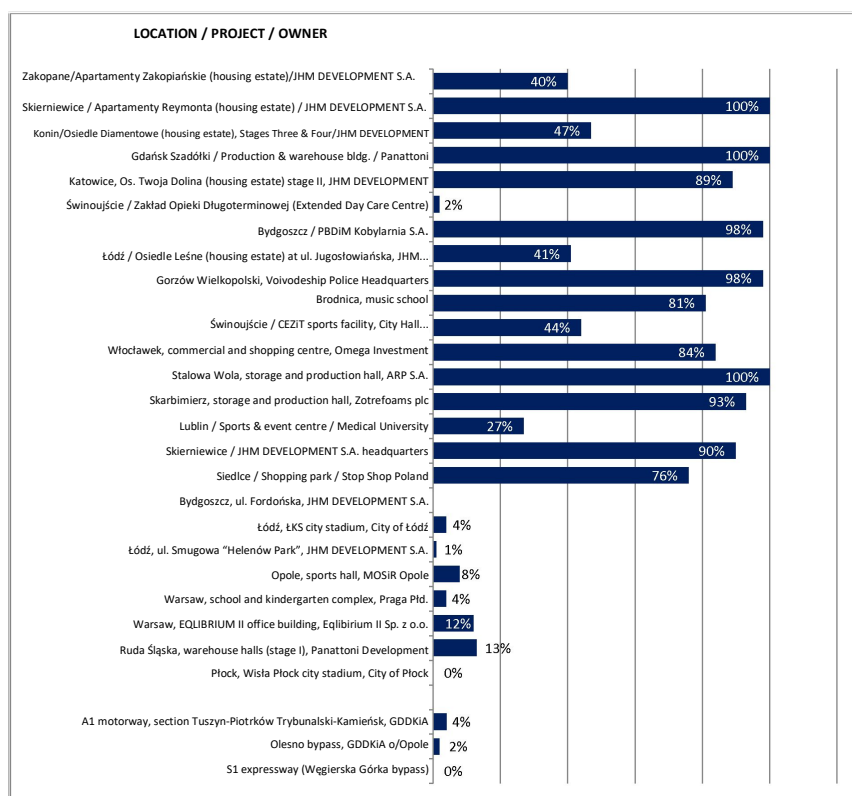
Compared to previous years, the share of contracts for the construction of storage halls in the portfolio of new contracts has decreased, while the number of contracts for the construction of public facilities has increased - contracts were signed for the construction of 2 sports halls, a stadium as well as a school and an office building.

The total value of contracts signed in 2019 amounted to PLN 3.5 billion net, and the value of the order portfolio as at 31 December 2019 amounted to approx. PLN 3.05 billion, including almost PLN 950 million to be invoiced in 2020.

In addition, the Company carries out residential investments for its subsidiary JHM DEVELOPMENT S.A. in Zakopane, Skierniewice and Łódź, as well as subsequent stages of investments in Konin and Katowice.

All investments were carried out according to the schedule. For the most time, the Company maintained a constant level of investment execution, more than 20 executed constructions.

Below we present a summary of the investments carried out as at the end of December 2019.



In the period from 01/01/2019 to 31/12/2019, the Company participated in 188 non-public tender procedures and 65 public tenders in Poland with a total value of PLN 10.23 billion. 18 of them ended with the selection of the Issuer's bid.

In the period from 01/01/2019 to 31/12/2019, the Company has participated in 11 tender procedures in Ukraine with a total value of approx. EUR 264 million.

4.4. Corporate Social Responsibility

The MIRBUD Capital Group implements the strategy concerning environmental protection, occupational health and safety and activities for local communities described in the report on non-financial activities published in the Annual Report for 2019.

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

The structure of revenue from sales, costs of sales and profitability by business segments for MIRBUD S.A. in 2019 as compared to 2018 are presented in the tables below:

Table: Sale by MIRBUD S.A. in the periods from 01/01/2019 to 31/12/2019 and from 01/01/2018 to 31/12/2018 by segments

Specification	Sales revenue 01/01/2018 – 31/12/2018	Structure of revenue in %	Sales revenue 01/01/2017 – 31/12/2017	Structure of revenue in %
Sale of construction and assembly services:	549,628	99.67	619,274	99.68
- residential buildings	85,199	15.50	72,991	11.79
- public buildings	90,459	16.46	71,474	11.54
- production, commercial and service	335,252	61.00	427,284	69.00
- road-engineering works	38,718	7.04	47,525	7.67
Other	1,800	0.33	2,010	0.32
TOTAL	551,429	100.00	621,284	100.00

The value of the Company's revenue in 2019 as compared to 2018 decreased by approx. 11%. This was mainly due to the fact that MIRBUD S.A. achieved significantly lower revenue from the sale of construction and assembly services, mainly in the segment of production, commercial buildings (down by 22 p.p. y/y) and engineering and road works (down by 19% y/y).

This also affected the Company's sales structure, which changed compared to the analogous period in the previous year. Among the revenue from construction and assembly services, the highest revenue was generated by the sale of services in the segment of buildings, services and trade, which accounted for approx. 61% of revenue from the sale of these services (decrease by approx. 7 p.p. year-on-year) and public buildings, which accounted for approx. 16% of sales (increase by 5 p.p.) and residential buildings, approx. 16% of sales revenue (increase in share by approx. 4 p.p.).

In the reporting period, the share in revenue from sales of revenue from engineering and road works was maintained, amounting to approx. 7% of revenue from sales (the share in the revenue was slightly changed).

The change in the sales structure in the Company resulted mainly from:

- initial phase of construction contracts concluded in 2019 often under the "design and build" formula
- completion of warehouse and logistics projects carried out on behalf of international operators, i.e. Panattoni, MLP (construction sites in Pruszków, Gliwice, Gdańsk, Radomsko, Szczecin contracts with a total value of over PLN 370 million) with a noticeable slowdown in the warehouse and logistics industry;

- execution by MIRBUD S.A., on commission by JHM DEVELOPEMENT S.A., of new development projects in Katowice, Konin, Skierniewice, Rumia, Zakopane,
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. in the periods from 01/01/2019 to 31/12/2019 and 01/01/2018 to 31/12/2018 by segments

Specification	Gain/loss on sales 01/01/2019 – 31/12/2019	Sales profitability in %	Gain/loss on sales 01/01/2018 – 31/12/2018	Sales profitability in %
Sale of construction and assembly services:	42,389	7.71	32,174	5.20
- residential buildings	- 1,446	-1.70	4,422	6.06
- public buildings	7,765	8.58	- 5,226	-7.31
- production, commercial and service	34,010	10.14	30,936	7.24
- road-engineering works	2,060	5.32	2,042	4.30
Other	- 744	-41.30	-546	-27.24
TOTAL	41,645	7.55	31,629	5.09

The Company achieved a positive financial result in all its basic segments of activity. The profitability of sales of MIRBUD S.A. in 2019, compared to 2018, increased by 2.46 p.p. This was mainly due to increased profitability in the segment of public buildings and manufacturing, retail and service buildings.

4.6. Information on sales and supply markets

4.6.1. Recipients

MIRBUD S.A.

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

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

Despite a strong recovery in the construction segment in the first half of 2019, the situation in the construction market remained difficult for construction companies, due to the high price pressure and difficult-to-calculate increase in material and subcontracting services' prices, all reducing the margin, in particular in public procurement contracts.

Despite the strong competition on the market, MIRBUD S.A. gradually increased the effectiveness of trade negotiations with commercial entities in the segment of public construction, which in 2019 resulted in contracts concluded for construction services.

It should be emphasised that MIRBUD S.A., due to the wide range of provided construction services, their quality and punctuality, supported by many years of experience, finds recipients of its services in every sector of the economy. Very often, these factors, which are followed by a positive opinion on the quality of services provided, determine the possibility of negotiations between the investor and the contractor and result in the signing of a contract beneficial to both parties.

In 2019, the Company achieved over 10% of its sales revenue with the following customers: entities from the Panattoni Europe Capital Group (in total approx. 25%), JHM DEVELOPMENT (15%).

There is no dependence on any recipients of services.

4.6.2. Suppliers

MIRBUD S.A.



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

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

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

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

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

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

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

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

The Group's primary objective remains to develop the scale of its activities while maintaining attractive EBITDA and net gain margins.

MIRBUD S.A.

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As at the day of preparing the report, in the portfolio of MIRBUD S.A. the value of contracts to be executed in 2019 and the following years is over PLN 3 billion net, with approx. PLN 950 million for 2020. In 2019, the segment of production, service and commercial buildings was dominant in the Company's revenue, generating about 60% of revenue. Other business segments generated between 7-17% of revenue each.

In the coming years, the sales structure will change due to the contracts concluded in the road construction and public buildings segments. The dominant sales segment will still be the segment of production, service and commercial buildings, however, the Company will generate significant revenue in the engineering and road segment (approx. 30%-40% of revenue) and the public buildings segment (approx. 20%-30% of revenue)

What is important for the development perspective of MIRBUD S.A. is the entry of general contractors into the Warsaw market and the construction of two public facilities (a school and an office building) in the capital city.

Moreover, despite a slight downturn cooling in the sector and a drop in interest of tenants in new warehouse space, MIRBUD S.A. will continue to intensively develop cooperation with international warehouse space developers: Panattoni, MLP, Goodman, Prologis.

In 2020, 12 investments are planned to be completed and delivered, with the total amount of over PLN 270 million net, including 3 storage halls and 9 public buildings.

Since the beginning of March 2020, the Polish economy has been suffering from the coronavirus pandemic and the COVID-19 disease. As at the date of the report, the construction sector has been suffering from restrictions and problems related to the introduced state of the epidemic to a small extent. All construction contracts of MIRBUD S.A. are executed on time.

In the case of a protracted state of the epidemic, the biggest problem is the uncertainty as to administrative decisions introducing new restrictions and growing absenteeism of employees, mainly from Ukraine, and logistics problems in the supply chains, which may translate into the timeliness of contracts being executed.

In this situation, the feeling of business security of MIRBUD S.A. is provided by a portfolio of contracts filled mainly with long-term contracts with the public Contracting Authority for the construction of roads (A1, Olesno bypass, S1), and for the construction of public buildings (e.g. extension of the city stadium in Łódź, construction of the Sports Hall, sports hall of the Medical University of Lublin, school and kindergarten complex in Warsaw, sports stadium in Płock, terminal at the Radom airport).

One of the measures to stimulate the economy and minimise the effects of the expected slowdown in the economy caused by the coronavirus pandemic and the COVID-19 disease is increased infrastructure investment.

The increase in unemployment and the postponement of part of private or local government investments anticipated as a result of the pandemic may be an opportunity to reduce employees' wage expectations and increase the availability of subcontracting services for execution of infrastructural investments.

The Company finances its development and current activities with the use of bank credits, leasing and factoring. The value of available financial resources is sufficient for the performance of construction contracts while maintaining the current scale of the Company's activities. In order to reduce the risk of dependence of financing on the Banks' credit policy and the financing structure change, the Company's strategy provides for a further exchange of short-term debt for long-term financing and that the newly acquired financing with credits and advances from the Contracting Authority will be appropriate for the implementation of specific construction contracts.

Factors building the Company's value will continue to include increased effectiveness of executed construction contracts and acquisition of new competencies in prospective areas of the construction market. In addition to market activities, the Company will continue activities aimed at reducing costs through the use of an integrated management system based on the SAP system in all companies of the Capital Group.

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

Information on the Issuer's investments, including equity investments in related parties is presented in Notes 2 to 4 to the Financial Statements of MIRBUD S.A. for the period from 01/01/2019 to 31/12/2019.

4.9. Assessment of potential for achieving investment objectives

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

MIRBUD S.A. will continue to implement investment projects aimed at its development and increase in value in 2020 and in the following years. The nearest investment plans involve strengthening the Company's business base and competitiveness in the road segment, which will enable the Company to achieve higher profitability in the coming years. The Company plans to renew the machinery park and means of transport, which will significantly improve the effectiveness and scope of services provided in all locations, as part of the increase in the equipment potential.

4.10. Risk Factors

Table: Possible risks and their relevance to the Company's activities

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on profit or loss	Effect of risk on equity
Risk related to the coronavirus pandemic	Administrative restrictions on carrying out construction and assembly activities	low	high	high	high
	Manpower availability and supply chain disruption	average	average	average	average
External financial risks	changes in interest rates	low	average	average	average
	changes in exchange rates	high	high	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
Downturn risk	change in the macroeconomic situation and economic downturn 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	low	average	average	low
	related to claims against the Companies on account of construction of flats and commercial 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

Risk related to the coronavirus pandemic

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 on the activity of the Issuer in the medium- and long-term perspective.

In the short-term perspective, it is possible that the further spread of the coronavirus epidemic will have a negative impact on the financial results of the Issuer.

In the area of construction and assembly services, there are no delays in the execution of construction contracts due to the state of epidemic threat. However, it cannot be ruled out that, if this state continues, delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:

- lack of continuity in the supply chains for construction sites,
- disruptions to the continuity of projects' financing,
- absence of employees,
- subcontractors' delays,
- restrictions on the functioning of public authorities,
- decisions of the Contracting Authority or state administration to suspend the works,
- other events which are difficult to predict.

With regard to the current settlement period, the Management Board does not expect a significant effect of this risk on the profit or loss 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 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. 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.

External financial risks

- changes in interest rates

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

As at 31 December 2019, JHM2 sp. z o.o. and PBDiM Kobylarnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group. The hedged level of the WIBOR rate is between 1.80 p.p. and 2.05 p.p.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2018	31/12/2019	31/12/2017
Liabilities under credits and loans	130,304	127,876		
Loans granted		478		
Other financial assets				
Other financial liabilities				
Total	130,304	128,354	-	-

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 31 December 2019 and 31 December 2018 at the level of -1.0/+1.0 percentage point (as at 31 December 2018 at the same level) 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 31 December 2019 and 31 December 2018 is presented below.

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 1 p.p.	decrease by 1 p.p.	increase by 1 p.p.	decrease by 1 p.p.
		Liabilities under credits and loans	130,304	-1,055	1,055
Loans granted					
Other financial assets					
Other financial liabilities					
Total	130,304	-1,055	1,055	1,303	-1,303

- changes in exchange rates

In 2019, MIRBUD S.A. generated over 21% of revenue in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenue and gains. In order to minimise the exchange rate risk, the Company hedges the exchange rate level by entering into FORWARD-type transactions. In 2019, the Issuer hedged approximately 50% of its foreign currency revenue with forward currency sales transactions.

Items exposed to change in foreign exchange rates	EUR		Other currencies	
	As at:	As at:	As at:	As at:
	30/06/2019	31/12/2018	30/06/2019	31/12/2017
Liabilities under credits and loans				
Loans granted				
Trading and other receivables	3,699	24,403		
Trading and other liabilities				
Cash	1,102	3,722		
Other financial assets				
Total	4,801	28,125	-	-

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 31 December 2019 and as at 31 December 2018.

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

Sensitivity analysis for items exposed to exchange rate changes (Euro)	As at: 31/12/2019	Effect on net gain/(loss)		Effect on the balance sheet total	
		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
		Liabilities under credits and loans			
Loans granted					
Trading and other receivables	3,699	300	-300	370	-370
Trading and other liabilities					
Cash	1,102	89	-89	110	-110
Other financial assets					
Total	4,801	389	-389	480	-480

The Issuer's Management Board estimates that in 2020 the share of revenue in the Euro currency will decrease to the level of approx. 10% of the total sales revenue. As at 31/12/2019, the Issuer had approximately 80% of its estimated foreign currency revenue hedged against exchange risk

- related to restrictions in the banks' credit policy, in particular with respect to granting investment credits

At present, banks in Poland, acting on the basis of EU directives, maintain tightened credit policy both towards companies operating in the development sector and towards people applying for mortgage credits.

When planning subsequent projects, the Capital 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.

Downturn risk:

- change in the macroeconomic situation and economic downturn 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 general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an impact on the financial results achieved by the Group Companies and the entire development sector: GDP growth rate, unemployment rate, inflation rate, real wage growth rate, level of investments, level of changes in household income, level of reference interest rates and the development of exchange rates and budget deficit.

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

- in the construction industry

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

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

Risks related to competition:

- in the construction industry

The economic growth in Poland and the accumulation of many construction investments at the same time, both infrastructural and volumetric, translates into limited availability of materials and services of subcontractors, which causes an increase in prices and intensifies competition by offering the most convenient payment terms for suppliers and subcontractors.

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.

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 irregularities, 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 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 Company 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 also include those of a general nature, such as:

- 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,

and a number of factors of a specific nature, 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 development projects and commercial 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 (“Mieszkanie plus” [“Apartment plus”]),
- 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 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 developer 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 report, 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.

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

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

Entities act as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Companies and determine the consequences of non-performance of the assumed obligations. Such contracts, first of all, very precisely specify the deadlines - both for the performance of the ordered works, as well as the performance of other activities, e.g. removal of possible defects during the warranty period. If these deadlines are not met, the Companies may be at risk of paying contractual penalties.

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

- provision of insurance coverage for contracts, including activities of the subcontractors,
- implementation and application of the Management System according to EN ISO 9001:2000 in the scope of:

a) general construction, civil engineering, road and motorway construction,

b) industrial facilities construction,

c) installation works.

- transfer of risks to cooperation contracts concluded by the Company with producers, suppliers and subcontractors (product responsibility, responsibility for services, differences between the ordered and delivered assortment, price increases, etc.).

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Companies' financial results. It should be noted, however, that in the years 2005-

2018, the Companies did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

- related to 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 profitability 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.

4.11. Information on credits, loans, guarantees and sureties

4.11.1. Credits and loans

Detailed information on credits and loans taken out by the Company Groups in 2019 and in previous years is presented in the table below.

Table: Liabilities under credits and loans of MIRBUD S.A. as at 31 December 2019 in PLN thousand.

Name of the entity	Entity	Amount of credit, loan acc. to the contract	currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	10,000	PLN		2,624	WIBOR 1M + margin	25/06/2020	capped mortgage
PKO BP S.A.	MIRBUD S.A.	5,000	PLN		5,000	WIBOR 1M + margin	25/06/2020	capped mortgage
PKO BP S.A.	MIRBUD S.A.	21,000	PLN	3,294	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage
MBANK S.A.	MIRBUD S.A.	20,000	PLN	16,900		WIBOR 1M + margin	30/06/2021	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN		10,000	WIBOR 1M + margin	30/11/2020	assignment of a business receivable
BGK	MIRBUD S.A.	15,000	PLN		14,824	WIBOR 1M + margin	31/03/2020	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	PLN	19,000	9,000	WIBOR 1M + margin	28/02/2023	mortgages on property
Mercedes-Benz Leasing Polska S.A.	MIRBUD S.A.	635	PLN		94	5%	31/07/2020	assignment from the issuer
BOŚ BANK S.A.	MIRBUD S.A.	35,000	PLN	32,447		WIBOR 1M + margin	31/07/2021	assignment of a business receivable
MFACTORING	MIRBUD S.A.	10,000	PLN		2	WIBOR 1M + margin	14/03/2020	assignment of a business receivable
KUKE Finanse	MIRBUD S.A.	5,000	PLN		5,000			
interest on credits	MIRBUD S.A.				11			
Total credits and loans, MIRBUD group				71,641	48,017			

In the period covered by the report, there were no cases of termination of loans or credit contracts or breach of their terms and conditions, which would result in disruption of financing of activities of MIRBUD S.A.

As at 31/12/2019, the Company did not show any debts due to loans, except for loans indicated in the above table.

4.11.2. Loans granted.

As at 31 December 2019, MIRBUD S.A. did not have receivables under granted loans.

4.11.3. Sureties and warranties

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

- JHM DEVELOPMENT or related Special Purpose Vehicles - for execution of development projects
- Marywilaska 44 Sp. z o.o. for refinancing capital expenditures
- PBDiM Kobylarnia S.A. for execution of construction contracts
- EXPO MAZURY (formerly EXPO ARENA S.A.) for the execution of investments

As at 31/12/2019, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as at 31/12/2019

List of mutual sureties granted by the issuer within the capital group	Claim of the surety	Value of the surety in PLN thousand	Value of the liability in PLN thousand	surety expiry date dd/mm/yyyy
		As at:	As at:	
		31/12/2019	31/12/2019	
To related entities	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	49,500	27,273	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	10,000	1,579	30/09/2022
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit	89,912	0	31/05/2023
JHM 1 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	10,007	7,612	30/09/2031
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	37,500	21,080	31/07/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	9,318	5,467	31/12/2029
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	15,000	3,466	30/09/2020
PBDiM KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	22,500	8,073	06/06/2020

EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	19,555	27/03/2029
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	7,440	0	15/02/2020
PBDiM KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A.	11,970	0	15/02/2020
To other entities				
Total		338,147	94,105	

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

In accordance with the terms of the contract:

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

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

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

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

Contingent liabilities under the guarantee of removal of defects and faults granted by MIRBUD S.A. to investors, created, lasting from 01/01/2019 to 31/12/2019, are as follows:

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2019	31/12/2018
Under proper performance guarantee	239,620	130,229
Under rectifying faults and defects	124,292	71,824
Under payment of receivables	92,377	
Total	456,289	202,053

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

In connection with the planned acquisition of full control by MIRBUD S.A. (the "Company") and obtaining the status of the sole shareholder in the subsidiary, JHM DEVELOPMENT S.A. with its registered office in Skierniewice, which is intended to subsequently enable the abolition of dematerialisation of JHM DEVELOPMENT S.A.'s shares and their withdrawal from trading on the Warsaw Stock Exchange, of which fact the Issuer informed in its current report No. 10/2019, on 17/05/2019. The Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2019 on issue by MIRBUD S.A. of 7,684,760 series F registered subscription warrants and 6,377,778 series G registered subscription warrants with the exclusion of the pre-emptive right entitling their holders to take up the Company's shares with the exclusion of the pre-emptive right, and No. 5/2019 on the conditional increase in the share capital of MIRBUD S.A. through the issue of series J and K shares with the exclusion of the pre-emptive right and amendment of the Company's Articles of Association and authorisation of the Supervisory Board of MIRBUD S.A. to adopt the consolidated text of the Articles of Association.

On the basis of both resolutions, the Company's series F and G subscription warrants (the "Warrants") and the Company's series J and K shares (the "Shares") were issued, which were subsequently offered for acquisition to the minority shareholders of JHM DEVELOPMENT SA. (other than the Company) who submitted a valid bid for the sale of shares in JHM DEVELOPMENT S.A. in response to the Company's invitation to tender for the sale of shares in JHM DEVELOPMENT S.A.

On 05/07/2019, the Issuer completed the purchase of shares in JHM DEVELOPMENT S.A. (report 33/2019). In response to the announcement of the purchase, bids for sale of the Subsidiary's shares were made for a total of 1,939,926 shares in the Subsidiary, constituting approximately 2.80 percent of all shares in the Subsidiary.

On 10/07/2019, the Issuer completed the public issue of series J shares (report 34/2019). As a result of exercising the rights from series F subscription warrants of the Company, 2,873,947 series J shares were taken up, which were issued to the shareholders through their entry in the securities accounts.

In connection with the registration by the National Depository for Securities on 12 July 2019, 2,873,947 series J shares of the Issuer ("**series J shares**") were issued to persons who acquired series J shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series J shares, the share capital of the Issuer was increased from PLN

8,249,250.00 to PLN 8,536,644.70, i.e. by PLN 287,394.70. Given the specific nature of the issue, the proceeds from the issue of 2,873,947 shares, amounting to PLN 3,103,862.76, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Additionally, on 24 September 2019, the National Depository of Securities registered 6,377,753 series K shares of the Issuer ("series K shares") issued to persons who acquired series K shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series K shares, the share capital of the Issuer was increased from PLN 8,536,644.70 to PLN 9,174,420.00, i.e. by PLN 637,775.30. Again, the proceeds from the issue of 6,377,753 shares, amounting to PLN 6,887,973.24, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

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

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

5. MAIN CONTRACTS

5.1. Insurance contracts

From 01/04/2018 to 31/03/2019, MIRBUD S.A. was covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 27/03/2018 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 12/MIRBUD/2018".

From 01/04/2019 to 31/03/2020, MIRBUD S.A. is covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 22/03/2019 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 13/MIRBUD/2017".

Under the conditions of the above Comprehensive Insurance Contract, MIRBUD S.A.; PBDiM KOBYLARNIA S.A.; JHM DEVELOPMENT S.A. and its subsidiaries: JHM 1 Sp. z o.o., JHM 2 Sp. z o.o. and EXPO MAZURY S.A. conclude detailed insurance contracts which directly concern their activities.

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

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2019 to 31/12/2019 in PLN thousand

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
17/01/2019	44,550	Medical University of Lublin	Construction of a sports and entertainment hall at the Medical University of Lublin together with outdoor pitches
26/02/2019	27,670	CHROMAVIS SERVICE Sp. z o.o.	Construction of a storage hall with social and office parts
07/03/2019	51,440	Stop Shop Poland sp. z o.o.	Construction of a commercial building named "Park Handlowy Stop Shop" - Stages I and II in Białki near Siedlce.
18/04/2019	696,748	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	"Design and construction of the A1 motorway Tuszyn (without interchange) - border of Łódź and Silesian Voivodeships from km 335+937.65 to km 399+742.51. Section B - Befchatów interchange (without interchange) - Kamieńsk interchange (with interchange) from km 351+800.00 to km 376+000.00"
08/05/2019	49,296	Zotefoams plc	Construction of a production and storage hall located in Skarbimierz together with the necessary infrastructure
21/05/2019	542,839	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Design and construction of the Olesno bypass within the national road No. 11 (S11)
22/05/2019	Hall "A" (1st stage): EUR 7,612 net Hall "B" (2nd stage): EUR 5,600 net.	Panattoni Development Europe Sp. z o.o.	Construction of the Production, Logistics and Storage Centre
05/06/2019	104,878	City of Łódź	Expansion of the city stadium at al. Unii Lubelskiej 2 in Łódź in "design and build" mode
03/07/2019	49,693	Capital City of Warsaw, Praga Południe District	Construction of a school and kindergarten complex in the area of ul. Nowaka-Jeziorańskiego
05/07/2019	30,528	City of Opole	Construction of a sports hall facility with accompanying equipment and development of adjacent areas for sports purposes and demolition of the existing "CIEPLAK" hall building in Opole
26/07/2019	21,459	EQilibrium II Sp. z o.o	Construction of the EQilibrium II office building with commercial premises on the ground floor, an underground garage and the necessary communication infrastructure at ul. Wschowska 8 in Warsaw.
10/10/2019	1.121.100	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of the S1 expressway (formerly S69) Bielsko-Biała-Żywiec-Zwardoń, section Przybędza-Miłówka (bypass of Węgierska Górka) MIRBUD S.A. - as the consortium leader;

			Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] - consortium partner; PRYWATNA SPÓŁKA AKCYJNA „ZRZESZENIE BUDOWLANE INTERBUDMONTAŻ” - consortium partner
29/10/2019	21,861	TRAKT sp. z o.o. s.k. with its registered office in Katowice	Design works in connection with the implementation of the investment project entitled “Construction of the S1 expressway (formerly S69) Bielsko-Biała-Zywiec-Zwardoń, section Przybędza-Milówka (bypass of Węgierska Górką)”.
04/11/2019	40,680	JHM DEVELOPMENT S.A.	Construction of a multi-family residential complex in Łódź at ul. Smugowa and ul. Źródłowa and obtaining a final and unconditional permit to use it.
14/11/2019	206,623	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of the A18 motorway Olszyna - Golinice (reconstruction of the southern roadway) section 2 from km 11+860 to km 33+760. MIRBUD as a consortium partner Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] - consortium leader;
20/11/2019	EUR 16,500	Panattoni Development Europe Sp. z o.o.	Construction of halls A and B together with macro-levelling of terrain in Ruda Śląska.
29/11/2019	135,347	The municipality of Plock	execution, under the “Design and build” formula, of the investment task entitled “Demolition and construction of the Kazimierz Górski city stadium in Plock at ul. Łukasiewicza 34 along with the reconstruction of the accompanying infrastructure”
10/12/2019	84,530	City of Gorzów Wielkopolski	Construction works under the project entitled “Vocational Education Centre at ul. Warszawska in Gorzów Wielkopolski as part of the Vocational Education and Business Centre”
23/12/2019	337,162	State Treasury - General Directorate for National Roads and Motorways with its registered office in Warsaw	Construction of a bypass road for Poręba and Zawiercie within the national road No. 78, section Siewierz-Poręba-Zawiercie (Kromolów) - from km 105+836 to km 122+500”. MIRBUD S.A. with its registered office in Skierniewice (partner) Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer’s Capital Group (Leader);

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

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

After the date for which the financial statements were prepared, MIRBUD S.A. concluded the following significant contracts

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

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
09/01/2020	30,593	The Capital City of Warsaw, Wola District	Construction of an elementary school in the area of ul. Jana Kazimierza
17/01/2020	75,360	JHM DEVELOPMENT S.A.	Construction of three residential, multi-family buildings with a service function and an underground garage on the premises of the property located in Bydgoszcz at ul. Fordońska and obtaining a final and unconditional permit to use it.
02/03/2020	148,099	BUDPOL Sp. z o.o.	construction of the Main Route's rigid surface structure, in connection with the execution of the investment entitled "Design and construction of the A1 motorway Tuszyn (without interchange) - border of Łódź and Silesian Voivodeships from km 335+937.65 to km 399+742.51. Section B - Bełchatów interchange (without interchange) - Kamieński interchange (with interchange) from km 351+800.00 to km 376+000.00".
04/03/2020	365,854	GDDKiA	Design and construction of the S11 road Koszalin - Szczecinek, section Koszalin West interchange (without interchange) - Bobolice interchange. Section 3. Koszalin South interchange (without interchange) - Bobolice interchange (with interchange). Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader); MIRBUD S.A. (consortium partner)
06/03/2020	228,048	"Polish Airports" State Enterprise	Execution, under the "design and build" formula, of the Terminal building at the Radom-Sadków airport, together with equipment and obtaining a permit to use it.
13/03/2020	292,223	General Directorate for National Roads and Motorways	Continuation of the design and construction of the S5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships on the section from the "Białe Błota" interchange (without interchange) to "Szubin" interchange (without interchange) with a length of approximately 9.7 km MIRBUD S.A. with its registered office in Skierniewice (consortium partner). Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
	133,902	Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower	Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. CPV 45000000-7, 71248000-8, 45233120-6,

	Silesian Road and Railway Service in Wrocław)	45316000-5, 45230000-8, 45221100-3, 45221121-6, 71320000-7, 71313000-5, 90523100-0, 71351911-5, 71351914-3, 71354000-4
		MIRBUD S.A. with its registered office in Skierniewice (consortium partner),
		Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader).

Detailed terms and conditions of the above contracts do not differ from those commonly used in the market

On 14 February 2020, the Issuer received information from the Contracting Authority, Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław), that in the tender procedure, conducted in the open tender procedure entitled "Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. CPV 45000000-7, 71248000-8, 45233120-6, 45316000-5, 45230000-8, 45221100-3, 45221121-6, 71320000-7, 71313000-5, 90523100-0, 71351911-5, 71351914-3, 71354000-4", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 133,902 thousand net.

On 9 March 2020, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Bydgoszcz Branch, that in the tender procedure, conducted in the open tender procedure entitled "Continuation of design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 2 parts: Part 2 - Continuation of design and construction of the S5 expressway, section from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of about 22.4 km", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 474,290 thousand net.

On 17 March 2020, the Issuer received a signed letter of intent from IMMO SI Polska Sp. z o.o. with its registered office in Poznań at ul. Grunwaldzka 64, 60-311 Poznań, concerning the execution of an investment project consisting in the construction of a bi1 hypermarket and a petrol station together with the necessary infrastructure. The value of the Contract which MIRBUD S.A. and IMMO SI Polska Sp. z o.o. intend to conclude is: PLN 30,509,500.00 net.

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

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

7. ACHIEVED AND FORECAST FINANCIAL RESULTS

The MIRBUD Capital Group Companies did not publish forecasts on profit or loss for 2019.

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

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

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

External factors

- further implementation of the investment using the EU funds,
- the economic situation in the countries of the European Union,
- government policy on construction,
- monetary policy (interest rate policy and its impact on the cost of credits),
- situation on financial markets,
- availability and costs of bank credits and guarantees,
- the level and conditions of competition,
- the rate of growth of investments in the public sector (in particular in road construction),
- price levels for construction materials and services,
- the availability on the market of qualified staff and the level of their salaries,
- demand in housing construction,
- the business and economic consequences of the coronavirus pandemic

Internal factors

- the good financial standing of MIRBUD S.A.,
- a well-established position in the industrial building construction sector,
- systematic development of the Group in the engineering and road sector,
- systematic filling of the portfolio for the years 2020 - 2023,
- diversified order portfolio for the years 2020 - 2023,
- the level of margin on the execution of contracts achieved through optimisation of production costs and improvement of technical solutions for the execution of construction, also thanks to the implementation of the process of development and implementation of the IT management system (a modern management system, in the Issuer's opinion, will improve control over

operating activities through detailed ongoing analyses of individual projects, improve financial records, positively affect work efficiency and reduce the risk of core activities),

- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries

The Issuer's financial result in the perspective of at least one quarter may be affected by the possibility of recovering receivables past due over 365 days. As at 31/12/2019 these receivables consist of receivables from the following entities:

- Fabryka Biznesu Sp. z o.o. for the amount of PLN 4,402 thousand. The Company is conducting a debt enforcement procedure which, in the Issuer's opinion, will lead to the collection of part of the receivables (a write-down of the receivables was made in the amount of 50% of its value in the financial statements of MIRBUD S.A. as at 31/12/2019)
- RADMAX P Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna in the amount of PLN 2,681 thousand. The Issuer has ordered the enforcement of the receivables to the Court Enforcement Officer.
- F-Grup Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna in the amount of PLN 8,934 thousand. The debtor is in bankruptcy. On 09/11/2018, the Receiver of the bankruptcy estate submitted to the Court a list of recognised receivables of F-Group in the total amount of PLN 33,152 thousand, including the receivables of MIRBUD S.A. which in relation to the bankrupt were recognised in the total amount of PLN 8,934 thousand. Based on previous calculations of the Compulsory Administrator, the value of the bankruptcy estate of F-Group Sp. z o.o. sp. k.a. is estimated in the case of distressed sale to be not less than PLN 58,100,000.00, which will allow to pay off all creditors. By order of 13.03.2019, the District Court for the capital city of Warsaw, 10th Commercial Division for bankruptcy cases, considered the transaction of transfer of ownership of the above mentioned property ineffective and ordered to return the property to the bankruptcy estate. The decision is legally binding.

In order to assess the effectiveness of collecting receivables past due over 365 days and estimate the risk, the Management Board made an analysis of the above mentioned scope based on data for the years 2015-2018. As a result of the analysis, it has been established that in the period in question, the Issuer has recovered all receivables from this age bracket.

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

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

In the reporting period there were no significant changes in the principles of management of the Company.

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

The Management Board of MIRBUD S.A. shall be responsible for the preparation of the Company's consolidated financial statements. It is also responsible for the internal control system and its effectiveness in the process of preparing consolidated financial statements which are prepared and

published by the parent, in accordance with the rules of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by the issuers of securities and on conditions under which information required by legal regulations of a country not being a Member State may be recognised as equivalent.

The assumption of an effective internal control system in financial reporting is to ensure that the financial information contained in the financial statements and periodical reports is adequate and correct. The separate financial statements of MIRBUD S.A. are prepared by the Chief Accountant. One of the basic elements of control in the process of preparing separate financial statements of MIRBUD S.A. is to audit the annual financial statements and review the semi-annual financial statements by an independent auditor in order to express in his opinion and report whether the financial statements are correct and whether they present fairly and clearly the property and financial situation of the Company, as well as its financial result. The annual separate financial statements of the Company, together with the statutory auditor's opinion, shall be submitted to the General Meeting of Shareholders for approval.

The financial and accounting section headed by the Director of Economic and Financial Affairs shall be responsible for the preparation of the separate financial statements and periodical financial reporting of the Capital Group. The preparation of consolidated financial statements and periodical reports begins after the approval of the periodical statements of the Companies by the Chief Accountant and the Company's Management Board.

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

The Management Board of the Company states that as at 31 December 2019 there neither were nor are at present factors which could affect the reliability and correctness of the consolidated financial statements prepared.

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

On 21/12/2009 the Management Board of the Company adopted a resolution No. XII on the adoption of new Accounting Policy for the MIRBUD Capital Group.

11. ADDITIONAL INFORMATION

11.1. Shareholder structure

11.1.1. Information about the dividend paid in the period from 01/01/2019 to 31/12/2019

The Ordinary General Meeting of Shareholders of MIRBUD S.A., by virtue of Resolution No. 9/2019 of 31/05/2019, decided to exclude the gain for 2018 in the amount of PLN 6,271,131.48 from distribution and to allocate it in full to the supplementary capital of the Company. In the period from 01/01 to 31/12/2019, MIRBUD S.A. did not make any dividend payments.

11.1.2. Information on the purchase and sale of own shares

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

11.1.3. Shares and stocks of the

MIRBUD S.A.

As at 31/12/2019, the share capital is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Share capital structure

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	19,500,000	PLN 0.10	1,950	cash	22/12/2006
2	B	14,625,000	PLN 0.10	1,462	cash	22/12/2006
3	C	2,264,000	PLN 0.10	226	cash	22/12/2006
4	D	3,611,000	PLN 0.10	361	cash	22/12/2006
5	E	5,000,000	PLN 0.10	5000	cash	11/12/2009
6	F	10,000,000	PLN 0.10	1,000	cash	03/03/2010
7	G	10,000,000	PLN 0.10	1,000	cash	19/05/2010
8	H	10,000,000	PLN 0.10	1,000	cash	18/08/2010
9	I	7,492,500	PLN 0.10	749	cash	26/05/2014
10	J	2,873,947	PLN 0.10	287	cash	11/09/2019
11	K	6,377,753	PLN 0.10	638	cash	30/09/2019
Total		91,744,200		9,174		

In connection with the planned acquisition of full control by MIRBUD S.A. (the "Company") and obtaining the status of the sole shareholder in the subsidiary, JHM DEVELOPMENT S.A. with its registered office in Skierniewice, which is intended to subsequently enable the abolition of dematerialisation of JHM DEVELOPMENT S.A.'s shares and their withdrawal from trading on the Warsaw Stock Exchange, of which fact the Issuer informed in its current report No. 10/2019, on 17/05/2019. The Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2019 on issue by MIRBUD S.A. of 7,684,760 series F registered subscription warrants and 6,377,778 series G registered subscription warrants with the exclusion of the pre-emptive right entitling their holders to take up the Company's shares with the exclusion of the pre-emptive right, and No. 5/2019 on the conditional increase in the share capital of MIRBUD S.A. through the issue of series J and K shares with the exclusion of the pre-emptive right and amendment of the Company's Articles of Association and authorisation of the Supervisory Board of MIRBUD S.A. to adopt the consolidated text of the Articles of Association.

On the basis of both resolutions, the Company's series F and G subscription warrants (the "Warrants") and the Company's series J and K shares (the "Shares") were issued, which were subsequently offered for acquisition to the minority shareholders of JHM DEVELOPMENT SA. (other than the Company) who submitted a valid bid for the sale of shares in JHM DEVELOPMENT S.A. in response to the Company's invitation to tender for the sale of shares in JHM DEVELOPMENT S.A.

On 05/07/2019, the Issuer completed the purchase of shares in JHM DEVELOPMENT S.A. (report 33/2019). In response to the announcement of the purchase, bids for sale of the Subsidiary's shares were made for a total of 1,939,926 shares in the Subsidiary, constituting approximately 2.80 percent of all shares in the Subsidiary.

On 10/07/2019, the Issuer completed the public issue of series J shares (report 34/2019). As a result of exercising the rights from series F subscription warrants of the Company, 2,873,947 series J shares were taken up, which were issued to the shareholders through their entry in the securities accounts.

In connection with the registration by the National Depository for Securities on 12 July 2019, 2,873,947 series J shares of the Issuer ("**series J shares**") were issued to persons who acquired series J shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series J shares, the share capital of the Issuer was increased from PLN 8,249,250.00 to PLN 8,536,644.70, i.e. by PLN 287,394.70. Given the specific nature of the issue, the proceeds from the issue of 2,873,947 shares, amounting to PLN 3,103,862.76, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Additionally, on 24 September 2019, the National Depository of Securities registered 6,377,753 series K shares of the Issuer ("**series K shares**") issued to persons who acquired series K shares as part of the conditional capital increase by their entry in the securities accounts or collective accounts. In connection with the issuance of series K shares, the share capital of the Issuer was increased from PLN 8,536,644.70 to PLN 9,174,420.00, i.e. by PLN 637,775.30. Again, the proceeds from the issue of 6,377,753 shares, amounting to PLN 6,887,973.24, were spent in full on the purchased shares in JHM DEVELOPMENT S.A.

Table: Ownership structure of the share capital as at 31/12/2019

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	40,937,453	44.62%	40,937,453	44.62%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,524,910	44.17%	40,524,910	44.17%
Total	91,744,200	100.00%	91,744,200	100.00%

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

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	41,037,453	44.73%	41,037,453	44.73%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,424,910	44.16%	40,424,910	44.16%
Total	91,744,200	100.00%	91,744,200	100.00%

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

MIRBUD S.A.

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as at 31/12/2019 and the date of preparation of the report is as follows:

Table. Shares of the Company held by members of management and supervisory bodies as at 31/12/2019

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	40,937,453 shares with a nominal value of PLN 0.10 each, with a total value of PLN 4,093,745	44.62%
Agnieszka Bujnowska	Secretary of the Supervisory Board	11,851 shares with a nominal value of PLN 0.10 each, with a total value of PLN 1,185.10	0 %
TOTAL		40,949,304 shares	44.62%

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

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
Jerzy Mirgos	President of the Management Board	41,037 shares with a nominal value of PLN 0.10 each, with a total value of PLN 41,037,453	44.73%
Agnieszka Bujnowska	Secretary of the Supervisory Board	11,851 shares with a nominal value of PLN 0.10 each, with a total value of PLN 1,185.10	0 %
TOTAL		41,049,304 shares	44.73%

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

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

As at 31/12/2019 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in current reports, the issuer did not have any information about contracts which may result in future changes in the proportions of shares held by the issuer's existing shareholders.

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

There are no employee stock ownership plans in the Company

11.2. Influence of factors and unusual events on the profit or loss for 2019

In 2019, there were no factors or events unusual from the point of view of the specific nature of the Companies' business activities which could influence the profit or loss.

11.3. Changes in the basic principles of managing an enterprise

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

11.4. The Management Board and the Supervisory Board and the changes in supervisory and management bodies in the Company

In the period from 01/01/2019 to 31/12/2019, the Management Board of MIRBUD S.A. did not change and performed the duties with the following composition:

Table: Composition of the MIRBUD S.A. Management Board from 01/01/2019 to 31/12/2019

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

The composition of the Issuer's Supervisory Board in the period from 01/01/2019 to 31/12/2019 changed and was as follows:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2019 - 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board (until 31 May 2019)
Wiesław Kosonóg	Chairman of the Supervisory Board (from 31 May 2019)
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Krystyna Lachowicz	Member of the Supervisory Board (until 24 June 2019)
Wiktoria Braun	Member of the Supervisory Board (from 31 May 2019)

On 31 May 2019, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted the following resolutions:

- Resolution No. 20/2019 concerning appointment of Ms. Agnieszka Bujnowska to the Company's Supervisory Board,
- Resolution No. 21/2019 concerning appointment of Mr. Andrzej Zakrzewski to the Company's Supervisory Board,
- Resolution No. 22/2019 concerning appointment of Mr. Waldemar Borzykowski to the Company's Supervisory Board,
- Resolution No. 23/2019 concerning appointment Mr. Wiesław Krzysztof Kosonóg to the Company's Supervisory Board,
- Resolution No. 24/2019 concerning appointment of Ms. Wiktoria Braun to the Company's Supervisory Board.

On 17 February 2020, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted resolution No. 4/2020 on appointing Mr. Artur Sociński to the Supervisory Board of MIRBUD S.A.

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

In the reporting period no events occurred.

11.6. Remuneration of members of the management and supervisory bodies

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2019 to 31/12/2019

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	from sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,122	0	0	0	0	575	300	1,997
Slawomir Nowak	Vice-President of the Management Board	990	0	0	0	0	0		990
Paweł Korzeniowski	Member of the Management Board	660	0	0	0	0	0	64	724
Tomasz Sałata	Member of the Management Board	647	0	0	0	0	0		647
Ewa Przybył	Proxy	313	0	0	0	0	0		313
Hubert Bojdo	Member of the Supervisory Board	30	0	0	0	0	0		30
Agnieszka Bujnowska	Secretary of the Supervisory Board	36	0	0	0	0	0	76	112
Andrzej Zakrzewski	Member of the Supervisory Board	30	0	0	0	0	0	15	45
Waldemar Borzykowski	Member of the Supervisory Board	36	0	0	0	0	0	18	54
Dariusz Jankowski	Chairman of the Supervisory Board	28	0	0	0	0	0	43	71
Krystyna Lachowicz	Member of the Supervisory Board	17	0	0	0	0	0		17

Wiesław Kosonóg	Chairman of the Supervisory Board	21		20	41
Wiktoria Braun	Member of the Supervisory Board	16			16
TOTAL		3,946		575	5,057

In the period from 01/01/2019 to 31/12/2019 members of the Issuer's management, supervisory and administrative bodies did not receive any awards or benefits for their functions, prizes or benefits except for the remuneration indicated in the table above.

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

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

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

As at 31/12/2019, the Company did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

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

No such events occurred in the reporting period.

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

No such events occurred in the reporting period.

11.9. Employees

The employment figures in MIRBUD S.A. as at 31/12/2019 are presented in the table below

Table: Employment in the Companies of the MIRBUD Group

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	300	90

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

In the period from 01/01/2019 to 31/12/2019, claims for damages due to inability to work, termination of employment contract, breach of statutory obligations or liability for third party acts have not been

recorded and are not currently pending in MIRBUD S.A. The companies fulfil all the obligations of the employer towards the employed employees provided for by the labour law.

11.10. Diversity policy

The MIRBUD Capital Group has no diversity policy in place. The Company employs people with appropriate qualifications and professional experience, without age or gender differences. The choice of staff depends entirely on the achievements, efficiency and professionalism of the individual candidates. Detailed data on employment by gender and age as well as people from the local community can be found in the non-financial report

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

On 09/07/2018, MIRBUD S.A. concluded with POLAUDIT spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, ul. J. Ficowskiego 15, registered in the National Court Register by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under No. 0000020996 and entered under No. 552 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors a contract for:

- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2018 to 30/06/2018
- amount of remuneration - PLN 9 thousand net

- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2018 to 30/06/2018 - amount of remuneration - PLN 10 thousand net

- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2018 to 31/12/2018
- amount of remuneration - PLN 15 thousand net

- audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2018 to 31/12/2018 - amount of remuneration - PLN 16 thousand net

- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2019 to 30/06/2019
- amount of remuneration - PLN 9 thousand net

- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2019 to 30/06/2019 - amount of remuneration - PLN 10 thousand net

- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2019 to 31/12/2019
- amount of remuneration - PLN 15 thousand net

- audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2019 to 31/12/2019 - amount of remuneration - PLN 16 thousand net.

Additional information on the statutory auditor's remuneration can be found in Note No. 27 to the separate financial statements of MIRBUD S.A. for the period from 01/01/2019 to 31/12/2019.

Prior to the conclusion of the aforementioned contract, the Issuer did not use the services of the audit firm POLAUDIT sp. z o.o. The audit firm was selected from among the firms recommended by the audit committee by the supervisory board on the basis of Resolution X/2018 of 11 May 2018.

The entity authorised to audit the financial statements did not provide any other services to the Company.

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

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

As at 31/12/2019, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 44,834 thousand.

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

As at 31/12/2019, there was litigation pending concerning receivables brought by the Issuer of the statements, for the total value of the object of dispute of PLN 19.902 thousand.

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

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

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

MIRBUD S.A. is subject to a set of corporate governance principles called “Good practices of companies listed on the Warsaw Stock Exchange 2016”, which is available to the public on the website of the Warsaw Stock Exchange in the section devoted to Corporate Governance Rules:

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

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

In 2019, the Company applied the principles of the “Good practices of companies listed on the Warsaw Stock Exchange” with deviations, of which the Issuer informed in the report No. 1/2016 of the EIB of 06/12/2016.

Deviations concern the following rules:

Detailed rule I.Z.1.15. information containing a description of the company's diversity policy with respect to the company's management and its key managers; the description should include such elements of the diversity policy as gender, field of study, age, professional experience, as well as indicate the objectives of the applied diversity policy and the manner of its implementation in the given reporting period; if the company has not developed and implemented a diversity policy, it should publish an explanation of such a decision on its website,

The Company's note: This principle is not applied. The Company does not have a diversity policy in place. The Company employs people with appropriate education, qualifications and professional experience, without age or gender differences. The choice of staff depends entirely on experience, achievements, efficiency and professionalism of the individual candidates.

Detailed rule I.Z.1.16. information on the planned transmission of the General Meeting - not later than 7 days before the date of the General Meeting,

The Company's note: This principle is currently not applied. In the nearest future, the Company is considering the introduction of the possibility of participation in the general meeting also by means of electronic communication, however, it does not envisage publishing information on the planned transmission of the general meeting or the record of the general meeting in audio or video form on the Company website. The Company observes the Articles of Association and legal regulations in force in this respect and pursues an appropriate information policy.

Detailed rule I.Z.1.20. recording of the course of the general meeting, in audio or video form,

The Company's note: The above principle is not applied in the Company. The reasons for non-application are given in the explanation of non-application of the rule I.Z.1.16.

Specific rule II.Z.1. The internal division of responsibility for particular areas of the company's activity among the members of the management board should be formulated in an unambiguous and transparent manner, and the division scheme should be available on the company's website.

The Company's note: This principle is not applied. The Management Board is responsible for the entire area of the Company's activities. In the event that the responsibility policy is developed, the Company shall apply the above principle.

Specific rule II.Z.2. The position of members of the company's management board in management or supervisory boards of companies outside the company's capital group requires the consent of the supervisory board.

The Company's note: This principle is not applied. The Articles of Association and the applicable internal documents of the Company do not impose any obligation to provide information on members of the Management Board in this respect.

Recommendation IV.R.2. - If justified by the shareholders' structure or the shareholders' expectations reported to the company, if the company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting by means of electronic communication, it should enable the shareholders to participate in the general meeting by use of such means, in particular by means of:

- 1) real-time broadcast of the general meeting,
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than that of the general meeting,
- 3) exercising, personally or by proxy, the right to vote during a general meeting.

The Company's note: The above recommendation with respect to items 1) and 2) was not applied in the Company. In the nearest future, the Company is considering the introduction of the possibility of participation in the general meeting also by means of electronic communication, however, it does not envisage publishing information on the planned transmission of the general meeting or the record of the

general meeting in audio or video form on the Company website. **Specific rule IV.Z.2. - If justified by the shareholding structure of the company, the company shall ensure that a real-time broadcast of the general meeting is available to the public.**

The Company's note: The above principle was not applied in the Company. The reasons for non-application are given in the explanation of non-application of the rule I.Z.1.16.

Recommendation VI.R.1. - Remuneration of members of the company's governing bodies and key managers should be based on the adopted remuneration policy.

The Company's note: To this date, the Company did not apply the above recommendation. Remuneration of members of the Management Board is determined by the Supervisory Board on the basis of the provisions of the Company's Articles of Association and corresponds to the qualifications and responsibilities of members of the Management Board. In accordance with the Commercial Companies Code, the remuneration of Supervisory Board members is determined by the general meeting. The remuneration of individual members of the Supervisory Board as well as of senior managers depends on the scope of duties and responsibilities. Currently, the Company's Management Board has prepared a draft remuneration policy for members of the Management Board and the Supervisory Board, which will be put to a vote at the General Meeting. In the opinion of the Management Board, the solutions contained in the draft remuneration policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company. The draft remuneration policy includes in particular: 1) a description of fixed and variable components of remuneration, as well as bonuses and other cash and non-cash benefits which may be granted to members of the management and supervisory boards; 2) indication of mutual proportions of remuneration components; 3) indication of the period for which employment contracts, mandate contracts, contracts for specific work or other contracts of a similar nature have been concluded with members of the management board and the supervisory board, and indication of periods and terms of termination of such contracts, and if no contract has been concluded with a member of the management board or supervisory board - indication of the type and period for which a legal relationship between a member of the management board or supervisory board and the company has been entered into, as well as the period and terms and conditions of termination of such legal relationship; 5) a description of the main features of supplementary pension schemes and early retirement schemes; 6) a description of the decision-making process carried out for the establishment, implementation and review of the remuneration policy; 7) a description of measures taken to avoid or manage conflicts of interest related to the remuneration policy; 8) an indication of how the remuneration policy contributes to the implementation of the business strategy, long-term interests and stability of the company and other elements required by law. Once the remuneration policy has been adopted by resolution of the General Meeting, the payment of remuneration to the members of the management board and the supervisory board will be made exclusively in accordance with the remuneration policy.

Recommendation VI.R.2. Remuneration policy should be closely linked to the company's strategy, its short and long-term objectives, long-term interests and performance, and should include solutions to avoid discrimination on any grounds.

The Company's note: The Company did not apply the above recommendation due to the lack of adopted remuneration policy. The reasons for non-application are given in the explanation of non-application of the rule VI.R.1.

— usunięto: ¶

12.1. Internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements

The Management Board of MIRBUD S.A. is responsible for the internal control system and its effectiveness in relation to the process of preparing financial statements.

The Economic and Financial Director supervises the preparation of the separate and consolidated financial statements. The Chief Accountant of the parent is responsible for the preparation of the separate and consolidated financial statements.

Consolidated financial statements are prepared on the basis of the financial statements of the parent and its subsidiaries. The financial statements of the subsidiary, after taking into account the adjustments made to comply with the International Financial Reporting Standards ("IFRS"), are prepared on the basis of uniform accounting policies applied to transactions and economic events of a similar nature.

Consolidated statements and separate financial statements of MIRBUD S.A. are subject to review or audit by an independent statutory auditor.

12.2. Shareholders with significant share packets

As at 31/12/2019, the share capital of the Company is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Ownership structure of the share capital as at 31 December 2019

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
Jerzy Mirgos	40,937,453	44.62%	40,937,453	44.62%
Nationale-Nederlanden Open Pension Fund	10,281,837	11.21%	10,281,837	11.21%
Other shareholders	40,524,910	44.17%	40,524,910	44.17%
Total	91,744,200	100.00%	91,744,200	100.00%

12.3. Holders of any securities which give special control rights, including a description of such rights

MIRBUD S.A. has not issued any securities giving the shareholders special control rights.

12.4. Restrictions on the exercise of the voting right

The Company does not have any restrictions with respect to the exercise of the voting right.

12.5. Limitations with respect to transferring the title to securities

MIRBUD S.A. has not issued shares with respect to which there would be any limitations in the transfer of ownership rights.

12.6. The rules of changes to the Articles of Association of MIRBUD S.A.

In accordance with § 18 para. 1, point 3 and para. 2 of the Articles of Association of MIRBUD S.A., its amendment shall be made by way of a resolution of the General Meeting of Shareholders adopted at the request of the Management Board of the Company submitted together with a written opinion of the Supervisory Board or at the request of the shareholders, who should be consulted by the Management Board of the Company and the Supervisory Board, pursuant to Article 415 of the Commercial Companies Code by a three-fourths majority of votes. The adopted changes are introduced by making an appropriate entry in the register of entrepreneurs.

12.7. General Meeting of Shareholders of MIRBUD S.A.

The General Meeting meets as Ordinary or Extraordinary and, as a governing body of the Company, acts pursuant to the provisions of the Commercial Companies Code, the Company's Articles of Association and the provisions of the Regulations of the General Meeting of Shareholders of MIRBUD S.A., constituting an appendix to Resolution No. 27/2009 of the Extraordinary General Meeting of Shareholders of 23 October 2009 on the adoption of the Regulations of the General Meeting of Shareholders, as well as the principles arising from the "Good practices of companies listed on the Warsaw Stock Exchange".

The Company's Articles of Association provide in § 16 that a General Meeting of Shareholders shall be held at the registered office of the Company or in Warsaw.

According to § 14 of the Articles of Association, the Ordinary General Meeting shall be held within 6 (six) months after the end of each financial year. Ordinary General Meeting shall be convened by: the Management Board, the Supervisory Board - if the Management Board fails to convene the meeting within the time limit specified above. The Extraordinary General Meeting shall be convened by: the Management Board, the Supervisory Board - if it is deemed appropriate to convene it, the shareholder or shareholders representing at least half of the share capital or at least half of the votes in the Company, the Management Board at the request of shareholders representing at least 1/20 (one twentieth) of the share capital, submitted in writing or in electronic form together with a request to include certain matters in the agenda of this meeting. If the Management Board fails to convene an Extraordinary General Meeting within two weeks from the date of presenting the request referred to above, the registry court may authorise the shareholders submitting the request to convene an Extraordinary General Meeting to do so.

Pursuant to §18 of the Articles of Association, resolutions of the General Meeting of Shareholders are required in particular for: distributing gain or covering losses, amending the Company's Articles of Association, changing the Company's core activities, increasing or decreasing the share capital, the manner and conditions of redemption of shares, merger or transformation of the Company, dissolution and liquidation of the Company, issue of convertible or priority bonds, disposal and lease of the enterprise or its organised part and establishment of limited property rights on them, creation and abolition of the Company's capital and funds - at the request of the Management Board submitted together with a written opinion of the Supervisory Board or at the request of shareholders, which should be reviewed by the Management Board and the Supervisory Board; examination and approval of the financial statements and the report of the Management Board of the Company on the activities for the previous financial year of the Company and granting the vote of acceptance to members of the governing bodies of the Company for the performance of their duties, all decisions concerning claims for redress of damage caused during

the establishment of the Company or the performance of management or supervision, granting the consent for the conclusion by the Supervisory Board on behalf of the Company of a contract on the performance of management in the Company. Acquisition or sale of property, perpetual usufruct or share in property or in perpetual usufruct, encumbrance of property or right of perpetual usufruct with other property rights does not require adoption of a resolution by the General Meeting. Resolutions concerning removal of an item from the agenda or discontinuation of consideration of an item placed on the agenda at the request of shareholders shall be adopted by a majority of $\frac{3}{4}$ (three quarters) of votes cast, after prior consent expressed by all present shareholders who submitted such a request.

Pursuant to § 2 of the Regulations, the General Meeting is convened by way of an announcement made on the Company's website and in the manner prescribed for the provision of current information in accordance with the regulations on public offerings and the conditions for introducing financial instruments to the organised trading system and on public companies. The announcement should be made at least **twenty-six** days before the date of the General Meeting. The content of the announcement of the General Meeting shall comply with the requirements of the Commercial Companies Code with respect to such announcements for public companies. If the Supervisory Board or entitled shareholders convene the General Meeting, such entities shall submit to the Management Board, in writing or in electronic form, the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting, at least thirty-one days prior to the date of the General Meeting. The Management Board shall announce the convening of such a General Meeting in the manner provided for above. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request shall be submitted to the Management Board in writing or in electronic form and shall contain the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting at least **thirty-one** days before the date of the General Meeting. The agenda is determined by the entity convening the General Meeting or requesting its convening. If the General Meeting is convened by the Management Board, the agenda is determined by the Management Board in consultation with the Supervisory Board. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request should be submitted to the Management Board in writing or in electronic form, not later than twenty-one days before the set date of this Meeting. The request should contain a justification or a draft resolution concerning the proposed item of the agenda and, if necessary, other materials to be presented to the General Meeting. The Management Board is obliged to announce immediately, but not later than eighteen days before the set date of the General Meeting, in a manner appropriate for convening the General Meeting, changes in the agenda introduced at the request of the listed shareholders. No resolution may be adopted on matters not included in the agenda, except for motions of an agenda nature or for convening an Extraordinary General Meeting, or if the entire share capital is represented at the General Meeting and none of the attendees has objected to adopting a resolution. A shareholder or shareholders representing at least **1/20** of the Company's share capital may – before the date of the General Meeting – submit to the Company, in writing or via electronic means, the draft resolutions concerning the items placed on the agenda of the General Meeting or the items to be put on the agenda. The Management Board shall immediately publish the draft resolutions on its website. During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda until the Chairman has ordered voting on a given point of the agenda. A General Meeting may be cancelled only and exclusively if its holding encounters

extraordinary obstacles. However, if the General Meeting has been convened at the request of authorised entities or if issues are included in the agenda at the request of authorised entities, the cancellation of the General Meeting shall require the consent of the applicants. Cancellation takes place in the same way as convening the General Meeting. A change of the date of the General Meeting takes place in the same manner as its convening, even if the proposed agenda of the meeting is not changed. The shareholders' correspondence concerning the General Meeting sent by the shareholders should enable the identification of the shareholder and confirm their rights as a shareholder. The electronic correspondence should be directed to the designated electronic mail address indicated on the Company's website. Documents sent electronically to the Company should be scanned in PDF format.

In accordance with §3 of the Rules of Procedure, the General Meeting is opened by the Chairman or Deputy Chairman of the Supervisory Board. In the event of the absence of such persons, the General Meeting shall be opened by the President of the Management Board or a person appointed by the Management Board of the Company. The person opening the meeting shall do so at the time and place specified in the announcement. The person authorised to open the General Meeting conducts the election of the Chairman of the Meeting. For this purpose, it may take agenda-related decisions and administer voting on the election. A General Meeting convened by a shareholder or shareholders representing at least **1/20** of the share capital on the basis of a court decision shall be opened by a person appointed by the court as the Chairman of the General Meeting. This person also chairs the General Meeting. The Chairman of the General Meeting convened by shareholders representing at least half of the share capital shall be appointed by those shareholders. The Chairman shall be elected in a secret voting. Only one natural person may be elected the Chairman of the General Meeting - a shareholder or its statutory representative or attorney. If necessary and justified by the needs of the General Meeting, a Deputy Chairperson or Deputy Chairpersons may be appointed.

In accordance with §4 of the Regulations, the Chairman of the General Meeting manages its proceedings in a manner ensuring efficient and lawful conduct of the proceedings and adoption of resolutions provided for in the adopted agenda. Pursuant to §5 of the Regulations, immediately after signing the attendance list, the Chairman orders its display for inspection by the shareholders. The attendance list should contain a list of participants of the General Meeting, i.e. shareholders, their statutory representatives and attorneys, specifying the number of shares and the number of votes to which they are entitled. Each person entitled to participate in the General Meeting should sign the attendance list, statutory representatives and attorneys of entitled shareholders should submit original powers of attorney in writing or copies of power of attorney certified by a notary public. The attendance list is available for inspection throughout the General Meeting. A shareholder or his/her representative who has been omitted from the list of shareholders should be entered on the attendance register if he/she has come to the General Meeting and proves that he/she is entitled to participate in the session. Similarly, the list should be supplemented if, after it has been signed by the Chairman, further shareholders entitled to participate in the General Meeting come forward. If a person participating in the General Meeting leaves the meeting or a shareholder entered on the list is refused the right to participate in the General Meeting due to lack of his/her rights - the list should be corrected accordingly by deleting this person. After each change in the composition of the participants of the General Meeting, the Chairman shall again sign the attendance list. In order to additionally check the attendance list, the General Meeting may appoint a committee composed of at least three members. If such a request is made by shareholders holding one-tenth of the shares in the share capital represented at the General Meeting, a committee must be

appointed. The decision of the committee may be appealed against by the shareholder concerned to the General Meeting.

Pursuant to § 6 of the Regulations, voting at the General Meeting is open. A secret ballot must be held on the election and dismissal of Members of the Supervisory Board, the election of all other persons elected by the General Meeting, the holding responsible of members of the company's governing bodies or liquidators, and personal matters, including granting members of the Management Board permission to participate in a competitive company, if a request to hold a secret ballot is made by at least one participant of the General Meeting. The General Meeting may adopt a resolution on waiving the secrecy of voting on matters concerning the election of the committee appointed by the General Meeting. The committee may be composed of persons from outside the participants of the General Meeting. If there are legal grounds for electing the Supervisory Board by way of group voting, in accordance with §7 of the Regulations, the General Meeting shall do the above, with the reservation that the initiative in creating particular groups belongs only to the shareholders. The shareholders shall determine the minimum number of shares needed to form a separate group (quotient of the number of shares represented at the General Meeting and the number of Supervisory Board members to be filled), form a separate group(s) authorised to elect the Supervisory Board member(s) and determine the number of Supervisory Board members whose election lies within the competence of particular groups. Each selected group shall elect a Member of the Supervisory Board, previously electing the Chairman of the group and the Vote-Counting Committee, draw up a separate attendance list for a given group of voters (shareholders), sign the attendance list in the group by the Chairman of the group, propose candidates for a Member of the Supervisory Board in the group, secret ballot, regarding the election of a Member of the Supervisory Board by the group, determine the result of the elections in the group by the Returning Committee, and submit a resolution on the election of a Member(s) of the Supervisory Board by the group to the Chairman of the General Meeting. The Chairman of the General Meeting shall announce the content of the resolutions adopted by the groups and shall determine the number of Members of the Supervisory Board to be elected by the shareholders entitled to participate in the General Meeting - who have not joined any of the separate groups entitled to elect the Members of the Supervisory Board. The remaining shareholders present at the General Meeting (who did not form a separate group) shall elect the remaining Members of the Supervisory Board in a secret ballot. Resolutions concerning appointment of Members of the Supervisory Board by separate groups, and by other shareholders shall be recorded in the minutes by a notary public.

Resolutions of the General Meeting shall be recorded in the minutes. The minutes of the General Meeting shall be drawn up by a notary public in the form of a notarial deed. Non-compliance with this obligation shall result in absolute nullity of the resolutions. The minutes should be accompanied by the evidence of convening the General Meeting and the proposed agenda, the attendance list signed by the participants of the General Meeting and the Chairman, powers of attorney and other documents submitted by the representatives of the shareholders. Irrespective of the notary public, the Chairperson of the General Meeting may order the preparation of full minutes of the General Meeting recording the course of the General Meeting and the content of individual statements in a comprehensive manner. Minutes shall be taken by a Secretary elected by the General Meeting. The minutes of all General Meetings shall be included in the book of minutes kept by the Management Board. Each shareholder not even participating in the General Meeting may inspect the book of minutes of the General Meetings and request the issuance of copies of all or part of the minutes, against payment.

12.8. The Management Board of MIRBUD S.A. and the rules of appointing and dismissing managing persons

In the period from 01/01/2019 to 31/12/2019, the Management Board of MIRBUD S.A. was composed of four members.



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

Jerzy Mirgos – President of the Management Board

He has been gaining experience in managing companies operating in the construction sector since 1985, working, among others, in managerial positions in enterprises and commercial law companies. Since 2002, his professional career has been connected with the Issuer's company, where in recent years he held the position of General Director, responsible, among other things, for its strategy and further development. In 2008, he founded JHM DEVELOPMENT S.A., where he holds the position of the Vice-President of the Management Board, and in which is indirectly the majority shareholder. He considers the creation of the thriving MIRBUD Capital Group and the introduction of two companies, MIRBUD S.A. and JHM DEVELOPMENT S.A., to the trading floor of the Warsaw Stock Exchange to be his greatest professional success. On 23 June 2012 Mr. Jerzy Mirgos assumed the position of the President of the Management Board of MIRBUD S.A. On 27 April 2017 the Issuer's Supervisory Board appointed Mr. Jerzy Tomasz Mirgos to the Management Board of MIRBUD S.A. and entrusted him with the function of the President of the Management Board of MIRBUD S.A. for another individual five-year term of office.

Sławomir Nowak – Vice-President of the Management Board

Higher education - graduated from the Warsaw University of Technology, Faculty of Electrical Engineering - specialisation: Automation of Technological Processes. In 1999, the Council of the Faculty of Electrical Engineering awarded him the title of Doctor of Technical Sciences. In his professional career, he worked in managerial positions in the education and construction sectors.

In the structure of MIRBUD S.A. so far he has been the Deputy General Director of MIRBUD S.A. and the Director of the Contract for the construction of the Hilton Hotel in Warsaw.

By the resolution of the Supervisory Board, on 25 May 2012 he was appointed to the position of Vice President of the Management Board of MIRBUD S.A. On 27 April 2017 the Issuer's Supervisory Board appointed on Mr. Sławomir Nowak to the Management Board of MIRBUD S.A. and entrusted him with the function of Vice President of the Management Board of MIRBUD S.A. for another individual five-year term of office.

Paweł Korzeniowski – Member of the Management Board

Holds a higher education degree. He graduated from the University of Łódź - Faculty of Economics and Sociology, in the field of Economics, specialisation: Economics of Industry, where in the years 2001-2005 he completed his doctoral studies. For over 10 years he worked in banking, completed numerous courses and training in finance, banking mathematics, and financial analysis. Currently, he is also a member of the Supervisory Board of MARYWILSKA 44 sp. z o.o. and PBDiM KOBYLARNIA S.A.

Tomasz Sałata – Member of the Management Board

He has been working for the company as technical director since 2010. He also worked as director of construction production in Rex-Bud (2009-2010), director of production in Varitex (2001-2009), director of the Energoexport branch in Łódź and director of production and board member of Budmatpol. He graduated from the Faculty of Construction and Architecture of the Technical University of Łódź.

According to § 29 of the Articles of Association, the Management Board is composed of 1 (one) to 5 (five) members. The number of members of the Management Board shall be determined by a separate resolution of the Supervisory Board. The number of members of the first Management Board shall be determined by a resolution on the Company's transformation. Members of the Management Board or the entire Management Board shall be appointed by the Supervisory Board. The members of the first Management Board are appointed by way of a resolution on transformation of the Company. Members of the Management Board are appointed for an individual term of office lasting five years from the date of their appointment. Pursuant to § 31 of the Articles of Association, the Management Board conducts the Company's affairs and represents the Company. The Regulations of the Management Board determine in detail the manner of operation of the Management Board.

The Regulations shall be adopted by the Management Board and approved by the Supervisory Board by way of a resolution. The President of the Management Board shall have a casting vote in all cases where an equal number of votes was cast for and against a given resolution. Resolutions of the Management Board shall be required for matters exceeding the scope of ordinary management, in particular:

- 1) introduction of organisational regulations defining the organisation of the Company's enterprise,
- 2) establishing a commercial power of attorney,
- 3) taking out credits and loans,
- 4) granting credit warranties and property sureties,
- 5) selling and acquiring fixed assets with the value exceeding 5% of the Company's equity for the last audited financial year.

In order for the Management Board to make a decision in the matters referred to in items 3, 4 and 5 with a value exceeding 5% of the Company's equity for the last audited financial year, the Supervisory Board must first approve the matter.

Prior approval of the Supervisory Board is also required by the decision of the Management Board on the matter of:

- 1) cessation or material limitation of any activity of the Company provided for in the Articles of Association,
- 2) adopting or amending the Company's strategic plan,
- 3) payment of an advance on the expected dividend to the Company's shareholders.

According to § 32 of the Articles of Association, if the Management Board is composed of one person, the President of the Management Board is authorised to make declarations and sign on behalf of the

Company, and if the Management Board is composed of more than one person, the cooperation of two members of the Management Board is required. The Supervisory Board shall represent the Company in the contract between the Company and a Management Board member, as well as in any disputes with the said member.

12.9. Supervisory Board of MIRBUD S.A.

The Supervisory Board of the Company is elected by the General Meeting of Shareholders and consists of not less than five and not more than seven members.

Members of the Supervisory Board may be recalled in the same manner. A Supervisory Board member should not resign from their function during the term of office, if it could preclude the operation of the Board, and in particular, if it could preclude timely adoption of a significant resolution. If a Supervisory Board member resigns or if his mandate expires for other reasons before the end of the term of office of the Supervisory Board, the next General Meeting of Shareholders may supplement the composition of the Board. The candidacies of the Supervisory Board members are proposed and justified in detail in a manner enabling an informed election. Members of the Supervisory Board are appointed for an individual term of office lasting four years from the date of their appointment.

As at 31/12/2019, the Issuer's Supervisory Board was composed of the following persons:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2019 - 31/12/2019

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board (until 31 May 2019)
Wiesław Kosonóg	Chairman of the Supervisory Board (from 31 May 2019)
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Krystyna Lachowicz	Member of the Supervisory Board (until 24 June 2019)
Wiktoria Braun	Member of the Supervisory Board (from 31 May 2019)

Dariusz Jankowski - Chairman of the Supervisory Board (until 31/05/2019)

Holds a higher education degree. Graduated from the Faculty of Law and Administration of the University of Łódź with a Master's degree, and a Master's degree in the field of Romance philology. Additionally, Mr. Dariusz Jankowski completed his legal training and is currently an attorney.

Wiesław Kosonóg - Chairman of the Supervisory Board from 01/01/2019 to 31/12/2019

Holds a higher education degree. Graduated from the Higher School of Economics and Humanities in Skierniewice, the Faculty of Administration with specialisation in public administration and the Higher School of National Economy in Kutno, the Faculty of European Studies with specialisation in diplomacy and international relations, common foreign and security policy of the European Union. Has over 30 years of practical experience in economics and finance, and business management. A manager with extensive practical experience in managing complex business projects, as well as a long-term member of supervisory boards, including: the second and third term of office of the Voivodeship Fund for Environmental Protection and Water Management in Łódź; member of the Board of the Łódź Branch of the National Health Fund in Łódź; member and chairman of the Supervisory Board of a joint stock company listed on the Warsaw Stock Exchange; Chairman of the Supervisory Board of the Sadowniczy Zakład Doświadczalny [Pomiculture Experimental Plant] IO - Spółka z o.o. in Brzezna during the period of the company's restructuring plan and stabilisation of its financial situation. He was also a Councillor of the 2nd term of office of the of the Łódź Voivodeship Sejmik, vice-chairman of the audit committee and vice-chairman of the foreign cooperation committee. Recently, he worked as President of the company's single-person

management board at the Kwaciarski Zakład Doświadczalny [Floral Experimental Plant] IO - Nowy Dwór Spółka z o.o.

Waldemar Borzykowski - Deputy Chairman of the Supervisory Board

Holds a higher education degree. Graduated from the Faculty of Economics and Sociology of the University of Łódź, studying Economics of Industry. He received a Master's degree in economics. For 13 years he has worked as the Treasurer of the City in the Skierniewice Self-Government.

Agnieszka Maria Bujnowska - Secretary of the Supervisory Board

Holds a higher education degree, graduated from the Faculty of Management of the University of Łódź, specialisation: accounting, financial analysis of enterprises; she also passed the exam for supervisory board members in State-owned companies - Minister of Treasury Diploma No. 2262/2007.

Hubert Bojdo - Member of the Supervisory Board

Graduate of the SGH Warsaw School of Economics, in the field of finance and banking, where he also completed his doctoral studies at the Faculty of International Relations. He was the Vice-President of the Management Board of Rubicon Partners Dom Maklerski S.A. and the Chairman of the Supervisory Boards of Invar&Biuro System S.A. and IQ Partners S.A.; a member of the Supervisory Boards of NFI Victoria S.A. and Voxel S.A.; he is a member of the National Chamber of Tax Advisors and a member of the Audit Committee of the Foundation for the Development of Polish Export

Andrzej Zakrzewski - Member of the Supervisory Board

Holds a higher education degree, graduated from the Military University of Technology in Warsaw, Faculty of Mechanics - Mechanics and Machine Construction, field of study: equipment and applications of propellants and lubricants. He was, among others, a technologist, a work group manager, an investment supervision inspector and a production director.

Krystyna Lachowicz - Member of the Supervisory Board (until 24/06/2019)

Graduated from the University of Warsaw with a Master's degree in economics. For over 20 years she has been assessing the economic and financial standing of enterprises in terms of their creditworthiness. She has gained and improved her professional experience in Bank Handlowy w Warszawie S.A., PKO BP S.A., DNB Bank Polska S.A. and Agencja Rozwoju Przemysłu S.A., where she currently works.

Wiktoria Braun - Member of the Supervisory Board (from 31/06/2019)

Holds a higher education degree. An expert in the field of finance, accounting, taxes, corporate governance, good practices and financial risk management. Holds a master's degree in mathematics and economics with a degree in finance and banking. She also completed Postgraduate Studies in Project Management. Ms. Wiktoria Braun has qualifications and certificates of, among others, a certified auditor and a court expert in the field of audit, economics, finance, bookkeeping, accounting, taxes; moreover, she passed the examination for members of supervisory boards in State Treasury companies. She has 27 years of experience, during which she worked for many industries, including in particular trade, telecommunications, insurance, leasing, development, media, publishing, including State Treasury companies and public finance entities.

The Supervisory Board acts in accordance with the Commercial Companies Code and the Articles of Association of MIRBUD S.A., as well as on the basis of the Regulations of the Board, which define in detail its organisation, manner of performing the activities and duties of members related to the function

performed on the Board. Pursuant to the authorisation contained in the Company's Articles of Association, the Supervisory Board adopted resolution No. XXV dated 17 November 2009 with which it has established and adopted its Regulations.

The members of the Supervisory Board elect from among themselves a chairman, a deputy chairman and a secretary. An absolute majority of votes from among those present at the meeting of the Supervisory Board is required for the election to be valid.

Meetings of the Supervisory Board shall be convened as necessary, but at least four times per financial year. Pursuant to § 26 of the Articles of Association, meetings of the Supervisory Board are convened by the Chairman or his deputy. Meetings of the Supervisory Board of the Company shall be held in the place indicated in the notification. The first meeting of the Supervisory Board shall be convened by the Management Board of the Company. A request to convene a meeting of the Supervisory Board may be submitted by the Management Board and individual members of the Supervisory Board. The Chairman shall convene a meeting of the Supervisory Board within two weeks of the date of receiving the request. Meetings of the Supervisory Board, except for matters directly related to the Management Board or its members, especially dismissal, responsibility and determination of remuneration, are available and disclosed to the members of the Management Board. The shareholders (or their proxies), whose motions or appeals are the subject of the meeting, are also entitled to participate in a part of the Board's meeting; if the invited shareholder or his proxy, holding a written power of attorney, fails to report to the Board's meeting without prior notification of the Board about an obstacle to appearance, the Board shall consider the motion or appeal in absentia by notifying the person concerned of the decision taken by registered letter.

Resolutions of the Supervisory Board shall be valid if all members of the Supervisory Board are notified in writing in sufficient time to enable them to familiarise themselves with the proposed agenda and to prepare for the Board's meeting. The agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting to which it relates. The above requirement shall not apply if all members of the Supervisory Board are present and agree to amend or supplement the agenda, as well as if taking certain actions by the Supervisory Board is necessary to protect the Company against damage. Resolutions of the Supervisory Board may be adopted on any matter adopted for consideration in the agenda adopted in an open voting; each member of the Supervisory Board may submit a motion for including or deleting the matter from the agenda until the beginning of the vote on the agenda. Resolutions of the Supervisory Board shall be signed by all present members of the Supervisory Board. Resolutions of the Supervisory Board may be adopted if at least half of its members are present at the meeting. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. Voting at meetings of the Supervisory Board is open, unless any member of the Supervisory Board requests a secret voting or the resolution concerns personal matters or the responsibility of members of the Company's governing bodies. The Supervisory Board may pass resolutions in writing or by means of direct remote communication. The adoption of resolutions in the above manner shall not apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, the appointment of a Member of the Management Board, or the dismissal or suspension of such persons from their duties. Resolutions passed in writing shall be valid as adopted at a properly convened meeting if all members of the Supervisory Board have been notified of the contents of the draft resolution and if they have been signed by at least three members of the Supervisory Board.

A group of shareholders or the Supervisory Board may delegate individual members to individually perform supervisory functions. Members of the Supervisory Board delegated to permanent individual supervision shall receive separate remuneration, the amount of which shall be determined by the General Meeting. A Supervisory Board member delegated to exercise permanent supervision should submit to the Supervisory Board a detailed report on their function after the end of each financial year, as well as after the end of such supervision.

Pursuant to § 27 of the Articles of Association, the Supervisory Board exercises permanent supervision over the Company's activities. The competences of the Supervisory Board include in particular:

- 1) appointing and dismissing members of the Company's Management Board and determining the number of members of the Company's Management Board,

- 2) determining the principles and amounts of remuneration for the members of the Management Board,
- 3) giving consent to any benefits by the Company and any entities related to the Company for the members of the Management Board and for the benefit of entities related to them,
- 4) granting consent for the Company or its subsidiary to enter into a material contract with a related entity or a related entity of a member of the Management Board or the Supervisory Board,
- 5) concluding, with the consent of the General Meeting, contracts for the performance of management in the Company,
- 6) granting permission to establish branches abroad, at the request of the Management Board,
- 7) selecting an entity to audit or review the financial statements of the Company and the capital group and granting consent to the conclusion of contracts with such an entity or its related entities and to perform any other activities that may limit the independence of such an entity in auditing or reviewing the financial statements of the Company and the capital group,
- 8) auditing the financial statements, both as regards their consistency with the books and documents, and with the factual status,
- 9) examining the Management Board's reports on the Company's and the capital group's operations and the Management Board's motions regarding the distribution of gain or coverage of losses,
- 10) submitting to the Ordinary General Meeting of Shareholders a written report on the results of the activities referred to in points 8 and 9, containing a concise assessment of the situation of the Company and the capital group,
- 11) giving consent for the Company to establish another company and take up or purchase shares in other companies,
- 12) giving consent to the performance of the activities referred to in § 31 para. 5 and 6 of the Company's Articles of Association,
- 13) approving the Regulations of the Management Board.

The Supervisory Board makes every effort to receive regular and exhaustive information from the Management Board on all important matters concerning the Company's activity and on the risk related to the conducted activity, as well as on the methods of risk management. The Supervisory Board gives its opinion on matters to be subject of resolutions of the General Meeting. In order to make decisions optimal from the point of view of the Company's interests, the Supervisory Board may appoint permanent or ad hoc specialist or advisory teams, which will prepare opinions, expert opinions or forecasts at the request of the Supervisory Board. The Management Board members shall first of all take into account the Company's interest. A member of the Supervisory Board should inform the other members of the Supervisory Board of any conflict of interest that has arisen and should refrain from taking part in the discussion and voting on the adoption of a resolution concerning the matter in respect of which the conflict of interest has arisen.

Information on personal, factual and organisational relations of a Supervisory Board member with a specific shareholder, in particular with a majority shareholder, is available to the public. After receiving such information from members of the Supervisory Board, the Company shall immediately make it available to the public.

Each member of the Supervisory Board should enable the Management Board to provide information in a public and appropriate manner on the sale or acquisition of shares in the Company or in its parent or subsidiary, as well as on transactions with such companies, provided that they are material to their financial situation.

The remuneration of the Supervisory Board members is determined by the General Meeting on the basis of transparent procedures and principles. The remuneration does not constitute a material item of the costs of the Company's activity and does not have a serious impact on its financial result. The total amount of remuneration of all members of the Supervisory Board, as well as individual remuneration of each member of the Supervisory Board, divided additionally into its components, is disclosed in the annual report, together with information on the procedures and rules of its determination. The activity of the Supervisory Board is financed from own funds of the Company and charged to its cost.

The Audit Committee operates within the structure of the Supervisory Board of MIRBUD S.A. and is separated as a monitoring, advisory and opinion-forming body, acting collectively on the basis of special provisions of law and Regulations of the Audit Committee of MIRBUD S.A.

Composition of the Audit Committee:

From 5 July 2016 to 30 May 2019, on the basis of Resolution No. X/2016 of the Supervisory Board of 5 July 2016, the Audit Committee functioned in the following composition:

1. Waldemar Borzykowski - Chairman of the Audit Committee
2. Agnieszka Bujnowska - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee

Waldemar Borzykowski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also met the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017). In the opinion of the Supervisory Board, met the independence criteria indicated in the Best Practices of WSE Listed Companies 2016 (principle II.Z.4).

Has knowledge and skills in accounting

knowledge and experience in accounting is reinforced by:

- obtaining a master's degree at the Faculty of Economics and Sociology of the University of Łódź, Faculty of Industrial Economics.
- deputy Director of Economic Affairs in Skierniewice Construction Combined Collective. The scope of activities included management and supervision of the company's finances.
- director of Economic Affairs at the Voivodeship Company of Engineering and Installation Works in Skierniewice. The scope of activities included management and supervision of the company's finances.
- director of "Prefabud" Construction Company in Skierniewice.

The financial statements of the above mentioned companies were subject to mandatory audit by a statutory auditor.

- from 1994 to 2006, Treasurer of Skierniewice.

Agnieszka Bujnowska - Secretary of the Audit Committee. Has accounting knowledge reinforced by:

- obtaining a master's degree at the Faculty of Management of the University of Łódź, specialisation: accounting, financial analysis of enterprises

Andrzej Zakrzewski - Member of the Audit Committee; has professional experience in the construction industry, and also met the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017). In the opinion of the Supervisory Board, met the independence criteria indicated in the Best Practices of WSE Listed Companies 2016 (principle II.Z.4).

- graduated from the Military University of Technology in Warsaw, Faculty of Mechanical Engineering with a master's degree in engineering

- gained professional experience in the construction industry:

1. Skierniewice Investment and Construction Company - currently Łowicz Investment and Construction Cooperative - position: Head of the Sanitation Works Group.
2. "HORTEX" Skierniewice Fruit and Vegetable Processing Plant - Senior Investment Supervision Inspector.
3. Sole proprietorship: Service company for water, CO, gas and ventilation systems - co-owner of the company.

The composition of the Audit Committee was adjusted to the requirements of Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

Within the next term of office, the Supervisory Board by Resolution No. XIII/2019 of 31 May 2019 established the following composition of the Audit Committee:

1. Waldemar Borzykowski - Chairman of the Audit Committee
2. Wiesław Kosonóg - Secretary of the Audit Committee
3. Andrzej Zakrzewski - Member of the Audit Committee

Waldemar Borzykowski - Chairman of the Audit Committee; has knowledge and skills in the field of accounting and also meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the 2016 Code of Good Practices of WSE Listed Companies (principle II.Z.4).

Wiesław Kosonóg - Chairman of the Audit Committee; meets the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws item 1089 of 6 June 2017), and meets the independence criteria set out in the 2016 Code of Good Practices of WSE Listed Companies (principle II.Z.4).

Andrzej Zakrzewski - Member of the Audit Committee; has professional experience in the construction industry.

The Audit Committee in its indicated composition meets the independence criteria and other requirements set forth in Art. 129 para. 1, 3, 5 and 6 of the Act on Statutory **Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089)**.

The audit firm carrying out the audit of the Company's financial statements has not provided and does not provide permitted non-audit services

12.10. Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group

The Audit Committee of the Supervisory Board of MIRBUD S.A., acting as a public interest entity body and taking into account the fact that MIRBUD S.A. is the parent of the MIRBUD Capital Group, pursuant to Article 130(1) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision establishes the following rules concerning the selection of an audit firm to carry out audits of the Company's financial statements and the Capital Group's consolidated financial statements for a given financial year:

- 1) the selection of the audit firm is made sufficiently in advance to allow the audit contract to be signed in time for the audit firm to review the interim financial statements and participate in the inventory-taking of significant assets;
- 2) when selecting an audit firm, the Audit Committee and the Supervisory Board of the Company pay particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when making its recommendation to the Supervisory Board of the Company, takes into account the scope of services provided by the audit firm and the statutory auditor during the last five years preceding the selection of the audit firm;
- 3) control and monitoring of the independence of the audit team and the audit firm shall be carried out at each stage, in particular: when considering bids submitted, before proceeding with the financial audit activity, also in case of continuation of the contract in the following financial year;
- 4) the selection of an audit firm is made taking into account the audit firm's experience in statutory audit of financial statements of public interest entities, including companies listed on the Warsaw Stock Exchange, and knowledge of the segments in which MIRBUD Capital Group companies operate, as well as the proposed price for the statutory audit;
- 5) the selection of an audit firm shall be made taking into account the principle of rotation of the audit firm and the key statutory auditor in such a manner that the maximum duration of uninterrupted mandates for statutory audits carried out by the same audit firm or an audit firm affiliated to that audit firm or any member of the network operating in the countries of the European Union to which those audit firms belong does not exceed five years and the key statutory auditor has not carried out the statutory audit in the Company for more than five years. The key statutory auditor may re-audit the Company after at least three years from the end of the last statutory audit;

12.11. Policy for the provision of permitted non-audit services of MIRBUD S.A. and the MIRBUD Capital Group

An audit firm carrying out an audit, entities related to that audit firm and firms which are members of the audit firm's network may provide to the audited entity and to entities controlled by it non-audit services other than prohibited services which are not audit activities.

1. The provision of services only to the extent not related to the tax policy of the audited entity is admissible after obtaining an opinion of the Audit Committee of the Supervisory Board of MIRBUD S.A. (hereinafter referred to as the "Audit Committee"), which services include in particular:
 - 1) services of conducting due diligence procedures in the field of economic and financial condition;
 - 2) services of issuing letters of assurance performed in connection with the prospectus of the audited entity, carried out in accordance with the national standard for related services and consisting of carrying out agreed procedures;
 - 3) attestation services with regard to pro forma financial information, performance forecasts or estimated results, included in the prospectus of the audited entity;
 - 4) audit of historical financial information in a prospectus as referred to in Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
 - 5) verification of consolidation packages;
 - 6) confirmation of the fulfilment of the conditions of the concluded credit agreements on the basis

of an analysis of the financial information derived from the audited financial statements of the audit firm;

- 7) attestation services for corporate governance reporting, risk management and corporate social responsibility;
 - 8) services to assess the compliance of information disclosed by financial institutions and investment firms with capital adequacy disclosure requirements and variable remuneration components;
 - 9) attestations concerning statements or other financial information intended for the supervisory authorities, the supervisory board or any other supervisory body of the company or its owners, outside the scope of the statutory audit and intended to assist those authorities in carrying out their statutory duties.
2. Ordering additional services which do not constitute an audit of financial statements for the benefit of the audit firm which conducts the audit of financial statements or an entity affiliated with that audit firm or a member of its network may only take place after the Audit Committee of MIRBUD S.A. has carried out an assessment of threats and safeguards for independence, in particular an assessment of whether the service provided has a significant impact on the audited financial statements.
 3. Prior to awarding an order for the provision of permitted services which do not constitute an audit of financial statements, the Management Board of MIRBUD S.A. shall be obligated to submit to the Audit Committee the scope of services covered by the order together with a statement of the key statutory auditor conducting the audit concerning compliance with the independence requirements set forth respectively in the rules of professional ethics and standards for the provision of such services by the accepting audit firm, an entity related to the audit firm or a member of its network.
 4. Prior to the acceptance of an order to provide permitted non-audit services to entities controlled by MIRBUD S.A. by an audit firm auditing the financial statements of MIRBUD S.A., an entity related to that audit firm and a member of its network, the key certified auditor shall present for the assessment of the Audit Committee the scope of services covered by the order together with an opinion as to whether the service ordered may have a significant impact on the consolidated financial statements of the MIRBUD Capital Group.
 5. Where the total remuneration of an audit firm for the provision of additional non-audit services allowed to the audited entity, its parent or an entity controlled by it exceeds the criterion referred to in the first paragraph of Article 4(2) of Regulation No. 537/2014, the audit firm shall not undertake such provision except with the approval of the Audit Supervision Committee by administrative decision.
- The Audit Committee's recommendation concerning the selection of an audit firm to carry out an audit was made following an organised selection procedure meeting the applicable criteria

During the financial year, the Audit Committee held 4 meetings

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