



MIRBUD CAPITAL GROUP

**REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE MIRBUD CAPITAL GROUP
1 JANUARY 2020 – 30 JUNE 2020**

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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 consolidated financial statements were drawn up on the assumption of continuation of business activities by MIRBUD S.A. and the companies belonging to the Capital Group in the foreseeable future, with the exception of EXPO MAZURY S.A., which company is in liquidation. As of the day of this report’s approval there are no circumstances indicating a threat to the continuation of the Group’s other Companies’ activities.

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

The accounting policies adopted in the preparation of the financial statements have been presented in detail in the introduction to the financial statements for the first half of 2020.

2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

2.1. Description of the Capital Group and its core activities

The MIRBUD Capital Group employs over 800 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 development system were taken over by a company separated from the structures of MIRBUD S.A., 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, KOBYLARNIA S.A., and 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 Sp. 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
NIP (tax identification number):	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
NIP (tax identification number):	836-181-24-27
REGON:	100522155
Address details:	ul. Unii Europejskiej 18a, 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. - KOBYLARNIA S.A. (formerly: Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.]

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



Full name of the entity:	KOBYLARNIA S.A.
Entity's registered office:	Kobylarnia
Legal form:	joint-stock company
NIP (tax identification number):	953-22-34-789
REGON:	091631706
Address details:	ul. Zakole 1, Kobylarnia, 86-061 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 30/06/2020, PLN 283,670.00). The sole partner of the company is MIRBUD S.A. In the period from 01/01/2020 to 30/06/2020 the sum of contributed capital amounted to PLN 66,000. The entity is not consolidated due to its immaterial character.



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
NIP (tax identification number):	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. (formerly EXPO ARENA 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.

On 1 July 2020, the Extraordinary General Meeting of Shareholders adopted resolution No. 3/2020 (Repertory A No. 6401/2020) on the dissolution of the Company and putting it into liquidation. Mr. Waclaw Jankowski was appointed the Liquidator of the Company.



Since 1 July 2020 the company has been operating under the name EXPO MAZURY S.A. in liquidation and in the following part of this report it will be referred to in accordance with the current legal status.

Full name of the entity:	EXPO MAZURY S.A. in liquidation
Entity's registered office:	Ostróda
Legal form:	joint-stock company
NIP (tax identification number):	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 established on 15/06/2010 based on the notarial deed Repertory “A” No. 6480/2010. The



Company was entered in the National Court Register kept by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under KRS number 0000359265, on 23/06/2010.

Full name of the entity:	MARYWILSKA 44 Sp. z o.o.
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Entity's registered office:	Warsaw
Legal form:	limited liability company
NIP (tax identification number):	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 based on the notarial deed Repertory "A" No. 4812/2011. The Company was entered in the National Court Register kept by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under KRS number 0000396588, on 20/09/2011.

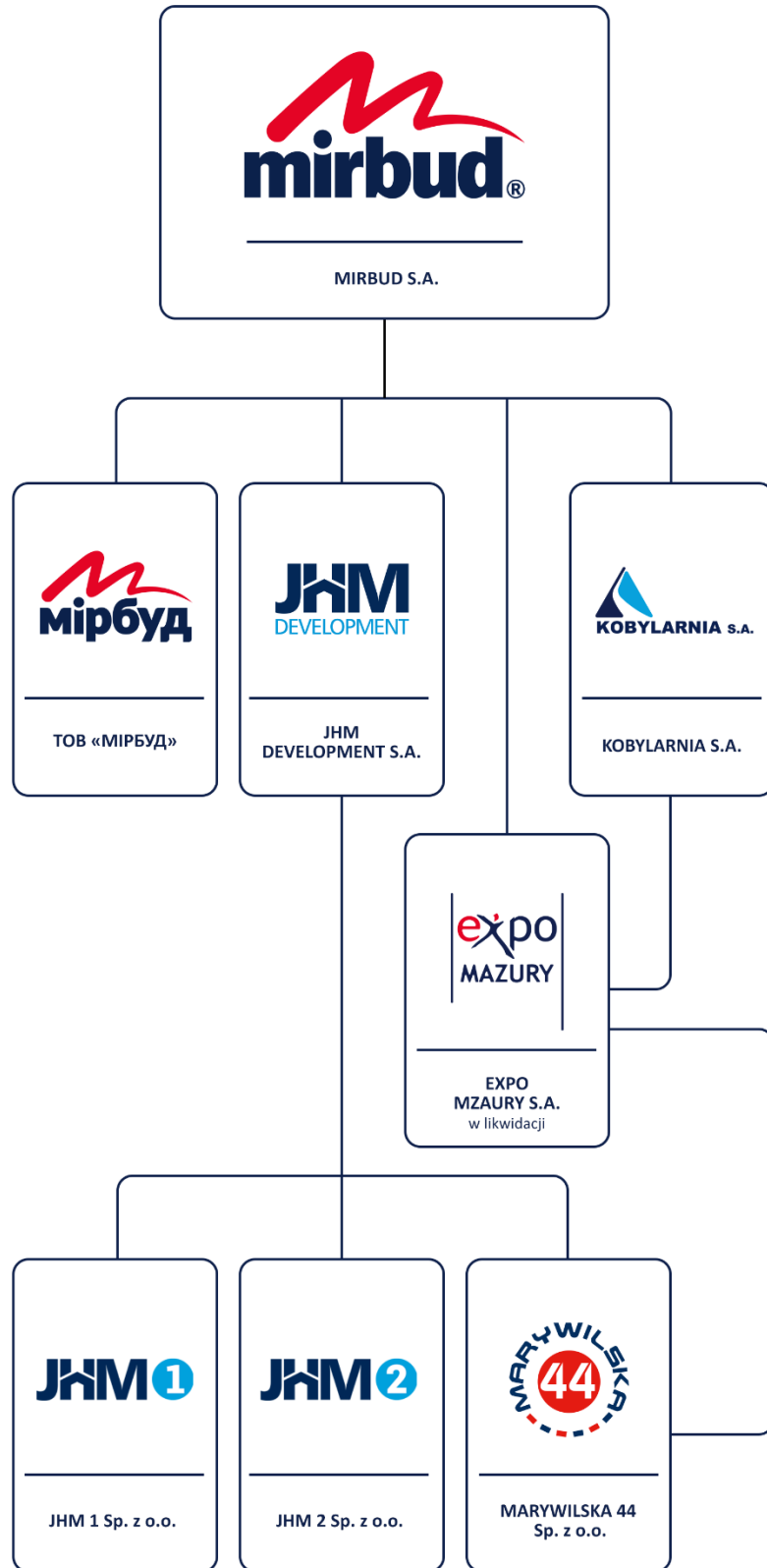
Full name of the entity:	JHM 1 Sp. z o.o.
Entity's registered office:	Skierniewice
Legal form:	limited liability company
NIP (tax identification number):	836-185-59-68
REGON:	101288135
Address details:	ul. Unii Europejskiej 18a, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46) 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 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
NIP (tax identification number):	836-185-64-65
REGON:	101387140
Address details:	ul. Unii Europejskiej 18a, 96-100 Skierniewice
Country of registered office:	Poland
Tel/fax	+ 48 (46) 833 95 89

Diagram: The MIRBUD Capital Group structure as at 30/06/2020



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

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 30/06/2020

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%
KOBYLARNIA S.A.	30,000	100%
EXPO MAZURY S.A.	135,928	68.42%
ТОВ «МІРБУД»	UAH 1,900 thousand	100%

JHM DEVELOPEMENT S.A.

On 9 June 2020, the Extraordinary General Meeting of Shareholders of JHM DEVELOPMENT S.A., at the request of the Company's sole shareholder, MIRBUD S.A., adopted resolution No. 04/2020 (Repertory A No. 4828/2020) on withdrawal from trading on the regulated market operated by the Warsaw Stock Exchange of all 69,200,000 ordinary bearer shares of JHM DEVELOPMENT S.A. and authorised the Company's Management Board to take all actions in the matter in question, including submitting an application to the Polish Financial Supervision Authority (FSA) for permission to withdraw the shares from trading on the regulated market operated by the Warsaw Stock Exchange. On 14 July 2020, the Polish Financial Supervision Authority has taken a decision on granting permission to withdraw the Company's shares from trading on the regulated market operated by the Warsaw Stock Exchange. The decision published on the FSA's website indicates 28 July 2020 as the date after which the Company's shares shall be withdrawn from trading on the regulated market operated by the WSE.

KOBYLARNIA S.A.

On 3 February 2020, the Extraordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A. by virtue of resolution No. 3/2020 (Repertory A No. 849/2020) resolved to increase the Company's share capital from PLN 25,000,000.00 to PLN 30,000,000.00 by issuing 50,000,000 series H registered shares with a nominal value equal to the issue price, i.e. PLN 0.10 per share. On 20/04/2020, 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 30,000,000.00.

On 09 June 2020, the Ordinary General Meeting of Shareholders of KOBYLARNIA S.A. by virtue of resolution No. 15/2020 (Repertory A No. 4838/2020) resolved to introduce a change to the Articles of Association consisting in changing the name Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA Spółka Akcyjna [Construction Company For Roads and Bridges KOBYLARNIA Spółka Akcyjna] to KOBYLARNIA Spółka Akcyjna. As a result of the change, the Company may use the abbreviated name: KOBYLARNIA S.A.

EXPO MAZURY S.A.

On 1 July 2020, the Extraordinary General Meeting of Shareholders adopted resolution No. 3/2020 (Repertory A No. 6401/2020) on putting the Company into liquidation and appointing its liquidator. As a result of the adopted resolution, the liquidation of EXPO MAZURY S.A. began and then, by virtue of resolution No. 4/2020, Mr. Waław Jankowski, Adviser to the Management Board of MIRBUD S.A. and a long-term employee of MIRBUD Capital Group companies, was appointed the Liquidator of the Company.

The beginning of liquidation of EXPO MAZURY S.A. is the second stage of the ongoing reorganisation of the MIRBUD Capital Group. The aim of the reorganisation is to strengthen the Group by concentrating the entities

operating within it around the parent which is MIRBUD S.A. The consequence of the reorganisation will be simplifying the Group's structure, streamlining business processes within the Group and optimising operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of the assets of EXPO MAZURY S.A. to MARYWILSKA 44 Sp. z o.o. while maintaining the continuity of existing contracts and liabilities.

The reorganisation completion is scheduled for the end of September 2021.

The above event took place after the end of the reporting period, however, due to its significance, EXPO MAZURY S.A. shall be described in the further part of this report taking into account the company's current name, i.e. "EXPO MAZURY S.A. in liquidation", as well as the current legal status.

ТОВ «МІРБУД»

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 30/06/2020, PLN 283,670.00). The sole partner of the company is MIRBUD S.A. In the period from 01/01/2020 to 30/06/2020 the sum of contributed capital amounted to PLN 66,000. The entity is not consolidated due to its immaterial character.

Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and affiliates as at 30/06/2020

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. thousand

Table: Structure of shares of Marywilka 44 Sp. z o.o. in subsidiaries and affiliates as at 30/06/2020

Name of the entity	Share capital in PLN thousand	Share of Marywilka 44 Sp. z o.o. in the share capital
EXPO MAZURY S.A.	3,500	2.63%

Table: Structure of shares of Kobylarnia S.A. in subsidiaries and affiliates as at 30/06/2020

Name of the entity	Share capital in PLN thousand	Share of KOBYLARNIA S.A. in the share capital
EXPO MAZURY S.A.	39,427.9	29.66%

On 29 July, the Management Board of MIRBUD S.A. signed a contract with KOBYLARNIA S.A. concerning the purchase and transfer of 39,427,900 A, B and C series ordinary registered shares of EXPO MAZURY S.A. in liquidation with a nominal value of PLN 1.00 each. Contract value: PLN 39,427,900.00 Under the contract in force, MIRBUD S.A. is the owner of all shares in EXPO MAZURY S.A. in liquidation previously held by KOBYLARNIA S.A. after the reporting period.

Core activities

MIRBUD S.A.



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

The company's trademark is its thirty years' experience and nearly 500 completed investment development 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)
- road and engineering 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

KOBYLARNIA S.A.



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

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

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

KOBYLARNIA S.A. employs over 300 employees, including qualified technical staff.

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

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

JHM DEVELOPMENT S.A.



JHM DEVELOPMENT S.A. executes investment developments in the construction and sale of single-family and multi-family residential buildings. The Company 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.

MARYWILSKA 44 Sp. z o.o.



Marywilka 44 Sp. z o.o., 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.

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. in liquidation (formerly EXPO ARENA S.A.)



EXPO MAZURY S.A. in liquidation is a company managing the congress and exhibition centre in Ostróda.

According to the Polish Classification of Businesses, the core activities of the subsidiary **EXPO MAZURY S.A. in liquidation** are:

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

The area of the centre amounts to nearly 58 thousand square metres. After the company's liquidation process is completed, short- and long-term space lease activities will continue as part of the activities of other companies of the MIRBUD Capital Group in connection with the reorganisation of the Group's structure.

3. FINANCIAL SITUATION OF THE MIRBUD CAPITAL GROUP

3.1. Discussion of selected items of the consolidated financial statements of the MIRBUD Capital Group as at 30/06/2020 and 31/12/2019.

Table: Selected items of assets of the Group as at 30 June 2020 and 31 December 2019 in PLN thousand.

Specification	30/06/2020	% share in total assets	31/12/2019	% share in total assets	Change in PLN thousand	Change in %
Fixed assets, including:	538,249	42%	518,632	45%	19,617	4%
Tangible fixed assets	241,754	19%	217,546	19%	24,208	11%
Investment property	243,761	19%	249,649	22%	- 5,888	0%
Intangible assets	15,083	1%	15,496	1%	- 413	-3%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	544	0%	482	0%	62	0%
Investments measured using the equity method		0%	0	0%	-	0%
Long-term trading and other receivables	11,012	1%	12,276	1%	- 1,264	
Deferred income tax assets	26,032	0%	23,061	2%	- 22,998	-100%
Other fixed assets not classified elsewhere (including prepayments and accruals)	63	0%	122	0%	- 59	-48%
Current assets, including:	731,475	58%	627,799	55%	103,676	17%
Inventories	268,286	21%	260,958	23%	7,328	3%
Receivables on account of the income tax		0%	0	0%	-	0%
Trading receivables and other receivables	398,937	31%	256,792	22%	142,145	55%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	3	0%	0	0%	3	#DZIEL/0!
Cash and cash equivalents	58,932	5%	108,151	9%	-49,219	-46%
Other current assets n.e.c.	5,317	0%	1,898	0%	3,419	180%
fixed assets held for sale		0%	-	0%	0	
Total assets	1,269,724	100%	1,146,431	100%	123,293	11%

As at 30/06/2020, compared to the end of 2019, the value of the balance sheet total and the structure of assets of the MIRBUD Group changed insignificantly.

The dominating value are the current assets, which as at 30/06/2020 constitute 58% of the Group's total assets (increase in the share of current assets in the balance sheet total by 3 p.p. compared to the end of 2019).

The following remain significant items of current assets: trade receivables and other receivables accounting for 31% of total assets (an increase in the share of total assets by 9 p.p. compared to 2019), inventories (mainly land and residential premises at JHM DEVELOPMENT S.A.), whose share in total assets decreased by 2 p.p. compared to 2019 and accounts for 21% of total assets, and cash and cash equivalents accounting for 5% of the Group's assets.

As at 30/06/2020, fixed assets constitute 42% of the total assets of the MIRBUD Group (a decrease by 3 p.p. compared to the end of 2019).

Fixed assets comprise mainly tangible fixed assets constituting 19% of the assets (a decrease in the balance sheet total by 1 p.p. versus 2019) and investment property (which constitute mainly property of Centrum Targowe [Market Centre] Marywilska 44, NOMI - JHM 1 sp z o.o. market and Galeria Handlowa [Shopping Centre] together with Biedronka in Rumia - JHM 2 sp. z o.o.) constituting 19% of the total assets (a decrease in the share by 3 p.p. compared to 2019).

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

- execution of further JHM DEVELOPMENT S.A. development projects in Rumia, Konin, Zakopane, Łódź and Żyrardów (increase of semi-finished products and work in progress by approx. PLN 23 million);
- systematic increase in the scale of infrastructure contracts entering the advanced construction stage; (construction of a section of the A-1 motorway, construction of the Olesno bypass, construction of a section of the S-1 expressway, construction of the Poręba and Zawiercie bypass, S-11 section 3, A 18 Olszyna-Gorlice, S-5 Białe Błota-Szubin)
- MIRBUD S.A. and KOBYLARNIA S.A. using advances for the execution of road construction contracts (construction of a section of the A-1 motorway, construction of the Olesno bypass, construction of a section of the S-1 expressway);

Table: Selected items of liabilities as at 30 June 2020 and 31 December 2019 in PLN thousand.

Specification	30/06/2020	% share in total liabilities	31/12/2019	% share in total liabilities	Change in PLN thousand	Change in %
Equity	414,115	33%	405,250	35%	8,865	2%
Issued share capital	9,174	1%	9,174	1%	0	0%
Profit (loss) attributable to owners of the entity	10,699	1%	28,124	2%	-17,425	-62%
Other capitals	394,242	31%	367,952	32%	26,290	7%
Capital attributable to non-controlling shares		0%	0	0%	0	0
Long-term liabilities and provisions for liabilities	388,597	31%	347,178	30%	41,419	12%
- Provisions under deferred income tax	38,756	3%	34,180	3%	4,576	13%
- other provisions for long-term liabilities	3,201	0%	3,221	0%	-20	-1%
- long-term financial liabilities for trading liabilities and other liabilities	167,097	13%	164,322	14%	2,775	2%
- long-term trading and other liabilities	165,248	13%	122,115	11%	43,133	35%
- other long-term liabilities and provisions n.e.c.	14,295	1%	23,340	2%	-9,045	39%
Short-term liabilities and provisions for liabilities	467,012	37%	394,003	34%	73,009	19%
- Provisions for short-term liabilities	3,081	0%	3,147	0%	-66	-2%

- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	90,182	7%	98,219	9%	-8,037	-8%
- trading and other liabilities	334,321	26%	263,366	23%	70,955	27%
- liabilities under deferred income tax		0%	2,410	0%	-2,410	-100%
other long-term liabilities and provisions n.e.c.	39,428	3%	26,861	2%	12,567	47%
Liabilities directly related to fixed assets classified as held for sale		0%	0	0%	0	0%
Total liabilities	1,269,724	100%	1,146,431	100%	123,293	10.8%

The activity of the MIRBUD Capital Group is financed in 33% from own funds, and in 67% from external capital. The share of long-term liabilities in financing amounted to 31% (decrease of share by 1% as compared to 2019), while the share of short-term liabilities increased by 3 percentage points compared to 2019 and stood at 37%.

The change in the structure of liabilities resulted mainly from:

- partial repayment of a loan in ARP S.A.;
- MIRBUD S.A. and KOBYLARNIA S.A. receiving and using advances for the execution of road construction contracts in the total amount of approx. PLN 123 million (construction of a section of the A-1 motorway, construction of the Olesno bypass, construction of a section of the S-1 expressway, construction of the Poręba and Zawiercie bypass, S-11 section 3, A 18 Olszyna-Gorlice, S-5 Białe Błota-Szubin);
- the maturity in the second half of 2020 and the first half of 2021 of part of the working capital credits taken out for the execution of the construction contracts nearing end;
- systematically increasing the scale of infrastructural contracts entering the advanced construction stage; (section of the A-1 motorway, section of the S-1 expressway, completion of two sections of the S-5 expressway);
- increasing the use of long-term credits for development projects in Katowice, Żyrardów, Sochaczew, Łódź, Konin and Bydgoszcz;
- commencement of execution of a number of construction contracts in 2020 which as at 30/06/2020 were at an advanced execution stage, resulting in increased use of available working capital credits;
- 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;

in connection with the progress of construction work on development projects, the amount of payments made by purchasers of residential units to JHM DEVELOPMENT S.A. under development contracts has increased.

Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019 in PLN thousand

Specification	Period from 01/01/2020 to 30/06/2020		Period from 01/01/2019 to 30/06/2019		Change in PLN thousand	Change in %
		Profitability		Profitability		
Sales revenue	434,968	-----	404,464	-----	30,504	8%
Profit from sales	41,966	9.65%	43,009	10.63%	-1,043	-2%
Operating profit EBIT	21,730	5.00%	20,532	5.08%	1,198	6%
Pre-tax profit	14,466	3.33%	13,247	3.28%	1,219	9%
Net profit	10,699	2.46%	10,557	2.61%	142	1%

In the first half of 2020, the MIRBUD Group achieved 8% higher revenue than in the same period of 2019 which resulted mainly from a significant increase in sales revenue sales in the construction and assembly activity segment.

The Group's profitability decreased in the first half of 2020.

The profitability of the Group Companies in the first half of 2020 was influenced by the following factors:

- maintaining the profitability of JHM DEVELOPMENT S.A.;
- increasing the profitability of executed road construction contracts;
- significant drop in profitability of MARYWILSKA 44 sp. z o.o. related to restrictions for commercial facilities resulting from the COVID -19 epidemic.

3.2. Assessment of financial resources management

In the first half of 2020, the Group's Companies generally settled their liabilities in a timely manner. The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 67% based on foreign capital through:

- credits,
- loans,
- bonds,
- advances,
- leasing,
- factoring.

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

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

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

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

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 Group debt ratios

Specification	30/06/2020	31/12/2019
Total debt ratio <i>Total liabilities / Assets</i>	0.67	0.65
Long-term debt ratio <i>Long-term liabilities / Assets</i>	0.31	0.30
Short-term debt ratio <i>Short-term liabilities / Assets</i>	0.37	0.34
Debt to equity ratio <i>Liabilities / Equity</i>	2.01	1.83

In the reporting period, the level of debt increased slightly by 2 p.p. compared to the end of 2019. Its structure also changed (the share of short-term debt increased by 2 p.p. and the share of short-term debt by 1 p.p.), which resulted from:

- partial repayment of a loan in ARP S.A.;
- MIRBUD S.A. and KOBYLARNIA S.A. receiving and using advances for the execution of road construction contracts in the total amount of approx. PLN 123 million (construction of a section of the A-1 motorway, construction of the Olesno bypass, construction of a section of the S-1 expressway, construction of the Poręba and Zawiercie bypass, S-11 section 3, A 18 Olszyna-Gorlice, S-5 Białe Błota-Szubin);
- the maturity in the second half of 2020 and the first half of 2021 of part of the working capital credits taken out for the execution of the construction contracts nearing end;
- gradual use by JHM DEVELOPMENT S.A. of credits granted to finance the execution of development projects;
- 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 Group's debt level in the perspective of the second half of 2020 will be influenced by the scale of new investment developments (e.g. investments in Bydgoszcz, Łódź or Zakopane) and the implemented strategy of financing large road contracts with advances from the Contracting Authority.

Table: Company liquidity ratios

Specification	30/06/2020	31/12/2019
Current liquidity ratio <i>Current assets / Short-term liabilities</i>	1.57	1.59
Accelerated liquidity ratio	0.99	0.93

(Current assets - Inventories - Short-term prepayments)/Current liabilities

Cash liquidity ratio

Cash / Short-term liabilities

0.13

0.27

As at 31/12/2019, the MIRBUD Capital Group is maintaining a satisfactory level of all current liquidity ratios.

4. MIRBUD S.A. GROUP ACTIVITIES AND DEVELOPMENT PROSPECTS

4.1. Specificity of the market

In the first half of 2020, the COVID-19 pandemic had a decisive impact on the condition of the Polish economy. According to market data published at the end of the first half of the year in June, the climax of the short-term market collapse has already passed for Poland. After an increase of 2% in the first quarter of 2020, in the second quarter the Polish Gross Domestic Product recorded a decrease of approx. 9% y/y. The consensus of annual GDP growth in the whole of 2020 was at the level of -3.7% at the end of June, compared to -3.5% at the end of May, and -3.2% at the end of April. In international forecast statements for Europe, Poland is still presented as one of the countries with the lowest GDP decline in 2020. However, the latest macroeconomic data indicates a further decline in Polish GDP dynamics to -4% at the end of July this year. The projected worsening of the economic outlook is reflected in an update of the NBP's economic forecast which turned from one of the most optimistic (1.2% increase) into one of the most pessimistic (-5.4%).

In the second quarter of this year, the construction sector, which constitutes the basic activity of the Group in comparison with other sectors of the economy, was not subject to such stringent restrictions caused by the outbreak of the epidemic, and this protected it from the collapse observed in the industry and services sector. In May, after the April breakdown, the level of the seasonally adjusted indicator of economic situation in construction business increased by nearly 10 p.p., while in June it increased by another 10 p.p., and in July by 8 p.p. The gradual recovery of the economic situation in the construction market proves that in the initial period of the economic crisis construction companies exaggerated the possible negative impact of the epidemic on their operations.

4.2. Market prospects

After six months of this year, the dynamics of construction and assembly production in Poland decreased to 2.3% compared to 3.9% after the first five months. The decline in construction and assembly production is expected to continue in the remainder of the year, with the target being a negative average annual result. The reason for such market behaviour is the observed decrease in the activity of private investors as well as local government public investment developments. After the government announced the launch of the Local Government Investment Fund with a PLN 6 billion budget in June, a decision was made in July this year to double its value. As a result, the amount of PLN 6 billion will be allocated for subsidies to municipal and district investment developments for the years 2020-2021, while another PLN 6 billion will be allocated by the Prime Minister of the Republic of Poland for specific investment developments indicated by local governments.

An increase in investment development activity can be observed in the area of civil engineering construction. In the first half of the year, the nominal value of this indicator was 10% y/y. Significant revival can be seen in bridge and tunnel, railway, transmission network, and road construction. At present, the Company does not operate in the sector of railway and power engineering, but it is a beneficiary of increases in the road construction sector (total increase by 14%) and bridge and tunnel construction (increase by 38%).

Maintaining continuity in the execution of government infrastructure investment developments 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.

Following the above trend is reflected in the current order portfolio of MIRBUD S.A. At the end of the first half of the year, the value of the Company's portfolio of orders to be processed by 2024 amounted to PLN 3,053 thousand net, of which the value of the portfolio of road contracts was PLN 2,158 thousand. In total, the value of the order portfolio including contracts executed by KOBYLARNIA S.A. at the end of the first half of the year is PLN 4,829 thousand net, of which 81.5% is the value of the order portfolio of road contracts,

while 18.5% is the value of the other volumetric contracts. As at the date of publication of this report, the total order portfolio of MIRBUD S.A. and KOBYLARNIA S.A. for the years 2020-2024 amounts to nearly PLN 5.5 billion net.

The order portfolio of the MIRBUD Capital Group, so filled to a historically high value, makes the Group companies focus on the execution of already held contracts in the following years, despite the observed economic slowdown. The decrease in investment activity in the area of volumetric construction and the related intensifying competition on the construction market, as well as the forecasted increase in unemployment on the labour market present an opportunity to significantly strengthen the Company's negotiating position towards subcontractors. The observed drops in prices of materials and services will potentially improve the assumed margins on already held contracts.

4.3. Description of activities of companies from the MIRBUD Group in the first half of 2020

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 companies from the MIRBUD Capital Group in the reporting period include:

- filling the order portfolio of the Issuer's Capital Group with a value of approximately PLN 5 million for the years 2020-2024 - including execution of significant road sector construction contracts;
- diversification of the types of volumetric investment developments in progress (expanding the scope of execution to include facilities under public procurement, schools, sports facilities, airport terminal and other);
- systematic increase in the size and value of carried out construction projects;
- maintaining commercialisation of CH MARYWILSKA 44 sp. z o.o. at the level of over 90% despite the state of epidemic.

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

- decrease in revenue of MARYWILSKA 44 Sp. z o.o. caused by the COVID-19 coronavirus epidemic.

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

MIRBUD S.A.

In the first half of 2020, the Company continued to provide a wide range of construction and assembly services in the area of industrial, building, residential, and road and engineering road construction performed under the general contractor system, and to a lesser extent it conducted transport activities, leased machinery, construction equipment and rolling stock, and 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 engineer staff.

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

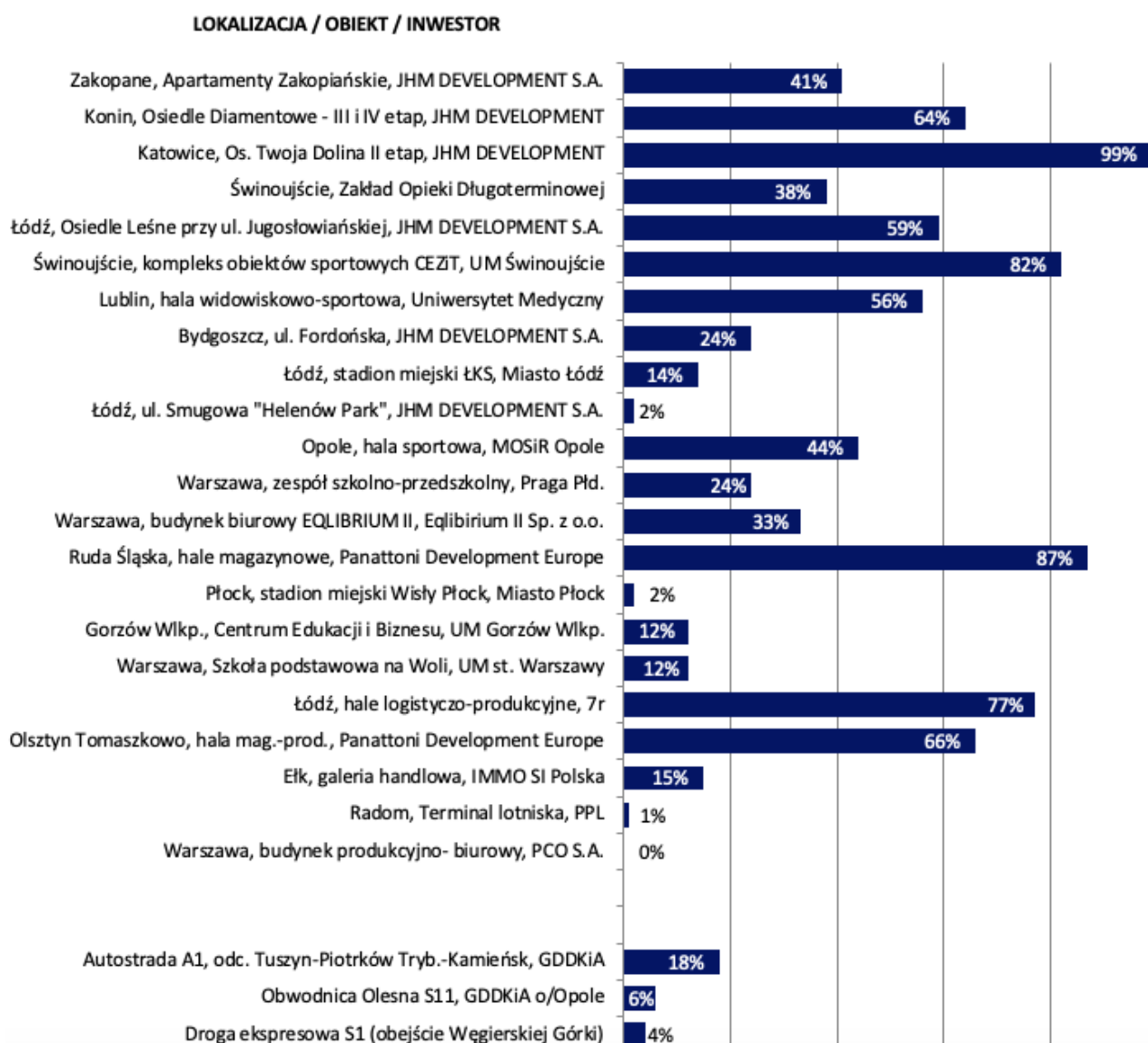
- Signing a contract with the Capital City of Warsaw for the construction of an elementary school in the area of ul. Jana Kazimierza in Warsaw. Contract value: PLN 30.5 million net.
- Signing a contract with the “Polish Airports” State Enterprise for the “design-build” construction of a terminal building at the Radom-Sadków airport. together with equipment. Contract value: PLN 228 million net.
- Signing a contract with 7R S.A. for the construction of two logistic service halls with production functions and warehouse and social and office back-up facilities together with technical infrastructure. Contract value: EUR 5.09 million net
- Signing a contract with IMMO SI Polska Sp. z o.o. for the construction of a complex of commercial buildings - bi1 building and a petrol station with the necessary technical infrastructure in Ełk. Contract value: PLN 30.5 million net.
- Signing a contract for the construction of a production and office building at ul. Jana Nowaka Jeziorańskiego in Warsaw. Contract value: PLN 29.7 million net.
- Signing a letter of intent for the construction of a warehouse, service and production complex for Panattoni Development Europe Sp. z o.o. in Tomaszkowo near Olsztyn. Contract value: EUR 6.5 million net.
- Signing a contract with a subcontractor for the design and execution of safeguards and reinforcement of road excavations at the construction site of the S-1 expressway (the so-called “Węgierska Górka bypass”). Contract value: PLN 117.65 million net.
- Signing a contract with a subcontractor for the delivery and execution of the substructure and layers of mineral and asphalt road surface on the A1 motorway. Contract value: PLN 23.7 million net.
- Signing a contract with a subcontractor for the production and delivery of ready-mixed concrete for the construction of the S-1 expressway (Węgierska Górka bypass). Contract value: PLN 89.24 million net.
- Adoption of the Dividend Policy, pursuant to which the Management Board of MIRBUD S.A. will recommend to the General Meeting of Shareholders the payment of dividends for individual years in the amount of 10% to 50% of MIRBUD S.A.’s net profit.

After the end of the reporting period, and before the publication of this report, the Company signed a contract for the design and construction of the S-1 Kosztowy - Bielsko-Biała road. Section III Dankowice - the “Suchy Potok” interchange (with interchange) with a net value of PLN 586.71 million.

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

All developments were carried out according to the schedule. For the most time, the Company maintained a constant level of development execution, more than 25 executed constructions.

Below we present a summary of the investment developments carried out as at the end of June 2020.



Between 01/01/2020 and 30/06/2020, the Company participated in 26 non-public tender procedures and 22 public tenders in Poland with a total value of PLN 3.94 billion gross.

Between 01/01/2020 and 31/12/2020, the Company participated in 2 road construction tender procedures in Ukraine with a total value of approx. EUR 76 million.

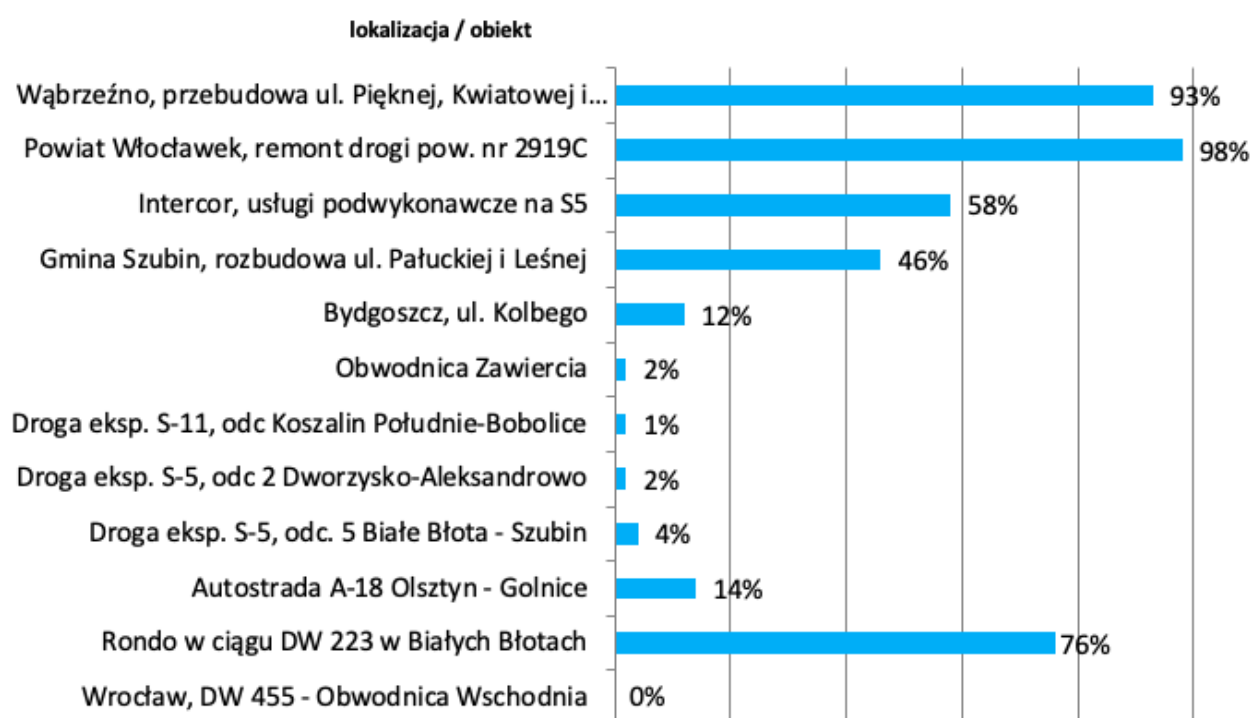
KOBYLARNIA S.A.

In the first half of 2020, the recovery in the infrastructure **segment of the construction work** market continued, which translated into the number of successful tenders. In the reporting period, the Company completed the execution of low-margin contracts concluded between 2015 and 2017 and as the leader of the consortium together with MIRBUD S.A. signed the following significant contracts for:

- Design and construction of the S11 road Koszalin - Szczecinek, section Koszalin - Bobolice. Contract value: PLN 450 million net.

- Continuation of the design and construction of the S-5 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 Contract value: PLN 359.4 million net.
- “Continuation of design and construction of the S-5 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 S-5 expressway from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of approximately 22.4 km. Contract value: PLN 583.37 million net.
- Design and construction of a voivodship road between voivodship road No. 455 to national road No. 98 in Wrocław. Contract value: PLN 164.7 million net.

The progress of work on major construction sites at the end of June 2020 is shown in the chart below:



By the end of June 2020, the Company had participated in 19 public tenders and 11 non-public tenders with a total value of PLN 2.42 billion gross.

EXPO MAZURY

Expo Mazury S.A. in liquidation conducts business activity, the leading branch of which is the organisation of trade fair events, as well as the lease of individual parts of the Company’s facilities to external entities organising their own events, as well as long-term lease and execution of external construction.

The total ban on gatherings in connection with the COVID-19 pandemic resulted in shutting down trade fair centres in Poland and around the world, which entailed a global crisis in the industry to which Expo Mazury also fell victim.

The state of epidemiological threat was introduced just before the beginning of the trade fair season in Expo Mazury, putting the company in a situation where the costs associated with the preparation of events planned for the first half of the year are highly advanced, while depriving the company of revenues from

these events. Own events planned for the following months have been postponed to the second half of 2020, without any guarantee that the company will be able to complete them. The economic situation in the country has also caused a significant part of customers who have already confirmed their participation in the trade fairs and paid advances to ask Expo Mazury to terminate the contract and return the advances. Customers who were supposed to organise their events by renting halls from EXPO MAZURY in the first half of the year also withdrew from contracts and reservations. Long-term lease remains an important element of the company's activity. It generated more than half of its revenue in 2019.

In connection with the coronavirus pandemic, the Issuer has decided to phase out its activities consisting in organising trade fairs and assign the entire facility for short-term and long-term lease. This will allow, first of all, to significantly reduce the costs of the centre's activities (reduction of employment, lack of costs related to the organisation of trade fairs, including advertising, construction, transport, external services, reduced cleaning and security costs).

As part of the real property in Ostróda, the Company has over 42 thousand square metres of area at its disposal which can be used for warehouses, show and exhibition centre, industrial hall, or other activities and almost 2 thousand square metres of modern conference centre area. More than 20 thousand square metres were leased as part of this area. Talks are in progress with new lessees and we are looking for more lessees.

According to the Resolution of the General Meeting of Shareholders of **1 July this year** (No. 3/2020, Repertory A No. 6401/2020) the liquidation process regarding Expo Mazury **S.A.** has begun. This is the second stage of reorganisation of the MIRBUD Capital Group. The aim of the reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent which is MIRBUD S.A. The consequence of the reorganisation will be simplifying the Group's structure, streamlining business processes within the Group and optimising operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of its assets of MARYWILSKA 44 Sp. z o.o. while maintaining the continuity of existing contracts and liabilities. The reorganisation completion is scheduled for the end of September 2021.

ТОВ «МІРБУД»

The company was established for the purpose of conducting business activity in Ukraine. Currently, it analyses the market potential, creates the structure allowing for participation in public tenders, gains experience and recognises the possibilities of establishing cooperation with potential subcontractors and suppliers of materials for works carried out in Poland and Ukraine.

JHM DEVELOPMENT S.A.

JHM DEVELOPMENT S.A. primarily develops residential buildings. In the first half of 2020, the Company's development activities focused mainly on the execution of investment developments in the following locations: Katowice, Łódź, Konin, Żyrardów, Sochaczew, Zakopane. In the second quarter of this year, the Company's first investment development in Bydgoszcz went up for sale.

Since the beginning of its activity, the Company has operated in smaller and medium-sized cities of central Poland, located in the vicinity of large urban agglomerations, and selectively in other regions with high potential, where it is possible to realise attractive margins.

Without giving up on its existing markets, for several years JHM DEVELOPMENT has been implementing a modified development strategy, focusing on investment developments located in large cities. The first such project was the construction of the first stage of Twoja Dolina Housing Estate in Katowice - a city with over 300,000 inhabitants, which is part of the Upper Silesian agglomeration.

Currently, works are in progress on the second stage of the Twoja Dolina Housing Estate in Katowice, the fourth stage of Osiedle Diamentowe in Konin, an estate of single-family houses in Łódź, the Aura Towers housing estate in Bydgoszcz, the Nowa Strefa investment development in Żyrardów, and Apartamenty Żeromskiego in Sochaczew.

When selecting locations for new investment developments, the key factors for the Company include:

- strong demand,
- limited competition,
- the financial capacity of the inhabitants of the city in question.

The projects are carried out in stages as the appropriate level of sales is achieved. The construction of further buildings in the ongoing investment developments starts after a minimum level of 60% of the sales of residential units is achieved.

Apart from those investment developments, in the first half of 2020 JHM DEVELOPMENT S.A.'s trading activities were also based on the investment developments made in the previous periods and included in the Company's current portfolio.

Table: List of completed development projects and number of units sold as at 30/06/2020

Item No.	Location	Type of investment development	Number of units in the building	Usable and residential space in sq. m	Number of units sold	Number of units to be sold
1	BRZEZINY ul. Głowackiego	Multi-family	128	6,933	128	0
2	ŻYRARDÓW ul. Hulki Laskowskiego	Multi-family	83	4,409	83	0
3	RUMIA ul. Dębogórska Stage I	Multi-family	244	12,987	241	3
4	SKIERNIEWICE ul. Trzcńska	Multi-family	159	8,552	159	0
5	RAWA MAZOWIECKA ul. Solidarności	Multi-family	32	1,790	32	0
6	RAWA MAZOWIECKA ul. Kazimierza Wielkiego	Multi-family	34	1,858	34	0
7	HEL ul. Steyera	Apartments	106	3,496	86	20
8	BEŁCHATÓW ul. Hubala	Multi-family	125	6,550	125	0
9	SKIERNIEWICE ul. Rawska	Multi-family	172	9,034	172	0
10	RAWA MAZOWIECKA ul. Katowicka	Detached houses	73	10,503	73	0
11	RUMIA ul. Jagiełły/Bony	Detached houses	3	486	3	0
12	ŻYRARDÓW ul. Okrzei Stage I	Multi-family	88	4,316	88	0
13	KONIN ul. Beryłowa Stage I	Multi-family	144	7,384	143	1

14	ŁOWICZ ul. Medyczna 12	Multi-family	25	1,383	25	0
15	KONIN ul. Berylowa Stage II	Multi-family	144	7,389	143	1
16	KATOWICE, ul. Pułaskiego Stage I	Multi-family	208	11,116	198	10
17	ŁOWICZ ul. Bonifraterska	Multi-family	25	1,398	25	0
18	RUMIA ul. Dębogórska Stage II	Multi-family	237	11,987	218	19
19	SKIERNIEWICE ul. Kopernika	Multi-family	34	1,787	34	0
20	BRZEZINY ul. Kard. St. Wyszyńskiego 2	Multi-family	56	2,838	55	1
21	ŻYRARDÓW ul. Okrzei Stage II	Multi-family	34	1,933	34	0
22	ŁOWICZ ul. Medyczna 10	Multi-family	30	1,406	30	0
23	ŻYRARDÓW ul. Okrzei Stage III	Multi-family	70	3,977	64	6
24	BRZEZINY ul. Kard. St. Wyszyńskiego 4/6	Multi-family	72	4,129	34	38
26	SKIERNIEWICE ul. Reymonta	Multi-family	212	11,748	166	46
25	RUMIA ul. Dębogórska Stage III	Multi-family	74	3,541	30	44
27	KONIN ul. Berylowa Stage III	Multi-family	122	5,998	94	28
TOTAL			2,734	148,928	2,517	217

As at 30/06/2020, JHM DEVELOPMENT S.A. sold residential units within 13 completed projects comprising 15 residential buildings. This constitutes a portfolio of 217 finished units in multi-family buildings.

As at 30/06/2020, JHM DEVELOPMENT S.A. with the participation of the tour operator *Sun&Snow* sp. z o.o. with its registered office in Warsaw rents 20 tourist apartments located in the "Foka" facility located in Hel on the Hel Peninsula. Revenue generated by this activity is included in the category Sale of rental services.

Marywilka 44 sp. z o.o.

The basic segment of Marywilka 44 Sp. z o.o. activity is the lease of commercial space within a commercial complex which includes the MARYWILSKA 44 Shopping Centre and MARYWILSKA 44 Shopping Park located in Warsaw, Białołęka district, at ul. Marywilka. The main share in the Company's sales structure is the revenue from space rental and related maintenance fees and fees for rights to premises. This is the basic activity carried out by the Company and the revenue generated from this activity constitutes almost 100% of sales. A one-off fee for the right to premises depends on the number of leased premises.

The profitability of operating activity of Marywilka 44 Sp. z o.o. in the first half of 2020 was determined by the low rotation of lessees in the Shopping Centre and the income from new lessees in the Shopping Park. Due to the coronavirus pandemic, the Company's Management Board was forced to grant significant discounts on lessees' rents, which significantly translated into the financial result achieved in the first half of 2020.

The majority of lessees have signed to continue lease contracts which are usually signed for a term of 5 or 10 years. The Company's Management Board continued its activities aimed at stabilising the composition of the lessees and prolonging cooperation with the lessees.

The goal which the Company will strive for in the future is to fully commercialise the lease space currently at its disposal.

JHM 1 Sp. z o.o.

The first half of 2020 was another period of activity consisting in leasing commercial space to the "House and Garden" ("Dom i Ogród") retail chain in a facility located in Starachowice. As of February 2017, the only lessee of the facility is the BRICOMARCHÉ retail chain, with which a lease contract has been signed for a period of 10 years with an option to extend it for another 10 years, and then for another 10 years.

The lease of commercial space is the basic and only segment of the Company's activity.

JHM 2 Sp. z o.o.

The core business of JHM 2 Sp. z o.o. is the management of facilities partially leased for the purposes of conducting commercial activity under the BIEDRONKA brand and to other lessees.

The lease by the main lessee, the BIEDRONKA chain, is based on a ten-year lease contract, including the possibility of its extension for another ten-year period. The lease contract also regulates the parties' liability for activities and costs incurred in connection with the operation and maintenance of the property in the condition required for the lessee's business. The management of convenience-type commercial facility Centrum Janowo located in Rumia currently constitutes the main area of activity.

Total revenue of JHM 2 Sp. z o.o. comes from rent paid by lessees. The lease of commercial space is the basic and only segment of the Company's activity.

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 Group's basic products, services or goods

The structure of revenue from sales, costs of sales and profitability by business segments for the MIRBUD Capital Group in the first half of 2020 as compared to the first half of 2019 are presented in the tables below:

Table: Sales realised by the MIRBUD Capital Group in the periods from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019 by segments

	Sales revenue 01/01/2020 – 30/06/2020	Structure of revenues in %	Sales revenue 01/01/2019 – 30/06/2019	Structure of revenues in %
Sale of construction and assembly services:	379,891	87.3	352,315	87.1
- residential buildings	0	0.0	0	0.0
- public buildings	70,330	16.2	35,441	8.8

- production, commercial and service buildings	105,683	24.3	150,800	37.3
- road and engineering works	203,878	46.9	166,075	41.1
Real estate development activity	35,827	8.2	23,693	5.9
Activities connected with lease of investment property	15,835	3.6	23,259	5.8
Exhibition and trade fair activity	2,759	0.6	4,304	1.1
Other	656	0.2	893	0.2
TOTAL	434,968	100	404,464	100

The value of the Group's revenues in the first half of 2020 as compared to 2019 increased by approx. 7.5%. This resulted mainly from the fact that the Group achieved significantly higher revenue from construction and assembly activities in the segment of public buildings (increase by 98%) and road and engineering works (increase by 23%) and development activities (increase by 51%).

This also affected the Group's sales structure, which changed compared to the analogous period in the previous year. The main share in the Group's sales structure was still represented by construction and assembly services, accounting for approx. 87% of total sales (share of the Group's total revenue - unchanged).

Among the revenue from construction and assembly services, the highest revenue was generated by the sale of services in the segment of road and engineering works, accounting for approx. 47% of those services (increase of share by approx. 6 p.p. compared to the analogous period in the previous year) and service and commercial buildings generating approx. 24% of revenue from the sale of those services (decrease in the share by approx. 13 p.p. year-on-year). Services in the segment of public buildings, which accounted for approx. 16% of sales (increase in sales share by 7 p.p.) and revenue from development activity (increase in sales share by 2 p.p.).

In the reporting period, the share of revenue from the lease of investment property in total sales decreased by 2 p.p.

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

- systematically increasing the scale of infrastructural contracts entering the advanced construction stage; (section of the A-1 motorway, section of the S-1 expressway, completion of two sections of the S-5 expressway);
- the reduction of private investment development level;
- cumulation of sales revenue in JHM DEVELOPMENT S.A. in the second half of 2019;
- the COVID-19 epidemic having a significant negative impact on the level of revenue from lease of investment properties (MARYWILSKA 44 sp. z o.o.) and conference and trade fair activities;
- concentration of MIRBUD S.A. on the implementation of the most profitable, prestigious projects.

Table: Profitability for MIRBUD S.A. Capital Group in the periods from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019 by segments

Specification	Profit/loss on sales 01/01/2020 – 30/06/2020	Sales profitability in %	Profit/loss on sales 01/01/2019 – 30/06/2019	Sales profitability in %
Sale of construction and assembly services:	30,520	8.0	26,091	7.4
- residential buildings	0	0.0	0	0.0
- public buildings	5,162	7.3	3,320	9.4
- production, commercial and service buildings	12,313	11.7	14,460	9.6
- road and engineering works	13,045	6.4	8,312	5.0
Real estate development activity	8,174	22.8	6,302	26.6
Activities connected with lease of investment property	2,495	15.8	8,936	38.4
Exhibition and trade fair activity	1,323	48.0	2,024	47.0
Other	-546	-83.2	-345	-38.6
TOTAL	41,966	9.6	43,008	10.6

The Group achieved a positive financial result in all its basic segments of activity. The profitability of the Group's sales in the first half of 2020, compared to the first half of 2019, decreased by 1.0 p.p. This was mainly due to a significant drop in profitability in the investment property lease segment.

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.

Due to the COVID-19 pandemic, the situation on the construction market in the first half of 2020 was difficult for construction companies. The observed economic slowdown has a negative impact on the number of commenced construction projects. Private investors are holding back from commencing investment development execution due to the uncertain economic and epidemiological situation and difficult access to capital.

A positive development from the point of view of general contractors, the drop in prices of materials and services, causes an increase in aggressive competition between them, which in the medium- and long-term perspective may negatively affect the profitability of contracts concluded in 2020.

The above threats concern MIRBUD S.A. to a limited extent. The Company executes short-term, high-margin contracts for the construction of warehouse and industrial facilities with a simultaneous, significant increase in the number of public sector clients. Contracts for the construction of public facilities and roads are characterised by long lead times and the margins for these contracts were calculated before the COVID-19 pandemic and the associated economic slowdown.

The filled order portfolio, high share of public contracts, decrease in prices of materials and services and the long-term nature of the above contracts allow MIRBUD S.A. to feel quite safe in the prevailing turbulent macroeconomic environment.

In the first half of 2020, the Company participated in 61 tenders, 6 of which resulted in the signing of a contract.

In the first half of 2020, the Company generated over 10% of its sales revenues with the following customers: GDDKiA 34%, Panattoni Europe Capital Group companies (approx. 25% in total), JHM DEVELOPMENT (12%),

KOBYLARNIA S.A.

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

- public sector entities - subject to the provisions of the Public Procurement Law,
- private sector entities.

The vast majority of the Company's revenue was generated from construction services commissioned by GDDKiA and MIRBUD S.A., whose end customers were public sector entities (mainly GDDKiA). Similarly to MIRBUD S.A., at the end of the reporting period KOBYLARNIA S.A. also holds a filled portfolio of orders to be executed between 2020 and 2024.

By the end of June 2020, the Company participated in 20 tenders, 2 of which resulted in the signing of a contract.

EXPO MAZURY S.A.

The first half of 2020 has historically been the most difficult period for the whole trade fair industry. The total ban on gatherings in connection with the COVID-19 pandemic resulted in shutting down trade fair centres in Poland and around the world, which entailed a global crisis in the industry to which Expo Mazury also fell victim.

The state of epidemiological threat was introduced just before the beginning of the trade fair season in Expo Mazury, putting the company in a situation where the costs associated with the preparation of events planned for the first half of the year are highly advanced, while depriving the company of revenues from these events. Own events planned for the following months have been postponed to the second half of 2020, without any guarantee that the company will be able to complete them. The economic situation in the country has also caused a significant part of customers who have already confirmed their participation in the trade fairs and paid advances to ask Expo Mazury to terminate the contract and return the advances.

Customers who were supposed to organise their events by renting halls from Expo Mazury in the first half of the year also withdrew from contracts and reservations. The trade-fair-related activities, the construction of trade fair buildings at events in Poland and abroad, which constitute another source of the company's revenue has ceased entirely.

The ban also included a long-term lessee running a trampoline park on the premises of Expo Mazury.

In the first half of 2020, the company did not organise any of the planned own events.

Before the introduction of a total ban on gatherings (partially lifted by the government in June this year) the facility hosted a concert of Christmas carols from all over the world performed by Polish music stars, "Betlejem na Warmii i Mazurach" (client: Agencja Sarim), and Mazurian Agro Show - an agricultural machinery and equipment trade fair, which gathered over 300 exhibitors and 42 thousand visitors (client: Polish Chamber of Commerce of Agricultural Machines and Facilities).

Other clients have cancelled their events or postponed them for the second half of 2020 or the first half of 2021.

In connection with the coronavirus pandemic, the Issuer has decided to phase out its activities consisting in organising trade fairs and assign the entire facility for short-term and long-term lease. This will allow, first of all, to significantly reduce the costs of the centre's activities (reduction of employment, lack of costs related to the organisation of trade fairs, including advertising, construction, transport, external services, reduced cleaning and security costs).

As part of the real property in Ostróda, the Company has over 42 thousand square metres of area at its disposal which can be used for warehouses, show and exhibition centre, industrial hall, or other activities and almost 2 thousand square metres of modern conference centre area. More than 20 thousand square metres were leased as part of this area (IKEA). Talks are in progress with new lessees and we are looking for more lessees.

Other companies of the MIRBUD Group

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 Work 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 executed investment developments 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.

JHM DEVELOPMENT

The Group does not have any suppliers in the traditional sense of the word. The Group cooperates with a number of entities on the Polish market on development and commercial projects. These entities are banks providing design financing, construction companies (including MIRBUD S.A.) performing construction and finishing works and architectural companies and entities providing additional services, e.g. marketing. In each of the above-mentioned activities there is considerable competition on the Polish market.

There is no dependence on any of the suppliers

Other companies of the MIRBUD Group

Other Companies of the MIRBUD Capital Group, i.e. KOBYLARNIA S.A., ТОВ «МІРБУД», Marywilka 44 sp. z o.o., EXPO MAZURY S.A. apply supplier selection procedures based on MIRBUD S.A. solutions. There is no dependence on any of the suppliers.

4.7. Impact of the COVID-19 pandemic on the operations of the MIRBUD Capital Group companies

The outbreak of the COVID-19 coronavirus pandemic did not significantly affect the activities of MIRBUD S.A. and KOBYLARNIA S.A. Despite the economic collapse in the industry and services sector, the government did not decide to introduce such stringent restrictions in the construction sector which is characterised by a lower risk of virus transmission by construction workers carrying out outdoor work. The economic collapse following the introduction of the restrictions has led to the construction sector being recognised as the economic sector which will be the flywheel to alleviate the impact of the crisis. In accordance with this assumption, an increase in the number of tenders for road investment developments, announced by the General Directorate for National Roads and Motorways, can be observed. On the other hand, one of the consequences of the economic crisis triggered by the pandemic was a distinct drop in the level of new local government and private investment developments. In the face of uncertain economic future, investors are holding back their decisions regarding investment developments until the domestic and global situation has stabilised. The above facts were reflected in the current structure of the order portfolio of MIRBUD S.A., where 70% stands for the value of the road contract portfolio and 30% for the value of volumetric construction projects in progress. With the road construction contracts executed by KOBYLARNIA S.A. included (alone or as a leader in a consortium with MIRBUD S.A.) these values are respectively: 81.5% and 18.5%.

Although both companies recorded slight delays in the supply chain on some sites during the first weeks of the pandemic, they did not affect the deadlines in work schedules.

JHM DEVELOPMENT S.A.

The introduction of the state of epidemic threat did not necessitate the suspension of JHM DEVELOPMENT S.A.'s operations, however, it affected the Company's operations and its customers' behaviour, including primarily the sale of products from the Company's portfolio.

The key aspect is the drop in demand for the Company's products, i.e. flats in multi-family buildings and single-family houses, starting from March this year. Due to the uncertainty of employment and their personal situation, potential customers often resigned from buying a flat or postponed their purchase decisions. This was particularly true for the first few weeks after the pandemic restrictions were announced. As a result of the pandemic, the Company recorded a significant decrease in the number and value of concluded development contracts. While in February (the last month without the impact of the pandemic) the value of signed preliminary and development contracts amounted to PLN 13,488 thousand, already in March the value dropped to PLN 4,258 thousand (68% drop), and in April to PLN 2,316 thousand (83% drop compared to February).

A number of customers, due to concerns about the spread of COVID-19 and their personal situation related to it, have resigned from purchase or postponed their decision - preliminary and reservation contracts terminated by the Company's customers as a result of the pandemic during this period reached PLN 4,309 thousand.

Another negative effect of the new situation was the limitation of some of the customers' possibility to meet their obligations under already concluded sales contracts. The banks lending to apartment buyers have tightened the criteria for granting credits, and the process of obtaining and disbursing the credit itself has

been significantly extended. At the same time, some customers have failed to pay on time due to payment congestion within the economy. As a result, in March the Company did not receive due payments from individual customers in the amount of PLN 1,847 thousand, and in April another PLN 1,438 thousand.

The aforementioned situation has gradually improved in the following months and the Company expects that the lower sales rate and problems with payments will continue for the next few months. The stabilisation of the economic situation after the end of the state of epidemic threat will gradually improve consumer sentiment and renew the increase in the number of sold residential units.

Marywilka 44 Sp. z o.o.

Marywilka 44 has taken a number of measures to reduce costs and expenses related to the changing situation on the property rental market. One of those measures was the Company applying for public aid in the form of redemption of a part of fees due to public administration and constituting costs of the Company's operations in the first half of 2020.

The Company estimates that the received aid will amount to approximately PLN 1,300 thousand. The Management Board of the Company believes that as at the date of publication there is no reasonable assurance as to receiving aid, therefore it has been classified as a contingent asset in the financial statements for the current financial year and will be presented in the statements of comprehensive income in the period when it is received or reasonable assurance is obtained.

Taking into account the current situation in Poland (the SARS-Cov-2 coronavirus epidemic state and the introduction of restrictions and limitations on trade) and the decrease in the number of visitors, compared to the same period in 2019, to the MARYWILSKA 44 Commercial Complex, since the date of lifting the ban on trade, i.e. since May 4, 2020, the Management Board of the Company has provided support for the lessees in May, June and July in the form of a 50% discount on rent. The Company plans to provide financial support to lessees in the form of rent reduction until the end of the epidemic, at the most. The amount of support in the following months will depend, i.a., on the number of visitors to the complex and other market factors relevant for the lessees' businesses, e.g. access to goods or the introduction of further sanitary and epidemiological restrictions in commercial facilities by government administration bodies.

The Company has taken a number of measures to ensure sanitary and epidemiological safety and comfort within the Commercial Complex for both lessees and customers. In-depth footfall analysis is systematically conducted, allowing to diagnose the dynamics of visits as well as the time of staying within the facility.

JHM 1 Sp. z o.o.

JHM 1 Sp. z o.o. manages the property located in Starachowice at ul. Radomska, leased to a single lessee, BRICOMARCHÉ conducting commercial activity in the construction industry. The bans on conducting business activities introduced on 13 March 2020 as part of the fight against the COVID-19 epidemic, did not significantly affect the construction industry. In April, the lessee and lessor have jointly agreed to reduce the lease rent for that month in proportion to the duration of the ban. Due to the insignificant value of this reduction, this fact did not significantly affect the revenues generated in the reporting period and the achieved financial results.

JHM 2 Sp. z o.o.

JHM 2 Sp. z o.o. manages the Centrum Janowo commercial facility located in Rumia at ul. Dębogórska, where it leases premises to a number of lessees conducting commercial and service activities within various industries. The main lessee generating a significant part of the company's revenues is the BIEDRONKA chain

market belonging to the food industry. This industry was not subject to any restrictions on activities linked to the COVID-19 epidemic, nor was the activity of another major lessee, the pharmacy.

The restriction on business activity, introduced in connection with the COVID-19 epidemic in Poland in the period from 14 March 2020 to 6 June 2020, covered three lessees running business activity in Centrum Janowo in the fitness industry, and cosmetology industry, and a tanning salon from April. During this period, no rent and maintenance fees were charged to these lessees.

The circumstances described above had an impact on the results achieved by JHM 2 Sp. z o.o. - a decrease in revenue and decrease in gross profit on sales, however, due to lower financial costs, the generated net financial result remained at a satisfactory level.

EXPO MAZURY S.A.

The total ban on gatherings in connection with the COVID-19 pandemic resulted in shutting down trade fair centres in Poland and around the world, which entailed a global crisis in the industry to which Expo Mazury also fell victim.

The state of epidemiological threat was introduced just before the beginning of the trade fair season in Expo Mazury, putting the company in a situation where the costs associated with the preparation of events planned for the first half of the year are highly advanced, while depriving the company of revenues from these events. Own events planned for the following months have been postponed to the second half of 2020 or the first half of 2021, without any guarantee that the company will be able to complete them. The economic situation in the country has also caused a significant part of customers who have already confirmed their participation in the trade fairs and paid advances to ask Expo Mazury to terminate the contract and return the advances.

Customers who were supposed to organise their events by renting halls from Expo Mazury in the first half of the year also withdrew from contracts and reservations. The trade-fair-related activities, the construction of trade fair buildings at events in Poland and abroad, which constitute another source of the company's revenue has ceased entirely.

The ban also included a long-term lessee running a trampoline park on the premises of Expo Mazury. In the first half of 2020, the company did not organise any of the planned own events.

The company has been running a long-term lease of warehouse space to IKEA without any interruptions, generating approx. 50% of its revenue in 2019.

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 profit margins. In the reporting period there was a rapid increase in the scale of the Group's operations initiated in 2019, and the observed economic slowdown and the related expected drop in the prices of materials and services may be an opportunity to achieve margins at a higher than assumed level.

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, the value of contracts to be executed in 2020 and the following years in the portfolio of MIRBUD S.A. is approx. PLN 3.6 billion. In the first half of 2020, there was a significant change in the structure of the Company's order portfolio: the road and engineering work segment, whose share in the order portfolio is currently 70%, dominated the revenue. So far, the dominant segment of the construction of production, service and commercial buildings accounts for approximately 30% of the Company's revenue. The segment of public buildings has also experienced an increase, mainly due to the ongoing construction of two large football stadiums in Łódź and Płock. In the first

half of the year, the Company carried out the construction of the above mentioned stadiums and public facilities, such as two schools in Warsaw, a sports hall in Lublin, a sports hall in Opole, a complex of educational facilities in Gorzów Wielkopolski, a complex of sports facilities in Świnoujście, an airport terminal in Radom with a total value of PLN 614.6 million with a completion date of 2023 and the construction of a music school in Brodnica completed in April this year. In the following years, the Company will focus on the execution of concluded long-term contracts for the construction of public facilities. The specific nature of the above contracts, the scale of their social impact and the timeliness and quality of the construction works carried out result in MIRBUD S.A. gaining an opinion of a general contractor with a wide range of competences for the construction of facilities in this segment, including facilities with complex engineering challenges.

In the second half of 2020, 4 investment developments are planned to be completed and delivered, including 3 warehouse halls.

The increase in inflation and the prevailing economic slowdown provide grounds for caution in forecasting the market situation of MIRBUD S.A. It is still impossible to predict further developments related to the prevailing epidemic state and potential economic restrictions, which may have a significant impact on the condition of the Polish construction market in the coming quarters and years. Unfreezing the economy with a curve of infection cases which still has not flattened carries the risk of increasing COVID-19 infections in the coming months. Despite the fact that experts forecast that the downward trend for the annual production dynamics will be maintained, it should be remembered that the Company has signed long-term contracts for the construction of roads and public utility buildings which constitute a safe base for the implementation of the strategy of maintaining the amount of revenue above PLN 1 billion per year in the following years while achieving satisfactory margins. The intensifying competition on the construction market, as well as the forecasted increase in unemployment on the labour market present an opportunity to strengthen the Company's negotiating position towards subcontractors. The observed drops in prices of materials and services will potentially improve the assumed margins on held contracts.

On 16 June this year, The Council of Ministers adopted a resolution amending the resolution on the establishment of a long-term programme entitled "National Roads Construction Programme for the years 2014-2023 (with a perspective until 2025)", submitted by the Minister of Infrastructure. Under the adopted resolution, the Polish government will additionally allocate over PLN 21 billion to the National Roads Construction Programme. More money will be provided, i.e., for the construction of the S-6 expressways from Koszalin to the Tri-City bypass and the S-10 Toruń - Bydgoszcz.

As a supplement to the National Roads Construction Programme, in February this year the "Programme for the construction of 100 bypasses for the years 2020-2030" was adopted, according to which 100 ring roads will be built within the national road network with a total length of approx. 820 km. The cost of the programme implementation was estimated at approximately PLN 28 billion. For a dozen or so bypasses, tender procedures are still planned to be announced in 2020. MIRBUD S.A. together with its subsidiary, KOBYLARNIA S.A., will participate in submitting bids for the execution of those tasks whose locations are consistent with the infrastructure facilities owned by both companies.

MIRBUD S.A. 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 change the structure of financing, the Company's strategy provides for a further 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.

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.

The primary objective of the Company remains to develop the scale of its activities while maintaining attractive margins at the level of EBITDA and net profit.

JHM DEVELOPMENT S.A.

JHM DEVELOPMENT S.A. intends to participate in the development of the Polish residential market by continuing its strategy of developing development activities and renting commercial areas based on the following objectives:

- Further development of development activities in smaller and medium-sized cities, in particular in the vicinity of larger urban agglomerations. Such locations allow for profitable execution of development projects with a reduced level of risk. In smaller and medium-sized cities, land prices are moderate, so it is easier to accumulate own contribution to the purchase of land and to the commencement of the development. In such locations there is often limited competition, and the cost of construction services and materials is slightly lower than in the largest Polish agglomerations. The projects completed in such cities as Bełchatów, Brzeziny, Łowicz, Konin, Rawa Mazowiecka, Rumia, Skierniewice or Żyrardów are an example of the implementation of this concept.

As at 30/06/2020, the Company has a land bank covering 46.54 ha intended for residential (single and multi-family) and commercial development.

This allows for future development projects involving 2,091 residential units with an area of over 116.4 thousand square metres of usable and residential space.

While continuing projects in smaller and medium-sized Polish cities, the Company commenced execution of projects in large cities. The first such project was the investment development in Katowice, completed in March 2017.

For some of the planned projects, these will be the next stages of successfully completed earlier investment developments. In addition, JHM DEVELOPMENT S.A. carries out development projects in locations with high tourist potential, such as Zakopane.

The data concerning the investment developments under construction as at 30/06/2020 is presented below.

Table: List of development projects under construction as at 30/06/2020

Item No.	Location	The plot of land area [ha]	Housing type	Usable and residential space [sq. m]	Number of premises
1	KATOWICE, ul. Pułaskiego Stage II	0.5016	multi-family	7,076	116
2	ZAKOPANE ul. Szymony	0.9860	housing and services	8,734	241
3	ŁÓDŹ ul. Jugosłowiańska Stage I	5.7443	detached houses	6,591	39
4	KONIN ul. Topazowa Stage IV	0.6124	multi-family	5,998	122
5	ŻYRARDÓW ul. Ks. J. Popiełuszki	0.3139	multi-family	4,838	98
6	SOCHACZEW ul. Żeromskiego.	0.1198	multi-family	1,499	27
7	BYDGOSZCZ ul. Fordońska	0.9519	housing and services	15,493	312
TOTAL		9.2299		50,229	955

In the coming years, based on its land bank, the Company plans to execute another 8 investment development projects. Detailed data can be found in the table below.

Table: List of development projects planned for implementation in the years 2020-2021

Item No.	Location	The plot of land area [ha]	Housing type	Usable and residential space [sq. m]	Number of premises
1	KONIN ul. Berylowa Stage V	0.4001	multi-family	2,828	55
3	ŁÓDŹ ul. Źródłowa	0.6627	multi-family	9,734	180
2	SKIERNIEWICE ul. Armii Krajowej	1.2253	multi-family	14,900	290
4	BYDGOSZCZ ul. Bohaterów Kragujewca	0.4137	multi-family	6,554	119
5	GDAŃSK ul. Wielkopolska Stage I	0.6390	multi-family	5,547	106
6	ŻYRARDÓW ul. Legionów Polskich	0.5476	multi-family	9,066	172
7	ŁÓDŹ ul. Jugosłowiańska Stage II	6.8560	detached houses	8,292	42
8	GDAŃSK ul. Wielkopolska Stage II	1.0673	multi-family	9,265	172
TOTAL		11.8117		66,187	1,136

By observing customer behaviour and the actions of the competition, the Company flexibly adjusts its sales methods to market expectations. It offers a wide range of already completed developments ready for sale, developments in progress and developments planned to be launched in the near future, as well as rented tourist apartments, which are also intended for sale.

The Management Board of the Company believes that one of its priorities, which translates into generating significant value, is operational optimisation. The Company's objective is to minimise the regular level of employment and to limit it mainly to experienced employees, in particular to higher level staff, who are able to efficiently manage the implemented projects on the basis of modern IT systems. This was also the purpose of the implemented project to implement a modern SAP information system in the Company. The actions taken allow to minimise fixed costs and translate into the optimisation of the operational profitability of the Company.

KOBYLARNIA S.A.

In the last quarter of the previous year and the first half of the current year, the Company completed low-profit contracts for the execution of which contracts were signed in the between 2015 and 2017. During that time, several new contracts were signed (e.g. for the construction of Zawiercie bypass, S-11 expressway Koszalin - Bobolice, S5 expressway near Bydgoszcz - sections 2 and 5, the eastern Wrocław bypass) which filled the order portfolio of KOBYLARNIA S.A. to the value of PLN 1.77 billion as at 30 June 2020. In all the above-mentioned tenders, the Company participated as a leader of the consortium of companies together with MIRBUD S.A. as a consortium partner. Those of the contracts for the execution of road works whose leader of the consortium is MIRBUD S.A. and partner of KOBYLARNIA S.A. are described in the part of the report devoted to MIRBUD S.A. Due to the convergent nature of operations in the road construction segment, the operating strategy of both companies in this respect has been described in the part of this report devoted to the development prospects of MIRBUD S.A.

EXPO MAZURY S.A.

In accordance with the reorganisation process of the MIRBUD Capital Group commenced in the first half of 2020, one of the stages of which is the liquidation of EXPO MAZURY S.A., the commercial space lease activities

will be taken over by another of the Group's companies, taking into account the contracts previously signed by EXPO MAZURY S.A. with customers.

In connection with the coronavirus pandemic, the Issuer has decided to phase out its activities consisting in organising trade fairs and assign the entire facility for short-term and long-term lease. This will allow, first of all, to significantly reduce the costs of the centre's activities (reduction of employment, lack of costs related to the organisation of trade fairs, including advertising, construction, transport, external services, reduced cleaning and security costs).

As part of the real property in Ostróda, the Company has over 42 thousand square metres of area at its disposal which can be used for warehouses, show and exhibition centre, industrial hall, or other activities and almost 2 thousand square metres of modern conference centre area. More than 20 thousand square metres were leased as part of this area (IKEA). Talks are in progress with new lessees and we are looking for more lessees.

MARYWILSKA 44 Sp. z o.o.

The Company operates on the market of lease of commercial areas. Despite strong competition, the Company has a significant market share and by actively managing the current portfolio of commercial real properties generating lease income, it aims to maximise the efficiency and operational effectiveness, diversify the risk of lessees and increase the revenue from lease.

In the opinion of the Company's Management Board, the main factors which will affect the development of the business and the results achieved in the second half of 2020 and subsequent years are as follows:

- development of the COVID-19 pandemic in Warsaw, Poland and worldwide;
- restrictions introduced in relation to the business activities of the centre's lessees with regard to the COVID pandemic;
- consumer behaviour - potential change in shopping trends due to reducing the time spent in shopping malls;
- maintaining the high commercialisation rate of the MARYWILSKA 44 commercial complex;
- macroeconomic situation on the Polish market - including the economic situation in the commercial space lease sector;
- increasing the presence of MARYWILSKA 44 on the real property market.

The Company's strategy for the coming year assumes maintaining a high level of commercialisation of the commercial complex with a gradual reduction of discounts granted to lessees which will ensure a gradual return to the level of revenue and profitability of achieved in 2019. The Company will continue to actively manage its current and future commercial property portfolio generating lease revenue in order to maximise operational efficiency and effectiveness, diversify lessee risk and increase rental revenue. The Company intends to increase the value of its property portfolio by managing its assets. These activities include, i.a.:

- improving and maintaining the ratios of space leased in the MARYWILSKA 44 Commercial Complex, while maintaining the best possible lease conditions on the market;
- improving debt collection by maintaining good relations with lessees and working with them to improve their performance;
- taking action to ensure low and effective costs through the use of energy-saving technologies and optimisation of the costs of repairs and maintenance of property;
- optimising administrative costs, if possible;
- optimising financing costs by reducing the scale of debt and its refinancing, if possible;

- conducting systematic promotional and advertising activities in accordance with an internal marketing plan, the main aim of which is to support the lease of commercial premises, maintaining a good level of commercialisation of commercial facilities, and maintaining a high customer visit rate;
- strengthening the leader's position on the property market.

The Management Board believes that long-term management of property is an extremely important element of the Company's strategy. The Company will also take advantage of other opportunities to increase the value of its business, as such opportunities arise. The Company finances its development and current activities with the use of own funds and bank credits. The amount of funds obtained is sufficient to implement the set and planned objectives of the Company and ensures financial security of the Company in the near future.

Due to the introduced state of epidemiological threat, the Company's investment plans have been spread out over a longer period of time to enable their execution without excessive financial burdens. In accordance with the adopted development strategy, the Company executes and will execute the following investment tasks:

- replacement of the existing interior lighting of the MARYWILSKA 44 Shopping Centre building with LED lighting;
- continuation of current repairs in the common parts of the MARYWILSKA 44 Shopping Centre (floor replacement, painting);
- continuation of the roof membrane renovation;
- continuation of repair of linear drainage systems in the car park of the MARYWILSKA 44 shopping complex;
- repair and overhaul of air-conditioning equipment parts;
- modernisation of emergency lighting at CH MARYWILSKA 44;
- modernisation of the CCTV video surveillance system;
- providing equipment and markings and personal protective equipment in accordance with the guidelines of the Chief Sanitary Inspector.

Despite the pandemic, the Company's Management Board continues to implement the adopted development strategy of the Company. The strategy of the Management Board is to ensure constant growth of the Company's value through further development of its operations, increasing its market share and strengthening its market position while focusing on the efficiency of financial processes.

The Management Board implemented and defined the main strategic objectives of the Company for the following years:

- striving to maximise the centre's commercialisation rate while maintaining attractive lease rates;
- strengthening the position on the Warsaw real estate market;
- increasing the profitability of MARYWILSKA 44 Sp. z o.o.;
- continuation of building the value of own brands based on the gained experience.

Special purpose vehicles JHM 1 Sp. z o.o., JHM 2 Sp. z o.o.

The JHM DEVELOPMENT Group's share in the segment of renting commercial property under special purpose vehicles, such as JHM 1 or JHM 2, continues to be expanded and constitutes an additional, in relation to its development activities, stream of the Group's stable revenue. The main task of the special purpose vehicles established to manage leased facilities for lease to such large commercial chains as BIEDRONKA and BRICOMARCHÉ is to develop the scale of activities while maintaining attractive EBITDA and net profit margins. In order to achieve this goal, the Management Boards of the Companies plan to further develop the scale of their operations and do not exclude the construction of further commercial and service facilities for lease to large commercial chains. These plans may be implemented in the future both on the basis of newly acquired land for the construction of such commercial pavilions in attractive locations and on the basis of own land bank.

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 Consolidated Statements of the MIRBUD Capital Group for the period from 01/01/2020 to 30/06/2020.

4.9 Assessment of potential for achieving investment objectives

The Management Boards of the Group companies analyse and update the financing structure on an ongoing basis in order to ensure an optimal and safe model for the use of financial resources. Within the available sources of financing, both own funds and bank credits, leasing and loans are used.

The MIRBUD Group will continue to implement investment development projects aimed at its development and increase in value in 2020 and in the following years. The nearest investment development 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 Group Companies providing construction and assembly services plan to expand 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.

The Companies of the JHM DEVELOPMENT Group are planning to implement the following investment development projects in the coming years:

Between 2020 and 2022, the parent of the Group will continue the existing and launch new investment developments located on land held in the land bank (including investment developments in Katowice, Łódź, Konin, Żyrardów, Sochaczew, Bydgoszcz and Zakopane, as well as on the plots of land purchased in 2020 and in previous years located in: Gdańsk, Żyrardów, Bydgoszcz, and then in Skierniewice and Katowice, for which the preparation of documentation necessary to launch the development project is currently underway.

The date of commencement of new projects is always dependent on the assessment of the market situation in the development segment and the availability of financing for the execution of these projects with bank credits or loans. These plans are carried out in accordance with the adopted strategy in many locations, which will allow to supplement the attractive market offer of the Company and will give the possibility of further increase of the sales levels.

Marywilka 44 Sp. z o.o. has completed its existing investment development plans related to the expansion of the commercial complex. Currently, the Company will focus on projects related to the functioning of the commercial complex and cost optimisation of activities.

4.10 Risk Factors

Table: Possible risks and their relevance to the Group'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
<i>External financial risks</i>	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
<i>Downturn risk</i>	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 development 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 final impact of the coronavirus epidemic on the activity of the Issuer and the capital group 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 and the Group due to the following circumstances:

- In the area of construction and assembly services, there are no delays in the execution of construction contracts due to the state of epidemic threat. However, it cannot be ruled out that, if this state continues, delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:
 - lack of continuity in the supply chains for construction sites,
 - disruptions to the continuity of projects' financing,
 - absence of employees,
 - subcontractors' delays,
 - restrictions on the functioning of public authorities,
 - decisions of the 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 expects an effect of this risk on the financial result and equity of the Issuer.

- In the area of development activity, there are neither delays in the execution of contracts, there is, however, a significant decrease in the dynamics of sales of premises. If the state of epidemic threat continues, there may be negative financial consequences caused by:
 - the drop in demand for premises,
 - disruptions to projects' financing,
 - general contractors' and subcontractors' delays.

The introduction of the state of epidemic threat did not necessitate the suspension of JHM DEVELOPMENT S.A.'s operations, however, it affected the Company's operations and its customers' behaviour, including primarily the sale of products from the Company's portfolio.

The key aspect is a strong drop in demand for the Company's products, i.e. flats in multi-family buildings and single-family houses, starting from March this year. Due to the uncertainty of employment and their personal situation, potential customers often resigned from buying a flat or postponed their purchase decisions. This was particularly true for the first few weeks after the pandemic restrictions were announced. As a result of the pandemic, the Company recorded a significant decrease in the number and value of concluded contracts for the sale of residential units. While in February (the last month without the impact of the pandemic) the value of signed preliminary and development contracts amounted to PLN 13,488 thousand, already in March the value dropped to PLN 4,258 thousand (68% drop), and in April to PLN 2,316 thousand (83% drop compared to February).

A number of customers, due to concerns about the spread of COVID-19 and their personal situation related to it, have resigned from purchase or postponed their decision - preliminary and reservation contracts terminated by the Company's customers as a result of the pandemic during this period reached PLN 4,309 thousand.

Another negative effect of the new situation was the limitation of some of the customers' possibility to meet their obligations under already concluded sales contracts. The banks lending to apartment buyers have tightened the criteria for granting credits, and the process of obtaining and disbursing the credit itself has been significantly extended. At the same time, some customers have failed to pay on time due to payment congestion within the economy. As a result, in March the Company did not receive due payments from individual customers in the amount of PLN 1,847 thousand, and in April another PLN 1,438 thousand.

The aforementioned situation has gradually improved in the following months and JHM DEVELOPMENT S.A. expects that the lower sales rate and problems with payments will continue for the next few months. The stabilisation of the economic situation after the end of the state of epidemic threat will gradually improve consumer sentiment and renew the increase in the number of sold residential units.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the profit or loss - a decrease by approx. 15%, no effect predicted on the Issuer's equity.

- In the area of commercial space lease, there is significant, unfavourable impact of the state of epidemic threat, which affects the financial results of companies: EXPO MAZURY S.A. and MARYWILSKA 44 Sp. z o.o.

Marywilka 44 has taken a number of measures to reduce costs and expenses related to the changing situation on the property rental market. One of those measures was the Company applying for public aid in the form of redemption of a part of fees due to public administration and constituting costs of the Company's operations in the first half of 2020. The Company estimates that the received aid will amount to approximately PLN 1,300 thousand. The Management Board of the Company believes that as at the date of publication there is no reasonable assurance as to receiving aid, therefore it has been classified as a contingent asset in the financial statements for the current financial year and will be presented in the statements of comprehensive income in the period when it is received or reasonable assurance is obtained.

JHM 2 Sp. z o.o. manages the Centrum Janowo commercial facility located in Rumia at ul. Dębogórska, where it leases premises to a number of lessees conducting commercial and service activities within various industries. The main lessee generating a significant part of the company's revenues is the Biedronka chain market belonging to the food industry. This industry was not subject to any restrictions on activities linked to the COVID-19 epidemic, nor was the activity of another major lessee, the pharmacy.

The restriction on business activity, introduced in connection with the COVID-19 epidemic in Poland in the period from 14 March 2020 to 05 June 2020, covered three lessees running business activity in Centrum Janowo in the fitness industry, cosmetology industry, and a tanning salon. During this period, no rent was charged to these lessees.

The circumstances described above had an impact on the results achieved by JHM 2 Sp. z o.o. - a decrease in revenue and decrease in gross profit on sales, however, due to lower financial costs, the generated net financial result remained at a satisfactory level.

JHM 1 Sp. z o.o. manages the property located in Starachowice at ul. Radomska, leased to a single lessee, Bricomarché conducting commercial activity in the construction industry. The bans on conducting business activities introduced on 13 March 2020 as part of the fight against the COVID-19 epidemic, did not significantly affect the construction industry. In April, the lessee and lessor have jointly agreed to reduce the lease rent for that month in proportion to the duration of the ban. Due to the insignificant value of this reduction, this fact did not significantly affect the revenues generated in the reporting period and the achieved financial results.

In the case of EXPO MAZURY S.A., its activity covered two areas: organisation of trade fairs and events on its own account and long-term and short-term space lease. Similarly as for the whole exhibition industry the first half of 2020 has historically become the most difficult period of activity. The total ban on gatherings in connection with the COVID-19 pandemic resulted in shutting down trade fair centres in Poland and around the world, which entailed a global crisis in the industry to which Expo Mazury also fell victim.

The state of epidemiological threat was introduced just before the beginning of the trade fair season in Expo Mazury, putting the company in a situation where the costs associated with the preparation of events planned for the first half of the year are highly advanced, while depriving the company of revenues from these events. Own events planned for the following months have been postponed to the second half of 2020, without any guarantee that the company will be able to complete them. The economic situation in the country has also caused a significant part of customers who have already confirmed their participation in the trade fairs and paid advances to ask Expo Mazury to terminate the contract and return the advances. Customers who were supposed to organise their events by renting halls from EXPO MAZURY in the first half of the year also withdrew from contracts and reservations.

Long-term lease remains an important element of the company's activity. It generated more than half of its revenue in 2019.

In connection with the coronavirus pandemic, the Issuer has decided to phase out its activities consisting in organising trade fairs and assign the entire facility for short-term and long-term lease. This will allow, first of all, to significantly reduce the costs of the centre's activities (reduction of employment, lack of costs related to the organisation of trade fairs, including advertising, construction, transport, external services, reduced cleaning and security costs).

As part of the real property in Ostróda, the Company has over 42 thousand square metres of area at its disposal which can be used for warehouses, show and exhibition centre, industrial hall, or other activities and almost 2 thousand square metres of modern conference centre area. More than 20 thousand square metres were leased as part of this area. Talks are in progress with new lessees and we are looking for more lessees.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the financial result of the lease and trade fair activity segment - a decrease by approx. 80%, no effect predicted on the Issuer's equity.

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

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

Financial risk management

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 67% based on foreign capital through:

- credits,
- loans,
- bonds,
- advances,
- leasing,
- factoring.

The Companies make efforts to diversify their third-party financing, both in terms of the financing institution and the financial products used. 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:

Debt ratio = *Total liabilities / Assets*

Long-term debt ratio = *Long-term liabilities / Assets*

Short-term debt ratio = *Short-term liabilities / Assets*

Debt to equity ratio = *Liabilities / Equity*

While conducting business activity, the Group is exposed to the following risks: credit risk, currency risk, interest rate risk, liquidity risk.

Credit risk management

Credit risk results from the balances of trade receivables of loans and cash and cash equivalents. The customers of the Company's services are 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.

With regard to commercial customers, the Company manages the credit risk and analyses it for each new customer before concluding a contract, among others, by using reports from business intelligence agencies and the contractor's documentation of the source of financing for the construction contract.

With respect to entities subject to the provisions of the Public Procurement Law (e.g. GDDKiA, Self-governments), due to the obligation of these entities to budget the costs of the concluded construction works contract in advance, the credit risk is, according to the Management Board, negligible.

The Company maintains deposits - deposits in financial institutions, which have a high credit rating.

Liquidity risk management

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

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

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

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

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

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

Current liquidity ratio = Current assets / Short-term liabilities

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

Cash liquidity ratio = Cash / Short-term liabilities

Risk of significant changes in interest rates

The Group Companies to a large extent use bank credits to finance their investment activities. The costs of interest on credits are affected by the amount of the WIBOR base rate for credits taken out in Polish 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 30/06/2020, JHM2 sp. z o.o. and 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:
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Liabilities under credits and loans	257,279	262,541		
Loans granted				
Other financial assets				
Other financial liabilities				
Total	257,279	262,541	-	-

Risk of changes in interest rates - *sensitivity to changes*

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 30 June 2020 and 31 December 2019 at the level of - 1.0/+1.0 percentage point for the Polish zloty and the Euro.

The effect of the change in interest rates on the net result and the balance sheet total as at 30 June 2020 and 31 December 2019 is presented below.

Sensitivity analysis for items exposed to change in interest rates	As at: 30/06/2020	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
		Liabilities under credits and loans	257,279	-2,084	2,084
Loans granted					
Other financial assets					
Other financial liabilities					
Total	257,279	-2,084	2,084	2,573	-2,573

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2019	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
		Liabilities under credits and loans	262,541	-2,127	2,127
Loans granted					
Other financial assets					
Other financial liabilities					
Total	262,541	-2,127	2,127	2,625	-2,625

Risk of changes in foreign exchange rates

In the first half of 2020, MIRBUD S.A. generated over 25% of revenue in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenue and profits. In order to minimise the exchange rate risk, the Company hedges the exchange rate

level by entering into FORWARD-type transactions. In the first half of 2020, the Issuer hedged approximately 80% of its foreign currency revenue with forward currency sales transactions.

Items exposed to exchange rate changes	EUR		USD	
	As at:	As at:	As at:	As at:
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Liabilities under credits and loans				
Loans granted				
Trading and other receivables	18,453	3,699		
Trading and other liabilities	16			
Cash	3,083	1,102		
Other financial assets				
Total	21,552	4,801		

Risk of changes in interest rates - *sensitivity to changes*

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 30 June 2020 and as at 31 December 2019.

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: 30/06/2020	Effect on net profit/(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	18,453	1,845	-1,845	1,495	-1,495
Trading and other liabilities	16	1	-1	2	-2
Cash	3083	250	250	308	-308
Other financial assets					
Total	21,552	2,096	-2,096	1,805	-1,805

Sensitivity analysis for items exposed to exchange rate changes (Euro)	As at: 31/12/2019	Effect on net profit/(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
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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 30/06/2020, 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 and mortgage 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.

Risk related to the general macroeconomic situation and economic situation in Poland

- 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 effect on the financial results achieved by the Group Companies and the entire development industry: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

Possible negative changes in the stability of the macroeconomic situation and 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.

- in the development industry

The situation on the development market in Poland in the period covered by these financial statements affects the operations and financial results of the Group, however, it should be remembered that the economic situation in the development industry is characterised by cyclicity. The current economic situation in the development industry is influenced by low interest rates on mortgages, which, however, are accompanied by the maintenance of a tightened policy of many banks on granting mortgages. As a result of this approach, many potential customers of the developers are not able to obtain the necessary credit to purchase an apartment on reasonable terms.

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

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

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

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

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

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

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

- sudden changes in housing prices

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

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

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

Apart from development activities, an important area of the Group's activity is management of shopping halls and lease of commercial space. These activities are carried out by the following subsidiaries: Marywilska 44, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o. The level of commercial activity and the demand for lease of commercial space in the given shopping halls depends on the general macroeconomic situation in a given

market, the level of competition and the level of consumption, and in particular the demand for products from the popular segment in a given market.

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

Risks related to competition:

- in the construction industry

The economic growth in Poland and the accumulation of many construction investment developments 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 in the markets in which the Companies operate may have a material adverse effect on their operations, results, financial position or prospects for development. The Management Boards of the Companies, based on their long experience, try to build a portfolio of contracts which would enable them to achieve an appropriate financial result.

- in the development industry

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

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

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

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

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

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

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

The basic assortment offered to customers in shopping halls at ul. Marywilska 44 consists of clothes, footwear, leather goods and toys in the popular segment. Traders specialising in the sale of the above articles in the popular segment can choose from a wide range of entities offering lease of commercial space in Warsaw and its vicinity, including large shopping halls located in the vicinity of Nadarzyn and in Wólka

Kosowska. Additionally, it cannot be excluded that in the future other entities will not build large shopping hall complexes, which will compete directly with the halls at ul. Marywilska 44 within the Capital City of Warsaw.

The subsidiaries, JHM 1 Sp. z o.o. and JHM 2 Sp. z o.o., are exposed to the same risk.

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 development and with the legal status of the property

The implementation of each of the investment development projects by the Company requires the fulfilment of the requirements set forth in the law. In most cases, the Company is obliged to obtain various types of permits, which are issued by public administration bodies. Obtaining these administrative acts is a necessary condition for the commencement of the investment process. It should be noted that obtaining all permits and consents requires considerable effort and time. Public administration bodies issuing permits and consents operate on the basis of the provisions of the Code of Administrative Procedure and special acts. In these proceedings, the interest of local communities is taken into account in the first place and a number of planning issues are subject to wide public consultation (e.g. environmental issues). Additionally, lack of even a part of the documentation makes it impossible to commence the investment process. Moreover, the discovery of any misstatements, either on the part of the Company or in the administrative files, and in particular the existence of any contradictions between them may lead to the delay in the commencement of the investment process. There is also a risk that 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 investment developments.

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 execution of investment development 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 development in execution.

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

- related to liability for breach of environmental regulations

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

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 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

Development activity consists in comprehensive implementation of residential buildings and houses construction projects, as well as the sale of residential units and houses. In order to implement numerous investment developments, the Company has concluded and will continue to conclude construction contracts with contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment development (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment development. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The companies are also liable to the purchasers of the premises under statutory warranty for physical and legal defects of the buildings. The period covered by these claims is 3 years.

Moreover, pursuant to Articles 6491 – 6495 of the Civil Code, at the request of the contractor, the Company acting as an investor (general contractor) is obliged to grant a guarantee of payment to the contractor (general contractor) for construction works in the form of a bank or insurance guarantee, as well as a bank letter of credit or bank surety granted at the investor's request. The occurrence of any of the above factors, which translate into claims against the Companies, may have an adverse effect on the Group's activities, financial position or its development prospects.

- related to the production process

Construction contracts contain a number of clauses concerning proper and timely performance of the contract, proper removal of defects and faults, which involves the provision of a guarantee deposit or securing the contract with an insurance or bank guarantee. The security is usually provided in the form of an insurance guarantee, bank deposit or cash deposit within a specific period of time after the contract is signed and settled after the contract completion. The amount of the security depends on the type of contract. Typically, it is between 5 and 10% of the contract price.

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

Capital risk management

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

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

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

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

Debt ratio calculation	in PLN thousand	
	As at:	As at:
	30/06/2020	31/12/2019
Total credits	257,279	262,541
Cash and cash equivalents	58,935	-108,151
Net debt	198,344	154,390
Equity	414,115	405,250
Total capital	612,459	559,640
Debt ratio	32%	28%

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	30/06/2020	31/12/2019
Net debt	198,344	154,390
EBITDA (for the last 12 months)	65,873	63,900
Equity	414,115	405,250
Total assets	1,269,724	1,146,431
net debt/EBITDA	3.1	2.4
equity/total assets	0.33	0.36

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 the first half of 2020 and in previous years is presented in the table below.

Name of the entity	Registered office	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.	Warsaw	10,000	PLN		2,665	WIBOR 1M + margin	24/06/2021	capped mortgage on property
PKO BP S.A.	Warsaw	5,000	PLN		5,000	WIBOR 1M + margin	24/06/2021	capped mortgage on property
PKO BP S.A.	Warsaw	21,000	PLN	2,562	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK	Warsaw	20,000	PLN	11,100	1,200	WIBOR 1M + margin	30/06/2021	assignment of a business receivable
PEKAO S.A.	Warsaw	10,000	PLN		10,000	WIBOR 1M + margin	30/11/2020	assignment of a business receivable
BGK	Warsaw	15,000	PLN		14,373	WIBOR 1M + margin	31/12/2020	assignment of a business receivable
Industrial Development Agency	Warsaw	40,000	PLN	14,500	9,047	WIBOR 1M + margin	28/02/2023	mortgages on property
Mercedes-Benz Leasing Polska S.A.	Warsaw	635	PLN		24	5%	31/07/2020	assignment from the insurance policy
BOŚ BANK	Warsaw	35,000	PLN	34,997		WIBOR 1M + margin	31/07/2021	assignment of a business receivable, mortgage
KUKE Finanse	Warsaw	5,000	PLN		5,000	WIBOR 1M + margin		Assignment of a business receivable
Total credits and loans				67,141	48,773			

Name of the entity	Company	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
Bank Spółdzielczy	JHM Development S.A.	8,823	PLN	7,567	847	reference rate + margin	31/12/2034	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	2,700	PLN	75	900	reference rate + margin	30/07/2021	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	5,300	PLN	1,165	0	reference rate + margin	30/06/2022	mortgage on property
Bank Polskiej Spółdzielczości	JHM Development S.A.	380	PLN	64	0	WIBOR 3M + margin	31/12/2021	mortgage on property
Bank Polskiej Spółdzielczości	JHM Development S.A.	15,950	PLN	5,620	0	WIBOR 3M + margin	31/12/2021	mortgage on property
Bank Polskiej Spółdzielczości	JHM Development S.A.	12,729	PLN	4,595	0	WIBOR 3M + margin	31/12/2021	mortgage on property
SANTANDER BANK POLSKA S.A.	Marywilska 44 Sp. z o.o.	33,000	PLN	23,822	2,905	WIBOR 3M + margin	02/05/2028	Surety from MIRBUD, deposit of PLN 1,800 thousand
SANTANDER BANK POLSKA S.A.	JHM 1 Sp. z o.o.	2,350	EUR	7,079	657	EURIBOR + margin	30/09/2031	mortgage, surety of MIRBUD
BNP PARIBAS	JHM 2	4,200	PLN	3,418	427	WIBOR 3M + margin	10/08/2024	Mortgage on property
ALIOR BANK	Expo Mazury S.A.	37,500	PLN	14,667	4,117	WIBOR 3M + margin	27/03/2026	Capped mortgage on property
BGK	Kobylarnia S.A.	10,000	PLN		8,863	WIBOR 1M + margin	30/09/2020	mortgage, surety of MIRBUD
BGK	Kobylarnia S.A.	6,200	PLN	5,384	621	WIBOR 1M + margin	31/12/2029	mortgage, surety of MIRBUD
BGK	Kobylarnia S.A.	15,000	PLN		12,612	WIBOR 3M + margin	31/12/2020	mortgage, surety of MIRBUD
Total credits and loans, subsidiaries				73,456	31,949			
Total credits and loans, MIRBUD group				140,597	80,722			

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 Companies of the MIRBUD Group.

As at 30/06/2019, the Companies of the MIRBUD Group did not show any debts due to loans, except for loans indicated in the above tables.

4.11.2 Loans granted.

As at 30 June 2019, the Companies of the MIRBUD Group did not have receivables under granted loans.

On 06/07/2020 MIRBUD S.A. granted a loan to its subsidiary EXPO MAZURY S.A. in the amount of PLN 4 million for the current activity of the company with the repayment deadline on 31/08/2021.

4.11.3 Sureties and warranties

MIRBUD S.A.

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

- JHM DEVELOPMENT or related Special Purpose Vehicles - for execution of development projects;
- Marywilka 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 execution of investment development.

As at 30/06/2020, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as at 30/06/2020

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
		As at:	As at:	
		30/06/2020	30/06/2020	
To related entities	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedging for Santander Bank credit	49,500	26,727	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Hedging for Santander Bank credit	10,000	0	30/09/2022
JHM 1 Sp. z o.o.	Hedging for the Santander Bank Polska S.A. credit	10,007	7,736	30/09/2031
KOBYLARNIA S.A.	Hedging for the BGK S.A. credit	37,500	12,612	31/12/2020
KOBYLARNIA S.A.	Hedging for the BGK S.A. credit	9,318	6,005	31/12/2029
KOBYLARNIA S.A.	Hedging for the BGK S.A. credit	15,000	8,863	30/09/2020
KOBYLARNIA S.A.	Hedging for bank warranty of BGK S.A.	11,970		15/02/2021

EXPO MAZURY S.A.	Hedging for the ALIOR BANK S.A. credit	75,000	18,784	27/03/2029
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To other entities

Total	-	218,295	80,727	-
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JHM DEVELOPMENT S.A. Group

As at 30/06/2020, JHM DEVELOPMENT S.A. granted the following sureties:

Item No.	Entity for which the surety was granted	Claim for which surety was granted	Value of the surety	Value of the liability as at 30/06/2020	Expiry date of the surety
1	MARYWILSKA 44 sp. z o.o.	Surety for the liabilities of Marywilska 44 under the lease contract concluded with Jysk Sp. z o.o.	650	-	05/07/2033
2	MIRBUD S.A.	Property surety (mortgage on property) - hedging for PKO BP credit	57,750	7,665	26/06/2021
3	MIRBUD S.A.	Property surety (mortgage on property) - hedging for BOŚ bank credit	49,815	34,879	21/07/2024

The subsidiary, Marywilska 44 Sp. z o.o., granted bank warranties to secure the payment of rent to the Municipal Company for the Execution of Investment Developments [Miejskie Przedsiębiorstwo Realizacji Inwestycji] Sp. z o.o. and to the Board of Property Management of the Białołęka District of the capital city of Warsaw to secure the due performance of obligations under the lease contract.

Table: Sureties and guarantees granted by Marywilska 44 Sp. z o.o. as at 30/06/2020

Item No.	Entity for which the surety was granted	Value of security	Expiry of the liability	Item
1	Miejskie Przedsiębiorstwo Robót Ogrodniczych Sp. z o.o. and ZGN Białołęka	1,800	01/07/2020	Hedging for due payment of rent under the lease contract
2	The Capital City of Warsaw ZGN Warsaw ul. Marywilska 44	2,150	20/06/2020	Hedging for due payment of rent under the lease contract
3	Santander Bank Polska S.A.	1,378	02/05/2028	Cash deposit - hedging under bank credit No. KIN/1102011 of 14/02/2011

The other companies of the JHM DEVELOPMENT Group did not grant any sureties or warranties.

KOBYLARNIA S.A.

As at 30/06/2020 Kobylarnia S.A. granted the following sureties.

Table: Sureties granted by Kobylarnia S.A. as at 30/06/2020, in PLN thousand

Item No.	Entity for which the surety was granted	Claim for which surety was granted	Value of the surety	Value of the liability as at 31/12/2019	Expiry date of the surety
1	MIRBUD S.A.	Guarantee facility	30000	-	12/02/2021
2	MIRBUD S.A.	Working capital credit in the renewable line BGK	15,000	14,376	31/03/2020

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

In accordance with the terms of the contract:

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

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

Contingent liabilities under sureties and 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 the Companies of the MIRBUD Group to investors, created, lasting from 01/01/2019 to 31/12/2019, are as follows:

Other contingent liabilities	in thousand PLN	
	As at: 30/06/2020	As at: 31/12/2019
Under proper performance guarantee	381,363	313,141
Under rectifying faults and defects	150,527	139,973
Under payment of receivables	144,606	92,377
<u>Total</u>	<u>676,496</u>	<u>545,491</u>

Description of use of inflows from issuing by the Company

The Issuer did not issue shares in the reporting period.

KOBYLARNIA S.A.

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.

On 3 February 2020, the Extraordinary General Meeting of Shareholders of ~~PBDIM~~ KOBYLARNIA S.A., by virtue of resolution No. 3/2020 (Repertory A No. 849/2020) resolved to increase the Company's share capital from PLN 25,000,000.00 to PLN 30,000,000.00 by issuing 50,000,000 series H registered shares with a nominal value equal to the issue price, i.e. PLN 0.10 per share. On 20/04/2020, 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 30,000,000.00.

The proceeds from the capital increase will be used to finance construction contracts in the road and engineering sector.

EXPO MAZURY S.A.

On 15 November 2019, by Notarial Deed (Repertory 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 135,928.00, 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.

The funds raised from the issue were used to adapt the exhibition halls for the purposes of long-term lease and to finance the Company's current operations.

ТОВ «МІРБУД»

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 30/06/2020, PLN 283,670.00). The sole partner of the company is MIRBUD S.A. In the period from 01/01/2020 to 30/06/2020 the sum of contributed capital amounted to PLN 66,000. The entity is not consolidated due to its immaterial character.

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

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

In the period covered by this report, the companies of the Capital Group 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 01/04/2019 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".

From 01/04/2020 to 30/06/2020, MIRBUD S.A. is covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 30/03/2020 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 14/MIRBUD/2020".

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.

Marywilka 44 Sp. z o.o. concluded a contract for insurance against all risks with AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. for the period from 06/09/2019 to 05/09/2020.

5.2. Main contracts for construction and other works related to operating activities concluded by the Capital Group Companies

MIRBUD S.A.

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2020 to 30/06/2020 in PLN thousand

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.	Contract with a subcontract for the construction of the Main Route's rigid surface structure, in connection with the execution of the investment development 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) - Kamieńsk interchange (with interchange) from km 351+800.00 to km 376+000.00".
04/03/2020	365,854	The General Directorate for National Roads and Motorways	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). 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	The 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). KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
23/04/2020	474,290	General Directorate for National Roads and Motorways with its registered office in Warsaw	Continuation of design and construction of the S-5 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 S-5 expressway from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of approximately 22.4 km MIRBUD S.A. with its registered office in Skierniewice (consortium partner). KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
28/04/2020	EUR 6,537,083.44 net (letter of intent)	Panattoni Development Europe sp. z o.o.	Stage 1 of construction of hall No. 1 of the "Warehouse, service and production complex for Panattoni Development Europe Sp. z o.o. in Tomaszkowo, Stawiguda commune near Olsztyn"
30/04/2020	EUR 5,088,938.36 net	7R S.A.	Construction of two logistic service halls with production functions and social and office back-up facilities, together with accompanying technical infrastructure, as well as a porter's lodge, a fire-fighting water tank, a pumping station and a retention tank on the premises of a property located in Łódź at ul. Transmisyjna.
7/05/2020	30,584	IMMO SI Polska Sp. z o.o.	Construction of a complex of commercial buildings - bi1 building and a petrol station with the necessary infrastructure at ul. Przemysłowa in Ełk.
08/05/2020	29,700	PCO S.A. with its registered office in Warsaw	Construction of a production and office building at ul. Jana Nowaka Jeziorańskiego in Warsaw.
12/05/2020	117,655	KELLER POLSKA Sp. z o.o.	Contract with a subcontractor for the design and execution of safeguards and reinforcement of road excavations at the construction site of the S-1 expressway (the so-called "Węgierska Górka bypass")

13/05/2020	133,902	Silesian Voivodeship - Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław)	Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. MIRBUD S.A. with its registered office in Skierniewice (consortium partner), KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader).
28/05/2020	23,700	Przedsiębiorstwo Budowy Dróg i Mostów "ERBEDIM" sp. z o.o. [Construction Company For Roads and Bridges "ERBEDIM" sp. z o.o.]	Contract with a subcontractor for the delivery and execution of the substructure and layers of mineral and asphalt road surface on the A1 motorway
03/06/2020	89,244	Przedsiębiorstwo Produkcji Mas Betonowych "BOSTA-BETON" sp. z o.o. [Concrete Mass Production Company "BOSTA-BETON" sp. z o.o.]	Contract with a subcontractor for the production and delivery of ready-mixed concrete for the construction of the S-1 expressway (Węgierska Górka bypass)

KOBYLARNIA S.A.

Table: Main contracts for construction works concluded by KOBYLARNIA in the period from 01/01/2020 to 30/06/2020

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
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). KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (leader); MIRBUD S.A. (consortium partner)
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 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).
23/04/2020	474,290	General Directorate for National Roads and Motorways with its registered office in Warsaw	Continuation of design and construction of the S-5 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 S-5 expressway from Dworzysko interchange (without interchange) to Aleksandrowo interchange (with interchange) with a length of approximately 22.4 km 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).
13/05/2020	133,902	Silesian Voivodeship - Dolnośląska Służba Dróg i Kolei we Wrocławiu (Lower Silesian Road and Railway Service in Wrocław)	Construction of a voivodeship road from voivodeship road No. 455 to national road No. 98 - under the "design and build" formula. 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),

In the reporting period, the company obtained information from the Contracting Authority, Wrocławskie Inwestycje Sp. z o.o., that in the open tender procedure for "02100 Construction of the Western Axis in Wrocław" the tender of the consortium of companies whose leader is Kobylarnia S.A., was selected as the most advantageous. Bid value: PLN 153,492 thousand net.

In addition, the company executes a number of contracts with a value below PLN 2 million net.

JHM DEVELOPMENT S.A.

Table: Main contracts for construction works concluded by JHM DEVELOPMENT S.A. in the period from 01/01/2020 to 30/06/2020

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
17/01/2020	75,360	MIRBUD 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.

EXPO MAZURY S.A.

During the period covered by the report, the company did not conclude any significant contracts.

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

MIRBUD S.A.

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

Contract conclusion date	Contract value (net) in PLN	Contractor	Subject matter of the contract
01/07/2020	21,747	Dimark Group Sp. z o.o.	Contract with a subcontractor for the execution of the BHS executive design and execution of works on the basis of the approved executive design, i.e. a functionally, mechanically and systemically integrated system for the execution of distribution, sorting and appropriate control functions of all registered, incoming and outgoing luggage from check-in desks.
21/07/2020	39,910	Gravity AD Sp. z o.o.	Contract with a subcontractor for the delivery of acoustic and anti-glare screens for the construction of the A1 motorway
03/08/2020	477,000	The General Directorate for National Roads and Motorways	Design and construction of the S-1 expressway, Kosztowy - Bielsko-Biała, section III Dankowice - "Suchy Potok" interchange (with interchange) MIRBUD S.A. - consortium leader KOBYLARNIA S.A. - consortium partner

KOBYLARNIA S.A.

After the date of financial statements, no events occurred and no contracts were concluded which could have a significant effect on the future financial results.

JHM DEVELOPMENT S.A.

On 30 June 2020, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice, by virtue of resolution No. XVI/2020, allotted 7,000 series C non-covered coupon bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 7.0 million. The issue price of the Bonds is equal to the nominal value. The issue day is 30/06/2020.

The bonds were issued by way of an tender procedure conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by sending an Acquisition Proposal to qualified investors and no more than 149 designated addressees being natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public tender for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which there is no obligation to publish a prospectus.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, shall be allocated for financing of the Issuer's conducted and planned development projects, including financing of land purchase for new development projects of the Issuer or repayment of the Issuer's B series bonds.

The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment days falling on the 11th, 12th and 13th interest period, the Issuer will be obliged to unconditional partial redemption of 25% of the total number of issued Bonds. The final redemption date is set at 30/12/2023. There are no restrictions on the transferability of the bonds.

EXPO MAZURY S.A. w likwidacji [in liquidation]

According to the Resolution of the General Meeting of Shareholders of 1 July this year (No. 3/2020, Repertory A No. 6401/2020) the liquidation process regarding Expo Mazury S.A. has begun. This is the second stage of reorganisation of the MIRBUD Capital Group. The aim of the reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent which is MIRBUD S.A. The consequence of the reorganisation will be simplifying the Group's structure, streamlining business processes within the Group and optimising operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of its assets of MARYWILSKA 44 Sp. z o.o. while maintaining the continuity of existing contracts and liabilities. The reorganisation completion is scheduled for the end of September 2021.

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

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

7. The effects of changes in the structure of the business entity, including as a result of a merger of entities, acquisition or loss of control over subsidiaries and long-term investment developments, as well as the division, restructuring or abandonment of operations, and indicating entities subject to consolidation.

In the reporting period there were no changes in the organisational structure of the Capital Group.

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

According to the Resolution of the General Meeting of Shareholders of 1 July this year (No. 3/2020, Repertory A No. 6401/2020) the liquidation process regarding Expo Mazury S.A. has begun. This is the second stage of reorganisation of the MIRBUD Capital Group. The aim of the reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent which is MIRBUD S.A. The consequence of the reorganisation will be simplifying the Group’s structure, streamlining business processes within the Group and optimising operating costs of the Group’s companies, in particular those operating in similar market areas. In practice, this means the planned transfer of its assets of MARYWILSKA 44 Sp. z o.o. while maintaining the continuity of existing contracts and liabilities. The reorganisation completion is scheduled for the end of September 2021.

8. ACHIEVED AND FORECAST FINANCIAL RESULTS

The MIRBUD Capital Group Companies did not publish forecasts on financial results for 2020.

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

Revenue of the MIRBUD Group 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.

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 investment developments, or the competitive position of Companies from the MIRBUD Group determining their 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 investment developments using the EU funds,
- the economic situation in the countries of the European Union,
- the government’s policy on construction, especially housing,
- monetary policy (interest rate policy and its impact on the cost of credits),
- situation on financial markets,

- availability and costs of bank credits and guarantees,
- trends in preferences of potential buyers of apartments,
- the level and conditions of competition,
- the rate of growth of investment developments 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 further course of the coronavirus pandemic and the related economic impact, including the economic slowdown, increasing unemployment, increasing inflation, impact on the trade, exhibition and event industries.

Internal factors

- financial standing of the Companies of the Group, in particular MIRBUD S.A.,
- a well-established position in the industrial building construction sector,
- systematic development of the Group in the road and engineering work sector,
- systematic filling of the portfolio for the years 2020 - 2024,
- diversified order portfolio for the years 2020 - 2024,
- further development of developer activity through implementation of projects in Katowice, Rumia, Konin, Bydgoszcz, Łódź and Zakopane,
- commercialisation and collection of rents in CH MARYWILASKA 44 sp. z o.o. after the period of suspension of trade due to the coronavirus pandemic,
- 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),
- the level of sales of residential units in the executed investment developments,
- further investment developments 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 influenced by

- the possibility to recover receivables overdue over 365 days. As at 30/06/2020 these receivables consist of receivables from the following entities:
- Fabryka Biznesu Sp. z o.o. for the amount of PLN 2,336 thousand. The Company is conducting a debt enforcement procedure which, in the Issuer's opinion, will lead to the collection of all 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 30/06/2020).
- 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.

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

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

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

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

The assumption of an effective internal control system in financial reporting is to ensure that the financial information contained in the financial statements and periodical reports is adequate and correct. The consolidated financial statements of the Capital Group are prepared by the Chief Accountant. One of the basic elements of control in the process of preparing consolidated financial statements of the Capital Group 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 Capital Group, as well as its financial result. The annual consolidated financial statements of the Capital Group,

together with the auditor's opinion, shall be submitted to the 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 consolidated 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 Capital Group manages the risk in relation to the process of preparing financial statements also by following the changes required by external regulations and regulations concerning the reporting requirements of listed companies on an ongoing basis and preparing for their introduction well in advance.

The Management Board of the Company states that as at 30 June 2020 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 statements of the Company and the consolidated financial statements 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 resolution No. XII on the adoption of new Accounting Policy for the MIRBUD Capital Group.

12. ADDITIONAL INFORMATION

12.1. Shareholder structure

12.1.1. Information about the dividend paid in the period from 01/01/2020 to 30/06/2020

On 18 May 2020, the Management Board of MIRBUD S.A. by virtue of resolution No. 1/2020 decided on the adoption of the Dividend Policy. In accordance with the adopted Dividend Policy, the Management Board of MIRBUD S.A. will recommend to the General Meeting of Shareholders the payment of dividends for individual years in the amount of 10% to 50% of MIRBUD S.A.'s net profit. In its recommendation, the Management Board of MIRBUD S.A. will take into account the current and foreseeable financial and liquidity position of the Issuer and the Issuer's Capital Group as well as the existing and future liabilities. The Dividend Policy's applies from the distribution of net profit for the financial year ending on 31 December 2020 and is valid indefinitely.

On 30 June 2020, at the request of the Management Board, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 9/2020 on the distribution of the Company's net profit for the financial year 2019. In accordance with the adopted resolution it was decided to allocate the amount of PLN 1,834,844.00, i.e. PLN 0.02 gross per share, from the net profit of PLN 7,385,578.96 for the payment of dividend, and to exclude the remaining part of the profit of PLN 5,550,734.96 from the distribution and allocate it to the Company's reserve capital. In accordance with resolution No. 10/2020 adopted on the same day by the Ordinary General Meeting of Shareholders, it was established that the dividend date would be 7 July 2020 and the dividend payment date would be 13 August 2020.

In the period from 01/01/ to 30/06/2020, JHM DEVELOPMENT S.A. did not make any dividend payments. On 31 May 2019, the Ordinary General Meeting of Shareholders of JHM DEVELOPMENT S.A. adopted resolution No. 9A/2019 on the distribution of net profit for the financial year 2018 and decided to exclude

the net profit of PLN 10,636,124.84 earned in the financial year covering the period from 01/01/2018 to 31/12/2018 from the distribution and to allocate it entirely to increase the Company's reserve capital.

12.1.2. Information on the purchase and sale of own shares

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

12.1.3. Shares and stocks of the

MIRBUD S.A.

As at 30/06/2020, 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		

Table: Ownership structure of the share capital as at 30/06/2020

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	10,281,000	11.21%	10,281,000	11.21%
Other shareholders	40,425,747	44.06%	40,425,747	44.06%
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 Pension Fund	Open	10,281,000	11.21%	10,281,000	11.21%

Other shareholders	40,425,747	44.06%	40,425,747	44.06%
Total	91,744,200	100.00%	91,744,200	100.00%

KOBYLARNIA S.A.

On 3 February 2020, the Extraordinary General Meeting of Shareholders of ~~PBDiM~~ KOBYLARNIA S.A., by virtue of resolution No. 3/2020 (Repertory A No. 849/2020) resolved to increase the Company's share capital from PLN 25,000,000.00 to PLN 30,000,000.00 by issuing 50,000,000 series H registered shares with a nominal value equal to the issue price, i.e. PLN 0.10 per share. On 20/04/2020, 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 30,000,000.00.

Table: Structure of shares held as at 30 June 2020.

Shareholder	Number of shares held	Share in the share capital of KOBYLARNIA S.A.	Number of votes	% share in the total number of votes
MIRBUD	30,000,000	100%	30,000,000	100%
Total	30,000,000	100%	30,000,000	100%

JHM DEVELOPMENT S.A.

As at 30 June 2020, the share capital of JHM DEVELOPMENT S.A. amounted to PLN 173,000,000 (one hundred and seventy-three million zloty) and was divided into 69,200,000 shares with a nominal value of PLN 2.50 per share.

Table: Structure of the share capital of JHM DEVELOPMENT S.A. as at 30/06/2020

Item No.	Series of shares	Number of shares	Nominal price [PLN]	Registered capital [PLN]	Registration date	Method of coverage
1	A1	27,497,500	2.50	68,743,750	21/11/2014	cash
2	A2	41,702,500	2.50	104,256,250	21/11/2014	cash
TOTAL		69,200,000		173,000,000		

Share capital in a joint-stock company

The amount of share capital in the period covered by the report has not changed.

Table: Ownership structure of the share capital as at 30/06/2020

Shareholder	Number of shares held	Share in the share capital of JHM DEVELOPMENT S.A.	Number of votes	% share in the total number of votes
MIRBUD	69,200,000	100%	69,200,000	100%
Total	69,200,000	100%	69,200,000	100%

MARYWILSKA 44 Sp. z o.o.

As at 30/06/2020, the sole shareholder of Marywilka 44 Sp. z o.o. is JHM DEVELOPMENT S.A. holding 1,339,800 shares with a value of PLN 66,990 thousand, while the share capital is PLN 70,000 thousand.

Table: Ownership structure of the share capital of Marywilka 44 Sp. z o.o. as at 30/06/2020

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
JHM DEVELOPMENT S.A.	1,339,800	100%	1,339,800	100%
Total	1,339,800	100%	1,339,800	100%

JHM 1 Sp. z o.o.

As at 30/06/2020 the share capital of JHM 1 Sp. z o.o. amounted to PLN 9,000,650 (nine million six hundred fifty zloty) and was divided into 180,013 shares with a nominal value of PLN 50 per share. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 1 Sp. z o.o. as at 30/06/2020

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
JHM DEVELOPMENT S.A.	180,013	100%	180,013	100%
Total	180,013	100.0%		

JHM 2 Sp. z o.o.

As at 30/06/2020 the share capital of JHM 2 Sp. z o.o. amounted to PLN 10,300,000 (ten million three hundred thousand zloty) and was divided into 206,000 shares with a nominal value of PLN 50 per share. The shares were fully paid up in cash.

Table: Ownership structure of the share capital of JHM 2 Sp. z o.o. as at 30/06/2020

Name	Number of shares	Share in the share capital	Number of votes	% share in the total number of votes
JHM DEVELOPMENT S.A.	206,000	100%	206,000	100%
Total	206,000	100%	206,000	100%

EXPO MAZURY S.A.

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	Registration date
1	A	21,428,000	PLN 1.00	21,428,000	cash	17/04/2014
2	B	64,000,000	PLN 1.00	64,000,000	cash	25/11/2015
3	C	11,500,000	PLN 1.00	11,500,000	cash	03/10/2016
4	D	20,000,000	PLN 1.00	20,000,000	cash	26/05/2017
5	E	9,000,000	PLN 1.00	9,000,000	cash	07/09/2018
6	F	7,000,000	PLN 1.00	7,000,000	cash	16/05/2019
7	G	3,000,000	PLN 1.00	3,000,000	cash	22/01/2020
Total		135,928,000		135,928,000		

Table: The ownership structure of the share capital as at 30 June 2020 was as follows:

Shareholding structure	Number of shares	Share in the share capital	The total number of votes at the GMS	% of votes at the GMS
MIRBUD S.A.	93,000,000	67.71%	93,000,000	67.71%
MUNICIPALITY OF OSTRÓDA	100	0.00%	100	0.00%
PBDiM KOBYLARNIA S.A.	39,427,900	29.66%	39,427,900	29.66%
MARYWILSKA 44 SP. Z O.O.	3,500,000	2.63%	3,500,000	2.63%
TOTAL	135,928,000	100.00 %	135,928,000	100.00 %

On 16/01/2020, by Notarial Deed (Repertory A No. 369/2020), the Management Board of Expo Mazury Spółka Akcyjna acting on the basis of Articles 444 - 447 of the Act of 15/09/2000 (Commercial Companies Code, Journal of Laws of 2017, item 1577, as amended) as well as on the basis of § 9¹ of the Articles of Association adopted resolution No. 1 on increasing the share capital of the Company from PLN 135,928,000.00 to the amount of PLN 138,028,000.00, i.e. by the amount of PLN 2,100,000.00 through the issue within the authorised capital of PLN 2,100,000.00 of new H series ordinary registered shares with a nominal value of PLN 1.00 per share. In connection with resolution No. 5 of the Company's Supervisory Board of 09/01/2020 on consent for the Management Board to deprive the existing shareholders of the pre-emptive right to H series ordinary shares in full under private subscription.

As at 30/06/2020, the fixed amount of the capital increase was not paid.

ТОВ «МІРБУД»

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 30/06/2020, PLN 283,670.00). The sole partner of the company is MIRBUD S.A. As at 30/06/2020, the value of the contributed capital amounted to PLN 315,877.09. The entity is not consolidated due to its immaterial character.

12.1.4. 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 30/06/2020 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 30/06/2020 and 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	41,037,453 shares with a nominal value of PLN 0.10 with a total value of PLN 4,103,745.3	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.

JHM DEVELOPMENT S.A.

As at 30/06/2020, MIRBUD S.A. remains the sole shareholder of JHM DEVELOPMENT S.A.

On 14 July 2020, the Polish Financial Supervision Authority issued the decision to grant permission for the withdrawal of the Company's shares from trading on the regulated market operated by the Warsaw Stock Exchange, which indicated 28 July 2020 as the day after which the withdrawal of the Company's shares from trading on the regulated market operated by the WSE will take place. As a result, on 23 July 2020, the Warsaw Stock Exchange Management Board adopted Resolution No. 541/2020 concerning withdrawal of the shares of JHM DEVELOPMENT S.A. from trading on the WSE Main List.

As a result of this Resolution, a total of 69,200,000 series A1 and A2 shares of the Company were withdrawn from trading on the regulated market. Thus, as from 28 July 2020, the Company is no longer a public company.

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

As at 30/06/2020 and after the balance sheet date, until the date of preparation of the report, except for information disclosed in current reports and related to the redemption of JHM DEVELOPEMENT S.A. shares, the Issuer was not aware of any contracts, which in the future might result future changes in the proportions of shares held by the existing shareholders of the Issuer.

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

There are no employee stock ownership plans in the Company

12.2. Influence of factors and unusual events on the financial result for the first half of 2020

Factors and events unusual from the point of view of the specific nature of the Company's business activities occurred in the first half of 2020. These factors are described in detail in chapter 4.7 "Impact of the COVID-19 pandemic on the operations of the MIRBUD Capital Group companies".

12.3. Changes in the basic principles of managing an enterprise

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

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

MIRBUD S.A.

In the period from 01/01/2020 to 30/06/2020, 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 in the period from 01/01/2020 to 30/06/2020

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

The composition of the Issuer's Supervisory Board in the period from 01/01/2020 to 30/06/2020 did not change and was as follows:

Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2020 - 30/06/2020

Name and surname	Position
Wiesław Kosonóg	Chairman of the Supervisory Board
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
Wiktoria Braun	Member of the Supervisory Board
Artur Sociński	Member of the Supervisory Board

JHM DEVELOPMENT S.A.

Composition of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2020 to 30/06/2020 was as follows:

Table: Composition of the Management Board of JHM DEVELOPMENT S.A. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
Regina Biskupska	President of the Management Board
Jerzy Mirgos	Vice-President of the Management Board
Sławomir Siedlarski	Member of the Management Board
Kaja Mirgos	Member of the Management Board (since 02/01/2020)

The composition of the Company's Supervisory Board in the period from 01/01/2020 to 30/06/2020 did not change and was as follows:

Table: Composition of the Supervisory Board of JHM DEVELOPMENT S.A. in the period from 01/01/2020 - 30/06/2020

Name and surname	Position
Wiesław Kosonóg	Chairman of the Supervisory Board
Waldemar Borzykowski	Deputy Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Radosław Niewiadomski	Member of the Supervisory Board

KOBYLARNIA S.A.

In the period from 01/01/2020 to 30/06/2020 the Management Board of ~~PBDiM~~ KOBYLARNIA S.A. changed and performed the duties with the following composition:

Table: The composition of the Management Board of ~~PBDiM~~ KOBYLARNIA S.A. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
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Andrzej Ładyński	President of the Management Board (until 09/02/2020)
Michał Niemyt	Vice-President
Tomasz Jaśkiewicz	Member of the Management Board
Jerzy Mirgos	Member of the Management Board (since 02/01/2020)
Karolina Lewandowska	Member of the Management Board (since 02/01/2020)
Sławomir Nowak	Member of the Management Board (since 02/03/2020)

The composition of the Company's Supervisory Board in the period from 01/01/2020 to 30/06/2020 changed and was as follows:

Table: The composition of the Supervisory Board of ~~PBDiM~~ **KOBYLARNIA S.A.** in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
Paweł Korzeniowski	Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Anna Maria Więzowska	Member of the Supervisory Board (since 26/04/2019)

EXPO MAZURY S.A.

In the period from 01/01/2020 to 30/06/2020, the composition of the Management Board of EXPO MAZURY S.A. was as follows:

Table: Composition of the Management Board of EXPO MAZURY S.A. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
Beata Mały-Kaczanowska	President of the Management Board
Małgorzata Konarska	Member of the Management Board

The composition of the Company's Supervisory Board in the period from 01/01/2020 to 30/06/2020 did not change and was as follows:

Table: Composition of the Supervisory Board of EXPO MAZURY S.A. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
Anna Więzowska	Chairwoman of the Supervisory Board
Maciej Fingas	Vice-President of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Małgorzata Konarska	Member of the Supervisory Board

On 1 July 2020, the Extraordinary General Meeting of Shareholders adopted resolution No. 3/2020 (Repertory A No. 6401/2020) on the dissolution of the Company and putting it into liquidation. Mr. Wacław Jankowski, a long-term employee of the MIRBUD Capital Group companies, was appointed the Liquidator of the Company.

MARYWILSKA 44 Sp. z o.o.

The composition and changes in the composition of the Management Board of the subsidiary Marywilka 44 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020 are presented below:

Table: Composition of the Management Board of Marywilka 44 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
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Małgorzata Konarska	President of the Management Board
Danuta Siwiak	Member of the Management Board
Piotr Taras	Member of the Management Board

Table: Composition of the Management Board of Marywilka 44 Sp. z o.o. as at the date of approving statements

Name and surname	Position
Małgorzata Konarska	President of the Management Board
Kaja Mirgos	Member of the Management Board (since 01/08/2020)
Beata Maly-Kaczanowska	Member of the Management Board (since 01/08/2020)
Piotr Taras	Member of the Management Board

The composition and changes in the composition of the Supervisory Board of the subsidiary Marywilka 44 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020 are presented below:

Table: Composition of the Supervisory Board of Marywilka 44 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020

Name and surname	Position
Dariusz Jankowski	Chairman of the Supervisory Board
Agnieszka Bujnowska	Secretary of the Supervisory Board
Paweł Korzeniowski	Member of the Supervisory Board

JHM 1 Sp. z o.o.

The Management Board of the Subsidiary JHM 1 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020 was composed of one person, and the function of the President of the Management Board was performed by Mr. Sławomir Siedlarski.

Pursuant to the Company's contract, the supervisory board was not appointed.

JHM 2 Sp. z o.o.

The Management Board of the Subsidiary JHM 2 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020 was composed of one person, and the function of the President of the Management Board was performed by Ms. Regina Biskupska.

Pursuant to the Company's contract, the supervisory board was not appointed.

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

In the reporting period no events occurred.

12.6. Remuneration of members of the management and supervisory bodies

MIRBUD S.A.

Table: Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2020 to 30/06/2020

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	565	0	0	0	0		150	715
Sławomir Nowak	Vice-President of the Management Board	499	0	0	0	0	0	100	599
Paweł Korzeniowski	Member of the Management Board	353	0	0	0	0	0	22	375
Tomasz Sałata	Member of the Management Board	349	0	0	0	0	0		349
Ewa Przybył	Proxy	164	0	0	0	0	0		164
Hubert Bojdo	Member of the Supervisory Board	15	0	0	0	0	0		15
Agnieszka Bujnowska	Secretary of the Supervisory Board	18	0	0	0	0	0	38	56
Andrzej Zakrzewski	Member of the Supervisory Board	15	0	0	0	0	0	8	23
Waldemar Borzykowski	Member of the Supervisory Board	18	0	0	0	0	0	8	26
Wiesław Kosonóg	Chairman of the Supervisory Board	17						10	27
Wiktoria Braun	Member of the Supervisory Board	15							15
Artur Sociński	Member of the Supervisory Board	11							11
TOTAL		2,039						536	2,375

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	581	0	0	0	0	221	372	1,174
Sławomir Nowak	Vice-President of the Management Board	515	0	0	0	0	0		515
Paweł Korzeniowski	Member of the Management Board	340	0	0	0	0	0	22	362
Tomasz Sałata	Member of the Management Board	340	0	0	0	0	0		340
Ewa Przybył	Proxy	157	0	0	0	0	0		157
Hubert Bojdo	Member of the Supervisory Board	15	0	0	0	0	0		15
Agnieszka Bujnowska	Secretary of the Supervisory Board	18	0	0	0	0	0	38	56
Andrzej Zakrzewski	Member of the Supervisory Board	15	0	0	0	0	0	8	23
Waldemar Borzykowski	Member of the Supervisory Board	18	0	0	0	0	0	9	27
Dariusz Jankowski	Chairman of the Supervisory Board	28	0	0	0	0	0	25	53
Krystyna Lachowicz	Member of the Supervisory Board	15	0	0	0	0	0		15
Wiesław Kosonóg	Chairman of the Supervisory Board	4							4
Wiktoria Braun	Member of the Supervisory Board	3							3
TOTAL		2,049					221	474	2,744

In the period from 01/01/2020 to 30/06/2020 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.

JHM DEVELOPMENT S.A.

The value of remuneration of the Management Board members in the Parent obtained in the period from 01/01/2020 to 30/06/2020 is presented in the table below.

Table: *Remuneration of members of the management and supervisory bodies of the Parent in the period from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019*

Remuneration of key personnel	Remunerations	
	01/01/- 30/06/2020	01/01/- 30/06/2019
Management Board	688	569
Supervisory Board	43	53
TOTAL	732	622

KOBYLARNIA S.A.

The value of remuneration received by the members of the Management Board of KOBYLARNIA S.A. in the period from 01/01/2019 to 30/06/2019 is presented in the table below.

Table: *Remuneration of members of the management and supervisory bodies of KOBYLARNIA S.A. in the period from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019*

Remuneration of key personnel	Remunerations	
	01/01/- 30/06/2020	01/01/- 30/06/2019
Management Board	821	592
Supervisory Board	27	28
TOTAL	848	620

MARYWILSKA sp. z o.o.

The value of remuneration of the Management Board members of Marywilka 44 Sp. z o.o. obtained in the period from 01/01/2020 to 30/06/2020 is presented in the table below.

Table: *Remuneration of members of the management and supervisory bodies of Marywilka Sp. z o.o. in the period from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019*

Remuneration of key personnel	Remunerations	
	01/01/- 30/06/2020	01/01/- 30/06/2019
Management Board	390	460
Supervisory Board	40	40
TOTAL	430	500

EXPO MAZURY S.A.

The value of remuneration received by the members of the Management Board of EXPO MAZURY S.A. in the period from 01/01/2020 to 30/06/2020 is presented in the table below.

Table: Remuneration of members of the management and supervisory bodies of EXPO MAZURY S.A. in the period from 01/01/2020 to 30/06/2020 and 01/01/2019 to 30/06/2019

Remuneration of key personnel	Remunerations	
	01/01/- 30/06/2020	01/01/- 30/06/2019
Management Board	111	102
Supervisory Board	25	31
TOTAL	136	133

OTHER COMPANIES OF THE GROUP

The Management Board did not receive any remuneration in the special purpose vehicle JHM 1 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020.

The Management Board did not receive any remuneration in the special purpose vehicle JHM 2 Sp. z o.o. in the period from 01/01/2020 to 30/06/2020.

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

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

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

As at 30/06/2020, the Group Companies did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

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

No such events occurred in the reporting period.

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

No such events occurred in the reporting period.

12.9. Employees

The employment figures in the Companies of the MIRBUD Group as at 30/06/2020 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.	347	107
KOBYLARNIA S.A.	272	45
JHM DEVELOPMENT S.A.	40	13
Marywilska 44 Sp. z o.o.	12	
JHM 1 Sp. z o.o.	1	
JHM 2 Sp. z o.o.	1	
EXPO MAZURY S.A.	12	4
ТОВ «МІРБУД»	0	0

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

In the period from 01/01/2020 to 30/06/2020, 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 the Group Companies. The companies fulfil all the obligations of the employer towards the employed employees provided for by the labour law.

12.10. 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.

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

On 06/07/2020, 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 01/01/2020 to 30/06/2020 - amount of remuneration - PLN 9 thousand net;
- - review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2020 to 30/06/2020 - amount of remuneration - PLN 10 thousand net;
- - audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2020 to 31/12/2020 - amount of remuneration - PLN 15 thousand net;
- audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2020 to 31/12/2020 - amount of remuneration - PLN 16 thousand net;
- - review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2021 to 30/06/2021 - amount of remuneration - PLN 9.9 thousand net;

- - review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2021 to 30/06/2021 - amount of remuneration - PLN 11 thousand net;
- - audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2021 to 31/12/2021 - amount of remuneration - PLN 16.5 thousand net;
- - audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2021 to 31/12/2021 - amount of remuneration - PLN 17.6 thousand net.

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 XII/2020 of 02 June 2020.

In the period from 01/01/2020 to 30/06/2020 the remuneration paid to the statutory auditor was PLN 38 thousand.

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

12.12. Information on pending significant litigation before courts, arbitration bodies or public administration bodies with regard to liabilities or receivables of the issuer or its entity 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 30/06/2020, there was litigation pending against the Issuer concerning liabilities for the total value of the object of dispute of PLN 41,991 thousand.

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

As at 30/06/2019, there was litigation pending concerning receivables brought by the Issuer of the statements, for the total value of the object of dispute of PLN 15.693 thousand.

In the period covered by this report, there were significant litigation pending concerning receivables of Kobylnia S.A. - a subsidiary of the Issuer.

On 25/02/2020, KOBYLARNIA S.A. as the leader of the consortium filed a lawsuit against the GDDKiA for the value of the object of dispute of PLN 64,543 thousand, including a claim for indexation of the Consortium's remuneration in connection with the performance of investment development tasks: the Inowrocław bypass (connector), the Bolków bypass, construction of a section of the S-5 expressway.

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

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

The statement on the application of corporate governance principles in MIRBUD S.A. in 2019 was prepared in accordance with § 70 para. 6 point 5 of the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodical Information Provided by Issuers of Securities and on Conditions for the Recognition of Information Required in Accordance with the Law of non-Member States as Equivalent and

published as an element of the Report of the Management Board on the activities of the MIRBUD Capital Group for the year 2019.

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