



Consolidated Financial Statements

for the period from 01/01/2020 to 30/06/2020

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

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The presented quarterly statements include:

1. consolidated financial statements of the MIRBUD Capital Group for the current period from 1 January to 30 June 2020, comparable period from 1 January to 30 June 2019 with selected explanatory notes;
2. financial information of MIRBUD S.A. for the current period from 1 January to 30 June 2020, comparable period from 1 January to 30 June 2019.

1. Selected consolidated financial data

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 = | 4.4413 | 4.2880 | 4.4413 | 4.2880 |
| Sales revenue | 434,968 | 404,464 | 97,937 | 94,325 |
| Profit (loss) on operating activities | 21,730 | 20,532 | 4,893 | 4,788 |
| Pre-tax profit (loss) | 14,466 | 13,247 | 3,257 | 3,089 |
| Net profit (loss) | 10,699 | 10,557 | 2,409 | 2,462 |
| Comprehensive income for the net financial year | 10,699 | 9,765 | 2,409 | 2,277 |
| Net cash flows from operating activities | -14,293 | -64,403 | -3,218 | -15,019 |
| Net cash flows from investing activity | -6,487 | -9,850 | -1,461 | -2,297 |
| Net cash flows from financial activities | -28,439 | 51,085 | -6,403 | 11,913 |
| Total net cash flows | -49,219 | -23,168 | -11,082 | -5,403 |
| net profit (loss) per share in PLN/EUR | 0.12 | 0.12 | 0.03 | 0.03 |
| net profit (loss) diluted per share in PLN/EUR | 0.12 | 0.12 | 0.03 | 0.03 |

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|---|-----------------|------------|-----------------|------------|
| | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Asset and liability items according to the average exchange rate set by the National Bank of Poland as at the reporting date, respectively: EUR 1 = | 4.4660 | 4.2585 | 4.4660 | 4.2585 |
| Total assets | 1,269,724 | 1,146,431 | 284,309 | 269,210 |
| Liabilities and provisions for liabilities | 855,609 | 741,181 | 191,583 | 174,047 |
| Long-term liabilities | 388,597 | 347,178 | 87,012 | 81,526 |
| Short-term liabilities | 467,012 | 394,003 | 104,571 | 92,522 |
| Equity | 414,115 | 405,250 | 92,726 | 95,163 |
| Share capital | 9,174 | 9,174 | 2,054 | 2,154 |
| Number of shares (in pieces) | 91,744,200 | 91,744,200 | 91,744,200 | 91,744,200 |
| Book value per share in PLN/EUR | 4.49 | 4.42 | 0.99 | 1.04 |
| Diluted book value per share in PLN/EUR | 4.49 | 4.42 | 0.99 | 1.04 |

2. Selected separate financial data

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 = | 4.4413 | 4.288 | 4.4413 | 4.288 |
| Sales revenue | 329,121 | 242,417 | 74,105 | 56,534 |
| Profit (loss) on operating activities | 15,595 | 10,424 | 3,511 | 2,431 |
| Pre-tax profit (loss) | 14,466 | 5,988 | 3,257 | 1,396 |
| Net profit (loss) | 8,482 | 4,601 | 1,910 | 1,073 |
| Comprehensive income for the net financial year | 8,482 | 4,601 | 1,910 | 1,073 |
| Net cash flows from operating activities | -18,192 | -17,381 | -4,096 | -4,053 |
| Net cash flows from investing activity | -15,648 | -10,078 | -3,523 | -2,350 |
| Net cash flows from financial activities | -11,617 | 5,682 | -2,616 | 1,325 |
| Total net cash flows | -45,457 | -21,777 | -10,235 | -5,079 |
| net profit (loss) per share in PLN/EUR | 0.09 | 0.05 | 0.02 | 0.01 |
| net profit (loss) diluted per share in PLN/EUR | 0.09 | 0.05 | 0.02 | 0.01 |

| Selected consolidated financial data | in PLN thousand | | in EUR thousand | |
|---|-----------------|------------|-----------------|------------|
| | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Asset and liability items according to the average exchange rate set by the National Bank of Poland as at the reporting date, respectively: EUR 1 = | 4.466 | 4.2585 | 4.466 | 4.2585 |
| Total assets | 780,353 | 681,754 | 174,732 | 160,093 |
| Liabilities and provisions for liabilities | 498,823 | 406,871 | 111,693 | 95,543 |
| Long-term liabilities | 222,062 | 200,303 | 49,723 | 47,036 |
| Short-term liabilities | 276,761 | 206,568 | 61,971 | 48,507 |
| Equity | 281,530 | 274,883 | 63,038 | 64,549 |
| Share capital | 9,174 | 9,174 | 2,054 | 2,154 |
| Number of shares (in pieces) | 91,744,200 | 91,744,200 | 91,744,200 | 91,744,200 |
| Book value per share in PLN/EUR | 3.07 | 3.00 | 0.69 | 0.70 |
| Diluted book value per share in PLN/EUR | 3.07 | 3.00 | 0.69 | 0.70 |

3. General information about the Parent

| | |
|---------------------------------|--|
| 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 | + 48 (46) 833 98 65 |
| Fax: | + 48 (46) 833 97 32 |
| E-mail | sekretariat@mirbud.pl |
| Website: | www.mirbud.pl |

MIRBUD S.A. was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the 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.

Core activities

The core activities of the Company consist in providing a wide range of construction and assembly services in the area of industrial, commercial and service, residential, and road and engineering construction performed under the general contractor system, and, to a lesser extent, transport activities, leased machinery, construction equipment and rolling stock, as well as publishing activities.

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

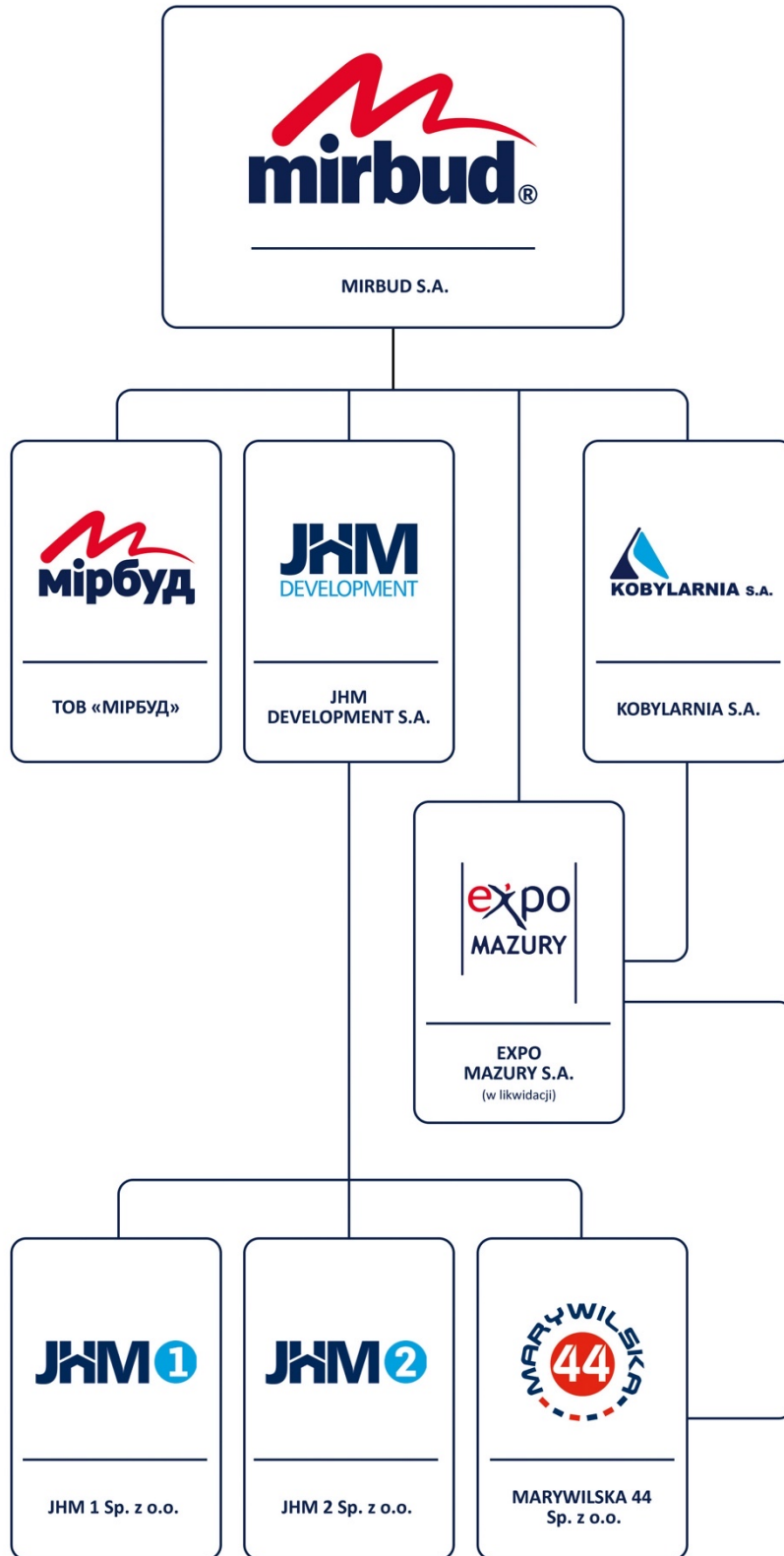
Duration

The duration of the Issuer shall be unlimited.

Management Board and Supervisory Board

| Management Board | |
|----------------------|--|
| Jerzy Mirgos | President of the Management Board |
| Sławomir Nowak | Vice-President of the Management Board |
| Paweł Korzeniowski | Member of the Management Board |
| Tomasz Sałata | Member of the Management Board |
| Supervisory Board | |
| Wiesław Kosonóg | Chairman of the Supervisory Board |
| Waldemar Borzykowski | Deputy Chairman of the Supervisory Board |
| Agnieszka Bujnowska | Secretary of the Supervisory Board |
| Andrzej Zakrzewski | Member of the Supervisory Board |
| Hubert Bojdo | Member of the Supervisory Board |
| Wiktoria Braun | Member of the Supervisory Board |
| Artur Sociński | Member of the Supervisory Board |

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



Subsidiaries and consolidation method

| | |
|---------------------------------|--|
| Name of the entity | JHM DEVELOPMENT S.A. |
| Registered office | Skierniewice |
| Legal form | spółka akcyjna |
| Country of registered office: | Polska |
| NIP (tax identification number) | 836-181-24-27 |
| REGON | 100522155 |
| Address details | ul. Unii Europejskiej 18 96-100 Skierniewice |
| Telephone | +48 (46) 833-61-28 |
| Fax: | +48 (46) 833-61-28 |
| E-mail | sekretariat@jhmdevelopment.pl |
| Website: | www.jhmdevelopment.pl |

Consolidated using the full method

Operates in the segment of development service activities and investment property

| | |
|---------------------------------|--|
| Name of the entity | KOBYLARNIA S.A. (formerly Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A. [Construction Company For Roads and Bridges KOBYLARNIA S.A.] |
| Registered office | Kobylarnia |
| Legal form | joint-stock company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 953-22-34-789 |
| REGON | 091631706 |
| Address details | Kobylarnia ul. Zakole 1; 86-051 Brzoza |
| Telephone | +48(52) 381-06-10 |
| Fax: | +48(52) 381-06-10 |
| E-mail | pbdim@kobylarnia.pl |
| Website: | www.kobylarnia.pl |

Consolidated using the full method

Operates in the construction and assembly activities segment

| | |
|---------------------------------|--|
| Name of the entity | EXPO MAZURY S.A. |
| Registered office | Ostróda |
| Legal form | joint-stock company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 839-27-67-573 |
| REGON | 771485919 |
| Address details | ul. Grunwaldzka 55, Ostróda |
| Telephone | +48(89) 506-58-00 |
| Fax: | +48(89) 647-78-77 |
| E-mail | sekretariat@expoarena.pl |
| Website: | www.expomazury.pl |

Consolidated using the full method

Operates in the segment of trade fairs and exhibitions activities

On 1 July 2020, the Extraordinary General Meeting of Shareholders of the subsidiary EXPO MAZURY Spółka Akcyjna with its registered office in Ostróda (the "Company"), adopted a resolution on dissolving the Company, putting it into liquidation and appointing the Liquidator of the Company. The liquidation shall be carried out under the business name of the Company with an additional designation "w likwidacji" [in liquidation]. Mr. Waclaw Jankowski was appointed the Liquidator of the Company. The dissolution and entry into the process of liquidation of EXPO MAZURY S.A. is one of the stages of the Group's reorganisation, of which the Issuer informed in current report No. 36/2020 of 10 June 2020. The reorganisation is aimed at simplifying the organisational structure of the MIRBUD Capital Group, streamlining its business processes and optimising the operating costs of the Group companies. According to the above assumptions, the tasks so far carried out by EXPO MAZURY S.A. and its assets will be transferred to another company from the Group

| | |
|---------------------------------|--|
| Name of the entity | MARYWILSKA 44 Sp. z o.o. |
| Registered office | Warsaw |
| Legal form | limited liability company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 524-271-14-28 |
| REGON | 142434636 |
| Address details | ul. Marywilska 44, 03-042 Warsaw |
| Telephone | +48(22) 423-10-00 |
| Fax: | +48(22) 423-10-00 |
| E-mail | sekretariat@marywilska44.waw.pl |

Website: www.marywilska44.waw.pl

Consolidated using the full method
Operates in the investment property segment

| | |
|---------------------------------|--|
| Name of the entity | JHM 1 Sp. z o.o. |
| Registered office | Skierniewice |
| Legal form | limited liability company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 8361855968 |
| REGON | 101288135 |
| Address details | ul. Unii Europejskiej 18 a 96-100 Skierniewice |
| Telephone | + 48 (46) 833 95 89 |
| Fax: | + 48 (46) 833 61 28 |
| E-mail | sekretariat@jhmdevelopment.pl |
| Website: | www.jhmdevelopment.pl |

| | |
|---------------------------------|--|
| Name of the entity | JHM 2 Sp. z o.o. |
| Registered office | Skierniewice |
| Legal form | limited liability company |
| Country of registered office: | Poland |
| NIP (tax identification number) | 8361856465 |
| REGON | 101387140 |
| Address details | ul. Unii Europejskiej 18 a 96-100 Skierniewice |
| Telephone | + 48 (46) 833 95 89 |
| Fax: | + 48 (46) 833 61 28 |
| E-mail | sekretariat@jhmdevelopment.pl |
| Website: | www.jhmdevelopment.pl |

Consolidated using the full method
Operates in the investment property segment

| | |
|----------------------------------|--|
| 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: | ul. 6 Oleny Telihy street, building 8, room 302, |

Country of registered office: Ukraine

The TOB «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.

The core activity of the subsidiary is:

- the 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 TOB “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.

4. Basic information on the consolidated financial statements

Basis of preparation

The Consolidated Financial Statements have been prepared pursuant to § 55(5) of the Accounting Act of 29 September 1994, in accordance with the International Financial Reporting Standards (IFRS) approved for use by the European Union. The financial statements were prepared on the basis of the adopted accounting policies which were relevant to the conducted business activity and in accordance with International Financial Reporting Standards.

Periods for which the consolidated financial statements and comparable data are presented.

The consolidated financial statements include data for the period from 01/01/2020 to 30/06/2020 and comparable data for the period from 01/01/2019 to 30/06/2019 as well as for the period from 01/01/2019 to 31/12/2019.

The consolidated financial statements consist of the consolidated statements of financial position, the consolidated statements of comprehensive income, the statements of changes in consolidated equity and the consolidated cash flow statements.

The financial year of the Group’s entities corresponds to the calendar year.

Business continuity

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

Functional currency

The reporting currency for the financial statements is the Polish zloty (PLN). 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 amount and the sum of their components are due to rounding.

Applied exchange rates

The following exchange rates have been adopted for the conversion of selected financial data into EUR:

- conversion of turnover, financial result and cash flows for the current period according to the exchange rate of EUR 1 = PLN 4.4413*;
- conversion of turnover, financial result and cash flows for the comparable period according to the exchange rate of EUR 1 = PLN 4.2880*;
- conversion of assets, capital and liabilities as at 30 June 2020 at the current average exchange rate announced by the NBP as at 30 June 2020, EUR 1 = PLN 4.4660;
- conversion of assets, capital and liabilities as at 31 December 2019 at the current average exchange rate announced by the NBP as at 31 December 2019, EUR 1 = PLN 4.2585.

*the exchange rates are the arithmetic averages of the current average exchange rates announced by the NBP as at the last day of each month in the period from January to June 2020 and 2019 respectively.

5. Consolidated statement of comprehensive income

| Profit and loss account | Note No. | in PLN thousand | |
|--|-----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Continued activities | | | |
| Sales revenue | 16 | 434,968 | 404,464 |
| Own cost of sales | 17 | -393,002 | -361,456 |
| Gross profit from sales | | 41,966 | 43,008 |
| Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method | | | |
| Other operating and investment activity revenue | 18 | 13,686 | 8,520 |
| Other costs of operating and investment activities | 18 | -33,922 | -30,996 |
| EBIT | | 21,730 | 20,532 |
| Financial costs | 19 | -7,264 | -7,285 |
| Pre-tax activity profit (loss) | | 14,466 | 13,247 |
| Income tax attributable to continuing activities | 20 | -3,767 | -2,690 |
| Profit (loss) on continuing activities | | 10,699 | 10,557 |
| Discontinued activities | | | |
| Revenue from discontinued operations | | | |
| Costs of discontinued operations | | | |
| Pre-tax profit (loss) on discontinued operations | | | |
| Income tax attributable to discontinued operations | | | |
| Profit (loss) on discontinued activities | | | |
| NET PROFIT (LOSS) | | 10,699 | 10,557 |
| Assigned to non-controlling shares | | | -792 |
| Assigned to the owners of the parent | - | 10,699 | 9,765 |
| Other comprehensive income | Note No. | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Components which will not be subsequently reclassified to the income statement | | | |
| Components which will be reclassified into profit or loss when certain conditions are met | | | |
| Other total net income | 21 | | |
| Assigned to non-controlling shares | | | |
| Assigned to the owners of the parent | - | - | - |
| Total comprehensive income | Note No. | For the period: | For the period: |

| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
|---|----------------------------------|----------------------------------|
| Total comprehensive income | <u>10,699</u> | <u>10,557</u> |
| Assigned to non-controlling shares | | -792 |
| Assigned to the owners of the parent | <u>10,699</u> | <u>9,765</u> |

6. Consolidated statement of financial position

| Assets | Note No. | in PLN thousand | | |
|---|----------|------------------|------------------|------------------|
| | | As at: | As at: | As at: |
| | | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Fixed assets | | 538,249 | 518,632 | 521,973 |
| Tangible fixed assets | 1 | 241,754 | 217,546 | 214,932 |
| Investment property | 2 | 243,761 | 249,649 | 253,196 |
| Intangible assets | 3 | 15,083 | 15,496 | 15,877 |
| Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | 4 | 544 | 482 | 402 |
| Investments measured using the equity method. | 5 | | | |
| Long-term trading and other receivables | 6 | 11,012 | 12,276 | 12,672 |
| Deferred income tax assets | 20 | 26,032 | 23,061 | 24,238 |
| Other fixed assets not elsewhere classified (including prepayments and accruals) | 7 | 63 | 122 | 656 |
| Current assets | | 731,475 | 627,799 | 638,205 |
| Inventories | 8 | 268,286 | 260,958 | 263,150 |
| Receivables on account of the income tax | 20 | | | |
| Trading receivables and other receivables | 6 | 398,937 | 256,792 | 319,732 |
| Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | 4 | 3 | | 478 |
| Cash and cash equivalents | 9 | 58,932 | 108,151 | 40,977 |
| Other current assets not elsewhere classified (including prepayments and accruals) | 7 | 5,317 | 1,898 | 13,868 |
| Fixed assets held for sale | 10 | | | |
| Total assets | - | 1,269,724 | 1,146,431 | 1,160,178 |

| Capitals and liabilities | Note No. | in PLN thousand | | |
|--|-----------|------------------|------------------|------------------|
| | | As at: | As at: | As at: |
| | | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Equity | 11 | 414,115 | 405,250 | 393,178 |
| Issued share capital | | 9,174 | 9,174 | 8,249 |
| Profit (loss) attributable to owners of the entity | | 10,699 | 28,124 | 9,765 |
| Other capitals | | 394,242 | 367,952 | 317,717 |
| Capital attributable to non-controlling shares | | | | 57,447 |
| Long-term liabilities and provisions for liabilities | | 388,597 | 347,178 | 295,659 |
| Provisions under deferred income tax | 20 | 38,756 | 34,180 | 29,054 |
| Other provisions for long-term liabilities | 12 | 3,201 | 3,221 | 2,649 |
| Long-term financial liabilities, except for provisions, trading liabilities and other liabilities | 13 | 167,097 | 164,322 | 189,746 |
| Long-term trading and other liabilities | 14 | 165,248 | 122,115 | 50,570 |
| Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments) | 15 | 14,295 | 23,340 | 23,340 |
| Short-term liabilities and provisions for liabilities | | 467,012 | 394,003 | 471,341 |
| Provisions for short-term liabilities | 12 | 3,081 | 3,147 | 2,976 |
| Short-term financial liabilities, except for provisions, trading liabilities and other liabilities | 13 | 90,182 | 98,219 | 108,030 |
| Trading and other liabilities | 14 | 334,321 | 263,366 | 318,666 |
| Liabilities under deferred income tax | 20 | | 2,410 | 4,707 |
| Other current liabilities and provisions not elsewhere classified (including accruals and prepayments) | 15 | 39,428 | 26,861 | 36,962 |
| Liabilities directly related to fixed assets classified as held for sale | 10 | | | |
| Total capitals and liabilities | - | 1,269,724 | 1,146,431 | 1,160,178 |

7. Consolidated statement of cash flows

| Statement of cash flows | Note No. | in PLN thousand | |
|---|----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Pre-tax profit | | 14,466 | 13,247 |
| Amortisation and depreciation | | 6,322 | 5,447 |
| Profit / loss under exchange rate differences | | | |
| Profit / loss on investment activities | | -1,778 | 37 |
| Borrowing costs | | 5,314 | 7,167 |
| Change in liabilities with the exclusion of financial liabilities | | 113,312 | -1,023 |
| Change in receivables | | -140,881 | -38,619 |
| Change in inventories | | -7,328 | -46,211 |
| Change in provisions | | 4,490 | -168 |
| Profit / loss on other financial instruments | | | |
| Other changes in working capital | | -2,809 | 162 |
| Cash from operating activity | | -8,892 | -59,961 |
| Income tax paid | | -5,401 | -4,442 |
| Net cash from operating activities | | -14,293 | -64,403 |
| Sale of tangible fixed assets and intangible assets | | 717 | 2,170 |
| Purchase of tangible fixed assets and intangible assets | | -8,200 | -13,656 |
| Sale of investment property | | | 1,583 |
| Purchase of investment property | | | |
| Repayment of loans granted | | | |
| Granting of loans | | | |
| Sale of other investment developments | | | |
| Purchase of other investment developments | | -65 | -65 |
| Dividends and interest received | | 1,061 | 118 |
| Other inflows from investment activities | | | |
| Other expenses related to investment activity | | | |
| Net cash from investment activity | | -6,487 | -9,850 |
| Inflows from shareholders | | | |
| Payments to owners | | -1,834 | |
| Commitment of liabilities under loans and credits | | 14,543 | 88,190 |
| Repayment of liabilities under loans and credits | | -28,468 | -24,786 |
| Repayment of liabilities under leasing | | -5,247 | -4,158 |

| | | | |
|---|--|----------------|----------------|
| Repayment of other financial liabilities | | | |
| Interest paid and other debt service expenditure | | -5,314 | -7,285 |
| Other financial inflows - bonds | | | |
| Other financial expenditure - bond redemption | | -2,119 | -876 |
| Cash from financial activity | | -28,439 | 51,085 |
| Opening balance of cash and cash equivalents | | 108,151 | 64,145 |
| Net increases (decreases) in cash and cash equivalents | | -49,219 | -23,168 |
| Effect of changes in foreign exchange rates on cash denominated in foreign currencies | | | |
| Closing balance of cash | | 58,932 | 40,977 |
| including cash and cash equivalents with restricted availability | | 20,827 | 27,624 |

8. Consolidated statement of changes in equity

| Changes in equity | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Capital attributable to non-controlling shares | TOTAL |
|---|---------------|--|---|---|---|--|--|------------------------|
| As at 01/01/2019 | 8,249 | 122,529 | | | 170,544 | 24,664 | 56,656 | <u>382,8622</u> |
| Total profits (losses) for the period | | | | | | 9,765 | 792 | <u>10,557</u> |
| Total other comprehensive income | | | | | | | | |
| Owner contributions | | | | | | | | |
| Payments to owners | | | | | | | | <u>-281</u> |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | - |
| Other changes in equity | | | | | | | | |
| Settlement of unpaid financial result | | 24,644 | | | | -24,644 | | - |
| As at 30/06/2019 | 8,249 | 147,173 | | | 170,544 | 9,765 | 57,447 | <u>393,178</u> |

| Changes in equity | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Capital attributable to non-controlling shares | TOTAL |
|---|---------------|--|---|---|---|--|--|----------------|
| As at 01/01/2019 | 8,249 | 147,454 | | | 170,264 | | 56,656 | 382,622 |
| Impact of retrospective application of changes in accounting policies | | | | | | | | |
| Impact of retrospective restatement | | | | | | | | |
| Total profits (losses) for the period | | | | | | 28,124 | | 28,124 |
| Total other comprehensive income | 925 | | | | 8,983 | | | 9,908 |
| Owner contributions | | | | | | | | |
| Payments to owners | | | | | | | | |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | |
| Other changes in equity | | | | | 41,252 | | -56,656 | -15,404 |
| As at 31/12/2019 | 9,174 | 147,454 | | | 220,499 | 28,124 | | 405,250 |

| Changes in equity | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Capital attributable to non-controlling shares | TOTAL |
|---|-----------------|--|---|---|---|--|--|----------------|
| As at 01/01/2020 | 9,174 | 147,454 | | | 220,498 | 28,124 | | 405,250 |
| Total profits (losses) for the period | | | | | | | | <u>0.00</u> |
| Total other comprehensive income | | | | | | | | |
| Owner contributions | | | | | | 10,699 | | <u>10,699</u> |
| Payments to owners | | -1,834 | | | | | | <u>-1,834</u> |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | <u>0</u> |
| Other changes in equity | | 28,124 | | | | -28,124 | | <u>0</u> |
| Settlement of unpaid financial result | | | | | | | | <u>0</u> |
| As at 30/06/2020 | 9,174.00 | 173,744.00 | 0, | 0 | 220,498 | 10,699 | 0 | 414,115 |

9. Accounting principles applied by the Group

Intangible assets

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

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

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

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

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

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

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

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

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

following rates:

| Item | Annual depreciation rate |
|-------------------------|--------------------------|
| computer software | 5%-50% |
| other intangible assets | 20%-50% |

The correctness of the amortisation rates applied to individual intangible asset components shall be verified at least annually. Any changes resulting from the verification of amortisation rates affect (as a change of estimated values) the appropriate adjustment made in the amortisation write-downs for the current financial year and in subsequent financial years.

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

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

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

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

Cost of research and development works

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

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

Goodwill

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

Tangible fixed assets

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

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

After initial recognition, tangible fixed assets are disclosed at acquisition cost or production price less accumulated amortisation and any revaluation write-downs under impairment losses.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of a given asset component, and the amortisation rates for particular groups of tangible fixed assets are as follows:

| Item | Annual depreciation rate |
|------------------------------------|--------------------------|
| Land (right of perpetual usufruct) | is not depreciated |
| Buildings and structures | 1.5% – 2.5% |
| Machines and technical equipment | 7% – 30% |

Means of transport

10-20%

Investments in third-party fixed assets

in proportion to the useful life of the main asset

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

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

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

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

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

Advance payments paid for the purchase of Tangible Fixed Assets are presented in the financial statements under other short-term receivables.

The right of perpetual usufruct of land

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

The excess of the fair value determined in this manner over the costs incurred to acquire the right of

perpetual usufruct of land by way of an administrative decision is disclosed correspondingly in the “profit from previous years”.

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

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

Leasing

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

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

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

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

Non-renewable natural resources

Non-renewable natural resources are initially recognised at cost.

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

Costs incurred after the date of including non-renewable natural resources in the records (use) are recognised in the income statement at the time they are incurred.

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

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

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

Fixed assets and groups of assets held for sale

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

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

Simplifications applied to non-investment fixed assets

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

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

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

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

Investment property

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

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

Inventories

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

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

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

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

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

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

The inventory acquisition costs comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the tax authorities), transport, loading and unloading costs, and other costs directly attributable to the acquisition of finished goods, materials and services. Discounts, rebates and other similar items shall be deducted in determining purchase costs.

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

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

Revaluation write-downs of tangible current asset components, related to impairment or measurement as at the balance-sheet date are charged to other operating expenses. If the reason for making a revaluation write-down ceases to exist, the value of tangible current assets is credited to

other operating income. Circumstances indicating the need to make a revaluation write-down on inventories include in particular:

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

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

Receivables

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

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

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

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

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

Accruals and prepayments

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

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

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

Income accruals and prepayments

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

Financial instruments

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

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

- financial asset components or financial liabilities measured at fair value through income statement - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- held-to-maturity investment developments - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Capital Group has the positive intention and ability to hold to maturity;
- loans and receivables - non-derivative financial assets with fixed or determinable payments that are not traded on an active market;
- financial assets available for sale - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investment developments or financial assets measured at fair value through financial result.

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

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

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

Measurement of financial instruments as at the day of their creation

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

The Capital Group includes the transaction costs in the initial value of measurement of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through

income statement.

Measurement of financial instruments as at the balance-sheet date

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

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

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

The effects of measurement of financial assets and liabilities classified into other categories are recognised in the income statement.

Hedge accounting

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

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

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

Discontinuation of hedge accounting

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

- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative profit or loss on the hedging instrument which is recognised directly in equity shall remain separately recognised in equity until the planned transaction occurs;
- the hedge no longer meets the criteria for hedge accounting. In such a case, the cumulative profit or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated profit or loss related to the hedging instrument, recognised directly in equity, is recognised in the income statement.

Equity

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

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

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

Minority capitals are a separate item of equity.

Bank credits and loans

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

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

Liabilities

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

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

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

Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries. The commitments also include amounts relating to the settlement of construction and other long-term services.

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

Contingent liabilities

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

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

The identified contingent liabilities are subject to presentation in the financial statements in additional notes and explanations,

Provisions

Provisions are created when the person preparing the financial statements has a present obligation

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

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

Costs related to a given provision are disclosed in the income statement, less all reimbursements.

The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.

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

Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision. The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

Provisions for employee benefits

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

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

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

Revenue

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

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

The amount of revenue arising from a transaction is usually determined by contract between the Entity

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

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

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

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

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

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

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

Dividends are recognised at the moment the entity's right to obtain them is established. Revenue from barter transactions is recognised only if it has an economic substance.

Costs

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

Own cost of sales as at the balance-sheet date is adjusted by the change in the fair value of financial

instruments which hedge cash flows when the transaction is no longer effective and when the hedged item is realised.

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

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

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

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

- Overheads
- Costs of sales
- Loss on sale of tangible fixed assets and intangible assets
- Donations made
- Established provisions for disputes, penalties, damages and other costs indirectly related to operating activities, as well as financial costs related to financing the activity.

Transactions in foreign currencies

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

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

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

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

Income tax

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

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future.

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

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

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

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

Earnings per share (EPS)

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

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

Mergers and consolidation

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

The Compiler of financial statements recognises business mergers using the purchase method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed from former owners of the acquiree and the capital interests issued by the group. The consideration transferred shall include the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business merger are initially measured at their acquisition-date fair values. As at the acquisition date, the Compiler of financial statements shall recognise all non-controlling interests in the acquiree, either at fair value or at the proportional share value (corresponding to the

non-controlling share) in the acquiree's identifiable net assets. In the case of a business merger achieved in stages, the acquirer shall remeasure the balance sheet value of its previously held capital share in the acquiree at its acquisition-date fair value and recognise the resulting profit or loss. A contingent consideration that is classified as part of equity is not subject to a revaluation and its subsequent settlement is accounted for within equity. Intragroup transactions and settlements and unrealised profits arising from intragroup transactions shall be eliminated.

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

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

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

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

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

The Company applies the pooling of shares method to settle the effects of mergers between entities

under common control.

Principle of no-offsetting

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

Income and expense items may be offset only when:

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

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

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

Cash flow statement

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

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

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

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

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

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

Exceptional items

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

Business segments

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

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

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

| | | | | |
|------------------------------------|----------------------------------|--|------------------------------------|-------|
| Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other |
|------------------------------------|----------------------------------|--|------------------------------------|-------|

To the Other group other ancillary activities are assigned which do not affect the assessment of the financial position of the entity. All assets and liabilities are assigned to the main activity segments.

Items based on estimates and professional judgment

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

The Compiler of financial statements makes judgments as to whether the result of the construction contract can be estimated reliably. The assessment shall be based on an analysis of the likelihood of the economic benefits associated with a given contract. Revenue from the performance of construction contracts is determined proportionally to the degree of advancement, measured as the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. Contract budgets are subject to a formal updating process. If the stage of advancement of the service cannot be reliably determined as at the balance-sheet date, the revenue is determined at the amount of contract costs incurred, for which it is probable that they will be recovered.

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

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

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

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

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

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

Amortisation rates are determined based on the anticipated useful economic life of tangible fixed asset components and intangible assets. The useful economic lives are reviewed annually by the Entity based on current estimates.

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

10. Changes in accounting principles and presentation of financial statements

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

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

| The following new standards and amendments to standards were issued by the IASB and approved for application in the EU and came into force on 1 January 2018 | Impact on financial statements / reference |
|--|--|
| IFRS 9 "Financial Instruments" - approved by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective Date of IFRS 15" - approved by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| Amendments to IFRS 2 "Financial Instruments" - Share-based payment classification and measurement (effective for annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Instruments" (effective for annual periods beginning on or after 1 January 2018 or at the moment of first application of IFRS 9 "Financial Instruments") | had no significant impact on the financial statements |
| Amendments to IFRS 15 "Revenue from Contracts with Customers" - Explanations to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| Amendments to IAS 7 "Statement of Cash Flows" - Initiative with respect to disclosures (effective for annual periods beginning on or after 1 January 2017) | had no significant impact on the financial statements |
| Amendments to IFRS 12 "Income Tax" - Recognition of deferred income tax assets from unrealised losses (effective for annual periods beginning on or after 01 January 2017) | had no significant impact on the financial statements |
| Amendments to IFRS 40 "Investment Property" - Carry-over of investment property (effective for reporting periods commencing on or after 01 January 2018) | had no significant impact on the financial statements |
| Amendments to various standards "Improvements to IFRSs (2014-2016 cycle)" - changes made within the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mainly at resolving inconsistencies and clarifying vocabulary (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| IFRIC 22 Interpretation "Foreign Currency Transactions and Advance Payments" (applicable to annual periods beginning on or after 1 January 2018) | had no significant impact on the financial statements |
| Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the effective date of the changes was postponed until the completion of research on the equity method) | will not have any significant impact on the financial statements |
| The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2019 | Impact on financial statements / reference |
| IFRS 16 "Leasing" (effective for reporting periods commencing on or after 1 January 2019) | will not have any significant impact on the financial statements |
| Amendments to IAS 28: "Investments in Associates" - measurement of long-term investments | will not have any significant impact on the financial statements |
| Annual amendment programme 2015 - 2017: | will not have any significant impact on the financial statements |

| | |
|---|--|
| - Amendments to IFRS 3 "Entity Mergers" - measurement of interests in joint operations at the time of obtaining control | will not have any significant impact on the financial statements |
| - Amendments to IFRS 11 "Joint Arrangements" - measurement of interests in joint operations at the time of obtaining joint control | will not have any significant impact on the financial statements |
| - Amendments to IAS 12 "Income Taxes" - recognition of tax consequences of dividend payments | will not have any significant impact on the financial statements |
| - Amendments to IAS 23: "Borrowing Costs" - classification of liabilities incurred specifically to obtain a qualifying asset when the activities necessary to prepare the asset for use or sale are completed | will not have any significant impact on the financial statements |
| Amendments to IAS 19 "Employee Benefits" - amendments to a defined benefit plan | will not have any significant impact on the financial statements |
| IFRIC 23 "Uncertainty Relating to the Recognition of Income Taxes" | will not have any significant impact on the financial statements |
| The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2020 | Impact on financial statements / reference |
| Amendments to the scope of references to Conceptual Assumptions in IFRS | will not have any significant impact on the financial statements |
| Amendments to IFRS 3: "Business combinations" - definition of the project | will not have any significant impact on the financial statements |
| Amendments to IAS 2 and IAS 8 - the definition of "significant" | will not have any significant impact on the financial statements |
| The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2021 | Impact on financial statements / reference |
| IFRS 17 "Insurance Contracts" | will not have any significant impact on the financial statements |

12. Notes to the consolidated financial statements

Note 1 Tangible fixed assets

| Ownership structure of fixed assets | in thousands of PLN | | |
|-------------------------------------|---------------------|--------|--------|
| | As at: | As at: | As at: |

| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
|---|----------------|----------------|----------------|
| Own tangible fixed assets | 194,937 | 183,466 | 178,480 |
| Tangible fixed assets used under operating lease, rent, hire or similar | 46,817 | 34,080 | 36,452 |
| Total | 241,754 | 217,546 | 214,932 |

| Costs of external financing capitalised in the value of fixed assets | in thousands of PLN | | |
|--|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Interest | | | |
| Foreign exchange differences | | | |
| Other borrowing costs | | | |
| Total | | | |

There were no borrowing costs activated in tangible fixed assets.

| Fixed assets used under a finance lease agreement | in thousands of PLN | | |
|---|---------------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Costs | 70,839 | 55,605 | 56,903 |
| Depreciation | -24,022 | -21,525 | -20,451 |
| Total | 46,817 | 34,080 | 36,452 |

| Fixed assets by types | Land | buildings and structures | technical equipment and machinery | means of transport | other fixed assets | Fixed assets under construction | Advance payments on fixed assets under construction | Fixed assets held for sale | TOTAL |
|---------------------------|--------|--------------------------|-----------------------------------|--------------------|--------------------|---------------------------------|---|----------------------------|----------------|
| As at 01/01/2019 | | | | | | | | | |
| Costs | 21,462 | 123,433 | 94,740 | 24,362 | 8,312 | 3,645 | | | 275,954 |
| Depreciation | -1 | -12,628 | -40,372 | -11,325 | -4,587 | | | | -68,913 |
| Revaluation write-downs | | | | | | | | | |
| Net book value | 21,461 | 110,805 | 54,368 | 13,037 | 3,725 | 3,645 | | | 207,041 |
| As at 31/12/2019 | | | | | | | | | |
| Costs | 21,465 | 124,216 | 96,832 | 25,944 | 8,426 | 19,563 | | | 296,446 |
| Increases including: | 3 | 885 | 2,093 | 2,527 | 114 | 19,315 | | | 24,937 |
| - acquisition | 3 | 885 | 79 | | 114 | 19,315 | | | 20,396 |
| -acquisition subsidiaries | | | | | | | | | |
| -revaluation surplus | | | | | | | | | |

| | | | | | | | | |
|--|---------------|----------------|----------------|----------------|---------------|------------|--|----------------|
| -carry-over | | | 530 | | | | | 530 |
| - other | | | 1,484 | 2,527 | | | | 4,011 |
| Decreases, including: | | -102 | -1 | -945 | | -3,397 | | -4,445 |
| -sale | | | -1 | -945 | | -2,153 | | -3,099 |
| -reallocation to the group held for sale | | | | | | | | |
| - other | | -102 | | | | -1,244 | | -1,346 |
| Depreciation | -1 | -14,410 | -46,777 | -12,576 | -5,136 | | | -78,900 |
| Increases including: | | -1,782 | -6,405 | -2,068 | -549 | | | -10,804 |
| - amortisation and depreciation | | -1,782 | -6,405 | -2,068 | -549 | | | -10,804 |
| -acquisition subsidiaries | | | | | | | | |
| - other | | | | | | | | |
| Decreases | | | | 817 | | | | 817 |
| -sale | | | | 817 | | | | 817 |
| -reallocation to the group held for sale | | | | | | | | |
| -carry-over | | | | | | | | |
| - other | | | | | | | | |
| Revaluation write-downs | | | | | | | | |
| -revaluation write-downs | | | | | | | | |
| -reversals of revaluation write-downs | | | | | | | | |
| Foreign exchange differences | | | | | | | | |
| As at 30/06/2020 | | | | | | | | |
| Costs | 25,372 | 151,845 | 104,572 | 22,222 | 8,593 | 696 | | 373,448 |
| Increases including: | 3,921 | 27,948 | 8,989 | 7,412 | 552 | 3,606 | | 52,428 |
| - acquisition subsidiaries | 3,921 | 1,307 | 8,989 | 7,412 | 552 | 3,275 | | 25,456 |
| -revaluation surplus | | | | | | | | |
| -carry-over | | 27,259 | | | | 331 | | 26,972 |
| - other | | | | | | | | |
| Decreases, including: | -14 | -319 | -1,249 | -134 | -385 | -22,473 | | -24,574 |
| -sale | -14 | -310 | -825 | -134 | -369 | | | -1,652 |
| -reallocation to the group held for sale | | | | | | | | |
| - other | | -9 | -424 | | -16 | -22,473 | | -22,922 |
| Depreciation | -1 | -15,065 | -49,274 | -13,708 | -5,125 | | | -86,329 |
| Increases including: | | -968 | -3,302 | -1,216 | -356 | | | -5,851 |
| - amortisation and depreciation | | -968 | -3,302 | -1,216 | -356 | | | -5,851 |
| -acquisition subsidiaries | | | | | | | | |
| - other | | | | | | | | |

| | | | | | | | | | |
|--|---------------|--------------------------|-----------------------------------|--------------------|--------------------|---------------------------------|---|----------------------------|-----------------|
| Decreases | 313 | 805 | 93 | 367 | | | | | 1,578 |
| -sale | 310 | 391 | 93 | 351 | | | | | 1,145 |
| -reallocation to the group held for sale | | | | | | | | | |
| -carry-over | | | | | | | | | |
| - other | 3 | 414 | | 16 | | | | | 433 |
| Revaluation write-downs | | | | | | | | | |
| -revaluation write-downs | | | | | | | | | |
| -reversals of revaluation write-downs | | | | | | | | | |
| Foreign exchange differences | | | | | | | | | |
| Net value | 25,370 | 137,398 | 55,298 | 19,523 | 3,486 | 697 | | | 241,0571 |
| Fixed assets by type | land | buildings and structures | technical equipment and machinery | means of transport | other fixed assets | Fixed assets under construction | Advance payments on fixed assets under construction | Fixed assets held for sale | TOTAL |

Note 2 Investment property

| INVESTMENT PROPERTY MEASURED ACCORDING TO THE FAIR VALUE MODEL | UNDEVELOPED LAND | BUILDINGS AND STRUCTURES | TOTAL |
|---|------------------|--------------------------|----------------|
| As at 01/01/2019 | 15,138 | 238,926 | 254,064 |
| New property acquisitions | | | |
| Increases resulting from subsequent expenditure capitalisation | | | |
| Increases resulting from acquisition as a result of entity merger | | | |
| Net amount of profits or losses resulting from fair value measurement adjustments | | -1,516 | -1,516 |
| Carry-over to investments for lease | | | |
| Carry-overs to and from inventories | | -3,613 | -3,613 |
| Sales | | | |
| Carry-overs to and from owner-occupied property | | | |
| Other changes | | 714 | 714 |
| As at 31/12/2019 | 15,138 | 234,511 | 249,649 |
| New property acquisitions | | | |
| Increases resulting from subsequent expenditure capitalisation | | | |
| Increases resulting from acquisition as a result of entity merger | | | |

Net amount of profits or losses resulting from fair value measurement adjustments

Carry-overs to investments for lease

| | | | |
|---|---------------|----------------|----------------|
| Carry-overs to and from inventories | | -1,417 | -1,417 |
| Sales | | | |
| Carry-overs to and from owner-occupied property | | -4,363 | -4,363 |
| Other changes | | -108 | -108 |
| As at 30/06/2020 | 15,138 | 228,623 | 243,761 |

Neither in the current nor in the previous reporting period did MIRBUD S.A. have any investments in property. However, the company has a capital commitment in subsidiaries for which property investment is a significant part of the activities.

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

The amount of PLN 15 million disclosed in the consolidated financial statements relates to undeveloped land properties situated in Wola Pękoszewska, Skierniewice, at ul. Unii Europejskiej, and Rawa Mazowiecka, at ul. Biała.

The amount of PLN 229 million relates to investment properties for lease:

- Shopping Centre building with a value of PLN 125 million,
- Wodny Park Handlowy building completed on 31/12/2017, with a value of PLN 28 million,
- apartments in Hel with a value of 9 million,
- Shopping Centre building in Rumia with a value of PLN 11 million,
- commercial building in Starachowice with a value of PLN 18 million,
- property for rent in Ostróda with a value of PLN 39 million

| Ownership structure of investment real property value | in thousands of PLN | | |
|---|---------------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Own | 243,761 | 249,649 | 253,196 |
| Used under operating lease, rent, hire and similar | | | |
| Total | 243,761 | 249,649 | 253,196 |

| Investment real property used under financial lease contracts | in thousands of PLN | | |
|---|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Capitalised leasing costs | | | |
| Fair value changes | | | |
| Total | | | |

| Data on investment real property measured at fair value carried out by the entity | in thousands of PLN | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 31/12/2019 | from 01/01/2019 to 30/06/2019 |
| Book value | 243,761 | 249,649 | 253,196 |
| Revenue from rent | 15,835 | 46,646 | 23,267 |
| Direct operating costs for investment property yielding rental income | -13,340 | -27,690 | -14,324 |
| Direct operating costs for investment property not yielding rental income | | | |
| Total: | 2495 | 18,956 | 8,943 |
| Amounts of restrictions on the realisation of economic benefits | | | |
| Contractual purchase, construction or adaptation amounts | | | |

| Investment real property according to the fair value hierarchy | in thousands of PLN | | |
|--|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| I | | | |
| II | 243,761 | 249,649 | 253,196 |
| III | | | |
| Total | 243,761 | 249,649 | 253,196 |

IFRS 13 introduces a fair value determination hierarchy, based on three levels of obtaining input information. 3 levels of fair value determination hierarchy

Level one contains input information from an active market and is treated as the source of most reliable data. Data from this level should be used whenever possible.

Level two contains input information other than from an active market, which are however observable (objective, measurable). This level includes the following possible sources of information and data: quotations for similar assets and liabilities from an active market; quotations for the same or similar assets and liabilities from markets which are not active; markets other than quoted markets which are nevertheless observable (interest rates, credit spreads, etc.); other market-based information.

Level three contains unobservable data used when information from the first two measurement levels cannot be obtained. This includes any measurements with subjective input data. IFRS 13 distinguishes three main fair value measurement methods: market approach; cost approach; flow approach.

| OWNERSHIP STRUCTURE OF INVESTMENT PROPERTY VALUE | in thousands of PLN | | |
|--|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Own | 244,560 | 249,649 | 253,196 |

| | | | |
|--|----------------|----------------|----------------|
| Used under operating lease, rent, hire and similar | | | |
| Total | 244,560 | 249,649 | 253,196 |

Note 3 Intangible assets

| Intangible asset ownership structure | in thousands of PLN | | |
|---|---------------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Own intangible assets | 15,083 | 15,496 | 15,877 |
| Intangible assets used under operating lease, rent, hire or similar | | | |
| Total | 15,083 | 15,496 | 15,877 |

| Intangible assets used under financial lease contracts | in thousands of PLN | | |
|--|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Costs | 0 | 0 | 0 |
| Depreciation | 0 | 0 | 0 |
| Total | 0 | 0 | 0 |

| | Costs of research and development | Goodwill | Plans and licenses | Other intangible assets | Advance payments for intangible assets | TOTAL |
|--|-----------------------------------|---------------|--------------------|-------------------------|--|---------------|
| as at 31/12/2019 | | | | | | |
| Costs | | 13,026 | 6,576 | | | 19,602 |
| Depreciation | | | -4,106 | | | -3,228 |
| Revaluation write-downs | | | | | | |
| Net book value | - | 13,026 | 2,470 | - | - | 15,496 |
| as at 30/06/2020 | | | | | | |
| Costs | | 13,026 | 6,649 | | | 19,675 |
| Increases including: | | | | | | |
| - acquisition | | | 73 | | | 73 |
| -acquisition subsidiaries | | | | | | |
| -revaluation surplus | | | | | | |
| -carry-over | | | | | | |
| - other | | | | | | |
| Decreases, including: | | | | | | |
| -sale | | | | | | |
| -reallocation to the group held for sale | | | | | | |
| - other | | | | | | |
| Depreciation | | | -4,592 | | | -4,592 |
| Increases including: | | | | | | |
| - other | | | - 486 | | | - 486 |

| | | | | | | |
|--|---|---------------|--------------|---|---|---------------|
| - amortisation and depreciation | | | - 486 | | | - 486 |
| -acquisition subsidiaries | | | | | | |
| - other | | | | | | |
| Decreases | | | | | | |
| -sale | | | | | | |
| -reallocation to the group held for sale | | | | | | |
| -carry-over | | | | | | |
| - other | | | | | | |
| Revaluation write-downs | | | | | | |
| -revaluation write-downs | | | | | | |
| -reversals of revaluation write-downs | | | | | | |
| Foreign exchange differences | | | | | | |
| Net value | - | 13,026 | 2,057 | - | - | 15,083 |

The main component of intangible assets is the SAP system. The program has a useful life of 10 years and its residual value is PLN 0.00.

Goodwill has been allocated to the relevant activity segments as cash-generating units. The impairment tests carried out for these units, based on discounted cash flows, indicated that the recoverable value of these assets was higher than their book value.

Cash flows have been designed on the basis of historical data and the best management forecasts. The discount factors were selected on the basis of external sources and presented in the note corresponding to the report on activity segments.

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

Shares in other entities are initially recognised at fair value plus transaction costs. In later periods they are recognised at fair value.

After the initial recognition, the Company measures all investments in equity instruments at fair value. For all the investments being set, the Company chose the option to present profits and losses on changes in fair value of equity instruments in other comprehensive income. If such a choice is made, profits and losses on the change in fair value are not subsequently reclassified to profit or loss when the investment is no longer disclosed. Impairment write-downs (and reversals of write-downs) in respect of equity investments measured at fair value through other comprehensive income are not presented on other changes in fair value.

Dividends from such investments are recognised in profit or loss when the Company's right to receive payment is established.

| FINANCIAL ASSETS (EXCLUDING TRADING RECEIVABLES, ASSETS MEASURED ACCORDING TO EQUITY METHOD AND CASH AND CASH EQUIVALENTS) | in thousands of PLN | | |
|--|---------------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Capital investments in subsidiaries | 316 | 265 | 185 |
| Other | 228 | 217 | 217 |
| Total | 544 | 482 | 402 |

| Other financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | in PLN thousand | | | |
|--|-----------------|-------------------------------|-------------------------------|------------|
| | As at: | Increases | Decreases | As at: |
| | 31/12/2019 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | 30/06/2020 |
| Long-term financial assets | 217 | 15 | 4 | 228 |
| in related entities | - | - | | |
| - other securities (bonds) | | | | |
| - loans granted | | | | |
| - other long-term financial assets | | | | |
| in other entities | 217 | 15 | 4 | 228 |
| - shares | | | | |
| - financial assets available for sale | | | | |
| - financial assets held to maturity | 217 | 15 | 4 | 228 |
| - assets under derivative instruments | | | | |
| - loans granted | | | | |
| - other long-term financial assets | | | | |
| Short-term financial assets | | | | |
| in subsidiaries and jointly controlled entities | - | - | | |
| - shares available for trade | | | | |
| - other securities | | | | |
| - loans granted | | | | |
| - other short-term financial assets | | | | |
| in associates | | | | |
| - shares available for trade | | | | |
| - other securities | | | | |
| - loans granted | | | | |
| - other short-term financial assets | | | | |
| in other entities | | | | |
| - shares (listed) | | | | |
| - other shares | | | | |
| - financial assets measured at fair value by financial result | | | | |
| - financial assets available for sale | | | | |
| - financial assets held to maturity | | | | |
| - assets under derivative instruments | | | | |
| - loans granted | | | | |
| - other short-term financial assets | | | | |
| Total | 217 | 15 | 4 | 228 |

| Basic financial data of main, directly controlled subsidiaries | JHM Development S.A. | PBDiM Kobyłarnia S.A. | Expo Mazury S.A. |
|--|----------------------|-----------------------|------------------|
| Total assets | 398,420 | 276,815 | 157,420 |
| Long-term liabilities | 26,502 | 60,600 | 22,869 |
| Short-term liabilities | 72,457 | 128,957 | 26,421 |
| Equity | 299,064 | 82,533 | 108,130 |
| Direct share in capital | 100.00% | 100.00% | 68.42% |
| Share in equity (direct and indirect) | 100.00% | 100.00% | 99.99% |
| Sales revenue | 35,989 | 94,377 | 2,759 |
| Net profit (loss) | 3,119 | 525 | 1,694 |
| Comprehensive income for the net financial year | 3,119 | 525 | 1,694 |
| Total net cash flows | 1,078 | - 5,449 | 847 |

| Basic financial data of main, indirectly controlled subsidiaries | Marywilska 44 Sp. z o.o. | JHM 1 Sp. z o.o. | JHM 2 Sp. z o.o. | Mirbud Ukraina Sp. z o.o. |
|--|--------------------------|------------------|------------------|---------------------------|
| Total assets | 189,636 | 19,392 | 14,747 | |
| Long-term liabilities | 33,465 | 7,082 | 3,564 | |
| Short-term liabilities | 19,398 | 741 | 492 | |
| Equity | 136,773 | 11,352 | 10,600 | |
| Direct share in capital | 100.00% | 100.00% | 100.00% | 100.00% |
| Share in equity (direct and indirect) | 100.00% | 100.00% | 100.00% | 100.00% |
| Sales revenue | 14,762 | 521 | 390 | |
| Net profit (loss) | -1,302 | 185 | 214 | |
| Total net cash flows | 866 | -55 | 16 | |

Note 5 Investments measured using the equity method

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

Note 6 Trading and other receivables

| Trading and other receivables | in thousands of PLN | | |
|---|-----------------------|-----------------------|-----------------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Long-term receivables | <u>11,012</u> | <u>12,276</u> | <u>12,672</u> |
| trade receivables from related entities | | | |
| trade receivables from other entities | | | |
| other receivables from related entities | | | |
| other receivables from other related entities | 11,012 | 12,276 | 12,672 |
| Short-term receivables | <u>398,937</u> | <u>256,792</u> | <u>319,732</u> |
| trade receivables from related entities | | | |
| trade receivables from other entities | 221,034 | 66,546 | 175,359 |
| retained amounts under execution of contracts from related entities | | | |
| retained amounts under execution of contracts from other entities | 47,163 | 19,599 | 17,466 |
| other receivables from related entities | | | |
| other receivables from other entities | 4,880 | 1,716 | 4,798 |
| amounts transferred for deliveries | 2,395 | 5,008 | 1,245 |
| budget receivables except for corporate income tax settlements | 2,982 | 933 | 3,005 |
| disputed receivables brought before the court | 9,778 | 19,902 | 14,515 |
| accrual of receivables under settlement of long-term contracts | 110,705 | 143,088 | 103,344 |
| Total | <u>409,369</u> | <u>269,068</u> | <u>332,404</u> |

| AGE STRUCTURE OF RECEIVABLES | in PLN thousand | | |
|---|-----------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 31/03/2020 | 31/12/2019 | 30/06/2019 |
| Gross receivables | 416,614 | 275,905 | 334,500 |
| not past due, including: | 319,866 | 230,405 | 250,249 |
| payable up to 1 month | 257,035 | 172,269 | 187,687 |
| payable from 1 to 3 months | 9,052 | 26,261 | 26,276 |
| payable from 3 to 12 months | 51,046 | 19,599 | 24,010 |
| payable from 1 to 5 years | 17,647 | 12,276 | 12,276 |
| past due, including: | 81,834 | 45,500 | 82,251 |
| past due up to 1 month | 13,452 | 13,421 | 26,594 |
| past due from 1 to 3 months | 34,970 | 4,667 | 21,500 |
| past due from 3 to 6 months | 4,570 | 5,361 | 8,170 |
| past due from 6 to 12 months | 1,033 | 442 | 6,395 |
| past due over 12 months | 27,809 | 21,609 | 21,592 |
| receivables in respect of which credit risk has significantly increased | - 1,007 | - 1,007 | |
| receivables revaluation write-down | - 6,238 | - 5,830 | - 2,096 |
| Net receivables | 409,369 | 269,068 | 332,404 |

| Receivables revaluation write-downs | Trade receivables | Disputed receivables | Other | Total |
|-------------------------------------|-------------------|----------------------|-------|---------------|
| As at 01/01/2019 | -2,968 | - | - | -2,968 |
| Increases | -6,067 | | | -6,067 |
| Releases | 2198 | | | 2,198 |
| Utilisation | | | | |
| As at 31/12/2019 | -6,837 | - | - | -6,837 |
| Increases | - 2,512 | | | - 2,512 |
| Releases | 2104 | | | |
| As at 30/06/2020 | -7,245 | - | - | -7,245 |

Revaluation write-downs in respect of credit losses.

The Company uses a simplified write-down matrix to calculate expected credit losses. In order to determine expected credit losses, trade receivables were grouped based on probability of credit risk characteristics and past due bands. The Company states that it has one hegemonic group of receivables.

The liability default rate was established on the basis of historical data from 2016 to 2018.

The recoverability is estimated on the basis of historical data as the balance includes a group of

dispersed items grouped according to the probability of credit risk and customer behaviour in the past. A further adjustment is then made to take account of the impact of future factors not reflected in the historical data.

The liability default rate established as at 31/12/2019 is:

- for non-matured receivables - 1.63%
- for receivables past due up to 1 month - 2.07%
- for receivables past due from 1 to 3 months - 4.04%
- for receivables past due from 3 to 6 months - 10.05%
- for receivables past due from 6 to 12 months - 18.69%
- for receivables past due over 12 months - 45.16%

Note 7 Biological assets

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

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

| Other assets | in thousands of PLN | | |
|--|---------------------|--------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Other long-term assets | 63 | 122 | 656 |
| Long-term cost prepayments | 63 | 122 | 656 |
| Other long-term assets not elsewhere classified | | | |
| Other short-term assets | 5,317 | 1,898 | 13,868 |
| Short-term cost prepayments | 5,317 | 1,898 | 13,868 |
| Other short-term assets not elsewhere classified | | | |
| Total | 5,380 | 2,020 | 14,524 |

Note 9 Inventories

| Inventories | in PLN thousand | | |
|---|-----------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Materials | 10,646 | 9,409 | 20,292 |
| Semi-finished products and work in progress | 143,263 | 112,683 | 141,388 |
| Finished products | 17 | 13 | 24 |
| Goods | 59,025 | 57,928 | 60,636 |
| Completed development contracts | 50,199 | 80,925 | 40,810 |
| Total | 263,150 | 260,958 | 263,150 |

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

Note 9 Cash and cash equivalents

| Cash and cash equivalents | in thousands of PLN | | |
|-----------------------------|---------------------|----------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Cash on hand and with banks | 29,387 | 31,002 | 14,773 |
| Term deposits | 20,827 | 77,149 | 20,744 |
| Other monetary assets | 8718 | | 5,460 |
| Total | 58,932 | 108,151 | 40,977 |

Term deposits in the amount of PLN 1,378 thousand are interest-bearing funds used as security for the Marywilka 44 company's credit contract.

The term deposit in the amount of PLN 1,000 thousand constitutes interest-bearing funds used as security for the Expo Mazury S.A. company's credit contract.

The term deposit in the amount of PLN 138 thousand constitutes interest-bearing funds used as hedging for the JHM DEVELOPMENT S.A. company's credit contract.

PLN 95 thousand non-interest-bearing deposit to secure the debt service provision

Term deposits in the amount of PLN 18,216 thousand. are interest-bearing funds constituting a security for proper performance of construction contracts of MIRBUD S.A.

As a result, they are limited in their use.

Other cash assets are funds accumulated on individual housing accounts by purchasers of residential units for investment developments in the course of construction.

Note 10 Fixed assets held for sale and liabilities related to them

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

Note 11 Capitals

| Capitals and liabilities | in PLN thousand | | |
|---|-----------------|------------|------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Issued share capital | 9,174 | 9,174 | 8,249 |
| Retained earnings attributable to the shareholders of the parent | 173,743 | 147,454 | 147,173 |
| Write-downs from net profit during the financial year concerning the shareholders of the parent | | | |
| Accumulated other income attributable to the shareholders of the parent | | | |

| | | | |
|--|----------------|----------------|----------------|
| Other capitals attributable to the shareholders of the parent | 220,499 | 220,499 | 170,544 |
| Net profit (loss) attributable to the shareholders of the parent | 10,699 | 28,124 | 9,765 |
| Foreign exchange differences on translation | | | |
| Capital attributable to non-controlling shares | | | 57,447 |
| Total | 414,115 | 405,250 | 393,178 |

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

Information on changes in shareholders holding more than 5% of shares in MIRBUD S.A.

| Share capital structure | Jerzy Mirgos | Nationale-Nederlanden OFE | Other shareholders |
|-------------------------|---------------|---------------------------|--------------------|
| As at 31/12/2019 | | | |
| Owned ordinary shares | 40,937,453 | 10,281,837 | 40,524,910 |
| Preference shares held | | | |
| Share in capital | 44.62% | 11.21% | 44.17% |
| Share in profit | 44.62% | 11.21% | 44.17% |
| Share in voting | 44.62% | 11.21% | 44.17% |
| As at 30/06/2020 | | | |
| Owned ordinary shares | 41,037,453 | 10,281,837 | 40,424,910 |
| Preference shares held | | | |
| Share in capital | 44.73% | 11.21% | 44.06% |
| Share in profit | 44.73% | 11.21% | 44.06% |
| Share in voting | 44.73% | 11.21% | 44.06% |

Table. Shares of the Company held by members of management and supervisory bodies as at 31/03/2020 and as at 30/06/2020

| 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% |

Note 12 Provisions

| Provisions | in PLN thousand | | |
|--|-----------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| <u>Provisions under deferred income tax</u> | 38,756 | 34,180 | 29,054 |
| <u>Long-term provisions</u> | 3,201 | 3,221 | 2,649 |
| provisions for retirement benefits | 3,201 | 3,221 | 2,649 |
| other long-term provisions | | | |
| <u>Short-term provisions</u> | 3,081 | 3,147 | 2,976 |
| provisions for retirement benefits | 718 | 696 | 494 |
| provisions for warranty repairs | 1,000 | 1,000 | 1,000 |
| provisions for losses under settlements of long-term contracts | | | |
| other short-term provisions | 1,363 | 1,451 | 1,482 |
| Total | 45,038 | 40,548 | 34,679 |

Note 13 Financial liabilities, except for provisions, trading liabilities and other liabilities

| Bank loans and credits and other debt instruments | in thousands of PLN | | |
|--|-----------------------|-----------------------|-----------------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| <u>Long-term financial liabilities, except for provisions, trading liabilities and other liabilities</u> | <u>167,097</u> | <u>164,322</u> | <u>189,746</u> |
| Financial liabilities due to related entities | | | |
| Loans and credits from other entities | 140,597 | 144,799 | 165,403 |
| Liabilities under derivative instruments | | | |
| Issued debt securities | 4,955 | 7,020 | 9,624 |
| Liabilities under financial lease | 21,545 | 12,503 | 14,719 |
| Other | | | |
| <u>Short-term financial liabilities, except for provisions, trading liabilities and other liabilities</u> | <u>90,182</u> | <u>98,219</u> | <u>108,030</u> |
| Financial liabilities due to related entities | | | |
| Loans and credits from other entities | 80,722 | 90,445 | 99,502 |
| Liabilities under derivative instruments | | | |
| Issued debt securities | | 54 | |
| Liabilities under financial lease | 9,460 | 7,720 | 8,528 |
| Other | | | |
| Total | <u>257,279</u> | <u>262,541</u> | <u>297,776</u> |

| Debt instruments structure | in PLN thousand | | | | | Total |
|--------------------------------------|-------------------|--|------------------------|-----------------------------------|-------|----------------|
| | loans and credits | Liabilities under derivative instruments | Issued debt securities | Liabilities under financial lease | Other | |
| as at 01/01/2019 | 201,420 | | 10,581 | 25,084 | | 237,085 |
| Accrued interest | 6,168 | | 232 | 238 | | 6,638 |
| Interest paid | -6,168 | | -232 | -238 | | -6,638 |
| Drawdown | 88,190 | | | 2,321 | | 90,511 |
| Repayment | -24,786 | | -822 | -4,158 | | -29,820 |
| Average liability level | 233,163 | | 10,103 | 24,165 | | 267,431 |
| Real interest rate | 5.29% | | 2.30% | 3.98% | | 4.96% |
| As at 31/12/2019 | 235,244 | | 7,020 | 20,223 | | 262,541 |
| Minimum payments up to 1 month | 1,844 | | 54 | 764 | | 2,662 |
| Minimum payments from 1 to 3 months | 3,480 | | | 1,714 | | 5,194 |
| Minimum payments from 3 to 12 months | 85,120 | | | 5,355 | | 90,475 |
| minimum payments within 1 year | 90,444 | | 54 | 7,833 | | 98,331 |
| minimum payments within 1 to 5 years | 122,722 | | 7,020 | 12,390 | | 142,132 |
| minimum payments over 5 years | 22,078 | | | | | 22,078 |
| interest due up to 1 year | 13,109 | | 444 | 814 | | 14,368 |
| interest due from 1 to 5 years | 52,438 | | 1,776 | 3,257 | | 57,470 |
| interest due over 5 years | 6,271 | | 3 | | | 6,274 |
| Approximate fair value | 257,802 | | 7,267 | 20,685 | | 285,753 |
| as at 01/01/2020 | 235,244 | | 7,020 | 20,223 | | 262,541 |
| Accrued interest | 4,723 | | 136 | 455 | | 5,314 |
| Interest paid | -4,723 | | -136 | -455 | | -5,314 |
| Drawdown | 14,543 | | | 15,888 | | 30,431 |
| Repayment | -28,468 | | -2,119 | -5,106 | | -35,693 |
| Average liability level | 228,281 | | 5,988 | 25,614 | | 259,883 |

| Real interest rate | 4.65% | | 4.54% | | 3.55% | | 4.09% |
|--------------------------------------|----------------|--|--------------|--|---------------|--|---------|
| As at 30/06/2020 | 221,319 | | 4,955 | | 31,005 | | 257,279 |
| minimum payments up to 1 month | 2,680 | | | | 789 | | 3,469 |
| minimum payments from 1 to 3 months | 14,240 | | | | 1,576 | | 15,816 |
| minimum payments from 3 to 12 months | 63,802 | | | | 7,095 | | 70,897 |
| minimum payments within 1 to 5 years | 119,900 | | 4,955 | | 21,545 | | 146,400 |
| minimum payments over 5 years | 20,697 | | | | | | 20,697 |
| interest due up to 1 year | 10,291 | | 597 | | 1,102 | | 11,990 |
| interest due from 1 to 5 years | 26,151 | | 653 | | 3,062 | | 29,866 |
| interest due over 5 years | 4,812 | | | | 0 | | 4,812 |
| Approximate fair value | 262,573 | | 10,873 | | 35,168 | | 308,615 |

Table: Liabilities under credits and loans of MIRBUD S.A. as of 30 June 2019.

| Name of the entity | Obliged entity | Amount of credit, loan acc. to the contract | currency | Outstanding amount - long-term part | Outstanding amount - short-term part | Interest rate conditions | Repayment date | Security |
|--------------------------------|----------------|---|----------|-------------------------------------|--------------------------------------|--------------------------|----------------|---|
| PKO BP S.A. | MIRBUD S.A. | 10,000 | PLN | | 8,882 | WIBOR 1M + margin | 25/06/2020 | capped mortgage on property |
| PKO BP S.A. | MIRBUD S.A. | 5,000 | PLN | | 5,000 | WIBOR 1M + margin | 25/06/2020 | capped mortgage on property |
| PKO BP S.A. | MIRBUD S.A. | 21,000 | PLN | 4,026 | 1,464 | WIBOR 1M + margin | 01/03/2023 | ordinary mortgage and capped mortgage on property |
| MBANK | MIRBUD S.A. | 20,000 | PLN | 17,500 | | WIBOR 1M + margin | 30/06/2019 | assignment of a business receivable |
| PEKAO S.A. | MIRBUD S.A. | 10,000 | PLN | | 9,444 | WIBOR 1M + margin | 30/11/2018 | assignment of a business receivable |
| BGK | MIRBUD S.A. | 15,000 | PLN | 14,825 | | WIBOR 1M + margin | 31/03/2020 | assignment of a business receivable |
| Industrial Development Agency | MIRBUD S.A. | 40,000 | PLN | 24,250 | 9,000 | WIBOR 1M + margin | 28/02/2023 | mortgages on property |
| Mercedes-Benz | MIRBUD S.A. | 635 | PLN | 28 | 134 | 5% | 31/07/2020 | assignment from the insurance policy |
| BOŚ BANK | MIRBUD S.A. | 25,000 | PLN | 24,995 | | WIBOR 1M + margin | 31/07/2021 | assignment of a business receivable, mortgage |
| MFACTORING | MIRBUD S.A. | 10,000 | PLN | | 2 | WIBOR 1M + margin | 14/03/2020 | assignment of a business receivable, mortgage |
| KUKE Finanse | MIRBUD S.A. | 5,000 | PLN | | 5,000 | WIBO 1M + margin | indefinitely | Assignment of a business receivable |
| Total credits and loans | | | | 90,624 | 38,926 | | | |

Table: Liabilities under credits and loans of the Company from the MIRBUD Group as at 30 June 2019.

| Name of the entity | Obligated entity | Amount of credit, loan acc. to the contract | currency | Outstanding amount - long-term part | Outstanding amount - short-term part | Interest rate conditions | Repayment date | Security |
|--|--------------------------|---|----------|-------------------------------------|--------------------------------------|--------------------------|----------------|---|
| Bank Spółdzielczy | JHM Development S.A. | 8,823 | PLN | 0 | 0 | reference rate + margin | 31/12/2034 | mortgage on property |
| Bank Spółdzielczy | JHM Development S.A. | 2,700 | PLN | 975 | 975 | reference rate + margin | 30/07/2021 | mortgage on property |
| ALIOR BANK | JHM 2 Sp. z o.o. | 8,500 | PLN | 1,504 | 324 | WIBOR 3M + margin | 31/12/2024 | mortgage, surety of JHM Development |
| ALIOR BANK | JHM Development S.A. | 44,956 | PLN | 0 | 0 | WIBOR 3M + margin | 31/05/2023 | Surety from MIRBUD, assignment of receivables |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 300 | PLN | 144 | 0 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 17,800 | PLN | 7,867 | 0 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 35,725 | PLN | 12,398 | 0 | WIBOR 3M + margin | 30/09/2021 | mortgage, surety of MIRBUD |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 700 | PLN | 365 | 0 | WIBOR 3M + margin | 30/09/2021 | mortgage, surety of MIRBUD |
| Bank Ochrony Środowiska | JHM Development S.A. | 28,920 | PLN | 0 | 3,641 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Ochrony Środowiska | JHM Development S.A. | 570 | PLN | 0 | 315 | WIBOR 3M + margin | 31/05/2020 | mortgage on property |
| SANTANDER BANK POLSKA S.A. | Marywilska 44 Sp. z o.o. | 33,000 | PLN | 25,909 | 3,273 | WIBOR 3M + margin | 02/05/2028 | Surety from MIRBUD, deposit of PLN 1,800 thousand |
| SANTANDER BANK POLSKA S.A. | Marywilska 44 Sp. z o.o. | 5,000 | PLN | 0 | 1,548 | WIBOR 1M + margin | 30/12/2019 | Surety from MIRBUD, assignment of receivables |
| SANTANDER BANK POLSKA S.A. | JHM 1 Sp. z o.o. | 2,350 | EUR | 7,885 | 656 | EUROIBOR + margin | 30/09/2031 | mortgage, surety of MIRBUD |
| ALIOR BANK | Expo Mazury S.A. | 37,500 | PLN | 17,732 | 3,368 | WIBOR 3M + margin | 27/03/2026 | Capped mortgage on property |
| BGK | PBDiM Kobylarnia S.A. | 30,000 | PLN | | 24,977 | WIBOR 1M + margin | 30/11/2019 | mortgage, surety of MIRBUD |
| BGK | PBDiM Kobylarnia S.A. | 30,000 | PLN | | 13,348 | WIBOR 1M + margin | 06/06/2020 | mortgage, surety of MIRBUD |
| BGK | PBDiM Kobylarnia S.A. | 15,000 | PLN | | 8,151 | WIBOR 3M + margin | 30/09/2019 | mortgage, surety of MIRBUD |
| Total credits and loans, subsidiaries | | | | 74,779 | 60,576 | | | |
| Total credits and loans, MIRBUD group | | | | 165,403 | 99,502 | | | |

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

| 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 | | 2624 | WIBOR 1M + margin | 25/06/2020 | capped mortgage on property |
| PKO BP S.A. | Warsaw | 5,000 | PLN | | 5,000 | WIBOR 1M + margin | 25/06/2020 | capped mortgage on property |
| PKO BP S.A. | Warsaw | 21,000 | PLN | 3294 | 1,464 | WIBOR 1M + margin | 01/03/2023 | ordinary mortgage and capped mortgage on property |
| MBANK | Warsaw | 20,000 | PLN | 16,900 | | 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 | | 14,824 | WIBOR 1M + margin | 31/03/2020 | assignment of a business receivable |
| Industrial Development Agency | Warsaw | 40,000 | PLN | 19,000 | 9,000 | WIBOR 1M + margin | 28/02/2023 | mortgages on property |
| Mercedes-Benz Leasing Polska S.A. | Warsaw | 635 | PLN | | 94 | 5% | 31/07/2020 | assignment from the insurance policy |
| BOŚ BANK | Warsaw | 35,000 | PLN | 32,447 | | WIBOR 1M + margin | 31/07/2021 | assignment of a business receivable, mortgage |
| MFACTORING | Warsaw | 10,000 | PLN | | 2 | WIBOR 1M + margin | 14/03/2020 | assignment of a business receivable, mortgage |
| KUKE Finanse | | 5,000 | PLN | | 5,000 | | | |
| interest on credits | | | | | 11 | | | |
| Total credits and loans | | | | 71,641 | 48,019 | | | |

Table: Liabilities under credits and loans of the Company from the MIRBUD Group as at 31 December 2019.

| 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 | 6,984 | 429 | reference rate + margin | 31/12/2034 | mortgage on property |
| Bank Spółdzielczy | JHM Development S.A. | 2,700 | PLN | 525 | 900 | reference rate + margin | 30/07/2021 | mortgage on property |
| ALIOR BANK | JHM 2 Sp. z o.o. | 4,200 | PLN | 3,646 | 426 | WIBOR 3M + margin | 31/12/2024 | mortgage, surety of JHM Development |
| ALIOR BANK | JHM Development S.A. | 44,956 | PLN | 0 | 0 | WIBOR 3M + margin | 31/05/2023 | Surety from MIRBUD, assignment of receivables |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 300 | PLN | 0 | 218 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 17,800 | PLN | 741 | 0 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 35,725 | PLN | 0 | 0 | WIBOR 3M + margin | 30/09/2021 | mortgage, surety of MIRBUD |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 700 | PLN | 0 | 0 | WIBOR 3M + margin | 30/09/2021 | mortgage, surety of MIRBUD |
| Bank Polskiej Spółdzielczości | JHM Development S.A. | 12,729 | PLN | 6,921 | 0 | WIBOR 3M + margin | 30/12/2021 | mortgage on property |
| Bank Ochrony Środowiska | JHM Development S.A. | 28,920 | PLN | 2,037 | 0 | WIBOR 3M + margin | 31/12/2021 | mortgage on property |
| Bank Ochrony Środowiska | JHM Development S.A. | 570 | PLN | 0 | 230 | WIBOR 3M + margin | 31/05/2020 | mortgage on property |
| SANTANDER BANK POLSKA S.A. | Marywilska 44 Sp. z o.o. | 33,000 | PLN | 24,000 | 3,273 | WIBOR 3M + margin | 02/05/2028 | Surety from MIRBUD, deposit of PLN 1,800 thousand |
| SANTANDER BANK POLSKA S.A. | Marywilska 44 Sp. z o.o. | 5,000 | PLN | 0 | 0 | WIBOR 1M + margin | 30/09/2022 | Surety from MIRBUD, assignment of receivables |
| SANTANDER BANK POLSKA S.A. | JHM 1 Sp. z o.o. | 2,350 | EUR | 7,041 | 571 | EUROIBOR + margin | 30/09/2031 | mortgage, surety of MIRBUD |
| ALIOR BANK | Expo Mazury S.A. | 37,500 | PLN | 16,210 | 3,345 | WIBOR 3M + margin | 27/03/2026 | Capped mortgage on property |
| BGK | PBDiM Kobylarnia S.A. | 25,000 | PLN | | 21,080 | WIBOR 1M + margin | 31/07/2020 | mortgage, surety of MIRBUD |
| BGK | PBDiM Kobylarnia S.A. | 6,212 | PLN | 5,053 | 414 | WIBOR 1M + margin | 31/12/2029 | mortgage, surety of MIRBUD |
| BGK | PBDiM Kobylarnia S.A. | 15,000 | PLN | | 8,073 | WIBOR 1M + margin | 06/06/2020 | mortgage, surety of MIRBUD |
| BGK | PBDiM Kobylarnia S.A. | 15,000 | PLN | | 3,467 | WIBOR 3M + margin | 30/09/2020 | mortgage, surety of MIRBUD |
| Total credits and loans, subsidiaries | | | | 73,158 | 42,426 | | | |

Total credits and loans, MIRBUD group

144,799

90,445

Table: Liabilities under credits and loans of MIRBUD S.A. as of 30 June 2020.

| 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 | Saldo30.06.2020 | Interest rate conditions | Repayment date | Security |
|-----------------------------------|-------------------|---|----------|-------------------------------------|--------------------------------------|-----------------|--------------------------|----------------|---|
| PKO BP S.A. | Warsaw | 10,000 | PLN | | 2,665 | 2,665 | WIBOR 1M + margin | 24/06/2021 | capped mortgage on property |
| PKO BP S.A. | Warsaw | 5,000 | PLN | | 5,000 | 5,000 | WIBOR 1M + margin | 24/06/2021 | capped mortgage on property |
| PKO BP S.A. | Warsaw | 21,000 | PLN | 2,562 | 1,464 | 4,026 | WIBOR 1M + margin | 01/03/2023 | ordinary mortgage and capped mortgage on property |
| MBANK | Warsaw | 20,000 | PLN | 11,100 | 1,200 | 16,300 | WIBOR 1M + margin | 30/06/2021 | assignment of a business receivable |
| PEKAO S.A. | Warsaw | 10,000 | PLN | | 10,000 | 10,000 | WIBOR 1M + margin | 30/11/2020 | assignment of a business receivable |
| BGK | Warsaw | 15,000 | PLN | | 14,373 | 14,373 | WIBOR 1M + margin | 31/12/2020 | assignment of a business receivable |
| Industrial Development Agency | Warsaw | 40,000 | PLN | 14,500 | 9,047 | 23,547 | WIBOR 1M + margin | 28/02/2023 | mortgages on property |
| Mercedes-Benz Leasing Polska S.A. | Warsaw | 635 | PLN | | 24 | 24 | 5% | 31/07/2020 | assignment from the insurance policy |
| BOŚ BANK | Warsaw | 35,000 | PLN | 34,997 | | 34,979 | WIBOR 1M + margin | 31/07/2021 | assignment of a business receivable, mortgage |
| KUKE Finanse | Warsaw | 5,000 | PLN | | 5,000 | 5,000 | WIBOR 1M + margin | | Assignment of a business receivable |
| Total credits and loans | | | | 67,141 | 48,773 | 115,914 | | | |

Table: Liabilities under credits and loans of the Company from the MIRBUD Group as of 30 June 2020.

| 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 | | | |

Note 14 Trading and other liabilities

| Trading and other liabilities | in PLN thousand | | |
|--|-----------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Long-term liabilities | 165,248 | 122,115 | 50,870 |
| Trade liabilities to related entities | | | |
| retained amounts to related entities | | | |
| Other liabilities due to related entities | | | |
| Trade liabilities to other entities | | | |
| Retained amounts to other entities | 55,161 | 52,440 | 50,870 |
| Other liabilities due to other entities | 110,087 | 69,675 | |
| Short-term liabilities | 334,321 | 263,366 | 318,666 |
| Trade liabilities to related entities | | | |
| retained amounts to related entities | | | |
| Other liabilities due to related entities | | | |
| Trade liabilities to other entities | 194,291 | 191,682 | 198,953 |
| Liabilities under settlement of long-term contracts | 39,716 | | |
| Advance payments received | 11,795 | 10,889 | 31,834 |
| Bills of exchange liabilities | | | |
| Budget liabilities except for corporate income tax settlements | 37,163 | 26,480 | 43,697 |
| Remuneration settlements | 3,999 | 3,394 | 3,374 |
| Retained amounts to other entities | 47,357 | 29,217 | 39,776 |
| Other liabilities due to other entities | | 1704 | 1,032 |
| Total | 499,569 | 385,481 | 370,559 |

| Age structure of liabilities | in PLN thousand | | |
|------------------------------|-----------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Trade liabilities | 455,569 | 370,559 | 369,536 |
| Not past due | 179,418 | 308,366 | 240,794 |
| payable up to 1 month | 40,099 | 142,916 | 112,202 |
| payable from 1 to 3 months | 94,313 | 30,621 | 29,563 |
| payable from 3 to 12 months | 141,739 | 40,106 | 48,159 |
| payable from 1 to 5 years | 179,418 | 122,115 | 50,870 |
| past due up to 1 month | 30,635 | 30,353 | 36,807 |
| overdue up to 3 months | 13,262 | 16,432 | 25,083 |
| past due from 3 to 6 months | 491 | 2,938 | |
| past due from 6 to 12 months | | | |
| past due over 12 months | - | | |
| Total overdue | 44,388 | 49,723 | 32,286 |

Note 15 Other current liabilities and provisions not elsewhere classified (including accruals and prepayments)

| Other accruals and prepayments and non-classified provisions, including accruals and prepayments | in thousands of PLN | | |
|--|---------------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Long-term | 14,295 | 23,340 | 23,340 |
| Revenue settled in time | 14,295 | 23,340 | 23,340 |
| Cost prepayments | | | |
| Other items | | | |
| Short-term | 39,428 | 26,861 | 36,962 |
| Revenue settled in time | 37,406 | 25,379 | 34,054 |
| Cost prepayments | 2,022 | 1,482 | 2,908 |
| Other items | | | |
| Total | 53,723 | 50,201 | 55,107 |

Note 16 Sales revenue

| Structure of sales revenue | in thousands of PLN | |
|--|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Net revenue from sales of products and services | 430,411 | 401,662 |
| - to related entities | | |
| - to other entities | 430,411 | 401,662 |
| Net revenue from sales of goods | 4,557 | 2,802 |
| - to related entities | | |
| - to other entities | 4,557 | 2,802 |
| Net revenue from sales of materials | | |
| - to related entities | | |
| - to other entities | | |
| Total | 434,968 | 404,464 |

| Geographical structure of sales revenue | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Net revenue from sales of products and services | 401,662 | 401,662 |
| - domestic sales | 430,411 | 401,662 |
| - export sale | | |
| Net revenue from sales of goods | 4,557 | 2,651 |
| - domestic sales | 4,557 | 2,651 |
| - export sale | | |
| Net revenue from sales of materials | | 151 |
| - domestic sales | | 151 |
| - export sale | | |
| Total | 434,968 | 404,464 |

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

Note 17 Own cost of sales

| Own costs of sales | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Production cost of products sold | -388,753 | -358,816 |
| - to related entities | | |
| - to other entities | -388,753 | -358,816 |
| Value of goods sold | -4,249 | -2,610 |
| - to related entities | | |
| - to other entities | -4,249 | -2,610 |
| Value of materials sold | | -30 |
| - to related entities | | |
| - to other entities | | -30 |
| Total | -393,002 | -361,456 |

| Own costs of sales | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Production cost of products sold | -388,753 | -358,816 |
| - own costs of domestic sales | -388753 | -358,816 |
| - own costs of export sales | | |
| Value of goods sold | -4,249 | -2,610 |
| - own costs of domestic sales | -4249 | -2,610 |
| - own costs of export sales | | |
| Value of materials sold | | -30 |
| - own costs of domestic sales | | -30 |
| - own costs of export sales | | |
| Total | -393,002 | -361,456 |

| Cost structure by types | in thousands of PLN | |
|--|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Amortisation | 6,322.00 | -5,447 |
| Consumption of materials and energy | 79,493.00 | -97,068 |
| Outsourcing | 270,147.00 | -269,918 |
| Taxes and fees, including: | 3,901.00 | -3,613 |
| Remunerations | 30,602.00 | -28,847 |
| Social insurance and other benefits | 5,780.00 | -5,562 |
| Other costs by type | 19,986.00 | -9,254 |
| Value of goods and materials sold | 4,411.00 | -2,640 |
| Manufacturing cost of products for internal purposes | - 331.00 | |
| Total | 420,311.00 | 422,349 |

Note 18 Other revenue and costs

| Other revenue and costs of operating and investment activities | in thousands of PLN | |
|--|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Costs of sales | -1,929 | -2,828 |
| Overheads | -25,380 | -24,012 |
| Revaluation write-downs of non-investment assets | -2,512 | -44 |
| Reversal of write-downs on non-investment assets | 2,104 | |
| Restructuring costs | | |
| Court proceedings settlement result | | |
| Result of sale of non-investment fixed assets | 717 | -37 |
| Revenue from revaluation of investment property | | |
| Costs under revaluation of investment property | | |
| Result of sale of investment property | | |
| Result of sale of all or part of subordinate entities | | |
| Result of sale of other financial investments | | |
| Dividends | | |
| Interest | 1,061 | 118 |
| Result of revaluation of other financial investments measured at fair value through financial result | | |
| Result of measurement of investments recognised using the equity method | | |
| Revaluation write-downs of other financial assets | | |
| Reversal of write-downs on other financial assets | | |
| Foreign exchange differences of operating and investment activities | 1,517 | -442 |
| Other revenue | 8,287 | 8,402 |
| Other costs | -6,051 | -3,633 |
| Total revenue | 13,686 | 8,520 |
| Total costs | -35,872 | -30,996 |

| Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method | in thousands of PLN | |
|--|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Revenue from increase in the value of investments measured according to the equity method | | |

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

| | | |
|--------------|--|--|
| Total | | |
|--------------|--|--|

The above items did not occur.

| Structure of revaluation write-downs of non-investment assets | in thousands of PLN | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Tangible fixed assets | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| Intangible assets | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| Receivables | | |
| -revaluation write-down created | - 2,512 | -28 |
| -revaluation write-down reversal | 2,104 | 900 |
| Inventories | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| Fixed assets held for sale | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| Other | | |
| -revaluation write-down created | | |
| -revaluation write-down reversal | | |
| Total asset revaluation write-downs | - 2,512 | -28 |
| Total reversal of revaluation write-downs | 2,104 | 900 |

| Revenue and costs from investment property | in thousands of PLN | |
|--|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Revenue from sales to related entities | | |
| Revenue from sales to other entities | | |
| Own costs of sales for related entities | | |
| Own costs of sales for other entities | | |
| Increase of fair value of investment real property | | |

| | | |
|---|--|--|
| Decrease of fair value of investment property | | |
| Result on investments in property | | |

The above items did not occur.

| Revenue and costs from financial investments | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Dividends to related entities | | |
| Dividends to other entities | | |
| Interest to related entities | | |
| Interest to other entities | 532 | 118 |
| Revenue from the sale of all or part of subordinate entities | | |
| Own cost of sales of all or part of subordinate entities | | |
| Revenue from increase in the value of derivative instruments | | |
| Costs under decrease of value of derivative instruments | | |
| Revenue from ineffective hedging instruments | | |
| Costs from ineffective hedging instruments | | |
| Reversal of write-downs on other financial assets | | |
| Revaluation write-downs of other financial assets | | |
| Revenue from increase in investments measured at fair value through profit or loss | | |
| Costs under decrease of investments measured at fair value through financial result | | |
| Foreign exchange profits | | |
| Foreign exchange losses | | |
| Results of financial investment activities | 532 | 118 |

| Other revenue | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Subsidies received | 5,814 | 4,627 |
| Other revenue from other entities - re-invoices | 722 | 836 |
| Other revenue from other entities | 4,572 | 2,939 |
| Total | 11,108 | 8,402 |

| Other costs | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Donations | 56 | |
| Other costs from other entities - re-invoices | -722 | -836 |
| Other costs from other entities | -3,499 | -2,797 |
| Total | -4,277 | -3,633 |

Note 19 Financial costs

| Financial costs | Note No. | in thousands of PLN | |
|--|----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Interest on credits | | -4,851 | -5,873 |
| Interest on loans from related entities | | | |
| Interest on loans from other entities | | | |
| Interest on bonds for related entities | | | |
| Interest on bonds for other entities | | | |
| Interest on liabilities under finance lease agreements from related entities | | | |
| Interest on liabilities under finance lease agreements from other entities | | -454 | -480 |
| Other interest for related entities | | -886 | -221 |
| Other interest for other entities | | -195 | -149 |
| Valuation of equity instruments | | | |
| Interest under factoring contracts | | -156 | -295 |
| Foreign exchange differences on financial liabilities | | -349 | |
| Other financial costs for related entities | | | |
| Other financial costs for other entities | | -373 | -267 |
| Total financial costs | | -7,264 | -7,285 |

Note 20 Income tax

| Income tax | in thousands of PLN | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Income tax current part | -2,162 | -6,440 |
| Income tax deferred part | -1,605 | 3,750 |
| Other tax burdens on the financial result | | |
| Adjustments relating to previous years | | |
| Total income tax | -3,767 | -2,690 |

| Reconciliation of the effective tax rate | in PLN thousand | |
|--|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Pre-tax profit (loss) | 14,466 | 13,247 |
| Statutory rate of tax in % | 19% | 19% |
| Tax at the statutory rate (normative) | -2,749 | -2,517 |
| Tax effect of the received dividend | | |
| Tax exemptions | | |
| Assets under tax loss for the reporting period not recognised in deferred tax | | |
| Tax effect of other revenue and costs permanently not constituting revenue and tax costs | -1,018 | -173 |
| Other | | |
| Income tax in the result account | -3,767 | -2,690 |

| Deferred tax | in PLN thousand | | |
|--|-----------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Deferred tax asset | 26,032 | 23,061 | 24,238 |
| - for provisions for employee benefits | 583 | 541 | 528 |
| - for other provisions | 2,757 | 2,902 | 2,757 |
| - on account of accrued interest | 29 | 16 | 29 |
| - for write-downs on current assets | 479 | 1,203 | 479 |
| - on account of investment valuation | 206 | 147 | 206 |
| - for settlement of construction contracts | | 323 | |

| | | | |
|--|----------------|----------------|----------------|
| - for losses from previous years | 16,746 | 14,331 | 16,746 |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | 69 | 36 | 69 |
| - under foreign exchange differences | | 33 | |
| - other | 3,424 | 3,562 | 3,424 |
| Deferred tax liability | -38,756 | 34,180 | -29,054 |
| - on account of accrued interest | -181 | 704 | -260 |
| - on account of investment valuation | -3,423 | 3,423 | -3,383 |
| - for settlement of construction contracts | -19,775 | 10,057 | -6,037 |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | -15,023 | 19,711 | -19,366 |
| - under foreign exchange differences | -354 | 6 | -8 |
| - for goodwill | | | |
| - other | | 279 | |
| Net deferred income tax assets (Provision) | -12,724 | -11,119 | -4,816 |

| Net deferred income tax assets (Provision) | in PLN thousand | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 31/12/2019 |
| Deferred net income tax assets (provisions) at the beginning of the period | -11,119 | -8,566 |
| Reference to financial result | - 1,605 | 3,750 |
| Reference to other comprehensive income | | |
| Other reference to equity | | |
| Subsidiaries | | |
| Deferred net income tax assets (provisions) at the end of the period | -12,724 | -4,816 |

| Receivables (income tax liabilities) | in PLN thousand | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 31/12/2019 |
| Opening balance of receivables (income tax liabilities) | -2,410 | -2,709 |
| Payment (refund) of income tax | 4,572 | 6,617 |
| Current income tax accrual | -2,162 | -6,318 |
| Receivables (liabilities under deferred income tax) at the end of the period | 0 | -2,410 |

Note 21 Other comprehensive income

| Other comprehensive income | in thousands of PLN | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Components which shall not subsequently be reclassified to profit or loss account | | |
| Foreign exchange differences on translation of foreign currencies | | |
| Actuarial profits and losses | | |
| Income tax for components which shall not be transferred in subsequent periods | | |
| Components which shall be reclassified to profit or loss after meeting specific conditions | | |
| Effects of measurement of financial instruments through other comprehensive income | | |
| Effective part of hedge accounting | | |
| Effects of revaluation of tangible assets | | |
| Transfer to profit or loss statements | | |
| Income tax for items presented in other comprehensive income | | |
| <u>Other net comprehensive income</u> | - | - |
| Allocated to non-controlling shares | | |
| <u>Allocated to owners of the parent</u> | - | - |

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

Note 22 Earnings per share

| Earnings per share | in thousands of PLN | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Profit (loss) on continued operations attributable to owners of the parent | 10,699 | 9,765 |
| Profit (loss) on discontinued operations attributable to owners of the parent | | |
| Total | 10,699 | 9,765 |
| Weighted average number of ordinary shares in thousands of pieces | 91,744 | 82,493 |
| <u>Basic profit per share</u> | <u>0.12</u> | <u>0.11</u> |

Costs of interest on convertible bonds (net of tax)

| | | |
|---|--------------------|--------------------|
| Profit (loss) to determine diluted earnings per share | 10,699 | 9,765 |
| Share options issued in thousands of pieces | | |
| Theoretical conversion of convertible bonds in thousands of pieces | | |
| Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces | 91,744 | 82,493 |
| <u>Diluted profit per share</u> | <u>0.12</u> | <u>0.11</u> |

Note 23 Operating segments

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. In the Capital Group, where the Issuer is a parent, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.

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

| | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after interlinking |
|---|------------------------------------|----------------------------------|--|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| Selected items of the income statement for segments in PLN thousand in the reporting period | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 |
| Continued activities | - | - | - | - | - | - | - | - |
| Sales revenue | 422,842 | 35,827 | 15,835 | 2,759 | 656 | 477,919 | -42,951 | 434,968 |
| Own cost of sales | -389,362 | -27,653 | -13,340 | -1,436 | -1,202 | -432,993 | -39,991 | -393,002 |
| Gross profit from sales | 33,480 | 8,174 | 2,495 | 1,323 | -546 | 44,926 | -2,960 | 41,966 |
| EBIT | 17,521 | 4,260 | 1,952 | 3,323 | -546 | 26,510 | -4,780 | 21,730 |
| Pre-tax activity profit (loss) | 11,250 | 3,871 | -194 | 2,506 | -546 | 16,887 | -2,421 | 14,466 |
| Income tax attributable to continuing activities | -2,244 | -804 | -658 | -812 | 36 | -4,482 | -715 | -3,767 |
| Profit (loss) on continuing activities | 9,006 | 3,066 | -851 | 1,694 | -546 | 12,369 | -1,670 | 10,699 |
| Discontinued activities | | | | | | | | |
| Profit (loss) on discontinued activities | | | | | | | | |

| Selected items of the income statement for segments in PLN thousand in the reporting period | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after reciprocal exemptions |
|--|--|--|--|--|-------------------------------------|-------------------------------------|-------------------------------------|---|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 |
| Continued activities | - | - | - | - | - | - | - | - |
| Sales revenue | 404,101 | 23,693 | 23,259 | 4,304 | 893 | 457,143 | -52,679 | 404,464 |
| Own cost of sales | -376,201 | -17,391 | -14,323 | -2,280 | -1,238 | -412,671 | -51,215 | -361,456 |
| Gross profit from sales | 27,900 | 6,302 | 8,936 | 2,023 | -345 | 44,816 | -1,464 | 43,008 |
| EBIT | 13,613 | 2,911 | 5,937 | 3,126 | -345 | 25,242 | -4,710 | 20,532 |
| Pre-tax activity profit (loss) | 6,722 | 2,904 | 4,158 | 2,182 | -345 | 15,621 | -2,375 | 13,247 |
| Income tax attributable to continuing activities | -1,505 | -586 | -703 | -404 | 36 | -3,162 | 472 | -2,690 |
| Profit (loss) on continuing activities | 5,217 | 2,318 | 3,455 | 1,778 | -309 | 12,459 | -1,903 | 10,557 |
| Discontinued activities | | | | | | | | |
| Profit (loss) on discontinued activities | | | | | | | | |
| NET PROFIT (LOSS) | 5,217 | 2,318 | 3,455 | 1,778 | -309 | 12,459 | -1,903 | 10,557 |
| Assigned to the owners of the parent | 5,217 | 2,318 | 3,455 | 1,778 | -309 | 12,459 | -2,694 | 9,765 |

| Concentration of recipients by business activity segments | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after interlinking |
|---|------------------------------------|----------------------------------|--|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 |
| Recipient 1 | 160,283 | | | | | 160,283 | | 160,283 |
| Recipient 2 | 48,307 | | | | | 48,307 | | 48,307 |
| Recipient 3 | 42,871 | | | | | 42,871 | | 42,871 |
| Recipient 4 | 26,376 | | | | | 26,376 | | 26,376 |
| TOTAL | 277,837 | | | | | 277,837 | | 277,837 |

| Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after reciprocal exemptions |
|--|------------------------------------|----------------------------------|--|------------------------------------|------------|------------------|-----------------|-----------------------------------|
| | As at: | As at: | As at: | As at: | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 30/06/2020 | 30/06/2020 | 30/06/2020 | 30/06/2020 | 30/06/2020 | 30/06/2020 | 30/06/2020 |
| Fixed assets | 551,895 | 17,131 | 237,492 | 160,121 | | 966,639 | -382,909 | 538,249 |
| Current assets | 504,450 | 246,082 | 7,320 | 3,541 | | 761,393 | -46,119 | 731,475 |
| Total assets | 1,056,345 | 263,213 | 244,812 | 163,662 | 0 | 1,728,032 | -429,028 | 1,269,724 |
| Equity | 368,788 | 176,310 | 178,615 | 104,157 | | 827,870 | -393,050 | 414,115 |
| Long-term liabilities and provisions for liabilities | 271,309 | 33,547 | 43,865 | 48,216 | | 396,937 | -1,955 | 388,597 |
| Short-term liabilities and provisions for liabilities | 416,248 | 53,356 | 22,332 | 11,289 | | 503,225 | -34,023 | 467,012 |
| Total capitals and liabilities | 1,056,345 | 263,213 | 244,812 | 163,662 | 0 | 1,728,032 | -429,028 | 1,269,724 |

| Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after reciprocal exemptions |
|--|------------------------------------|----------------------------------|--|------------------------------------|------------|------------------|-----------------|-----------------------------------|
| | As at: | As at: | As at: | As at: | As at: | As at: | As at: | As at: |
| | 31/12/2019 | 31/12/2019 | 31/12/2019 | 31/12/2019 | 31/12/2019 | 31/12/2019 | 31/12/2019 | 31/12/2019 |
| Fixed assets | 527,417 | 22,024 | 235,025 | 155,499 | - | 939,965 | -421,333 | 518,632 |
| Current assets | 404,853 | 245,615 | 7,980 | 2,213 | - | 660,661 | -32,862 | 627,799 |
| Total assets | 932,270 | 267,639 | 243,005 | 157,712 | - | 1,600,626 | -454,195 | 1,146,431 |
| Equity | 357,416 | 185,052 | 182,016 | 105,036 | - | 829,520 | -424,270 | 405,250 |
| Long-term liabilities and provisions for liabilities | 231,264 | 26,723 | 44,196 | 46,946 | - | 349,129 | -1,951 | 347,178 |
| Short-term liabilities and provisions for liabilities | 343,590 | 55,864 | 16,793 | 5,730 | - | 421,977 | -27,974 | 394,003 |
| Total capitals and liabilities | 932,270 | 267,639 | 243,005 | 157,712 | - | 1,600,626 | -454,195 | 1,146,431 |

| Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period | Construction and assembly activity | Real estate development activity | Activity connected with lease of investment property | Exhibition and trade fair activity | Other | Total | Exclusions | Total after reciprocal exemptions |
|--|------------------------------------|----------------------------------|--|------------------------------------|------------|------------------|-----------------|-----------------------------------|
| | As at: | As at: | As at: | As at: | As at: | As at: | As at: | As at: |
| | 30/06/2019 | 30/06/2019 | 30/06/2019 | 30/06/2019 | 30/06/2019 | 30/06/2019 | 30/06/2019 | 30/06/2019 |
| Fixed assets | 490,138 | 17,131 | 237,492 | 160,121 | - | 904,882 | -382,909 | 521,973 |
| Current assets | 427,381 | 246,082 | 7,320 | 3,541 | - | 684,324 | -46,119 | 638,205 |
| Total assets | 917,519 | 263,213 | 244,812 | 163,662 | - | 1,589,206 | -429,028 | 1,160,178 |
| Equity | 327,146 | 176,310 | 178,615 | 104,157 | - | 786,228 | -393,050 | 393,178 |
| Long-term liabilities and provisions for liabilities | 171,986 | 33,547 | 43,865 | 48,216 | - | 297,614 | -1,955 | 295,659 |
| Short-term liabilities and provisions for liabilities | 418,387 | 53,356 | 22,332 | 11,289 | - | 505,364 | -34,023 | 471,341 |
| Total capitals and liabilities | 917,519 | 263,213 | 244,812 | 163,662 | - | 1,589,206 | -429,028 | 1,160,178 |

Note 24 Transactions with related entities

| Transactions with related entities | in PLN thousand | | | | | | | |
|---|-----------------------|-----------------------|--|-----------------------|--|-----------------------|---|-----------------------|
| | Subsidiaries | | Jointly controlled entities and associates | | Other related entities without capital connections | | Members of the Management Board and Supervisory Board and key personnel | |
| | 01/01/2020-30/06/2020 | 01/01/2019-30/06/2019 | 01/01/2020-30/06/2020 | 01/01/2019-30/06/2019 | 01/01/2020-30/06/2020 | 01/01/2019-30/06/2019 | 01/01/2020-30/06/2020 | 01/01/2019-30/06/2019 |
| Sales revenue | 43,089 | 52,679 | | | | | | |
| Revenue from the sale of fixed assets | | 595 | | | | | | |
| Revenue from interest | 1,059 | 1,934 | | | | | | |
| Other revenue | | | | | | | | |
| Acquisition of inventories and other costs capitalised at the value of current assets | | | | | | | | |
| Acquisition of services and other operating costs | 2,805 | 195 | | | | | | |
| Acquisition of fixed assets | | | | | | | | |
| Cost of interest | - 1,429 | - 825 | | | | | | |
| Other costs | | | | | | | | 221 |
| Loans received | | | | | | | | |
| Loans granted | | | | | | | | |
| Costs of remuneration | | | | | | | -1,582 | |
| Loan receivables | | | | | | | | |
| Trading and other receivables | 54,501 | 21,515 | | | | | | |
| Liabilities on account of loans | | | | | | | | |
| Trading and other liabilities | -1,164 | -12,368 | | | | | | |

Note 25 Financial instruments

| Financial assets according to IAS 39 | Available for sale | | Measured at fair value by financial result | | Loans and receivables | | Hedging instruments | |
|---|--------------------|------------|--|------------|-----------------------|----------------|---------------------|------------|
| | As at: | As at: | As at: | As at: | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Loans granted | - | - | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | - | - | - |
| Other financial instruments measured at fair value | - | - | - | - | - | - | - | - |
| Trade and other receivables | - | - | - | - | 409,949 | 269,068 | - | - |
| Cash and cash equivalents | - | - | - | - | 58,935 | 108,151 | - | - |
| Other financial assets | - | - | - | - | - | - | - | - |
| Total financial assets | - | - | - | - | 468,884 | 377,219 | - | - |
| Revenue from dividends | - | - | - | - | - | - | - | - |
| Revenue from interest | - | - | - | - | 1,061 | 399 | - | - |
| Foreign exchange profits (losses) | - | - | - | - | - | - | - | - |
| Reversal (creation) of write-downs | - | - | - | - | 408 | -4,187 | - | - |
| Profits (losses) on valuation and implementation | - | - | - | - | - | - | - | - |
| Profits (losses) on derivative instruments | - | - | - | - | - | - | - | - |
| Total impact of financial assets on the income statement | - | - | - | - | -1,469 | -3,788 | - | - |

| Financial liabilities according to IAS 39 | Equity instruments | | Measured at fair value by financial result | | Measured at amortised cost | | Hedging instruments | |
|--|--------------------|------------|--|------------|----------------------------|----------------|---------------------|------------|
| | As at: | As at: | As at: | As at: | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Credits and bonds | - | - | - | - | 226,274 | 242,328 | - | - |
| Derivative financial instruments | | | | | | | | |
| Other financial instruments measured at fair value | | | | | | | | |
| Trade and other liabilities | | | | | 499,659 | 385,481 | | |
| Other financial liabilities | | | | | 31,005 | 20,223 | | |
| Total financial liabilities | - | - | - | - | 756,848 | 648,032 | - | - |
| Interest, sureties | - | - | - | - | -5,314 | -15,223 | - | - |
| Foreign exchange profits (losses) | | | | | | | | |
| Profits (losses) on valuation and implementation | - | - | - | - | | | - | - |
| Profits (losses) on derivative instruments | | | | | | | | |
| Total impact of financial liabilities on the profit or loss account | - | - | - | - | -5,314 | -15,223 | - | - |

| Financial instruments according to the fair value hierarchy | Level I | | Level II | | Level III | |
|---|------------|------------|------------|------------|------------|------------|
| | As at: | As at: | As at: | As at: | As at: | As at: |
| | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
| Assets | - | - | - | - | - | - |
| Derivative financial instruments in assets | - | - | - | - | - | - |
| Other financial instruments measured at fair value | | | | | | |
| Other financial assets | - | - | - | - | - | - |
| Liabilities | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | - |
| Other financial instruments measured at fair value | | | | | | |
| Other financial liabilities | - | - | - | - | - | - |

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

Note 26 Errors related to previous reporting periods

No material errors were found in the previous reporting period.

Note 27 Transactions with non-controlling shareholders

This item does not exist.

Note 28 Business combinations

There were no business mergers in the current period.

Note 29 Significant planned capital expenditures

As at the date of approval of these financial statements for publication, no material capital expenditures were planned.

Note 30 Material events after the balance-sheet date

In the period between the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events that would not be included in these financial statements.

Note 31 Employment structure

| EMPLOYMENT STRUCTURE | full-time equivalent | |
|--------------------------------------|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2019 to 30/06/2020 | from 01/01/2019 to 31/12/2019 |
| Non-production employees | 342 | 354 |
| Production employees | 329 | 282 |
| persons under contractual agreements | 169 | no data |
| Total | 840 | 636 |

Note 32 Dividends declared and paid

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

On 30 June 2020, the Ordinary General Meeting of Shareholders of MIRBUD S.A., in accordance with the recommendation of the Management Board of MIRBUD S.A., adopted Resolution No. 10/2020 concerning the payment of dividend to the Issuer's shareholders.

In accordance with the adopted resolution, the General Meeting decided to allocate a part of the profit for the financial year 2019 in the amount of PLN 1,834,844.00 (in words: one million eight hundred and thirty-four thousand eight hundred and eighty-four zloty 00/100) for the payment of dividend to the Issuer's shareholders, i.e. PLN 0.02 gross (in words: two grosz) per share. The number of shares covered by the dividend is 91,744,200 (in words: ninety one million seven hundred and forty four thousand two hundred) shares.

The dividend day was 7 July 2020. The dividend payment date was 13 August 2020.

Note 33 Effects of division, restructuring and discontinued activities

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

Note 34 Limitations on disposition and collaterals established on assets

| Title of collateral | Type of collateral | Value of debt | Value of collateral in PLN thousand | | Balance sheet value of the object of collateral in PLN thousand | | expiry date |
|---|--------------------|---------------|-------------------------------------|------------|---|------------|-------------|
| | | As at: | As at: | As at: | As at: | As at: | |
| | | 30/06/2020 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | dd/mm/yyyy |
| Hedging for investment credit 202-129/3/II/2/2008 granted by PKO BP S.A. | mortgage hedging | 4,026 | 26,700 | 26,700 | 21,680 | 22,078 | 01/03/2023 |
| hedging for a loan granted by ARP S.A. | mortgage hedging | 23,547 | 60,000 | 60,000 | 39,765 | 67,856 | 28/02/2023 |
| Hedging for a multi-purpose credit No. S/17/07/2016/1245/K granted by Bank Ochrony Środowiska S.A. | mortgage hedging | 34,997 | 49,815 | 49,815 | 8,048 | 8,048 | 31/07/2021 |
| Hedging for a working capital credit, pursuant to contract 30/KG010/18, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice | mortgage hedging | 975 | 5,400 | 5,400 | 2,318 | 2,552 | 31/07/2021 |
| Hedging for B series bonds | mortgage hedging | 4,955 | 15,015 | 15,015 | 3,907 | 6,290 | 14/08/2021 |
| Hedging for a non-revolving credit, pursuant to contract 64/OB/2018/1245, granted by Bank Ochrony Środowiska S.A. | mortgage hedging | | | 44,235 | | 34,371 | 31/05/2020 |
| Hedging for a revolving credit, pursuant to contract 65/OB/2018/1245, granted by Bank Ochrony Środowiska S.A. | mortgage hedging | | | 44,235 | | 34,371 | 31/05/2020 |
| Hedging for a working capital, developer credit, pursuant to contract 3472510/34/K/OB/19, granted by Bank Polskiej Spółdzielczości S.A. | mortgage hedging | | | 30,260 | | 13,407 | 31/12/2021 |

| | | | | | | | |
|--|------------------|--------|--------|--------|--------|--------|------------|
| Hedging for a revolving credit, pursuant to contract 3472510/33/K/RE/19, granted by Bank Polskiej Spółdzielczości S.A. | mortgage hedging | | | 510 | | 13,407 | 31/12/2021 |
| Hedging for an investment credit, pursuant to contract 22/KG110/19, granted by Bank Spółdzielczy | mortgage hedging | 8,414 | 17,645 | 17,645 | 11,761 | 10,124 | 31/12/2034 |
| Hedging for a working capital, developer credit, pursuant to contract 3472510/162/K/OB/18, granted by Bank Polskiej Spółdzielczości S.A. | mortgage hedging | 4,595 | 21,640 | 21,640 | 11,588 | 14,949 | 31/12/2021 |
| Hedging for a working capital, developer credit, pursuant to contract 3472510/248/K/OB/19, granted by Bank Polskiej Spółdzielczości S.A. | mortgage hedging | 5,620 | 27,115 | | 11,484 | | 31/12/2022 |
| Hedging for a working capital, developer credit, pursuant to contract 3472510/249/K/RE/19, granted by Bank Polskiej Spółdzielczości S.A. | bill of exchange | 64 | - | - | | | 31/12/2021 |
| Hedging for a working capital, developer credit, pursuant to contract 21/KG110/20, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice | mortgage hedging | 1,165 | 10,600 | | 3,407 | | 30/06/2022 |
| Hedging for a non-revolving credit, pursuant to contract WAR/6570/19/682/RB granted by BNP Paribas Bank Polska Spółka Akcyjna | mortgage hedging | 3,845 | 6,465 | 6,465 | 14,190 | 14,190 | 10/08/2024 |
| Hedging for an investment credit, pursuant to contract U0001659946897, granted by ALIOR BANK S.A. | mortgage hedging | 18,784 | 56,250 | 56,250 | 85,481 | 81,718 | 27/03/2026 |
| Hedging for credit WK14-000016 granted by BGK | mortgage hedging | 8,863 | 15,000 | 15,000 | 4,848 | 5,161 | 30/09/2020 |
| Hedging for credit 18/2571 granted by BGK | mortgage hedging | 12,612 | 22,500 | 22,500 | 1,086 | 1,086 | 31/12/2020 |
| Hedging for credit 19/5066 granted by BGK | mortgage hedging | 6,005 | 9,317 | 9,317 | 292 | 292 | 31/12/2029 |

| | | | | | | | |
|---|--|--------|--------|----------------------|-----------------------|-----------------------|----------------------|
| Hedging for credit KIN\173850 granted by Santander Bank | cash deposit, assignment of receivables, registered pledge on bank account, surety | 26,727 | 26,727 | 27,273 | 7,043 | 6,713 | 02/05/2028 |
| Hedging for credit KRB/13313177 | assignment of receivables, registered pledge on bank account | | | | 7,043 | 6,713 | 30/06/2022 |
| <u>TOTAL</u> | | | | <u>56,469</u> | <u>130,846</u> | <u>212,917</u> | <u>72,903</u> |
| | | | | | <u>157,274</u> | | |

Note 35 Contingent liabilities

| List of mutual sureties granted by the issuer within the capital group | Claim of the surety | Value of the surety in PLN thousand | | Value of the liability in PLN thousand | | surety expiry date dd/mm/yyyy |
|--|---|-------------------------------------|----------------|--|---------------|----------------------------------|
| | | As at: | As at: | As at: | As at: | |
| | | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | |
| To related entities | - | - | - | - | - | - |
| MARYWILSKA 44 Sp. z o.o. | Hedging for Santander Bank credit | 49,500 | 49,500 | 26,727 | 27,273 | 02/05/2028 |
| MARYWILSKA 44 Sp. z o.o. | Hedging for Santander Bank credit | 10,000 | 10,000 | | | 30/09/2022 |
| JHM Development S.A. | Hedging for the ALIOR BANK S.A. credit | | 89,912 | | | 31/05/2023 |
| JHM 1 Sp. z o.o. | Hedging for the Santander Bank Polska S.A. credit | 10,007 | 10,007 | 7,736 | 7,612 | 30/09/2031 |
| PBDiM KOBYLARNIA S.A. | Hedging for the BGK S.A. credit | | 22,500 | | 8,073 | 06/06/2020 |
| PBDiM KOBYLARNIA S.A. | Hedging for bank warranty of BGK S.A. | | 7,440 | | | 15/02/2020 |
| PBDiM KOBYLARNIA S.A. | Hedging for the BGK S.A. credit | 37,500 | 37,500 | 12,612 | 21,080 | 31/12/2020 |
| PBDiM KOBYLARNIA S.A. | Hedging for the BGK S.A. credit | 9,318 | 9,318 | 6,005 | 5,467 | 31/12/2029 |
| PBDiM KOBYLARNIA S.A. | Hedging for the BGK S.A. credit | 15,000 | 15,000 | 8,863 | 3,466 | 30/09/2020 |
| PBDiM KOBYLARNIA S.A. | Hedging for bank warranty of BGK S.A. | 11,970 | 11,970 | | | 15/02/2021 |
| EXPO MAZURY S.A. | Hedging for the ALIOR BANK S.A. credit | 75,000 | 75,000 | 18,784 | 19,556 | 27/03/2029 |
| To other entities | - | - | - | - | - | - |
| Total | - | 218,295 | 338,147 | 80,727 | 92,527 | - |

On 29 December 2012, the Issuer together with other companies of the MIRBUD Capital Group concluded a contract on provision of services, the subject of which is surety, guarantee, mortgage encumbrance (hereinafter “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.

The amounts of remuneration under the Hedging granted are presented in: Note 24 Transactions with related entities.

| Other contingent liabilities | in PLN thousand | | |
|-------------------------------------|-----------------|----------------|----------------|
| | As at: | As at: | As at: |
| | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Under proper performance guarantee | 381,363 | 313,141 | 240,377 |
| Under rectifying faults and defects | 150,527 | 139,973 | 82,980 |
| Under advance return | 144,606 | 92,377 | |
| Total | 676,496 | 545,491 | 323,357 |

Note 36 Objectives and principles of risk management

| Risk group | Risk | Possibility of occurrence | Relevance to the Group’s activities | Effect of risk on profit or loss | Effect of risk on equity |
|---|---|---------------------------|-------------------------------------|----------------------------------|--------------------------|
| <i>Risk related to the coronavirus pandemic</i> | 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 PBDiM Kobylarnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group. The hedged level of the WIBOR rate is between 1.80 p.p. and 2.05 p.p.

| Items exposed to change in interest rates | Cash flow risk | | Fair value risk | |
|---|----------------|------------|-----------------|------------|
| | As at: | As at: | As at: | As at: |
| | 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 change in foreign exchange rates | EUR | | USD | |
|---|-------------------------------------|----------------------|----------------------|----------------------|
| | As at: 30/06/2020 | As at: 31/12/2019 | As at: 30/06/2020 | As at: 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 |

The Issuer's Management Board estimates that in 2020 the share of revenue in the Euro currency will decrease to the level of approx. 10% of the total sales revenue. As at 31/06/2020, 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: Marywilaska 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 on the markets where the Company operates may have a material adverse effect on the Company's operations, results and financial position as well as on its future development outlook.

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

- in the development industry

The regions of the country in which the Group operates are characterised by a high degree of competition in the 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 Marywilka 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. Marywilka 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. Marywilka 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.

Note 37 Management of capital

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

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

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

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

| Calculation of the debt ratio | in thousands of PLN | |
|-------------------------------|---------------------|----------------|
| | 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 |

Note 38 Litigation

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 30/06/2020, 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 Kobylarnia 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.

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.

Unrecoverable receivables are removed from the accounting books by write-down from costs.

Separate financial information of MIRBUD S.A. for the first half of 2020

13. Separate statement of comprehensive income

| Profit and loss account | Note No. | in PLN thousand | |
|--|----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| <u>Continued activities</u> | | | |
| Sales revenue | | 329,121 | 242,417 |
| Own cost of sales | | -305,026 | -223,334 |
| Gross profit from sales | | 24,095 | 19,083 |
| Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method | | | |
| Other operating and investment activity revenue | | 5,178 | 3,870 |
| Other costs of operating and investment activities | | -13,678 | -12,529 |
| EBIT | | 15,595 | 10,424 |
| Financial costs | | -5,019 | -4,436 |
| Pre-tax activity profit (loss) | | 10,576 | 5,988 |
| Income tax attributable to continuing activities | | -2,094 | -1,387 |
| Profit (loss) on continuing activities | | 8,482 | 4,601 |
| <u>Discontinued activities</u> | | | |
| Revenue from discontinued operations | | | |
| Costs of discontinued operations | | | |
| Pre-tax profit (loss) on discontinued operations | | | |
| Income tax attributable to discontinued operations | | | |
| Profit (loss) on discontinued activities | | | |
| NET PROFIT (LOSS) | | 8,482 | 4,601 |
| Other comprehensive income | Note No. | in PLN thousand | |
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Components which will not be subsequently reclassified to the income statement | | | |
| Components which will be reclassified into profit or loss when certain conditions are met | | | |
| Other total net income | | | |
| Assigned to non-controlling shares | | | |
| Total comprehensive income | | 8,482 | 4,601 |

14. Separate statement of financial position

| Assets | | in PLN thousand | |
|--------|--|-----------------|--|
|--------|--|-----------------|--|

| | Note No. | As at: | As at: | As at: |
|---|----------|----------------|----------------|----------------|
| | | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Fixed assets | | 447,307 | 429,786 | 394,642 |
| Tangible fixed assets | | 55,391 | 43,368 | 44,114 |
| Investment property | | 0 | 0 | |
| Intangible assets | | 1,294 | 1,493 | 1,708 |
| Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | | 385,160 | 380,892 | 346,009 |
| Investments measured using the equity method. | | | | |
| Long-term trading and other receivables | | 0 | 0 | |
| Biological assets | | | | |
| Deferred income tax assets | | 5,410 | 3,936 | 2,811 |
| Other fixed assets not elsewhere classified (including prepayments and accruals) | | 52 | 97 | |
| Current assets | | 333,046 | 251,968 | 252,515 |
| Inventories | | 7,878 | 8,445 | 7,876 |
| Receivables on account of the income tax | | | | |
| Trading receivables and other receivables | | 280,232 | 153,895 | 207,213 |
| Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents) | | 0 | 0 | 478 |
| Cash and cash equivalents | | 43,545 | 89,001 | 27,631 |
| Other current assets not elsewhere classified (including prepayments and accruals) | | 1,391 | 627 | 9,317 |
| Fixed assets held for sale | | | | |
| Total assets | | 780,353 | 681,754 | 647,157 |

| Capitals and liabilities | Note No. | in thousands of PLN | | |
|--|----------|---------------------|----------------|----------------|
| | | As at: | As at: | As at: |
| | | 30/06/2020 | 31/12/2019 | 30/06/2019 |
| Equity | | 281,530 | 274,883 | 262,190 |
| Issued share capital | | 9,174 | 9,174 | 8,249 |
| Retained profit (loss) | | | | |
| Profit (loss) attributable to owners of the entity | | 8,482 | 7,386 | 4,601 |
| Other capitals | | 263,873 | 258,323 | 249,340 |
| Capital attributable to non-controlling shares | | | | |
| Long-term liabilities and provisions for liabilities | | 222,062 | 200,303 | 144,391 |
| Provisions under deferred income tax | | 11,352 | 9,108 | 4,991 |
| Other provisions for long-term liabilities | | 125 | 125 | 135 |
| Long-term financial liabilities, except for provisions, trading liabilities and other liabilities | | 84,399 | 78,995 | 97,995 |
| Long-term trading and other liabilities | | 0 | 0 | 41,270 |
| Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments) | | 126,186 | 112,075 | |
| Short-term liabilities and provisions for liabilities | | 276,761 | 206,568 | 240,576 |
| Provisions for short-term liabilities | | 1,596 | 1,627 | 1,404 |
| Short-term financial liabilities, except for provisions, trading liabilities and other liabilities | | 53,809 | 51,309 | 42,321 |
| Trading and other liabilities | | 218,873 | 152,150 | 188,859 |
| Liabilities under deferred income tax | | | | 4851 |
| Other current liabilities and provisions not elsewhere classified (including accruals and prepayments) | | 2,484 | 1,482 | 3,141 |
| Liabilities directly related to fixed assets classified as held for sale | | | | |
| Total capitals and liabilities | - | 780,353 | 681,754 | 647,157 |

15. Separate statement of cash flows

| Statement of cash flows | Note No. | in PLN thousand | |
|---|----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Pre-tax profit | | 10,576 | 5,988 |
| Amortisation and depreciation | | 2,577 | 1,867 |
| Profit / loss under exchange rate differences | | | |
| Profit / loss on investment activities | | -643 | -660 |
| Borrowing costs | | 3,428 | 4,380 |
| Change in liabilities with the exclusion of financial liabilities | | 78,688 | -14,986 |
| Change in receivables | | -111,802 | -4,071 |
| Change in inventories | | 567 | -42 |
| Change in provisions | | 119 | -31 |
| Profit / loss on other financial instruments | | | |
| Other changes in working capital | | -1,191 | -8,628 |
| Cash from operating activity | | -17,682 | -16,183 |
| Income tax paid | | -510 | -1,198 |
| Net cash from operating activities | | -18,192 | -17,381 |
| Sale of tangible fixed assets and intangible assets | | 778 | 947 |
| Purchase of tangible fixed assets and intangible assets | | -36 | -136 |
| Sale of investment property | | 0 | |
| Purchase of investment property | | 0 | |
| Repayment of loans granted | | 0 | |
| Granting of loans | | 0 | |
| Sale of other investment developments | | | |
| Purchase of other investment developments | | -17,980 | -10,945 |
| Dividends and interest received | | 532 | 56 |
| Other inflows from investment activities | | 1,058.99 | |
| Other expenses related to investment activity | | 0 | |
| Net cash from investment activity | | -15,648 | -10,078 |
| Inflows from shareholders | | 0 | |
| Payments to owners | | 0 | |
| Commitment of liabilities under loans and credits | | 2,609 | 17,436 |
| Repayment of liabilities under loans and credits | | -6,353 | -5,640 |
| Repayment of liabilities under leasing | | -2,854 | -1,678 |
| Repayment of other financial liabilities | | | |

| | | | |
|---|--|----------------|----------------|
| Interest paid and other debt service expenditure | | -5,019 | -4,436 |
| Other financial inflows | | | |
| Other financial outflows | | | |
| Cash from financial activity | | -11,617 | 5,682 |
| Opening balance of cash and cash equivalents | | 89001 | 49,408 |
| <u>Net increases (decreases) in cash and cash equivalents</u> | | -45,457 | -21,777 |
| Effect of changes in foreign exchange rates on cash denominated in foreign currencies | | | |
| Closing balance of cash | | 43,545 | 27,631 |
| including cash and cash equivalents with restricted availability | | 18,216 | 16,820 |

16. Separate statement of changes in equity

| Changes in equity | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Foreign exchange profits/losses on translation | Capital attributable to non-controlling shares | TOTAL |
|---|---------------|--|---|---|---|--|--|--|-----------------------|
| As at 01/01/2019 | 8,249 | 136,949 | | | 106,120 | 6,271 | | | <u>257,589</u> |
| Impact of retrospective application of changes in accounting policies | | | | | | | | | - |
| Impact of retrospective restatement | | | | | | | | | |
| Total profits (losses) for the period | | 6,271 | | | | 4,601 | | | <u>10,872</u> |
| Total other comprehensive income | | | | | | | | | |
| Owner contributions | | | | | | | | | - |
| Payments to owners | | | | | | | | | |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | | - |
| Other changes in equity | | | | | | -6,271 | | | -6,271 |
| As at 30/06/2019 | 8,249 | 143,220 | | | 106,120 | 4,601 | | | <u>262,190</u> |

| CHANGES IN EQUITY | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Foreign exchange differences on translation | Capital attributable to non-controlling shares | TOTAL |
|---|---------------|--|---|---|---|--|---|--|----------------|
| As at 01/01/2019 | 8,249 | 143,218 | | | 106,121 | | | | <u>257,589</u> |
| Impact of retrospective application of changes in accounting policies | | | | | | | | | - |
| Impact of retrospective restatement | | | | | | | | | |
| Total profits (losses) for the period | | | | | | 7,386 | | | <u>7,386</u> |
| Total other comprehensive income (issue of shares) | 925 | | | | 8,983 | | | | <u>9,908</u> |
| Owner contributions | | | | | | | | | - |
| Payments to owners | | | | | | | | | |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | | - |
| Other changes in equity | | | | | | | | | |
| As at 31/12/2019 | 9,174 | 143,218 | | | 115,104 | 7,386 | | | <u>274,883</u> |

| Changes in equity | Share capital | Retained earnings attributable to the shareholders of the parent | Write-downs from net profit during the financial year concerning the shareholders of the parent | Accumulated other comprehensive income attributable to the shareholders of the parent | Other capitals attributable to the shareholders of the parent | Net profit (loss) attributable to the shareholders of the parent | Foreign exchange differences on translation | Capital attributable to non-controlling shares | TOTAL |
|---|-----------------|--|---|---|---|--|---|--|-------------------|
| As at 01/01/2020 | 9,174.00 | 143,218.00 | | | 115,104.00 | 7,386.00 | | | 274,883.00 |
| Impact of retrospective application of changes in accounting policies | | | | | | | | | 0 |
| Impact of retrospective restatement | | | | | | | | | 0 |
| Total profits (losses) for the period | | | | | | 8,482 | | | 8,482 |
| Total other comprehensive income | | | | | | | | | 0 |
| Owner contributions | | | | | | | | | 0 |
| Payments to owners | | -1,836 | | | | | | | -1,836 |
| Changes in ownership interests in subsidiaries not resulting in a loss of control | | | | | | | | | 0 |
| Other changes in equity | | 0 | | | | 0 | | | 0 |
| As at 30/06/2020 | 9,174 | 141,382 | 0 | 0 | 115,104 | 15,868 | 0 | 0 | 281,530 |

Operating segments

| Selected items of the separate profit and loss account for segments in PLN thousand in the reporting period | Sales revenue | Structure of revenues | Costs of sales | Cost structure | Profit/loss on sales | Sales profitability |
|---|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | % | | % | | % |
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 | from 01/01/2020 to 30/06/2020 |
| Sale of construction and assembly services | 328,465 | 99.9% | 304,026 | 99.9% | 24,440 | 7.4% |
| Residential buildings | 40,507 | 12.3% | 43,727 | 14.4% | -3220 | -8.0% |
| Public buildings | 70,330 | 21.4% | 65,168 | 21.4% | 5,62 | 7.3% |
| Production, commercial and service buildings | 105,683 | 32.2% | 93,370 | 30.7% | 12,313 | 11.7% |
| Road and engineering works | 111,946 | 34.1% | 101,761 | 33.5% | 10,185 | 9.1% |
| Other | 656 | 0.2% | 1001 | 0.3% | -345 | -52.6% |
| Total | 329,121 | 100 | 223,334 | 100 | 24,095 | 7.87 |

| Selected items of the separate profit and loss account for segments in PLN thousand in the reporting period | Sales revenue | Structure of revenues % | Costs of sales | Cost structure % | Profit/loss on sales | Sales profitability % |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the period: | For the period: | For the period: | For the period: | For the period: | For the period: |
| | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 | from 01/01/2019 to 30/06/2019 |
| Sale of construction and assembly services | 241,524 | 99.63 | 222,096 | 99.45 | 19,427 | 8.04 |
| Residential buildings | 37,970 | 15.72 | 36,476 | 16.42 | 1,494 | 3.93 |
| Public buildings | 35,441 | 14.67 | 32,121 | 14.46 | 3,320 | 9.37 |
| Production, commercial and service buildings | 165,509 | 68.53 | 151,080 | 68.02 | 14,429 | 8.72 |
| Road and engineering works | 2,605 | 1.08 | 2,420 | 1.09 | 185 | 7.09 |
| Other | 893 | 0.04 | 1,238 | 0.55 | -345 | -38.66 |
| Total | 242,417 | 100.00 | 223,334 | 100.00 | 19,083 | 7.87 |

Other revenue and costs

| Other revenue and costs of operating and investment activities | in thousands of PLN | |
|--|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Costs of sales | | |
| Overheads | -10,353 | -9,757 |
| Revaluation write-downs of non-investment assets | -1,925 | -44 |
| Reversal of write-downs on non-investment assets | | |
| Restructuring costs | | |
| Court proceedings settlement result | | |
| Result of sale of non-investment fixed assets | 643 | 660 |
| Revenue from revaluation of investment property | | |
| Costs under revaluation of investment property | | |
| Result of sale of investment property | | |
| Result of sale of all or part of subordinate entities | | |
| Result of sale of other financial investments | | |
| Dividends | | |
| Interest | 1,591 | 1,990 |
| Result of revaluation of other financial investments measured at fair value through financial result | | |
| Result of measurement of investments recognised using the equity method | | |
| Revaluation write-downs of other financial assets | | |
| Reversal of write-downs on other financial assets | | |
| Foreign exchange differences of operating and investment activities | 1,517 | -528 |
| Other revenue | 1,427 | 1,220 |
| Other costs | -989 | -2,200 |
| Total revenue | 5,178 | 3,870 |
| Total costs | -13,267 | -12,529 |

| Revenue and costs from financial investments | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Dividends to related entities | | |
| Dividends to other entities | | |
| Interest to related entities | 1,059 | 1,934 |
| Interest to other entities | 532 | 56 |
| Revenue from the sale of all or part of subordinate entities | | |
| Own cost of sales of all or part of subordinate entities | | |
| Revenue from increase in the value of derivative instruments | | |
| Costs under decrease of value of derivative instruments | | |
| Revenue from ineffective hedging instruments | | |
| Costs from ineffective hedging instruments | | |
| Reversal of write-downs on other financial assets | | |
| Revaluation write-downs of other financial assets | | |
| Revenue from increase in investments measured at fair value through profit or loss | | |
| Costs under decrease of investments measured at fair value through financial result | | |
| Foreign exchange profits | | |
| Foreign exchange losses | | |
| Results of financial investment activities | 1,591 | 1,990 |

| Other revenue | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Subsidies received | 46 | 93 |
| Other revenues from related entities | | |
| Other revenue from other entities - re-invoices | 722 | 836 |
| Other revenue from other entities | 659 | 291 |
| Total | 1,427 | 1,220 |

| Other costs | in PLN thousand | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Donations | -56 | -79 |
| Other costs from related entities | | |
| Other costs from other entities - re-invoices | -722 | |
| Other costs from other entities | -211 | -2,121 |
| Total | - 989 | - 2,200 |

Financial costs

| Financial costs | Note No. | in PLN thousand | |
|--|----------|----------------------------------|----------------------------------|
| | | For the period: | For the period: |
| | | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Interest on credits | | -2,670 | -2,669 |
| Interest on loans from related entities | | | |
| Interest on loans from other entities | | | |
| Interest on bonds for related entities | | | |
| Interest on bonds for other entities | | | |
| Interest on liabilities under finance lease agreements from related entities | | | |
| Interest on liabilities under finance lease agreements from other entities | | -293 | -209 |
| Other interest for related entities | | -1,429 | -825 |
| Other interest for other entities | | -133 | -149 |
| Valuation of equity instruments | | | |
| Interest under factoring contracts | | -156 | -295 |
| Foreign exchange differences on financial liabilities | | | |
| Other financial costs for related entities | | | |
| Other financial costs for other entities | | -338 | -289 |
| Total financial costs | | -5,019 | -4,436 |

Income tax and deferred income tax

| Income tax | in thousands of PLN | |
|---|----------------------------------|----------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Income tax current part | -1,324 | 5,557 |
| Income tax deferred part- | -770 | -4,170 |
| Other tax burdens on the financial result | | |
| Adjustments relating to previous years | | |
| Total income tax | -2,094 | 1,387 |

| Deferred tax | in thousands of PLN | | |
|--|---------------------|---------------|---------------|
| | As at: | As at: | As at: |
| | 30/06/2018 | 31/12/2019 | 30/06/2019 |
| Deferred tax asset | 5,410 | 3,936 | 2,811 |
| - for provisions for employee benefits | 137 | 113 | 103 |
| - for other provisions | | 2,452 | 2,413 |
| - on account of accrued interest | | | |
| - for write-downs on current assets | 1,784 | 787 | |
| - on account of investment valuation | | | |
| - for settlement of construction contracts | | | |
| - for losses from previous years | | | |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | 3,100 | | |
| - under foreign exchange differences | | | |
| - other | 389 | 584 | 295 |
| Deferred tax liability | 11,352 | 9,108 | -4,991 |
| - on account of accrued interest | -180 | -703 | -258 |
| - on account of investment valuation | | | |
| - for settlement of construction contracts | - 6,654 | -4,472 | -742 |
| - under tax and balance sheet differences in the value of fixed assets and lease contracts | - 3,990 | -3,848 | -3,884 |
| - under foreign exchange differences | -354 | | |
| - for goodwill | | | |
| - other | -174 | -85 | -107 |
| Net deferred income tax assets (Provision) | 5,410 | -5,172 | -2,180 |

Earnings per share (EPS)

| Earnings per share | in PLN thousand | |
|---|-------------------------------|-------------------------------|
| | For the period: | For the period: |
| | from 01/01/2020 to 30/06/2020 | from 01/01/2019 to 30/06/2019 |
| Profit (loss) on continued operations attributable to owners of the parent | 8,482 | 4,601 |
| Profit (loss) on discontinued operations attributable to owners of the parent | | |
| Total | 8,482 | 4,601 |
| Weighted average number of ordinary shares in thousands of pieces | 91,744 | 82,493 |
| Basic profit per share | 0.09 | 0.06 |
| Costs of interest on convertible bonds (net of tax) | | |
| Profit (loss) to determine diluted earnings per share | 8,482 | 4,601 |
| Share options issued in thousands of pieces | | |
| Theoretical conversion of convertible bonds in thousands of pieces | | |
| Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces | 91,744 | 82,493 |
| Diluted earnings per share | 0.09 | 0.06 |

17. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 27/08/2020.

| | |
|-----------------------------------|--|
| 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 |

| |
|-----------------------------------|
| Wieńczysław Nawrocki |
| Person entrusted with bookkeeping |