

# MIRBUD S.A.

## REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITY

FOR THE PERIOD  
FROM 01 JANUARY TO 31 DECEMBER 2020



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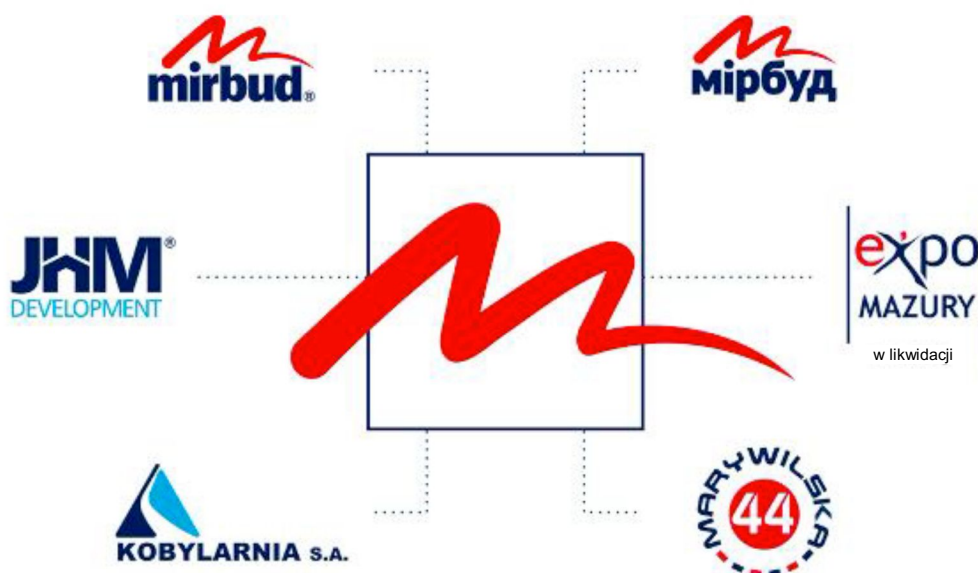
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## 1. PRINCIPLES FOR PREPARATION OF FINANCIAL STATEMENTS



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



The consolidated financial statements were drawn up on the assumption of continuation of business activities by MIRBUD S.A. and the companies belonging to the Capital Group in the foreseeable future. As at the date of these financial statements' approval there are no circumstances indicating a threat to the continuation of the Group's Companies' activities with the exception of EXPO MAZURY S.A. w likwidacji, which as part of the reorganisation of the Capital Group by virtue of Resolution No. 3/2020 of the Extraordinary General Meeting of Shareholders (Repertory A No. 6401/2020) of 1 July 2020 was dissolved and put into liquidation.

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

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

## 2. ACTIVITIES OF THE MIRBUD CAPITAL GROUP

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

The MIRBUD Capital Group employs 850 employees, including highly qualified engineering staff with various specialisations in the construction industry. The Company's advantage is also a well-developed machine park which ensures performance of most of the work on the basis of its own facilities.

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

Moreover, the MIRBUD Capital Group includes Marywilska 44 Sp. z o.o., the owner and manager of the largest shopping centre in Warsaw, and Expo Mazury S.A. "w likwidacji", which until recently managed the congress and exhibition centre in Ostróda. As a result of the Group's restructuring in 2020, Expo Mazury was put into liquidation. On the basis of the existing warehouse infrastructure, a Logistics and Warehouse Park in Ostróda was established, owned and managed by Marywilska 44 sp. z o.o.

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

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

### Basic data of the Parent

**MIRBUD S.A.** was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the Code of Commercial Companies. The Company was registered by the District Court for Łódź-Śródmieście in Łódź, 20th Commercial Division of the National Court Register, under the KRS number 0000270385 on 22 December 2006. The Company is established for indefinite term.



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

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

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



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

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

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



Full name of the entity:	KOBYLARNIA S.A.
Entity's registered office:	Kobylarnia
Legal form:	joint-stock company
NIP (tax identification number):	953-22-34-789
REGON:	091631706
Address details:	ul. Zakole 1, 86-051 Brzoza
phone/fax	+48(52) 381-06-10
E-mail:	sekretariat@kobylarnia.pl
Website:	www.kobylarnia.pl
Country of registered office:	Poland

### Subsidiary of MIRBUD S.A. - TOB «MIPБУД»

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

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



<b>Full name of the entity:</b>	<b>ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «MIPБУД» (MIRBUD sp. z o.o.)</b>
<b>Entity's registered office:</b>	Kiev
<b>Legal form:</b>	limited liability company
<b>NIP (tax identification number):</b>	418873426552
<b>REGON (ЄДРПОУ Code):</b>	41887344
<b>Address details:</b>	ul. 6 Oleny Telihy street, building 8, room 302, 04112 Kiev,
<b>Country of registered office:</b>	Ukraine

### Subsidiary of MIRBUD S.A. – EXPO MAZURY S.A. w likwidacji

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

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

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

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

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

As at 1 July 2020, the Company operates under the name EXPO MAZURY S.A. w likwidacji and will be referred to hereafter in accordance with the current legal status.

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

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

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



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

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

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

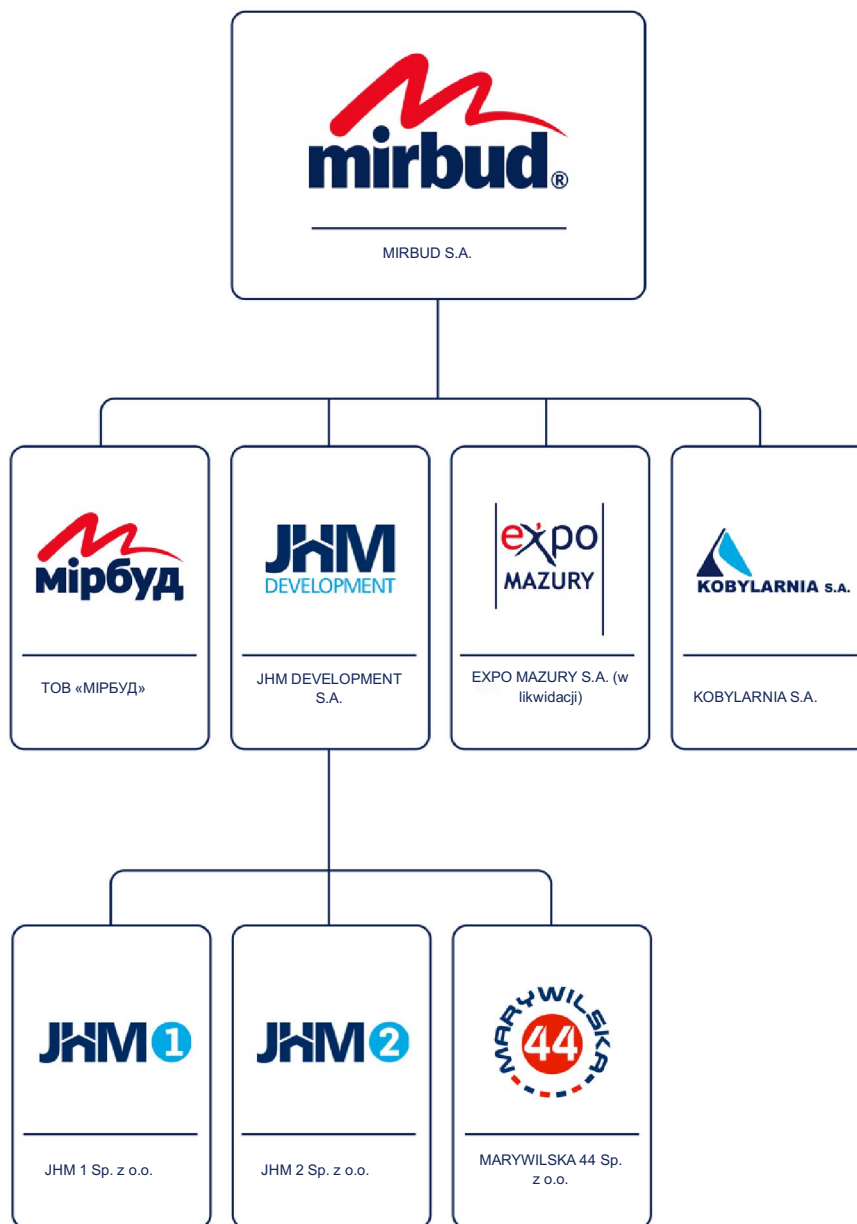
<b>Full name of the entity:</b>	<b>JHM 1 Sp. z o.o.</b>
<b>Entity's registered office:</b>	Skierniewice
<b>Legal form:</b>	limited liability company
<b>NIP (tax identification number):</b>	836-185-59-68
<b>REGON:</b>	101288135
<b>Address details:</b>	ul. Unii Europejskiej 18, 96-100 Skierniewice
<b>Country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

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

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

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

Diagram: The MIRBUD Capital Group structure as at 31/12/2020



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

Table: Structure of shares of MIRBUD S.A. in subsidiaries as at 31/12/2020

Name of the entity	Share capital	Share of MIRBUD S.A. in the share capital
<b>JHM DEVELOPMENT S.A.</b>	PLN 173,000,000	<b>100%</b>
<b>KOBYLARNIA S.A.</b>	PLN 30,000,000	<b>100%</b>
<b>EXPO MAZURY S.A w likwidacji*.</b>	PLN 135,928,000	<b>99.99%</b>
<b>ТОВ «МІРБУД»</b>	UAH 2,377,752.81	<b>100%</b>

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

### JHM DEVELOPEMENT S.A.

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

As of 31 December 2020, the shares of JHM DEVELOPMENT S.A. have been withdrawn from trading on the regulated market maintained by the WSE.

### KOBYLARNIA S.A.

On 3 February 2020, the Extraordinary General Meeting of Shareholders of PBDiM KOBYLARNIA S.A., by virtue of Resolution No. 3/2020 (Repertory A No. 849/2019), resolved to increase the Company's share capital from PLN 25,000,000.00 to PLN 30,000,000.00 by issuing 50,000,000 series H registered shares with a nominal value equal to the issue price of PLN 0.10 per share. On 20/04/2020, the Register Court in Bydgoszcz, 13th Commercial Division of the National Court Register, registered the increase in the company's share capital to the amount of PLN 30,000,000.00.

On 9 June 2020, the Ordinary General Meeting of Shareholders of KOBYLARNIA S.A., by virtue of Resolution No. 15/2020 (Repertory A No. 4838/2020) resolved to amend the Articles of Association by changing the name of Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA Spółka Akcyjna [Construction Company For Roads and Bridges KOBYLARNIA S.A.] to KOBYLARNIA Spółka Akcyjna. As a result of this change, the Company may use the abbreviated name - KOBYLARNIA S.A.

### EXPO MAZURY S.A. w likwidacji

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

The initiation of the liquidation of EXPO MAZURY S.A. is the second stage of the ongoing reorganisation of the MIRBUD Capital Group. The purpose of the reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent company - MIRBUD S.A. The reorganisation will result in simplification of the Group's structure, streamlining of the Group's business processes and optimisation of the operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of the EXPO MAZURY S.A. property to MARYWILSKA 44 Sp. z o.o., with the assumption that new lease agreements will be concluded with the existing commercial space lessees. The reorganisation is scheduled to be completed by the end of September 2021.

### **MARYWILSKA 44 Sp. z o.o.**

On 02/12/2020 (notarial deed Repertory A No. 11976/2020), the Extraordinary General Meeting of Shareholders of Marywilska 44 Sp. z o.o. adopted a resolution on increasing the Company's share capital by PLN 78,250 thousand, increasing the number of shares by 1,565,000 with a nominal value of PLN 50 each. The shares in the increased share capital will be fully covered by a cash contribution in the amount of PLN 156,500 thousand. Shares are to be acquired by MIRBUD S.A. with its registered office in Skierniewice.

As at 31/12/2020, payments totalling PLN 76,500 thousand were made under the Resolution in question. By the date of preparation of the report, MIRBUD S.A. has paid the entire amount resulting from the acquisition of the new shares.

These funds were used to cover the purchase of real property situated in Ostróda at ul. Grunwaldzka 55. Within the framework of the purchased real property, the Company intends to carry out its activity consisting in the lease of space for storage purposes.

### **ТОВ «МІРБУД»**

The sole partner of the company is MIRBUD S.A. On 26 November 2020, the sole shareholder of the Company increased the share capital of ТОВ «МІРБУД» by UAH 477,752.81.

As at 31 December 2020, the share capital of ТОВ «МІРБУД» is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 30/06/2020, PLN 315,290.02).

The entity is not consolidated due to its immaterial character.

*Table: Structure of shares of JHM DEVELOPMENT S.A. in subsidiaries and related entities as at 31/12/2020*

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

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

## Core activities

### MIRBUD S.A.



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

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

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

**MIRBUD S.A.** guarantees the highest quality of services, efficient organisation, fast pace of work based on the highest standards and professional technical staff. The entity's core business in accordance with its Articles of Association and the entry in the National Court Register is as follows:

- general construction and civil engineering;
- freight transport by road;
- rental of construction and demolition equipment with operator service;
- advertising and publishing activities;
- renting of premises for own account;
- wholesale of materials for the construction industry.

## KOBYLARNIA S.A.



**KOBYLARNIA S.A.** (formerly: **Przedsiębiorstwo Budowy Dróg i Mostów KOBYLARNIA S.A.** [Construction Company For Roads and Bridges KOBYLARNIA S.A.]) is a subsidiary of MIRBUD S.A., specialising in the comprehensive execution of road and bridge works. It is also a producer of mineral-bituminous and concrete masses, owning modern bitumen mass factories in:

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

The Company provides services also in the scope of renting construction equipment and specialised means of transport.

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

- execution of road and bridge works;
- production of mineral-bituminous and concrete masses;
- construction equipment rental.

## JHM DEVELOPMENT S.A.



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

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

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

## MARYWILSKA 44 Sp. z o.o.



Marywilska 44 Sp. z o.o., as a subsidiary of JHM DEVELOPMENT S.A., is the owner and manager of the largest shopping centre within the capital city of Warsaw.

According to the Polish Classification of Businesses, the core activities of the subsidiary Marywilska 44 Sp. z o.o. are:

- the implementation of building projects related to erection of buildings;
- rental and management of own or leased property.

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

- rental and management of own or leased property.

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

- the implementation of building projects related to erection of buildings;
- rental and management of own or leased property.

### **EXPO MAZURY S.A. w likwidacji (formerly EXPO ARENA S.A.)**

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

According to the Polish Classification of Businesses, the core activities of the subsidiary EXPO MAZURY S.A. w likwidacji are:

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

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

### **ТОВ «МІРБУД»**

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

- general construction and civil engineering.

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

Figure: Planned geographical structure of the MIRBUD Capital Group in Poland



### 3. FINANCIAL SITUATION OF THE MIRBUD CAPITAL GROUP

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

Table: Selected items of the Group's assets as at 31 December 2020 and 31 December 2019 in PLN thousand

Specification	31/12/2020	% share in total assets	31/12/2019	% share in total assets	Change in PLN thousand	Change in %
<b>Fixed assets, including:</b>	<b>504,164</b>	<b>55%</b>	<b>429,787</b>	<b>63%</b>	<b>74,377</b>	<b>17%</b>
Tangible fixed assets	58,297	6%	43,368	6%	14,929	34%
Investment property		0%		0%	0	0%
Intangible assets	1,082	0%	1,493	0%	-411	-28%
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	429,943	47%	380,892	56%	49,051	13%
Investments measured using the equity method	0	0%	0	0%	-	0%
Long-term trading and other receivables	0	0%	0	0%	0	0%
biological assets	0	0%	0	0%	0	0%
Deferred income tax assets	14,567	2%	3,936	1%	10,631	270%
Other fixed assets not classified elsewhere (including prepayments and accruals)	275	0%	98	0%	177	181%
<b>Current assets, including:</b>	<b>416,583</b>	<b>45%</b>	<b>251,967</b>	<b>37%</b>	<b>164,616</b>	<b>65%</b>
Inventories	7,820	1%	8,445	1%	-625	-7%
Current income tax receivables	0	0%	0	0%	0	0%
Trading receivables and other receivables	193,880	21%	153,894	23%	39,986	26%
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	0	0%	0	0%	-	0%
Cash and cash equivalents	213,924	23%	89,001	13%	124,923	140%
Other current assets n.e.c.	959	0%	627	0%	332	53%
fixed assets held for sale	-	0%	-	0%	-	
<b>Total assets</b>	<b>920,747</b>	<b>100%</b>	<b>681,754</b>	<b>100%</b>	<b>238,993</b>	<b>35%</b>

As at 31/12/2020, compared to the end of 2019, the value of the balance sheet total and the structure of assets of MIRBUD S.A. changed significantly.

As at 31/12/2020, compared to the end of 2019, the value of the Company's balance sheet total increased as a result of an increase in the value of long-term financial investments, cash, and trading receivables.

The dominating value are the fixed assets, which as at 31/12/2020 constitute 55% of the Company's total assets (increase in the share of fixed assets in the balance sheet total by 8 p.p. compared to the end of 2019).

Fixed assets comprise mainly long-term financial assets (which are mainly capital investments in subsidiaries: JHM DEVELOPMENT S.A., KOBYLARNIA S.A. EXPO Mazury S.A. w likwidacji, Marywilska 44 sp. z o.o.) representing 47% of total assets. (decrease in share in total assets by 9 p.p. compared to 2019).

Current assets constitute 45% of all assets of MIRBUD S.A. as at 31/12/2020 (increase in share in current assets by 8 p.p. compared to 2019). Significant items of current assets are: trading receivables and other receivables constituting 21% of total assets (decrease in the share of total assets by 3 p.p. compared to 2019). Cash and other equivalents had a significant share in current assets as at 31/12/2020, constituting approximately 23% of total assets (increase in the share in total assets by 10 p.p. compared to 2019).

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

- receiving advances for the execution of road contracts (construction of a part of the S-1 express way, Węgierska Górka bypass) in the total amount of PLN 112 million net
- receiving an advance for the execution of a road contract for the construction of a fragment of the S-1 Kosztowy - Bielsko Biała express way, section III, in the amount of PLN 4.8 million net
- Purchase of shares in EXPO MAZURY S.A. w likwidacji from KOBYLARNIA S.A. and Marywilska 44 sp. z o.o.
- Return of part of the contributed capital to shareholders in the amount of PLN 75 million
- Payment of PLN 75 million towards the capital increase in Marywilska 44
- Purchase of means of transport and machinery and equipment for the amount of over PLN 21 million
- Increase in the scale of operations in the engineering and road segment

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

Specification	31/12/2020	% share in total liabilities	31/12/2019	% share in total liabilities	Change in PLN thousand	Change in %
<b>Equity</b>	<b>292,473</b>	<b>32%</b>	<b>274,883</b>	<b>40%</b>	<b>17,590</b>	<b>6%</b>
<b>Long-term liabilities and provisions for liabilities</b>	<b>292,453</b>	<b>32%</b>	<b>200,304</b>	<b>29%</b>	<b>92,149</b>	<b>46%</b>
- Provisions under deferred income tax	7,880	1%	9,108	1%	-1,228	-13%
- other provisions for long-term liabilities	103	0%	126	0%	-23	-18%
- long-term financial liabilities, with the exception of trading liabilities and other liabilities	55,687	6%	78,995	12%	-23,308	-30%
- long-term trading and other liabilities	228,783	25%	112,075	16%	116,708	104%
- other long-term liabilities and provisions n.e.c.	0	0%	0	0%	0	0%
<b>Short-term liabilities and provisions for liabilities</b>	<b>335,821</b>	<b>36%</b>	<b>206,568</b>	<b>30%</b>	<b>129,253</b>	<b>63%</b>
- Provisions for short-term liabilities	1,813	0%	1,627	0%	186	11%
- short-term financial liabilities, except for provisions, trading liabilities and other liabilities	62,561	7%	51,308	8%	11,253	22%
- trading and other liabilities	256,538	28%	150,329	22%	106,209	71%
- liabilities under deferred income tax	14,873	2%	1,822	0%	13,051	716%
other long-term liabilities and provisions n.e.c.	36	0%	1,482	0%	-1,446	0%

Liabilities directly related to fixed assets classified as held for sale	0	0%	0	0%	0	0%
<b>Total liabilities</b>	<b>920,747</b>	<b>100%</b>	<b>681,755</b>	<b>100%</b>	<b>238,992</b>	<b>35%</b>

In 2019, the structure of liabilities of the Company has changed significantly and the activity of MIRBUD S.A. continues to be financed in 32% from own funds and in 68% from external capital.

The share of long-term liabilities in financing was 32% (share increase by 3 p.p., while the share of short-term liabilities was at 36% (share decrease by 6 p.p. compared to the end of 2019).

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

- systematic repayment of loans in ARP S.A.,
- receiving an advance for the execution of a road contract for the construction of a fragment of the S-1 express way, Węgierska Górka bypass in the amount of PLN 112 million net which will be settled in a significant part in the period of over 12 months,
- receiving an advance for the execution of a road contract for the construction of a fragment of the S-1 Kosztowy - Bielsko Biała express way, section III, in the amount of PLN 4.8 million net which will be settled in a significant part in the period of over 12 months.
- rollover of short-term special purpose credits for execution of construction contracts for periods longer than 12 months
- maturity in 2021 of working capital credits with BOŚ S.A. , mBank S.A., approx. PLN 39 million (the Company plans to roll over the liabilities into subsequent 24-month periods)
- Lease purchase of means of transport and machinery and equipment for the amount of over PLN 21 million
- changes in market conditions for the supply of materials forcing early payment or advance payments,
- Increase in the scale of operations in the engineering and road segment.

*Table: Selected items of the Group's statements of comprehensive income for the period from 01/01/2020 to 31/12/2020 and 01/01/2019 to 31/12/2019 in PLN thousand*

Specification	Period from 01/01/2020 to 31/12/2020	Profitability	Period from 01/01/2019 to 31/12/2019	Profitability	Change in PLN thousand	Change in %
<b>Sales revenue</b>	853,182	-----	551,429	-----	301,753	55%
<b>Profit from sales</b>	67,866	7.95%	41,645	7.55%	26,221	63%
<b>Operating profit EBIT</b>	34,258	4.02%	18,993	3.44%	15,265	80%
<b>Pre-tax profit</b>	24,587	2.88%	9,584	1.74%	15,003	157%
<b>Net profit</b>	19,425	2.28%	7,386	1.34%	12,039	163%

In 2020, MIRBUD S.A. generated revenue which was 55% lower than in 2019. This resulted mainly from a significant increase in sales revenue from construction and assembly activities in the segment of engineering and road works. Profitability on sales in this period increased by 0.4 p.p. compared to 2019, while net profitability was 0.94 p.p. higher than in 2019.

The profitability of the Company in 2020 was influenced by the following factors:

- revaluation write-down of receivables of FABRYKA BIZNESU sp. z o.o., RADMAX P Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna, F-Grup Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo Akcyjna in the total amount of PLN 20.7 million
- increase of profitability in the engineering and road works segment

### 3.2. Assessment of financial resources and liquidity management

The management of the Company's group's financial resources assumes basing the financing structure on long-term sources of financing. The Company finances its operations in 68% based on foreign capital through:

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

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

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

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

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

The Company's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing with particular focus on advances from the Contracting Authority for infrastructure contracts in the coming years, and for a gradual reduction of debt in the long-term perspective.

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

Table: MIRBUD S.A. debt ratios

Specification	31/12/2020	31/12/2019
<b>Total debt ratio</b> <i>Total liabilities / Assets</i>	<b>0.68</b>	<b>0.60</b>
<b>Long-term debt ratio</b> <i>Long-term liabilities / Assets</i>	<b>0.32</b>	<b>0.29</b>
<b>Short-term debt ratio</b> <i>Short-term liabilities / Assets</i>	<b>0.36</b>	<b>0.30</b>
<b>Debt to equity ratio</b> <i>Liabilities / Equity</i>	<b>2.15</b>	<b>1.48</b>

In the reporting period, the level of debt increased by 8 p.p. and its structure changed (the share of long-term debt increased by 2 p.p. and the share of short-term debt increased by 6 p.p.), which was the result of:

- receiving an advance for the execution of a road contract for the construction of a fragment of the S-1 express way, Węgierska Górka bypass in the amount of PLN 112 million net which will be settled in a significant part in the period of over 12 months.
- receiving an advance for the execution of a road contract for the construction of a fragment of the S-1 Kosztowy - Bielsko Biała express way, section III, in the amount of PLN 4.8 million net which will be settled in a significant part in the period of over 12 months.
- maturity in 2021 of working capital credits with BOŚ S.A., mBank S.A., approx. PLN 39 million (the Company plans to roll over the liabilities into subsequent 24-month periods)
- Lease purchase of means of transport and machinery and equipment for the amount of over PLN 21 million
- changes in market conditions for the supply of materials forcing early payment or advance payments,

It should be noted that given the Company's cash balance, the Company had no net debt as at 31/12/2020.

The level of the Company's debt in the perspective of 2021 will be influenced by the scale of executed engineering and road contracts (a fragment of the A-1 motorway, two sections of the S-1 express way, Olesno bypass) and the implemented strategy of financing large road contracts from advances from the Contracting Authority.

Table: MIRBUD S.A. liquidity ratios

Specification	31/12/2020	31/12/2019
<b>Current liquidity ratio</b>	<b>1.24</b>	<b>1.22</b>
<b>Current assets / Short-term liabilities</b>		
<b>Accelerated liquidity ratio</b>	<b>1.22</b>	<b>1.18</b>
<b>(Current assets - Inventories - Short-term prepayments)/Current liabilities</b>		
<b>Cash liquidity ratio</b>	<b>0.64</b>	<b>0.43</b>
<b>Cash / Short-term liabilities</b>		

As at 31/12/2020, the MIRBUD Capital Group improved the levels of all current liquidity ratios which was the result of receiving advances for the execution of engineering and road contracts

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

### 4.1. Specificity of the market

In 2020, the outbreak of the COVID-19 coronavirus pandemic had a decisive impact on the condition of the Polish economy. According to market data published at the end of the first half of the year in June, it seemed that the climax of the Polish market's short-term slump was behind us, but in October the economy was hit by the second wave of the pandemic. After an apparent improvement in macroeconomic ratios in the third quarter of 2020, a significant drop in construction and assembly production was observed in October, resulting mainly from a decline in investment activity in the building construction sector. As a result of the pandemic, many private and public investors decided to put investment plans on hold in the first three quarters of 2020.

As a result of changes to the provisions of the Public Procurement Law, the supply of building construction contracts from public investors increased at the end of 2020. These tender procedures are expected to be concluded in the first half of 2021. With the end of 2020 and the beginning of 2021, we are also seeing an increase in investment activity from warehouse space developers. The COVID-19 coronavirus pandemic has contributed to the growth of the e-commerce market in Poland.

Despite the general decrease in the supply of volume investments in 2020, we recorded a significant recovery in infrastructure investments, including above all the increased investment activity of the General Directorate for National Roads and Motorways within the framework of the implemented National Road Construction Programme for the years 2014-2023 (with a perspective until 2025) and the implemented Programme for the Construction of 100 Bypasses for the years 2020-2030. In 2020, the General Directorate for National Roads and Motorways signed 35 contracts with contractors for the construction of a total of 450 km of national roads and bypasses with a total value of PLN 18 billion. This also influenced the activity of the MIRBUD Capital Group, in whose order portfolio the value and share of infrastructure construction contracts increased significantly during this period.

For 2021, the General Directorate for National Roads and Motorways has planned to conduct 26 tender procedures for the execution of a total of 313 km of roads under the National Road Construction Programme for the years 2014-2023 and 6 procedures for the execution of a total of 34 km of roads under the Programme for the Construction of 100 Bypasses for the years 2020-2030.

In the early part of the year, the COVID-19 coronavirus pandemic also had a significant impact on the housing construction market in Poland. However, despite the difficulties in the market, the volume of this market in the

12 months of 2020 indicates a number of issued housing permits at the level of approx. 260,000 and started investments at the level of just over 220,000 dwellings, which, taking into account the state of the epidemic, should be considered a very good result.

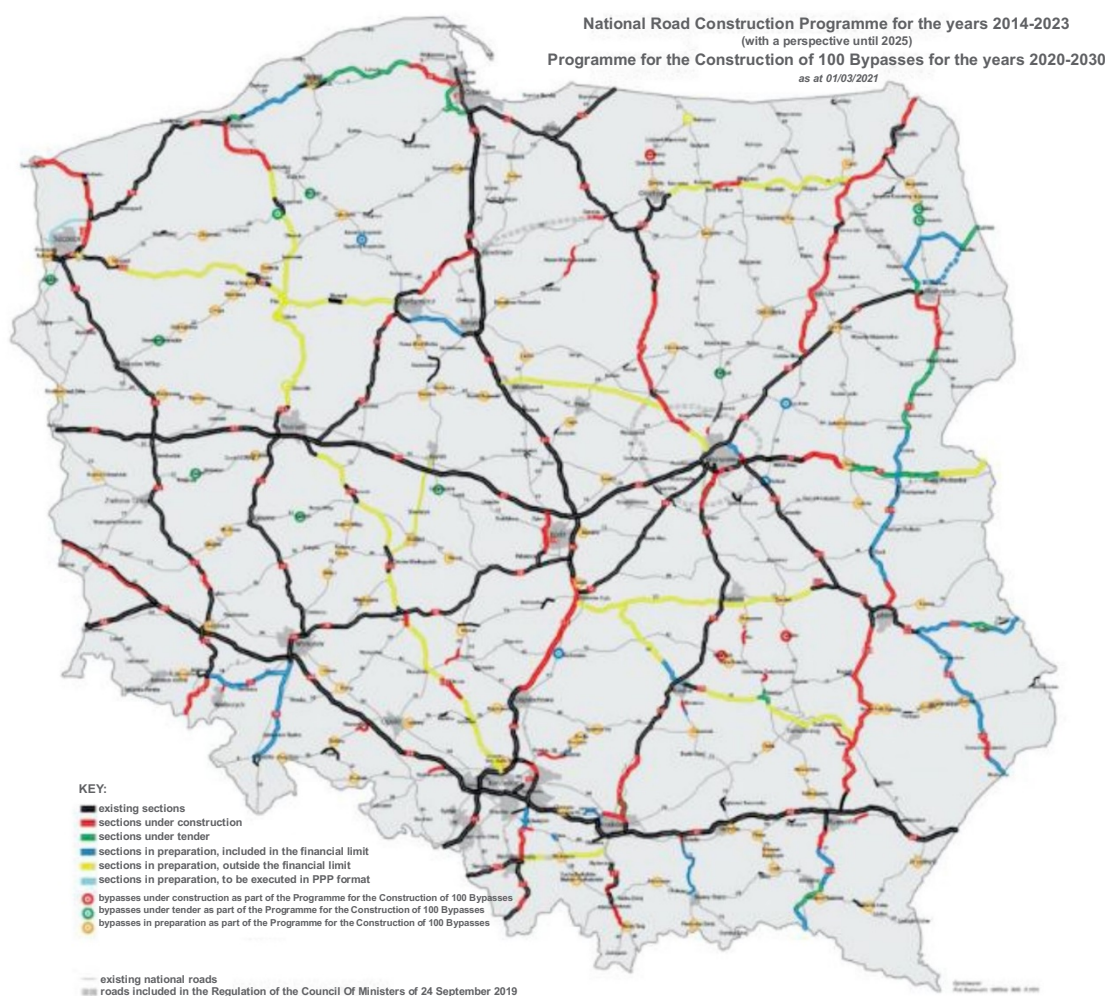
As of the date of this report, the country is experiencing the third wave of the COVID-19 coronavirus pandemic. In February 2021, the seasonally adjusted construction business economic ratio for maintained the level from previous months and was at -17.4 points. The difficult epidemic situation and the reduction of activities in other sectors (especially catering, commerce and tourism) cause an increase in the number of people willing to work in construction and in the segment of building materials production.

#### **4.2. Market prospects**

The occurrence of a third coronavirus wave in the first quarter of 2021 forces a cautious estimation of the prospects for the construction market in Poland. Assuming the continuity of construction and assembly production is maintained in 2021, the construction market will continue to be driven by expenditure on infrastructure investments carried out by the largest clients, including in particular the General Directorate for National Roads and Motorways (GDDKiA).

As part of the implementation of the National Road Construction Programme for the years 2014-2023 (with a perspective until 2025), 3767.9 km are planned to be built, along with expenditures of approx. PLN 163.9 billion, including: 324.2 km of motorways, 2948.9 km of express ways, 43 bypasses with a total length of 447.2 km, and the construction of a GP class road with a length of 47.7 km. The National Road Construction Programme for the years 2014-2023 (with a perspective until 2025) and the Programme for the Construction of 100 Bypasses for the years 2020-2030 assumes that tenders for approx. 350 km of express ways and bypasses with an estimated value of approx. PLN 18 billion will be announced in 2021.

As at the date of this report, 105 tasks with a total road length of 1350 km are under execution under the above programmes, 35 tasks with a total road length of 440 km are under tender, while 189 tasks with a total road length of 2900 km are in preparation.



In 2021, the Council of Ministers adopted the Safe Road Infrastructure Programme for 2021 - 2024. The measures taken under the Programme will be aimed at increasing the protection of road users and creating a safe road infrastructure. The result will be a reduction in the number of accidents and their victims. PLN 2.5 billion will be allocated for this purpose from the National Road Fund. This is the first stand-alone multi-annual programme in the road safety infrastructure area on such a large scale.

Maintaining continuity in the execution of government infrastructure investments may prove to be an opportunity to maintain the pace of development for those construction companies which, having a comfortable order portfolio, will be able to carry out contracts based on their own material and equipment base without major disruption. As at 31 December 2020, MIRBUD S.A. and KOBYLARNIA S.A. had a portfolio of orders with a total net value exceeding PLN 4.577 billion net to be executed by 2023. At the time of writing this report, the value of this portfolio increased to PLN 5.082 billion net, of which the value of the road contract portfolio is PLN 4.171 billion net.

#### 4.3. Description of activities of MIRBUD S.A. in 2020

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

The most important achievements of MIRBUD S.A. in the reporting period include:

- filling the Company's order portfolio to the value of approximately PLN 3,500 million for the years 2020-2024 - including the execution of significant construction contracts in the road sector;
- diversifying the types of carried out building investments (expanding the scope of execution to include facilities under public procurement, schools, sports facilities, airport terminal and others);
- systematically increasing the volume and value of construction projects in progress.
- conclusion of contracts with material suppliers (asphalt, steel, cement) ensuring the supply of materials for the most important infrastructural contracts executed by the Company at favourable fixed prices or with partial participation in their possible increase.

The Company did not experience any significant failures during the reporting period

In 2020, the structure of the order portfolio of MIRBUD S.A. underwent a further change in favour of infrastructure construction contracts, where the value of this type of contract accounted for approx. 70% of the total portfolio size, the value of public building construction contracts also increased, while the value of warehouse and production and residential construction contracts decreased.

The infrastructure contracts in progress are executed by a consortium of companies usually consisting of MIRBUD S.A. and its subsidiary KOBYLARNIA S.A., with one or the other company being the leader.

Detailed information on the activities of the Company in the reporting period and prospects for 2021 are presented in the further part of this report.

2020 saw significant changes in the measurement and perception of the Company by listed investors. In the first quarter, MIRBUD S.A. was qualified by the WSE to the sWIG80 index - 80 largest companies listed on the Warsaw Stock Exchange.

In June 2020, the Company was included in the WSE's analytical support programme, under which Dom Maklerski [Brokerage House] IPOPEMA Securities S.A. issued a "Buy" recommendation for the Company during the reporting period. The reporting period saw a significant increase in the measurement of MIRBUD S.A. from PLN 97,248 million as at 1 January 2020 to PLN 310,095 million as at 31 December 2020. As of the date of this report, the stock market measurement of MIRBUD S.A. has increased to PLN 447,711 million.

During the reporting period, the Company also implemented a Dividend Policy, in accordance with which the Management Board of MIRBUD S.A. will recommend to the General Meeting of Shareholders in subsequent years a dividend payment between 10% and 50% of net profit. In 2020, the Company paid a dividend in the amount of PLN 0.02 per share.

In 2020, the Company joined the Polish Association of Construction Industry Employers [Polski Związek Pracodawców Budownictwa] - the country's largest organisation of infrastructure and construction industry companies which jointly represent over 70 percent of the potential of the general investment contractor market in Poland.

#### **MIRBUD S.A.**

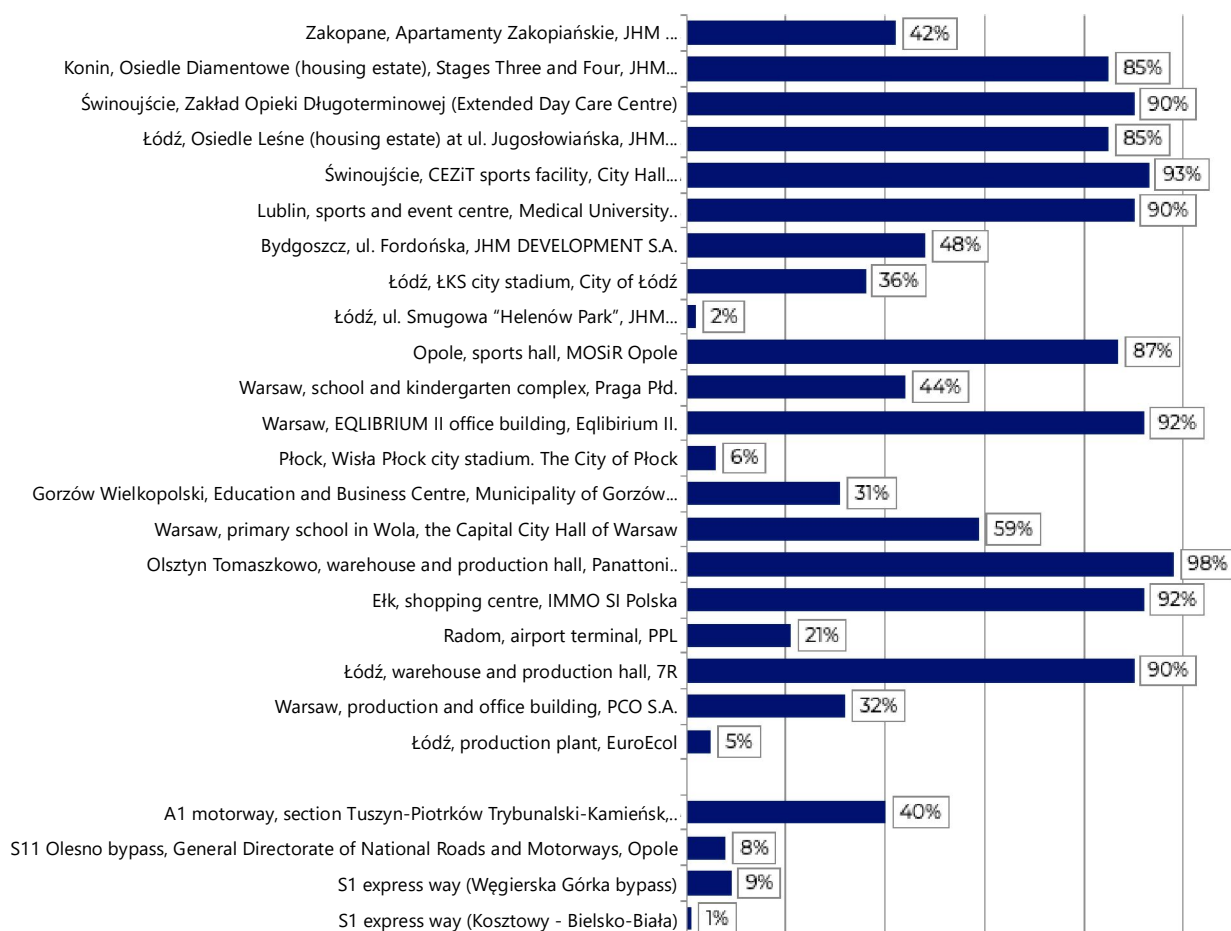
In 2020, the Company continued to provide a wide range of construction and assembly services in the area of industrial, building, residential and engineering and road construction performed under the general contractor system, and to a lesser extent it conducted transport activities, leased machinery,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

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

- Contract with the Capital City of Warsaw for the construction of an elementary school near ul. Jana Kazimierza in Warsaw. Contract value: net PLN 30.5 million.
- Contract with the “Polish Airports” State Enterprise for the design and construction of a terminal building at the Radom-Sadków airport, together with equipment. Contract value: net PLN 228 million.
- Contract with 7R S.A. for the construction of two logistics service halls with production functions, as well as warehouse and social and office facilities, together with the technical infrastructure. Contract value: net EUR 5.09 million.
- Contract with IMMO SI Polska Sp. z o.o. for the construction of a complex of commercial buildings - bi1 building and a petrol station together with the necessary technical infrastructure in Elk. Contract value: net PLN 30.5 million.
- Contract for the construction of a production and office building at ul. Jana Nowaka-Jeziorańskiego in Warsaw. Contract value: net PLN 29.7 million.
- Letter of intent for the construction of a warehouse, service and production complex for Panattoni Development Europe Sp. z o.o. in Tomaszkowo near Olsztyn. Contract value: net EUR 6.5 million.
- Adoption of a Dividend Policy under which the Management Board of MIRBUD S.A. will recommend to the General Meeting of Shareholders payment of dividends for each year in the amount between 10% and 50% of net profit of MIRBUD S.A.
- Contract for the design and construction of the S1 Kosztowy - Bielsko-Biała express way, section III Dankowice - “Suchy Potok” interchange (with interchange). Contract value: gross PLN 586.7 million.
- Signing of a contract for the construction of a plant for the production of innovative touchfree car washes in Łódź. Contract value: net PLN 13.26 million.

As at the date of this report, MIRBUD S.A. is additionally constructing 6 warehouse and production facilities, characterised by short completion times and high profitability. At that time, the Company also signed a contract for the construction of the Tri-City Metropolitan bypass, section Żukowo interchange (with interchange) - Gdańsk Południe interchange (with interchange) with a gross value of PLN 776.99 million. In addition, by the time this report was published, the Company had signed a contract for the construction of the headquarters of the Voivodship Ambulance Service in Szczecin, with a gross value of PLN 32.84 million, and for the construction of a multi-family residential building in Bydgoszcz for its subsidiary JHM DEVELOPMENT S.A., with a net value of PLN 27.84 million.

LOCATION / PROJECT / OWNER



Between 1 January and 31 December 2020, the Company participated in 59 non-public tender procedures and 49 public tenders in Poland with a total value of PLN 10.25 billion. 8 of them ended with the selection of the Issuer's bid.

Between 1 January and 31 December 2020, the Company has participated in 3 tender procedures in Ukraine with a total value of approx. EUR 88.5 million.

#### 4.4. Corporate Social Responsibility

The MIRBUD Capital Group implements the strategy concerning environmental protection, occupational health and safety and activities for local communities described in the report on non-financial activities published in the Annual Report for 2020.

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

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

Table: Sales realised by the MIRBUD Capital Group in the periods from 01/01/2020 to 31/12/2020 and 01/01/2019 to 31/12/2019 by segments

Specification	Sales revenue 01 January 2020 – 31 December 2020	Structure of revenue in %	Sales revenue 01 January 2019 – 31 December 2019	Structure of revenue in %
<b>Sale of construction and assembly</b>	<b>845,542</b>	<b>99.10</b>	<b>549,628</b>	<b>99.67</b>
- residential buildings	70,067	8.21	85,199	15.50
- public utility buildings	332,104	38.93	90,459	16.46
- production, service buildings	107,512	12.60	335,252	61.00
- engineering and road works	335,859	39.37	38,718	7.04
<b>Other</b>	<b>7,640</b>	<b>0.90</b>	<b>1,800</b>	<b>0.33</b>
<b>TOTAL</b>	<b>853,182</b>	<b>100.00</b>	<b>551,429</b>	<b>100.00</b>

The value of the Company's revenue in 2020 as compared to 2019 decreased by approx. 55%. This was mainly due to the fact that MIRBUD S.A. achieved significantly higher revenue from the sale of construction and assembly services, mainly in the segment of engineering and road works (increase of revenue from sales by approx. 868% y/y) and public utility buildings (increase of revenue from sales by approx. 367% y/y). In the reporting period, there was a significant decrease in sales revenues in the segment of production and service buildings (68% y/y decrease).

This also affected the Company's sales structure, which changed compared to the analogous period in the previous year. Among the revenue from construction and assembly services, the highest revenue was generated by the sale of services in the segment of engineering and road works which accounted for approx. 40% of revenue from sales (share increase by approx. 32.33 p.p.) and public utility buildings which accounted for approx. 39% of sales (sales share increase by 22 p.p.).

In the reporting period, there was a significant decrease in the share of revenue from sales of construction and assembly services in the segment of service buildings (decrease by 49 p.p.) and residential buildings (decrease by 7.29 p.p.).

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

- entering into the "build" phase of significant engineering and road contracts (fragment of the A-1 motorway, fragment of the S-1 express way, Węgierska Górka bypass, Olesno bypass)
- execution of significant contracts for public utility buildings (e.g. City Stadium in Łódź, City Stadium in Płock, Airport Terminal in Radom)
- slowdown of private investments due to the COVID-19 pandemic, including in the warehousing and logistics sector;
- suspension, pending a replacement building permit, of the execution of an investment commissioned by JHM DEVELOPEMENT S.A. in Zakopane and Łódź at ul. Smugowa
- the initial phase of a new development project in Bydgoszcz commissioned by JHM DEVELOPEMENT S.A.

Table: Profitability of MIRBUD S.A. in the periods from 01/01/2020 to 31/12/2020 and 01/01/2019 to 31/12/2019 by segments

Specification	Profit/loss on sales 01 January 2019 – 31 December 2019	Sales profitability in %	Profit/loss on sales 01 January 2019 – 31 December 2019	Sales profitability in %
<b>Profitability of construction and assembly services:</b>	<b>69,822</b>	<b>8.3</b>	<b>42,389</b>	<b>7.71</b>
- residential buildings	- 9,715	-13.90	- 1,446	-1.70
- public utility buildings	27,949	8.40	7,765	8.58
- production, service buildings	17,196	16.00	34,010	10.14
- engineering and road works	34,392	10.20	2,060	5.32
<b>Other</b>	<b>- 1,956</b>	<b>-26.00</b>	<b>- 744</b>	<b>-41.30</b>
<b>TOTAL</b>	<b>67,866</b>	<b>7.96</b>	<b>41,645</b>	<b>7.55</b>

The Company achieved a positive financial result in all basic segments of its operations, with the exception of construction and assembly services in residential buildings which was due to the suspension of a development investment commissioned by JHM DEVELOPEMENT S.A. in Zakopane and Łódź at ul. Smugowa. On 29/10/2020 JHM DEVELOPEMENT S.A. obtained the finality clause for the replacement building permit for the investment in Zakopane and, after the end of the winter period, MIRBUD S.A. began further construction which in subsequent periods will result in a systematic improvement in the result for this segment of activity.

The profitability of sales of MIRBUD S.A. in 2020, compared to 2019, increased by 0.41 p.p. This was mainly due to an increase in profitability in the engineering and road works segment.

## 4.6. Information on sales and supply markets

### 4.6.1. Recipients

#### MIRBUD S.A.

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

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

Due to the COVID-19 pandemic, the situation in the construction market in 2020 was difficult for construction companies. Although cases of disease and quarantine have not significantly affected the timeliness of investments, the observed economic slowdown has a negative impact on the number of commenced construction investments. Private investors are holding back from starting their investments due to the uncertain economic and epidemiological situation, as well as difficult access to capital.

The unstable level of prices for materials and services, as well as the increase in aggressive competition between Contractors may, in the medium and long term, adversely affect the profitability of contracts concluded in 2020.

The Issuer seeks to minimise this risk by diversifying its order portfolio, e.g. the Company also executes short-term, high-margin contracts for the construction of warehousing and industrial facilities and contracts in the residential segment for its subsidiary JHM DEVELOPMENT S.A., while hedging the prices of materials and services at the initial stage of execution of long-term contracts with entities from the public sector.

The ongoing contracts for the construction of public utility facilities and roads are characterised by long lead times and the margins for the contracts currently in progress were calculated prior to the COVID-19 pandemic and the Company also entered into contracts with key subcontractors and material suppliers at that time.

A full order portfolio, a high share of public contracts, partial hedging of material and service prices and the long-term nature of these contracts mean that MIRBUD S.A. is in a fairly safe position in the prevailing turbulent macroeconomic environment.

Between 1 January and 31 December 2020, the Company participated in 59 non-public tender procedures and 49 public tenders in Poland with a total value of PLN 10.25 billion. 8 of them ended with the selection of the Issuer's bid.

In 2020, the Company generated over 10% of its sales revenues with the following customers: GDDKiA (40%) entities from the Panattoni Europe Capital Group (total approx. 10%), JHM DEVELOPMENT (12%).

#### 4.6.2. Suppliers

##### MIRBUD S.A.



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

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

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

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

The Company concludes long-term contracts with key material suppliers (asphalt, steel, cement) ensuring delivery of materials at favourable fixed prices or with partial participation in their possible increase for the most important infrastructure contracts

Similarly, contracts with key subcontractors are concluded at the initial stage of contract execution while maintaining the bid prices obtained during the contract measurement and bidding process.

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

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

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

#### **4.7. The impact of the COVID-19 pandemic on the operations of MIRBUD Capital Group companies**

The occurrence of the COVID-19 coronavirus pandemic did not significantly affect the operations of MIRBUD S.A. Despite the economic slump in the industrial and service sectors, the government did not choose to impose stringent restrictions on the construction industry which has a lower risk of outdoor construction workers transmitting the virus. The economic collapse following the introduction of restrictions has meant that the construction sector has been identified as the branch of the economy which continues to be the flywheel eliminating the impact of the crisis. In accordance with this assumption, in 2020 there will be an increase in the number of tenders for the execution of road investments, announced by the General Directorate for National Roads and Motorways. Successful bidding in the above-mentioned tenders resulted in the share of infrastructure contracts in the Group's portfolio increasing to unprecedented levels.

#### **4.8. Prospects for the development of the activities of MIRBUD S.A.**

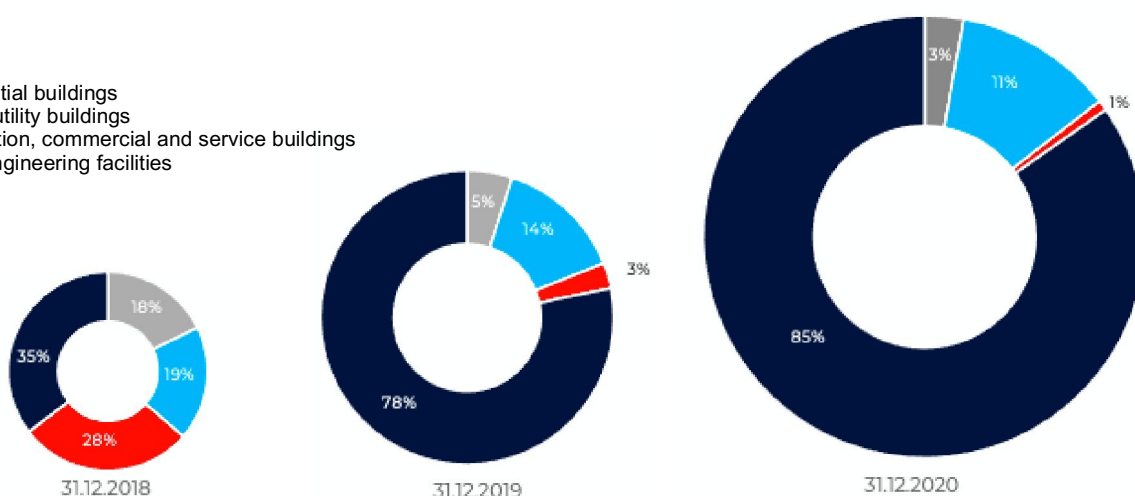
The Group's primary objective remains to develop the scale of its activities while maintaining attractive EBITDA and net profit margins.

##### **MIRBUD S.A.**

In the coming years, the Company will continue to operate in all major sectors of the construction market throughout the country. As at the day of preparing the report, in the portfolio of MIRBUD S.A. the value of contracts to be executed in 2021 and the following years is over PLN 3.5 billion, with approx. PLN 1.5 billion for 2021. As at the date of this report, the Company is awaiting the signing of further contracts for which its bid has been selected as the most advantageous.

In 2020, the engineering and road works segment was dominant in the Company's revenue, generating approximately 40% of revenue. A significant share of the revenue structure was also recorded for the public utility construction (approx. 39%). On the other hand, a decrease was recorded in residential construction (approx. 8%) and the construction of warehousing and production halls (approx. 12%) which in previous years were the main source of revenue. This trend will intensify in the coming years.

- residential buildings
- public utility buildings
- production, commercial and service buildings
- road engineering facilities



The increase in inflation and prices of construction materials gives grounds for caution in forecasting the market situation of MIRBUD S.A. It is still impossible to predict further developments related to the prevailing epidemic situation and potential economic restrictions which may have a significant impact on the condition of the Polish construction market in the coming quarters and years. On the other hand, extensive investment programmes at the government level and noticeable increased investment activity of local governments and private investors (including, above all, developers of warehouse space) give reasons for moderate optimism in forecasting the situation of MIRBUD S.A. in the coming years, and the order portfolio filled until 2024 allows to assume that revenue for MIRBUD S.A. until 2024 will remain at a level exceeding PLN 1 billion per year.

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

Information on the Issuer's investments, including equity investments in related parties is presented in Notes 2 to 4 to the Consolidated Statements of the MIRBUD Capital Group for the period from 01/01/2020 to 31/12/2020.

#### 4.10. Assessment of potential for achieving investment objectives

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

MIRBUD S.A. will continue to implement investment projects aimed at its development and increase in value in 2021 and in the following years. The nearest investment plans involve strengthening the Company's business base and competitiveness in the road segment, which will enable the Company to achieve higher profitability in the coming years. The Group Companies providing construction and assembly services plan to renew the machinery park and means of transport, which will significantly improve the effectiveness and scope of services provided in all locations, as part of the increase in the equipment potential.

## 4.11. Risk Factors

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	average	high	high	high
	Manpower availability and supply chain disruption	average	average	high	average
<i>External financial risks</i>	changes in interest rates	low	average	average	average
	changes in exchange rates	high	average	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
<i>Downturn risk</i>	change in the macroeconomic situation and economic downturn in Poland	high	high	high	average
	in the construction industry	high	high	high	average
<i>Risks related to competition</i>	in the construction industry	high	high	high	high
<i>External legal risks</i>	changes in provisions of law, in particular tax law	average	average	average	average
	related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property	low	high	high	average
<i>Risks related to the current activities</i>	related to the implementation of the development strategy	average	high	average	average
	related to financing development with bank credits	high	high	average	high
	related to the building infrastructure	low	average	low	low
	related to liability for breach of environmental regulations	low	average	average	low
	related to penalties for non-performance or untimely performance of orders	low	average	average	low
	related to claims against the Companies on account of construction of flats and	low	average	average	low

**commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works**

related to the production process	low	high	average	low
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## Risk related to the coronavirus pandemic

As at the date of publication of this report, according to the best knowledge of the Management Board of the Issuer, it is not possible to precisely determine the impact of the coronavirus epidemic on the activity of the Issuer in the medium- and long-term perspective.

In the short-term perspective, it is possible that the further spread of the coronavirus epidemic will have a negative impact on the financial results of the Issuer 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 does not expect a significant effect of this risk on the profit or loss and equity of the Issuer.

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

## External financial risks

### 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 Company finances its operations in 68% based on foreign capital through:

- credits,
- loans,
- bonds,
- advances,
- leasing,

- factoring.

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

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**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***

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While conducting business activity, the Company 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 Company. The main objectives of the Company's financial resources and liquidity management are as follows:

- ensuring stable and effective financing of 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 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:

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**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**

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#### - 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 31/12/2020, the Company has not entered into any interest rate hedging transactions.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Liabilities under credits and loans	118,248	130,304		
Loans granted				
Other financial assets				
Other financial liabilities				
<b>Total</b>	<b>118,248</b>	<b>130,304</b>	-	-

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

In order to carry out a sensitivity analysis for interest rate changes, on the basis of historical changes in value and on the basis of the Company's knowledge and experience of financial markets, reasonably possible interest rate changes were estimated as at 31 December 2020 and 31 December 2019 at the level of - 1.0/+1.0 percentage point (as at 31 December 2018 at the same level) for the Polish zloty and the Euro.

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

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2020	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1 p.p.	decrease by 1 p.p.	increase by 1 p.p.	decrease by 1 p.p.
Liabilities under credits and loans	118,248	-958	958	1,182	-1,182
Loans granted					
Other financial assets					
Other financial liabilities					
<b>Total</b>	<b>118,248</b>	<b>-958</b>	<b>958</b>	<b>1,182</b>	<b>-1,182</b>

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 p.p.	decrease by 1 p.p.	increase by 1 p.p.	decrease by 1 p.p.
Liabilities under credits and loans	130,304	-1,055	1,055	1,303	-1,303
Loans granted					
Other financial assets					
Other financial liabilities					
<b>Total</b>	<b>130,304</b>	<b>-1,055</b>	<b>1,055</b>	<b>1,303</b>	<b>-1,303</b>

### - Risk of changes in foreign exchange rates

In 2020, MIRBUD S.A. generated over 12% 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 2020, the Issuer hedged approximately 70% of its foreign currency revenue with forward currency sales transactions.

Items exposed to change in foreign exchange rates	EUR		USD	
	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Liabilities under credits and loans				
Loans granted				
Trading and other receivables	6,248	3,699		
Trading and other liabilities				
Cash	3,127	1,102		
Other financial assets				
<b>Total</b>	<b>9,375</b>	<b>4,801</b>		

### risk of changes in exchange rates - *sensitivity to changes*

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are "realistically possible" were estimated at the level of -10%/+10% as at 31 December 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: 31/12/2020	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	6,248	506	-506	625	-625
Trading and other liabilities					
Cash	3,127	253	-253	312	-312
Other financial assets					
<b>Total</b>	<b>9,375</b>	<b>759</b>	<b>-2,096</b>	<b>937</b>	<b>-937</b>

Sensitivity analysis for items exposed to exchange rate changes (Euro)		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at:	increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
	31/12/2019				
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					
<b>Total</b>	<b>4,801</b>	<b>389</b>	<b>-389</b>	<b>480</b>	<b>-480</b>

The Issuer's Management Board estimates that in 2021 the share of revenue in the Euro currency will change and reach the level of approx. 12% of the total sales revenue. As at 31/12/2020, the Issuer had approximately 50% 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.

Due to the unstable economic situation resulting from the COVID-19 pandemic, financial institutions are further tightening credit policies for the construction industry.

When planning subsequent projects, the Capital Group Companies try to take into account the market situation by adapting their portfolio to the expected financial and credit capabilities of potential customers.

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

### **Downturn risk:**

#### **- change in the macroeconomic situation and economic downturn in Poland**

Revenue of the MIRBUD Group Companies are earned entirely on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an 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.

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

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

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

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

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

### **Risks related to competition:**

#### **- in the construction industry**

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

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

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

## External legal risks

### - changes in provisions of law, in particular tax law

The Polish legal system is characterised by a considerable degree of variability and ambiguity of provisions, which applies in particular to tax law. In practice, there are often problems with interpretation, inconsistent court rulings occur, as well as situations when public administration bodies adopt interpretations of legal provision which are unfavourable for the taxpayer and different from the interpretations previously adopted by these bodies. The occurrence of changes in legal regulations, including those concerning environmental protection, labour law, social security law, commercial law, and in particular tax law, may have an adverse effect on the Group's Companies' operations, financial situation or its development prospects.

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

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

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

## Risks related to the current activities

### - Risk associated with the implementation of the development strategy

The Polish market and the situation on local markets where the 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
- 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 development investments.

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

#### **- related to the building infrastructure**

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform

additional infrastructure works as part of the investment project. The authorities may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project implementation, but which may be expected by the authorities as an investor's contribution to the development of the local community in connection with the investment.

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

#### **- related to liability for breach of environmental regulations**

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

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 2005-2020, 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 investments, the Company has concluded and will continue to conclude construction contracts with contractors for construction and finishing works. It should be noted that the obligations incurred by the contractors in connection with the execution of the investment (e.g. in relation to subcontractors) may consequently, due to the joint liability of the investor and the contractor for the payment of remuneration, be associated with the creation of claims against the Companies, which may affect the timeliness of the execution of the investment. As a result, the Company, which is accountable to its customers, may incur significant costs of non-performance or improper performance of the contract. It cannot be precluded that in the future customers and business partners of the Companies will also not make claims against them due to hidden defects of the building arising at the stage of construction or finishing works, although according to the standard contracts concluded by the Companies, the costs of repairs of this type of defects are covered by the contractor or its subcontractors. The Companies are also liable to purchasers of units under statutory warranty for physical and legal defects in the buildings. The period covered by these claims is 3 years.

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

**- related to the production process**

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

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

In order to minimise the risk, the Companies' contracts with subcontractors require subcontractors to secure proper performance of the contract in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

## Capital risk management

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

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

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

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

Calculation of the debt ratio	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Credits and other financial liabilities	118,248	130,304
Cash and cash equivalents	213,924	89,001
<b>Net debt</b>	<b>0</b>	<b>41,303</b>
Equity	292,473	274,883
<b>Total capital</b>	<b>920,747</b>	<b>681,755</b>
<b>Net debt ratio</b>	<b>0%</b>	<b>6%</b>

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Net debt	0	41,303
EBITDA (for the last 12 months)	39,951	23,520
Equity	292,473	274,883
Total assets	920,747	681,755
<b>net debt/EBITDA</b>	<b>0</b>	<b>1.7</b>
<b>equity/total assets</b>	<b>0.32</b>	<b>0.40</b>

## 4.12. Information on credits, loans, guarantees and sureties

### 4.12.1. Credits and loans

Detailed information on credits and loans taken out by the Company Groups in 2020 and in previous years is presented in the table below.

Table: Liabilities under credits and loans of MIRBUD S.A. as at 31 December 2020 in PLN thousand.

Name of the entity	Entity	Amount of credit, loan acc. to the contract	currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	10,000	PLN			WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	5,000	PLN	5,000		WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	PLN	1,830	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped
MBANK	MIRBUD S.A.	20,000	PLN		15,700	WIBOR 1M + margin	30/06/2021	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	PLN	3,630		WIBOR 1M + margin	31/10/2022	assignment of a business receivable
BGK	MIRBUD S.A.	15,000	PLN		1,023	WIBOR 1M + margin	31/01/2021	assignment of a business receivable
Industrial Development	MIRBUD S.A.	40,000	PLN	10,000	9,000	WIBOR 1M + margin	28/02/2023	mortgages on property
BOŚ S.A.	MIRBUD S.A.	20,000	PLN	19,978		WIBOR 1M + margin	25/08/2022	BGK guarantee, registered pledge
BOŚ BANK	MIRBUD S.A.	35,000	PLN		23,487	WIBOR 1M + margin	31/07/2021	assignment of a business receivable,
KUKE Finanse	MIRBUD S.A.	5,000	PLN		5,000			
PKO BP S.A.	MIRBUD S.A.	10,000	PLN			WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	5,000	PLN	5,000		WIBOR 1M + margin	22/06/2022	capped mortgage on property
Total credits and loans of MIRBUD S.A.				40,438	55,675			

In the period covered by the report, there were no cases of termination of loans or credit contracts or breach of their terms, which would result in disruption of the financing of the Company's activities.

As of 31/12/2019, MIRBUD S.A. did not show any debt due to loans, except for loans indicated in the above tables.

#### **4.12.2. Loans granted**

##### **MIRBUD S.A.**

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

As at 31 December 2020, the Companies of the MIRBUD Group did not have receivables under granted loans.

#### **4.12.3. Sureties and warranties**

##### **MIRBUD S.A.**

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

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

As at 31/12/2020, the balance of sureties is presented in the table below:

Table: Sureties granted by MIRBUD S.A. as at 31/12/2020

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		
		As at:	As at:	As at:	As at:	surety expiry date
		31/12/2020	31/12/2019	31/12/2020	31/12/2019	
<b><u>To related entities</u></b>	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o	Collateral for the DEUTSCHE BANK S.A. credit	49,500	49,500	25,565	27,273	02/05/2028
MARYWILSKA 44 Sp. z o.o	Collateral for the DEUTSCHE BANK S.A. credit	4,500	10,000			30/09/2022
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit		89,912			31/05/2023
JHM 1 Sp. z o.o.	Hedge for the SANTANDER BANK S.A. credit	10,595	10,007	7,053	7,612	30/09/2031
KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	15,000	15,000		3,466	30/11/2021
EXPO MAZURY S.A.	Collateral for the ALIOR BANK S.A. credit	75,000	75,000	18,784	19,556	27/03/2029
KOBYLARNIA S.A.	Collateral for bank warranty of BANK S.A	24,150	7,440			15/02/2022
KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	9,318	9,318	5,591	5,467	31/12/2029
KOBYLARNIA S.A.	Collateral for bank warranty of BGK S.A	11,970	11,970			15/02/2021
KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	15,000	37,500		21,080	30/11/2021
KOBYLARNIA S.A.	Collateral for the BGK S.A. credit	22,500	22,500		8,073	31/12/2020
<b><u>To other entities</u></b>	-	-	-	-	-	-
<b><u>Total</u></b>	-	<b><u>237,533</u></b>	<b><u>338,147</u></b>	<b><u>56,993</u></b>	<b><u>92,527</u></b>	-

On 23 February 2021, Expo Mazury S.A. w likwidacji made full repayment of the credit taken from ALIOR BANK S.A.

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

In accordance with the terms of the contract:

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

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

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

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

Contingent liabilities under the guarantee of removal of defects and faults granted by MIRBUD S.A. to investors, created, lasting from 01/01/2020 to 31/12/2020, are as follows:

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Under proper performance guarantee	260,251	239,620
Under rectifying faults and defects	149,042	124,292
Under payment of receivables	177,130	92,377
<u>Total</u>	<u>586,422</u>	<u>456,289</u>

#### 4.13. Description of use of inflows from issuing by the Company

The Issuer did not issue shares during the reported period.

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

In the period covered by this report, the companies of the Capital Group did not publish forecasts, and the indicated period was not covered by forecasts published in previous periods.

## 5. MAIN CONTRACTS

### 5.1. Insurance contracts

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

From 01/04/2020 to 31/03/2021, MIRBUD S.A. is covered by insurance on the basis of a framework contract concluded with Sopot Insurance Company Ergo-Hestia S.A. on 30/03/2020 "Contract for the Comprehensive Insurance of the Enterprise Group against all risks No. 14/MIRBUD/2020".

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

Table: Main contracts concluded by MIRBUD S.A. in the period from 01/01/2020 to 31/12/2020 in PLN thousand

Contract conclusion date	Contract value (net) in PLN thousand	Contractor	Subject matter of the contract
09/01/2020	30,593	The Capital City of Warsaw, Wola District	Construction of an elementary school in the area of ul. Jana Kazimierza
17/01/2020	75,360	JHM DEVELOPMENT S.A.	Construction of three residential, multi-family buildings with a service function and an underground garage on the premises of the property located in Bydgoszcz at ul. Fordońska and obtaining a final and unconditional permit to use it.
02/03/2020	148,099	BUDPOL Sp. z o.o.	Contract with a subcontractor for the construction of the Main Route's rigid surface structure, in connection with the execution of the investment titled "Design and construction of the A1 motorway Tuszyn (without interchange) - border of Łódź and Silesian Voivodeships from km 335+937.65 to km 399+742.51. Section B - Bełchatów interchange (without interchange) - Kamieńsk interchange (with interchange) from km 351+800.00 to km 376+000.00".
04/03/2020	365,854	General Directorate for National Roads and Motorways	Design and construction of the S11 road Koszalin - Szczecinek, section Koszalin Zachód interchange (without interchange) - Bobolice interchange. Section 3. Koszalin South interchange (without interchange) - Bobolice interchange (with interchange).  KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Leader);  MIRBUD S.A. (consortium partner)

<b>06/03/2020</b>	228,048	"Polish Airports" State Enterprise	Execution, under the "design and build" formula, of the Terminal building at the Radom-Sadków airport, together with equipment and obtaining an occupancy permit.
<b>13/03/2020</b>	292,223	General Directorate for National Roads and Motorways	Continuation of the design and construction of the S5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships on the section from the "Białe Błota" interchange (without interchange) to "Szubin" interchange (without interchange) with a length of approximately 9.7 km  MIRBUD S.A. with its registered office in Skierniewice (consortium partner).  KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
<b>23/04/2020</b>	474,290	General Directorate for National Roads and Motorways with its registered office in Warsaw	"Continuation of design and construction of the S5 expressway, section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie voivodeships, divided into 2 parts: Part 2 - Continuation of design and construction of the S-5 expressway from Dworzysko interchange (without interchange) to Aleksandrowo interchange with a length of approximately 22.4 km"  MIRBUD S.A. with its registered office in Skierniewice (consortium partner).  KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (consortium leader);
<b>28/04/2020</b>	EUR 6,537,083.44 net  (letter of intent)	Panattoni Development Europe sp. z o.o.	The phase 1 construction of the "Warehouse, service and production complex with social and office facilities and the technical infrastructure located on the real property in Tomaszkowo, Stawiguda commune near Olsztyn"
<b>30/04/2020</b>	EUR 5,088,938.36 net	7R S.A.	Construction of two halls for logistic services with production functions and social and office facilities, together with accompanying technical infrastructure, as well as a gatehouse, a fire reservoir, a pumping station and a retention reservoir on a property located in Łódź at ul. Transmisyjna
<b>07/05/2020</b>	30,584	IMMO SI Polska Sp. z o.o.	Construction of a complex of commercial buildings - bi1 building and petrol station with necessary infrastructure at ul. Przemysłowa in Elk.
<b>08/05/2020</b>	29,700	PCO S.A. with its registered office in Warsaw	Construction of a production and office building at ul. Jana Nowaka-Jeziorańskiego in Warsaw
<b>12/05/2020</b>	117,655	KELLER POLSKA Sp. z o.o.	Contract with a subcontractor for the design and execution of the protection and reinforcement of road excavation slopes at the construction site of the S1 express way (so-called Węgierska Górka bypass)

13/05/2020	133,902	Silesian Voivodeship - Dolnośląska Służba Dróg i Kolei we Wrocławiu [Lower Silesian Road and Railway Service in Wrocław]	Construction of a voivodship road from voivodship road No. 455 to national road No. 98 - under the "design and build" formula.  MIRBUD S.A. with its registered office in Skierniewice (consortium partner),  KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader).
28/05/2020	23,700	Przedsiębiorstwo Budowy Dróg i Mostów [Construction Company For Roads and Bridges] "ERBEDIM" sp. z o.o.	Contract with a subcontractor for supply and performance of substructure and mineral and asphalt pavement layers on the A1 motorway
03/06/2020	89,244	Przedsiębiorstwo Produkcji Mas Betonowych [Concrete Mass Production Company] "BOSTA- BETON" sp. z o.o.	Contract with a subcontractor for production and delivery of ready-mixed concrete for construction of the S1 express way (Węgierska Górka bypass)
01/07/2020	21,747	Dimark Group Sp. z o.o.	Contract with a subcontractor for the development of a BHS detailed design and execution of works on the basis of the approved detailed design, i.e. a functionally, mechanically and systemically integrated system for the performance of functions of distribution, sorting and appropriate control of all checked-in baggage, arriving from check-in desks
21/07/2020	39,910	Gravity AD Sp. z o.o.	Contract with a subcontractor for the delivery of acoustic and anti-glare screens for the construction of A1 motorway
03/08/2020	477,000	General Directorate for National Roads and Motorways	Design and construction of the S1 Kosztowy - Bielsko- Biała express way, section III Dankowice - "Suchy Potok" interchange (with interchange)  MIRBUD S.A. - Consortium Leader  KOBYLARNIA S.A. - Consortium Partner
04/09/2020	310,563	URANPRES spol. s.r.o	Execution of TD1 and TD2 tunnel connected with the execution of investment titled "Construction of the S1 (formerly S69) Bielsko-Biała-Żywiec-Zwardoń express way, section Przybędza-Milówka (Węgierska Górka bypass)",
07/09/2020	41.073	Wibra Recycling Technologies Sp. z o.o. Sp. k.	Comprehensive execution of earthworks connected with the execution of investment titled "Construction of the S1 (formerly S69) Bielsko-Biała-Żywiec-Zwardoń express way, section Przybędza-Milówka (Węgierska Górka bypass)"
28/09/2020	27,853	Mostmarpal Sp. z o.o.	Transport service for mineral material from excavations and tunnels connected with the execution of investment titled "Construction of the S1 (formerly S69) Bielsko-Biała-Żywiec-Zwardoń express way, section Przybędza-Milówka (Węgierska Górka bypass)".
08/10/2020	20.100	SMG ŚLĄSK Sp. z o.o.	Comprehensive execution of internal sanitary systems, on the basis of Detailed Designs prepared by Pracownia

			Projektowa Michał Starczewski, with the use of materials and devices covered by material/device approval sheets accepted by the Contracting Authority ("Polish Airports" State Enterprise with its registered office in Warsaw) in connection with the execution of the investment titled "Execution, under the "design and build" formula, of the Terminal building at the Radom-Sadków airport, together with equipment and obtaining an occupancy permit".
06/11/2020	55,945	Kujawsko-Pomorskie Voivodeship - the Voivodeship Roads Authority in Bydgoszcz	<p>Extension of voivodship road No. 548 Stolno - Wąbrzeźno km 0+005 to km 29+619 excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146. Part 2 - stage II from km 15+146 to km 29+619</p> <p>MIRBUD S.A. with its registered office in Skierniewice (consortium partner),</p> <p>KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader).</p>
25/11/2020	13,260	EURO-EKOL Myńskie Bezdolny sp. z o.o.	Construction of a plant for the production of innovative touchfree car washes in Łódź
29/12/2020	30,779	Firma Handlowo – Usługowa Krzysztof Pawliszyn	comprehensive execution of earthworks in connection with the implementation of the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)"

On 23 September 2020, the Issuer received information from the Contracting Authority, the Voivodeship Roads Authority in Bydgoszcz, that in the tender procedure, conducted in the open tender procedure titled "Extension of voivodship road No. 548 Stolno - Wąbrzeźno km 0+005 to km 29+619 excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146. Part 1 - stage I from km 0+005 to km 14+144" the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (consortium partner).

Bid value: PLN 55.946 thousand net.

On 23 December 2020, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Zielona Góra Branch, that in the tender procedure, conducted in the open tender procedure titled "Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533" the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader),
- MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner);
- BUDPOL Sp. z o.o. with its registered office in Częstochowa, ul. Kopalniana 12J, 42-271 Częstochowa (Consortium Partner).

Bid value: PLN 210,325 thousand net.

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

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

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

Contract conclusion	Contract value (net) in PLN	Contractor	Subject matter of the contract
04/01/2021	27,579	G&M Sp. z o.o.	Comprehensive execution of prefabrication of reinforcement and prefabrication of formwork for EST-1 flyover in connection with the execution of investment titled "Construction of the S1 (formerly S69) Bielsko-Biała - Żywiec - Zawadoń express way, section Przybędza - Milówka (Węgierska Górka bypass)
19/01/2021	55,946	Kujawsko-Pomorskie Voivodeship - the Voivodship Roads Authority in Bydgoszcz	<p>Extension of voivodship road No. 548 Stolno - Wąbrzeźno km 0+005 to km 29+619 excluding the motorway interchange in the town of Lisewo from km 14+144 to km 15+146. Part 1 - stage I from km 0+005 to km 14+144".</p> <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader),</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium Partner)</li> </ul>
20/01/2021	26,174	Robert Białdyga Przedsiębiorstwo Handlowo – Usługowe TRANSKOM	Delivery of aggregate mixtures in connection with execution of the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)".
27/01/2021	209,897	GDDKiA	<p>Construction of the A18 motorway Olszyna - Golnice (reconstruction of the southern roadway) section 4 from km 50+000 to km 71+533.</p> <ul style="list-style-type: none"> <li>• KOBYLARNIA S.A. with its registered office in Kobylarnia - a company from the Issuer's Capital Group (Consortium Leader);</li> <li>• MIRBUD S.A. with its registered office in Skierniewice (Consortium partner);</li> <li>• BUDPOL Sp. z o.o. with its registered office in Częstochowa, ul. Kopalnia 12J, 42-271 Częstochowa (Consortium partner)</li> </ul>
03/02/2021	21,215	BAUME Sp. z o.o	Execution of earthworks in connection with execution of the investment titled "Design and construction of the Olesno bypass within the national road No. 11 (S11)".
09/03/2021	27.843	JHM DEVELOPMENT S.A.	Construction of a multi-family residential building with necessary infrastructure at ul. Bohaterów Kragujewca 8A in Bydgoszcz

12/03/2021	26,700	Voivodship Ambulance Station in Szczecin.	Construction of the Voivodship Ambulance Station at ul. Twardowskiego in Szczecin.
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On 26 February 2021, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Gdańsk Branch, that in the tender procedure, conducted in the open tender procedure titled "Construction of the Tri-City Metropolitan Bypass divided into 2 parts, part 2: Construction of the Tri-City Metropolitan Bypass, task 2: Żukowo interchange (with interchange) - Gdańsk Południe interchange (with interchange), the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),
- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Partner).

Bid value: PLN 631,707 thousand net.

On 31 March 2021, the Issuer received information from the Contracting Authority, General Directorate for National Roads and Motorways, Poznań Branch, that in the tender procedure, conducted in the open tender procedure entitled "Design and construction of the Gostyń bypass within the national road No. 12", the most advantageous bid was placed by the consortium of companies (hereinafter referred to as the "Consortium") in the following composition:

- MIRBUD S.A. with its registered office in Skierniewice (Consortium Leader),
- KOBYLARNIA S.A. with its registered office in Kobylarnia (Consortium Partner).

Bid value: PLN 200,677 thousand net.

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

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

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

## 7. The effects of changes in the structure of the entity, including as a result of business combinations, the gaining or loss of control over subsidiaries and long-term investments, as well as division, restructuring or discontinuation of operations, and an indication of the entities to be consolidated.

There were no significant changes in the organisational structure of the Capital Group during the reporting period.

The Issuer prepared consolidated financial statements. The entities subject to consolidation have been identified by the Issuer in this report under "Subsidiaries and consolidation methods".

By virtue of Resolution of the General Meeting of Shareholders of 1 July this year (No. 3/2020 (Repertory A No. 6401/2020) in Expo Mazury S.A., the process of liquidation commenced. This is the second stage of the reorganisation of the MIRBUD Capital Group. The purpose of the reorganisation is to strengthen the Group by concentrating the entities operating within it around the parent company - MIRBUD S.A. The reorganisation will result in simplification of the Group's structure, streamlining of the Group's business processes and optimisation of the operating costs of the Group's companies, in particular those operating in similar market areas. In practice, this means the planned transfer of its assets to MARYWILSKA 44 Sp. z o.o., with the assumption that new lease agreements will be concluded with the existing commercial space lessees. The reorganisation is scheduled to be completed by the end of September 2021.

## 8. ACHIEVED AND FORECAST FINANCIAL RESULTS

The Issuer did not publish financial result forecasts for 2020.

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

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

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

### External factors

- further implementation of the investment using the EU funds,
- the economic situation in the countries of the European Union,
- the government's policy on construction, especially housing,
- monetary policy (interest rate policy and its impact on the cost of credits),
- situation on financial markets,
- availability and costs of bank credits and guarantees,
- trends in preferences of potential buyers of apartments,
- the level and conditions of competition,
- the rate of growth of investments in the public sector (in particular in road construction),
- price levels for construction materials and services,
- the availability on the market of qualified staff and the level of their salaries,
- demand in housing construction,
- the further course of the coronavirus pandemic and the related economic effects, including a slowdown in the economy, higher unemployment, higher inflation, and an impact on the trade sector and commercial space rental sector.

### Internal factors

- financial standing of the Companies of the Group, in particular MIRBUD S.A.,
- a well-established position in the industrial building construction sector,
- systematic development of the Group in the engineering and road sector,
- systematic filling of the portfolio for the years 2020 - 2024,
- diversified order portfolio for the years 2020 - 2024,

- further development of developer activity through implementation of projects in Katowice, Gdańsk, Bydgoszcz, Łódź and Zakopane,
- commercialisation and rent collection in CH MARYWILASKA 44 sp. z o.o. after the period of suspension of trade due to the coronavirus pandemic,
- the level of margin on the execution of contracts achieved through optimisation of production costs and improvement of technical solutions for the execution of construction, also thanks to the implementation of the process of development and implementation of the IT management system (a modern management system, in the Issuer's opinion, will improve control over operating activities through detailed ongoing analyses of individual projects, improve financial records, positively affect work efficiency and reduce the risk of core activities),
- the level of sales of residential units in ongoing development projects,
- further investments in modern machinery park,
- achieving financial results consistent with the planned results by the Group's subsidiaries.

Development prospects of the Issuer's activity are presented in item 4.8 of this report.

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

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

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

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

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

The financial and accounting section headed by the Director of Economic and Financial Affairs shall be responsible for the preparation of the consolidated financial statements and periodical financial reporting of MIRBUD S.A.

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

The Management Board of the Company states that as at 31 December 2020 there neither were nor are at present factors which could affect the reliability and correctness of the financial statements prepared.

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

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

## 12. ADDITIONAL INFORMATION

### 12.1. Shareholder structure

#### 12.1.1. Information about the dividend paid in the period from 01/01/2020 to 31/12/2020

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

#### 12.1.2. Information on the purchase and sale of own shares

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

#### 12.1.3. Shares and stocks

As at 31/12/2020, the share capital is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Share capital structure

No.	Series of shares	Number of shares	Nominal value per one share	Share capital registered in PLN thousand	Manner of capital coverage	Registration date
1	A	19,500,000	PLN 0.10	1,950	cash	22/12/2006
2	B	14,625,000	PLN 0.10	1,462	cash	22/12/2006
3	C	2,264,000	PLN 0.10	226	cash	22/12/2006
4	D	3,611,000	PLN 0.10	361	cash	22/12/2006
5	E	5,000,000	PLN 0.10	5000	cash	11/12/2009
6	F	10,000,000	PLN 0.10	1,000	cash	03/03/2010

7	G	10,000,000	PLN 0.10	1,000	cash	19/05/2010
8	H	10,000,000	PLN 0.10	1,000	cash	18/08/2010
9	I	7,492,500	PLN 0.10	749	cash	26/05/2014
10	J	2,873,947	PLN 0.10	287	cash	11/09/2019
11	K	6,377,753	PLN 0.10	638	cash	30/09/2019
<b>Total</b>		<b>91,744,200</b>		<b>9,174</b>		

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

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

Table: Ownership structure of the share capital as at 31/12/2020 and as at the date of approval of the statements for publication

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
<b>Jerzy Mirgos</b>	41,271,064	<b>44.98%</b>	41,271,064	<b>44.98%</b>
<b>Nationale-Nederlanden Open Pension Fund</b>	10,281,000	<b>11.21%</b>	10,281,837	<b>11.21%</b>
<b>Other shareholders</b>	40,192,136	<b>43.81%</b>	40,192,136	<b>43.81%</b>
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

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

The total number of shares of MIRBUD S.A. held by members of the management and supervisory bodies as at 31/12/2020 and the date of preparation of the report is as follows:

Table: Shares of the Company held by members of management and supervisory bodies as at 31/12/2020

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
<b>Jerzy Mirgos</b>	President of the Management Board	41,271,064 shares with a nominal value of PLN 0.10 each with a total value of PLN 4,127,106.4	<b>44.98%</b>

<b>Agnieszka Bujnowska</b>	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	<b>0 %</b>
<b>TOTAL</b>		<b>41,282,915 shares</b>	<b>44.98%</b>

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

Name and surname	Position in the Company	Number of shares held (pcs)	Number of shares held in %
<b>Jerzy Mirgos</b>	President of the Management	41,271,064 shares with a nominal value of PLN 0.10 each, with a total	<b>44.98%</b>
<b>Agnieszka Bujnowska</b>	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	<b>0 %</b>
<b>TOTAL</b>		<b>41,282,915 shares</b>	<b>44.98%</b>

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

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

As at 31/12/2020 and after the balance sheet date until the date of preparation of the report, apart from the information disclosed in current reports, the issuer did not have any information about contracts which may result in future changes in the proportions of shares held by the Issuer's existing shareholders.

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

There are no employee stock ownership plans in the Company.

### **12.2. Influence of factors and unusual events on the financial result for 2020**

In 2020, there were no factors or events unusual in terms of the Companies' specific business activities affecting the financial results other than those resulting from the COVID-19 pandemic which are described in this report.

### **12.3. Changes in the basic principles of managing an enterprise**

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

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

### MIRBUD S.A.

In the period from 01/01/2020 to 31/12/2020, the Management Board of MIRBUD S.A. did not change and performed the duties with the following composition:

*Table: Composition of the MIRBUD S.A. Management Board from 01/01/2020 to 31/12/2020*

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

The composition of the Issuer's Supervisory Board in the period from 01/01/2020 to 31/12/2020 changed and was as follows:

*Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2020 - 31/12/2020*

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Waldemar Borzykowski</b>	Deputy Chairman of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board
<b>Wiktoria Braun</b>	Member of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board (since 17/02/2020)

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

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

Ms. Kaja Mirgos-Kwiatkowska who since 02/01/2020 has been a member of the Management Board of JHM DEVELOPMENT S.A. and since 01/08/2020 has been a member of the Management Board of Marywilska 44 sp. z o.o. is the daughter of Mr. Jerzy Mirgos who, as at 31/12/2020, held 44.98% of the shares of the Issuer.

## 12.6. Remuneration of members of the management and supervisory bodies

Table: Remuneration of members of the management and supervisory bodies of MIRBUD S.A. in the period from 01/01/2020 to 31/12/2020

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	From sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,278	0	0	0	0	447	600	<b>2,325</b>
Sławomir Nowak	Vice-President of the Management Board	1139	0	0	0	0	0	250	<b>1,389</b>
Paweł Korzeniowski	Member of the Management Board	846	0	0	0	0	0	44	<b>890</b>
Tomasz Sałata	Member of the Management Board	839	0	0	0	0	0	0	<b>839</b>
Ewa Przybył	Proxy	358	0	0	0	0	0	0	<b>358</b>
Hubert Bojdo	Member of the Supervisory Board	30	0	0	0	0	0	0	<b>30</b>
Agnieszka Bujnowska	Secretary of the Supervisory Board	36	0	0	0	0	0	76	<b>112</b>
Andrzej Zakrzewski	Member of the Supervisory Board	30	0	0	0	0	0	15	<b>45</b>
Waldemar Borzykowski	Member of the Supervisory Board	36	0	0	0	0	0	18	<b>54</b>
Artur Sociński	Member of the Supervisory Board	24	0	0	0	0	0	0	<b>24</b>
Wiesław Kosonóg	Chairman of the Supervisory Board	37	0	0	0	0	0	22	<b>59</b>
Wiktoria Braun	Member of the Supervisory Board	31	0	0	0	0	0	0	<b>31</b>
<b>TOTAL</b>		<b>4,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>447</b>	<b>1025</b>	<b>6156</b>

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

Name of the body	Position	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	from sureties granted	Remuneration in subsidiaries	Total
Jerzy Mirgos	President of the Management Board	1,122	0	0	0	0	575	300	1,997
Sławomir Nowak	Vice-President of the Management Board	990	0	0	0	0	0		990
Paweł Korzeniowski	Member of the Management Board	660	0	0	0	0	0	64	724
Tomasz Sałata	Member of the Management Board	647	0	0	0	0	0		647
Ewa Przybył	Proxy	313	0	0	0	0	0		313
Hubert Bojdo	Member of the Supervisory Board	30	0	0	0	0	0		30
Agnieszka Bujnowska	Secretary of the Supervisory Board	36	0	0	0	0	0	76	112
Andrzej Zakrzewski	Member of the Supervisory Board	30	0	0	0	0	0	15	45
Waldemar Borzykowski	Member of the Supervisory Board	36	0	0	0	0	0	18	54
Dariusz Jankowski	Chairman of the Supervisory Board	28	0	0	0	0	0	43	71
Krystyna Lachowicz	Member of the Supervisory Board	17	0	0	0	0	0		17
Wiesław Kosonóg	Chairman of the Supervisory Board	21						20	41
Wiktoria Braun	Member of the Supervisory Board	16							16
<b>TOTAL</b>		<b>3,946</b>					<b>575</b>	<b>536</b>	<b>5,057</b>

In the period from 01/01/2020 to 31/12/2020 members of the Issuer's management, supervisory and administrative bodies did not receive any awards or benefits for their functions, prizes or benefits except for the remuneration indicated in the table above.

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

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

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

As at 31/12/2020, the Company did not have any liabilities resulting from pensions and benefits of a similar nature for former members of the management, supervisory and administrative bodies, and liabilities related to those pensions.

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

No such events occurred in the reporting period.

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

No such events occurred in the reporting period.

**12.9. Employees**

The employment figures in MIRBUD S.A. as at 31/12/2020 are presented in the table below

*Table: Employment in the Companies of the MIRBUD Group as at 31/12/2020*

Company	Employees employed under a contract of employment	Employees employed under other contracts
MIRBUD S.A.	377	124

*Table: Employment in the Companies of the MIRBUD Group as at 31/12/2019*

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

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

In the period from 01/01/2019 to 31/12/2019, claims for damages due to inability to work, breach of statutory obligations or liability for third party acts have not been recorded and are not currently pending in the Group Companies. The Companies fulfil all the obligations of the employer towards the employed employees provided for by the labour law.

## 12.10. Diversity policy

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

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

As at 06/07/2020, MIRBUD S.A. concluded with POLAUDIT spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, ul. J. Ficowskiego 15, registered in the National Court Register by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under No. 0000020996 and entered under No. 552 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors a contract for:

- - review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2020 to 30/06/2020 - amount of remuneration - PLN 9 thousand net;
- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2020 to 30/06/2020 - amount of remuneration - PLN 10 thousand net;
- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2020 to 31/12/2020 - amount of remuneration - PLN 15 thousand net;
- audit of the consolidated annual financial
- statements of the MIRBUD Capital Group for the period from 01/01/2020 to 31/12/2020 - amount of remuneration - PLN 16 thousand net;
- review of the interim financial statements of MIRBUD S.A. for the period from 01/01/2021 to 30/06/2021 - amount of remuneration - PLN 9.9 thousand net;
- review of the interim consolidated financial statements of the MIRBUD Capital Group for the period from 01/01/2021 to 30/06/2021 - amount of remuneration - PLN 11 thousand net;
- audit of the annual financial statements of MIRBUD S.A. for the period from 01/01/2021 to 31/12/2021 - amount of remuneration - PLN 16.5 thousand net;
- - audit of the consolidated annual financial statements of the MIRBUD Capital Group for the period from 01/01/2021 to 31/12/2021 - amount of remuneration - PLN 17.6 thousand net.

Prior to the conclusion of the aforementioned contract, the Issuer did not use the services of the audit firm POLAUDIT sp. z o.o. The audit firm was selected from among the firms recommended by the audit committee by the Supervisory Board on the basis of Resolution XII/2020 of 02 June 2020.

In the period from 01/01/2020 to 31/12/2020 the remuneration paid to the statutory auditor amounted to PLN 52 thousand.

Between 01/01/2020 and 31/12/2020, the entity authorised to audit the financial statements did not provide any other services to the Company.

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

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

As at 31/12/2020, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 5,674 thousand.

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

As at 31/12/2020, there was litigation pending concerning receivables brought by the Issuer of the statements, for the total value of the object of dispute of PLN 3,822 thousand.

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

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

### **13.1. . The set of corporate governance principles to which MIRBUD S.A. is subject.**

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

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

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

In 2020, the Company applied the principles of the “Good practices of companies listed on the Warsaw Stock Exchange” with deviations, of which the Issuer informed in the report No. 1/2016 of the EIB of 06/12/2016.

Deviations concern the following rules:

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

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

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

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

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

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

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

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

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

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

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

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

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

**Specific rule IV.Z.2. - If justified by the shareholding structure of the company, the company shall ensure that a real-time broadcast of the general meeting is available to the public.**

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

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

The Company's note: As at 30 June 2020, the Company did not apply the above recommendation. Remuneration of members of the Management Board was determined by the Supervisory Board on the basis of the provisions of the Company's Articles of Association and corresponded to the qualifications and responsibilities of members of the Management Board. In accordance with the Commercial Companies Code,

the remuneration of Supervisory Board members was determined by the General Meeting. The remuneration of individual members of the Supervisory Board, as well as of senior managers, depended on the scope of duties and responsibilities. Starting from 01 July 2020, the Company's Remuneration Policy for the Members of the Management Board and Supervisory Board of MIRBUD Spółka Akcyjna is in force, adopted under resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered office in Skierniewice on 30 June 2020. The Policy of Remuneration of the Management Board and Supervisory Board Members of MIRBUD S.A. was adopted on the basis of Article 90d, section 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (consolidated text: Journal of Laws of 2019, item 623 as amended) and constitutes an appendix to resolution No. 23/2020. In the opinion of the Management Board, the solutions contained in the Remuneration Policy will contribute to the implementation of the business strategy, long-term interests and stability of the Company. The Remuneration Policy includes in particular: 1) a description of fixed and variable components of remuneration, as well as bonuses and other cash and non-cash benefits which may be granted to members of the management and supervisory boards; 2) indication of mutual proportions of remuneration components; 3) indication of the period for which employment contracts, mandate contracts, contracts for specific work or other contracts of a similar nature have been concluded with members of the management board and the supervisory board, and indication of periods and terms of termination of such contracts, and if no contract has been concluded with a member of the management board or supervisory board - indication of the type and period for which a legal relationship between a member of the management board or supervisory board and the company has been entered into, as well as the period and terms and conditions of termination of such legal relationship; 5) a description of the main features of supplementary pension schemes and early retirement schemes; 6) a description of the decision-making process carried out for the establishment, implementation and review of the remuneration policy; 7) a description of measures taken to avoid or manage conflicts of interest related to the remuneration policy; 8) an indication of how the remuneration policy contributes to the implementation of the business strategy, long-term interests and stability of the company and other elements required by law. The payment of remuneration to the members of the Management Board and Supervisory Board from 01 July 2020 onwards is made exclusively in accordance with the Remuneration Policy.

The first remuneration report covering the years 2019-2020 will be submitted by the Supervisory Board of MIRBUD S.A. at the next General Meeting, in accordance with the provision of Article 90g of the Act of 29 July 2005 Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. This report will provide a comprehensive overview of remuneration, including all benefits, in whatever form, received by or due to individual members of the Management Board and Supervisory Board. Since the Remuneration Policy of MIRBUD S.A. was adopted by Resolution 23/2020 of 30 June 2020 with the application date of 1 July 2020, the first report will be the first of its kind, also presenting information for the period in which MIRBUD S.A. did not have regulations set forth in the Remuneration Policy. The information relating to the financial year 2019 disclosed in the report will be presented in the form used by the Company prior to the adoption of the Remuneration Policy, i.e. based on data from the 2019 annual interim report.

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

The Company's note: As at 30 June 2020, the Company did not apply the above recommendation due to the lack of adopted remuneration policy. Starting from 01 July 2020, the Company's Remuneration Policy for the Members of the Management Board and Supervisory Board of MIRBUD Spółka Akcyjna is in force, adopted under resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with its registered office in Skierniewice on 30 June 2020. The Company's opinion is that the adopted Remuneration Policy is closely linked to the Company's strategy, its short and long-term objectives, long-term interests and performance, and includes solutions to avoid discrimination on any grounds. The description of application of the above principle is given in the explanation of non-application of the rule **VI.R.1**.

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

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

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

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

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

### 13.4. Shareholders with significant share packets

As at 31/12/2020, the share capital of the Company is divided into 91,744,200 fully paid ordinary registered shares with a nominal value of PLN 0.10 each.

Table: Ownership structure of the share capital as at 31 December 2020

Shareholder	Number of shares held	Share in the share capital	Number of votes	% share in the total number of votes
<b>Jerzy Mirgos</b>	41,271,064	<b>44.98%</b>	41,271,064	<b>44.98%</b>
<b>Nationale-Nederlanden Open Pension Fund</b>	10,281,000	<b>11.21%</b>	10,281,000	<b>11.21%</b>
<b>Other shareholders</b>	40,192,136	<b>43.81%</b>	40,192,136	<b>43.81%</b>
<b>Total</b>	<b>91,744,200</b>	<b>100.00%</b>	<b>91,744,200</b>	<b>100.00%</b>

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

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

### 13.6. Restrictions on the exercise of the voting right

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

### 13.7. Limitations with respect to transferring the title to securities

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

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

In accordance with § 18 para. 1, point 3 and para. 2 of the Articles of Association of MIRBUD S.A., its amendment shall be made by way of a resolution of the General Meeting of Shareholders adopted at the request of the Management Board of the Company submitted together with a written opinion of the Supervisory Board or at the request of the shareholders, who should be consulted by the Management Board of the

Company and the Supervisory Board, pursuant to Article 415 of the Commercial Companies Code by a three-fourths majority of votes. The adopted changes are introduced by making an appropriate entry in the register of entrepreneurs.

### 13.9. General Meeting of Shareholders of MIRBUD S.A.

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

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

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

Pursuant to §18 of the Articles of Association, resolutions of the General Meeting of Shareholders are required in particular for: distributing profit or covering losses, amending the Company's Articles of Association, changing the Company's core activities, increasing or decreasing the share capital, the manner and conditions of redemption of shares, merger or transformation of the Company, dissolution and liquidation of the Company, issue of convertible or priority bonds, disposal and lease of the enterprise or its organised part and establishment of limited property rights on them, creation and abolition of the Company's capital and funds - at the request of the Management Board submitted together with a written opinion of the Supervisory Board or at the request of shareholders, which should be reviewed by the Management Board and the Supervisory Board; examination and approval of the financial statements and the report of the Management Board of the Company on the activities for the previous financial year of the Company and granting the vote of acceptance to members of the governing bodies of the Company for the performance of their duties, all decisions concerning claims for redress of damage caused during the establishment of the Company or the performance of management or supervision, granting the consent for the conclusion by the Supervisory Board on behalf of the Company of a contract on the performance of management in the Company. Acquisition or sale of property, perpetual usufruct or share in property or in perpetual usufruct, encumbrance of property or right of perpetual usufruct with other property rights does not require adoption of a resolution by the General Meeting. Resolutions concerning removal of an item from the agenda or discontinuation of consideration of an item placed on the agenda at the request of shareholders shall be adopted by a majority of  $\frac{3}{4}$  (three quarters) of votes cast, after prior consent expressed by all present shareholders who submitted such a request.

Pursuant to § 2 of the Regulations, the General Meeting is convened by way of an announcement made on the Company's website and in the manner prescribed for the provision of current information in accordance with the regulations on public offerings and the conditions for introducing financial instruments to the organised trading system and on public companies. The announcement should be made at least **twenty-six** days before the date of the General Meeting. The content of the announcement of the General Meeting shall comply with the requirements of the Commercial Companies Code with respect to such announcements for public

companies. If the Supervisory Board or entitled shareholders convene the General Meeting, such entities shall submit to the Management Board, in writing or in electronic form, the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting, at least thirty-one days prior to the date of the General Meeting. The Management Board shall announce the convening of such a General Meeting in the manner provided for above. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request shall be submitted to the Management Board in writing or in electronic form and shall contain the announcement of convening the General Meeting, draft resolutions, if it is planned to adopt resolutions and, if necessary, other materials to be presented to the General Meeting at least **thirty-one** days before the date of the General Meeting. The agenda is determined by the entity convening the General Meeting or requesting its convening. If the General Meeting is convened by the Management Board, the agenda is determined by the Management Board in consultation with the Supervisory Board. Shareholders or a shareholder representing at least **1/20** of the share capital may request that an Extraordinary General Meeting be convened. Such a request should be submitted to the Management Board in writing or in electronic form, not later than twenty-one days before the set date of this Meeting. The request should contain a justification or a draft resolution concerning the proposed item of the agenda and, if necessary, other materials to be presented to the General Meeting. The Management Board is obliged to announce immediately, but not later than eighteen days before the set date of the General Meeting, in a manner appropriate for convening the General Meeting, changes in the agenda introduced at the request of the listed shareholders. No resolution may be adopted on matters not included in the agenda, except for motions of an agenda nature or for convening an Extraordinary General Meeting, or if the entire share capital is represented at the General Meeting and none of the attendees has objected to adopting a resolution. A shareholder or shareholders representing at least **1/20** of the Company's share capital may – before the date of the General Meeting – submit to the Company, in writing or via electronic means, the draft resolutions concerning the items placed on the agenda of the General Meeting or the items to be put on the agenda. The Management Board shall immediately publish the draft resolutions on its website. During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda until the Chairman has ordered voting on a given point of the agenda. A General Meeting may be cancelled only and exclusively if its holding encounters extraordinary obstacles. However, if the General Meeting has been convened at the request of authorised entities or if issues are included in the agenda at the request of authorised entities, the cancellation of the General Meeting shall require the consent of the applicants. Cancellation takes place in the same way as convening the General Meeting. A change of the date of the General Meeting takes place in the same manner as its convening, even if the proposed agenda of the meeting is not changed. The shareholders' correspondence concerning the General Meeting sent by the shareholders should enable the identification of the shareholder and confirm their rights as a shareholder. The electronic correspondence should be directed to the designated electronic mail address indicated on the Company's website. Documents sent electronically to the Company should be scanned in PDF format.

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

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

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

Resolutions of the General Meeting shall be recorded in the minutes. The minutes of the General Meeting shall be drawn up by a notary public in the form of a notarial deed. Non-compliance with this obligation shall result in absolute nullity of the resolutions. The minutes should be accompanied by the evidence of convening the

General Meeting and the proposed agenda, the attendance list signed by the participants of the General Meeting and the Chairman, powers of attorney and other documents submitted by the representatives of the shareholders. Irrespective of the notary public, the Chairperson of the General Meeting may order the preparation of full minutes of the General Meeting recording the course of the General Meeting and the content of individual statements in a comprehensive manner. Minutes shall be taken by a Secretary elected by the General Meeting. The minutes of all General Meetings shall be included in the book of minutes kept by the Management Board. Each shareholder not even participating in the General Meeting may inspect the book of minutes of the General Meetings and request the issuance of copies of all or part of the minutes, against payment.

### **13.10. The Management Board of MIRBUD S.A. and the rules of appointing and dismissing managing persons**

In the period from 01/01/2020 to 31/12/2020, the Management Board of MIRBUD S.A. was composed of four members.



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

#### **Jerzy Mirgos – President of the Management Board**

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

#### **Sławomir Nowak – Vice-President of the Management Board**

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

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

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

#### **Paweł Korzeniowski – Member of the Management Board**

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

#### **Tomasz Sałata – Member of the Management Board**

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

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

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

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

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

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

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

According to § 32 of the Articles of Association, if the Management Board is composed of one person, the President of the Management Board is authorised to make declarations and sign on behalf of the Company, and if the Management Board is composed of more than one person, the cooperation of two members of the Management Board is required. The Supervisory Board shall represent the Company in the contract between the Company and a Management Board member, as well as in any disputes with the said member.

### 13.11. Supervisory Board of MIRBUD S.A.

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

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

As at 31/12/2020, the Issuer's Supervisory Board was composed of the following persons:

*Table: Composition of the MIRBUD S.A. Supervisory Board in the period from 01/01/2020 - 31/12/2020*

Name and surname	Position
<b>Wiesław Kosonóg</b>	Chairman of the Supervisory Board
<b>Waldemar Borzykowski</b>	Deputy Chairman of the Supervisory Board
<b>Agnieszka Bujnowska</b>	Secretary of the Supervisory Board
<b>Hubert Bojdo</b>	Member of the Supervisory Board
<b>Andrzej Zakrzewski</b>	Member of the Supervisory Board
<b>Wiktoria Braun</b>	Member of the Supervisory Board
<b>Artur Sociński</b>	Member of the Supervisory Board (since 17/02/2020)

#### **Wiesław Kosonóg - Chairman of the Supervisory Board**

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

**Waldemar Borzykowski - Deputy Chairman of the Supervisory Board**

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

**Agnieszka Maria Bujnowska - Secretary of the Supervisory Board**

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

**Hubert Bojdo - Member of the Supervisory Board**

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

**Andrzej Zakrzewski - Member of the Supervisory Board**

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

**Wiktoria Braun - Member of the Supervisory Board**

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

**Artur Sociński - Member of the Supervisory Board (since 17 February 2020)**

Graduated from the Insurance and Banking Academy and completed Executive MBA studies at the Institute of Economics of the Polish Academy of Sciences (thesis on the strategy of banks in Poland). Started his professional career in 1998 as a credit analyst in Bank Śląski S.A. From 2001 to 2005, Mr. Artur Sociński worked as an expert in investment and corporate banking, and from 2006 to 2016 served as team leader and corporate sales director in corporate banking. From 2017 to 2019, Mr. Artur Sociński was Deputy Director and Director of the Restructuring and Corporate Governance Office, as well as Vice President of the Shipbuilding Board at Fundusz Rozwoju Spółek [Company Development Fund] S.A. He is currently deputy director of the Financial Services Office at Agencja Rozwoju Przemysłu [Industrial Development Agency] S.A. Mr. Artur Sociński has served on the supervisory boards of private companies in various sectors and has experience in corporate finance and restructuring.

The Supervisory Board acts in accordance with the Commercial Companies Code and the Articles of Association of MIRBUD S.A., as well as on the basis of the Regulations of the Board, which define in detail its

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

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

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

Resolutions of the Supervisory Board shall be valid if all members of the Supervisory Board are notified in writing in sufficient time to enable them to familiarise themselves with the proposed agenda and to prepare for the Board's meeting. The agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting to which it relates. The above requirement shall not apply if all members of the Supervisory Board are present and agree to amend or supplement the agenda, as well as if taking certain actions by the Supervisory Board is necessary to protect the Company against damage. Resolutions of the Supervisory Board may be adopted on any matter adopted for consideration in the agenda adopted in an open voting; each member of the Supervisory Board may submit a motion for including or deleting the matter from the agenda until the beginning of the vote on the agenda. Resolutions of the Supervisory Board shall be signed by all present members of the Supervisory Board.

Resolutions of the Supervisory Board may be adopted if at least half of its members are present at the meeting. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. Voting at meetings of the Supervisory Board is open, unless any member of the Supervisory Board requests a secret voting or the resolution concerns personal matters or the responsibility of members of the Company's governing bodies. The Supervisory Board may pass resolutions in writing or by means of direct remote communication. The adoption of resolutions in the above manner shall not apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, the appointment of a Member of the Management Board, or the dismissal or suspension of such persons from their duties. Resolutions passed in writing shall be valid as adopted at a properly convened meeting if all members of the Supervisory Board have been notified of the contents of the draft resolution and if they have been signed by at least three members of the Supervisory Board.

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

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

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

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

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

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

The remuneration of the Supervisory Board members is determined by the General Meeting on the basis of transparent procedures and principles. Starting from 01 July 2020, the Company's Remuneration Policy for the Members of the Management Board and Supervisory Board of MIRBUD Spółka Akcyjna is in force, adopted under resolution No. 23/2020 of the Ordinary General Meeting of Shareholders of MIRBUD S.A. with

its registered office in Skierniewice on 30 June 2020, adopted pursuant to Article 90d(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (consolidated text: Journal of Laws of 2019, item 623 as amended) and constitutes an appendix to resolution No. 23/2020. The remuneration of members of the Supervisory Board does not constitute a material item of the costs of the Company's activity and does not have a serious impact on its financial result. The total amount of remuneration of all members of the Supervisory Board, as well as individual remuneration of each member of the Supervisory Board, divided additionally into its components, is disclosed in the annual report, together with information on the procedures and rules of its determination. The activity of the Supervisory Board is financed from own funds of the Company and charged to its cost.

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

#### **Composition of the Audit Committee:**

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

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

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

Has knowledge and skills in accounting

#### **knowledge and experience in accounting is reinforced by:**

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

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

- from 1994 to 2006, Treasurer of Skierniewice.

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

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

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

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

- gained professional experience in the construction industry:

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

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

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

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

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

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

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

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

The Audit Committee of MIRBUD S.A. held regular meetings during the period from 01/01/2020 to 31/12/2020. As part of its monitoring of the financial reporting process, internal control and risk management systems and the performance of auditing activities by the audit firm, the Audit Committee of MIRBUD S.A.:

- 1) Obtained information on the adopted schedule for the submission of financial statements in the MIRBUD Capital Group - control of implementation and subsequent planned dates;
- 2) Discussed the Company's financial statements (separate and consolidated) and the Management Board's reports on the Company's and Group's activities prepared for the financial year, the semi-annual period, the third quarter, with the Chief Financial Officer, in particular discussed liquidity, profitability, the Company's financial results, the structure of liabilities, the financial results of the capital group companies;
- 3) Agreed with the key statutory auditor the level of materiality (by value), of any misstatements in the financial statements subject to absolute disclosure in the report to the Audit Committee;

- 4) Discussed with the statutory auditor the course of the audit of the annual financial statements (audit methods, timetable, cooperation with the Management Board and the Chief Accountant);
- 5) Discussed with the Auditor and the Chief Financial Officer the adjustments proposed by the statutory auditor and their inclusion in the financial statements;
- 6) Discussed with the statutory auditor the auditor's reports on the Company's financial statements and the consolidated financial statements of the Capital Group for the financial year and the additional report to the Audit Committee. Each analysis of the risks of material misstatement diagnosed by the statutory auditor during the preliminary work was followed by a discussion with the Audit Committee and the final conclusions were discussed. The Audit Committee discussed the compliance of the adopted accounting policies for revenue recognition and measurement (revenue and measurement of construction contracts) with IFRS 15 in the last reporting period;
- 7) Summarised with the statutory auditor the reports on reviews of semi-annual separate statements of MIRBUD S.A. and consolidated statements of the MIRBUD Capital Group;
- 8) Reviewed the Management Board's position on the operation of internal control over financial reporting and information on how risks are identified and monitored. The Audit Committee obtained the statutory auditor's opinion on internal control over the preparation of the financial statements;
- 9) Monitored related party transactions and reviewed transfer pricing documentation for subsequent periods;
- 10) Analysed with the Management Board the situation relating to the impact of the effects of the COVID-19 pandemic on the Company's and the Capital Group's operations (2020).

The Company follows regulations regarding the appointment, composition and functioning of the audit committee, including that its members meet independence criteria and requirements regarding knowledge and skills in the issuer's line of business and in accounting or auditing are met - where an audit committee has been appointed, the members of that body meet regulatory requirements regarding independence and knowledge and skills in the issuer's line of business.

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

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

- 1) the selection of the audit firm is made sufficiently in advance to allow the audit contract to be signed in time for the audit firm to review the interim financial statements and participate in the inventory-taking of significant assets;
- 2) when selecting an audit firm, the Audit Committee and the Supervisory Board of the Company pay particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when making its recommendation to the Supervisory Board of the Company, takes into account the scope of services provided by the audit firm and the statutory auditor during the last five years preceding the selection of the audit firm;
- 3) control and monitoring of the independence of the audit team and the audit firm shall be carried out at each stage, in particular: when considering bids submitted, before proceeding with the financial audit activity, also in case of continuation of the contract in the following financial year;
- 4) the selection of an audit firm is made taking into account the audit firm's experience in statutory audit of financial statements of public interest entities, including companies listed on the Warsaw Stock

Exchange, and knowledge of the segments in which MIRBUD Capital Group companies operate, as well as the proposed price for the statutory audit;

- 5) the selection of an audit firm shall be made taking into account the principle of rotation of the audit firm and the key statutory auditor in such a manner that the maximum duration of uninterrupted mandates for statutory audits carried out by the same audit firm or an audit firm affiliated to that audit firm or any member of the network operating in the countries of the European Union to which those audit firms belong does not exceed five years and the key statutory auditor has not carried out the statutory audit in the Company for more than five years. The key statutory auditor may re-audit the Company after at least three years from the end of the last statutory audit.

As part of controlling, monitoring and assessing the independence of the audit firm and individual auditors, the Audit Committee developed and adopted the following at its meeting on 20 October 2017:

- 1) policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group;
- 2) procedure for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group;
- 3) policy related to the provision of permitted services other than auditing financial statements by the audit firm carrying out the audit, entities related to the audit firm and by a member of the audit firm corporate network;
- 4) Established individual weights for selection criteria indicated in the "Policy for selecting an audit firm to audit the financial statements of MIRBUD S.A. with its registered office in Skierniewice and the MIRBUD Capital Group".

The Audit Committee was informed of the composition of the audit team, the planned timing and scope of the audit of the financial statements. At each stage, i.e. before recommending the selection of the audit firm, before the selected firm commences its audit activities, also before continuing the engagement in the next financial year, the Audit Committee obtained and analysed the relevant declarations made under Article 74 of the Act on Statutory Auditors of 11 May 2017. Declarations were made by the audit firm and members of the audit team. Also at the end of the audit process, the audit firm and the team members involved in the audit confirmed their independence throughout the audit by making the relevant declarations on the impartiality and independence of the audit firm and the individual declarations of statutory auditors.

The Audit Committee:

- pursuant to Article 130(3) of the Act on Statutory Auditors, at the meeting held on 7 May 2018, as a result of the implementation of the selection procedure, gave a recommendation to the Supervisory Board regarding the selection of an audit firm to audit the financial statements, with respect to three firms, indicating a preference for one of them.
- pursuant to Article 130(2) of the Act on Statutory Auditors, at the meeting held on 24 April 2020 made a recommendation to extend the contract with the selected audit firm for a further period.

Audit firms auditing the financial statements for the following financial years: 2017, 2018, 2019 did not provide additional services to MIRBUD S.A. which are not audits of financial statements.

The Audit Committee kept the Supervisory Board informed of its activities, including by providing a written Report on its activities and presenting the adopted resolutions, recommendations and opinions.

During the financial year, the Audit Committee held 4 meetings.

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

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

1. The provision of services only to the extent not related to the tax policy of the audited entity is admissible after obtaining an opinion of the Audit Committee of the Supervisory Board of MIRBUD S.A. (hereinafter referred to as the "Audit Committee"), which services include in particular:
  - 1) services of conducting due diligence procedures in the field of economic and financial condition;
  - 2) services of issuing letters of assurance performed in connection with the prospectus of the audited entity, carried out in accordance with the national standard for related services and consisting of carrying out agreed procedures;
  - 3) attestation services with regard to pro forma financial information, performance forecasts or estimated results, included in the prospectus of the audited entity;
  - 4) audit of historical financial information in a prospectus as referred to in Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
  - 5) verification of consolidation packages;
  - 6) confirmation of the fulfilment of the conditions of the concluded credit agreements on the basis of an analysis of the financial information derived from the audited financial statements of the audit firm;
  - 7) attestation services for corporate governance reporting, risk management and corporate social responsibility;
  - 8) services to assess the compliance of information disclosed by financial institutions and investment firms with capital adequacy disclosure requirements and variable remuneration components;
  - 9) attestations concerning statements or other financial information intended for the supervisory authorities, the supervisory board or any other supervisory body of the company or its owners, outside the scope of the statutory audit and intended to assist those authorities in carrying out their statutory duties.
2. Ordering additional services which do not constitute an audit of financial statements for the benefit of the audit firm which conducts the audit of financial statements or an entity affiliated with that audit firm or a member of its network may only take place after the Audit Committee of MIRBUD S.A. has carried out an assessment of threats and safeguards for independence, in particular an assessment of whether the service provided has a significant impact on the audited financial statements.
3. Prior to awarding an order for the provision of permitted services which do not constitute an audit of financial statements, the Management Board of MIRBUD S.A. shall be obligated to submit to the Audit Committee the scope of services covered by the order together with a statement of the key statutory auditor conducting the audit concerning compliance with the independence requirements set forth respectively in the rules of professional ethics and standards for the provision of such services by the accepting audit firm, an entity related to the audit firm or a member of its network.
4. Prior to the acceptance of an order to provide permitted non-audit services to entities controlled by MIRBUD S.A. by an audit firm auditing the financial statements of MIRBUD S.A., an entity related to that audit firm and a member of its network, the key certified auditor shall present for the assessment of the Audit Committee the scope of services covered by the order together with an opinion as to whether the service ordered may have a significant impact on the consolidated financial statements of the MIRBUD Capital Group.
5. Where the total remuneration of an audit firm for the provision of additional non-audit services allowed to the audited entity, its parent or an entity controlled by it exceeds the criterion referred to in the first paragraph of Article 4(2) of Regulation No. 537/2014, the audit firm shall not undertake such provision except with the approval of the Audit Supervision Committee by administrative decision.

- The Audit Committee's recommendation concerning the selection of an audit firm to carry out an audit was made following an organised selection procedure meeting the applicable criteria

During the financial year, the Audit Committee held 4 meetings.

## 14. DECLARATION OF MIRBUD S.A. ON NON-FINANCIAL INFORMATION.

MIRBUD S.A. has prepared a separate report on non-financial information for 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