Financial Statements

for the period from 01/01/2020 to 31/12/2020

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

I. Basic financial data.

Selected financial data	in PLN thousand		in EUR thousand	
	For the period:	For the period:	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Items of the statement of total income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 =			4.4742	4.3018
Sales revenue	853,182	551,429	190,691	128,187
Profit (loss) on operating activities	34,258	18,983	7,657	4,413
Pre-tax profit (loss)	24,587	9,584	5,495	2,228
Net profit (loss)	19,425	7,386	4,342	1,717
Total income for the net financial year	19,425	7,386	4,342	1,717
Net cash flows from operating activities	210,398	82,211	47,025	19,111
Net cash flows from investment activities	-45,943	-44,735	-10,268	-10,399
Net cash flows from financial activities	-39,532	2,117	-8,836	492
Total net cash flows	124,923	39,593	27,921	9,204
net profit (loss) per share in PLN/EUR	0.21	0.08	0.05	0.02
net diluted profit (loss) per share in PLN/EUR	0.21	0.08	0.05	0.02

Selected financial data	in PLN thousand		in EUR thousand	
	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Asset and liability items according to the average exchange rate determined by the National Bank of Poland as at the reporting date, respectively: EUR 1 =			4.6148	4.2585
Total assets	920,747	681,754	199,521	160,092
Liabilities and provisions for liabilities	628,274	406,871	136,143	95,543
Long-term liabilities	292,453	200,304	63,373	47,036
Short-term liabilities	335,821	206,567	72,771	48,507
Equity	292,473	274,883	63,377	64,549
Share capital	9,174	9,174	1,988	2,154
Number of shares (in pieces)	91,744,200	91,744,200	91,744,200	91,744,200
Book value per share in PLN/EUR	3.19	3.00	0.69	0.70
Diluted book value per share in PLN/EUR	3.19	3.00	0.69	0.70

II. General information about the entity.

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

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

Core activities

The Issuer'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

Duration

The duration of the Issuer shall be unlimited.

Management Board and Supervisory Board

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

On 31 May 2019, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 23/2019 on appointing Mr. Wiesław Krzysztof Kosonóg to the Company's Supervisory Board, and Resolution No. 24/2019 on appointing Ms. Wiktoria Braun to the Company's Supervisory Board.
On 24 June 2019, Ms. Krystyna Lachowicz resigned from the position of member of the Supervisory Board as of 24 June 2019.
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.

III. Basic information on the financial statements

Basis of preparation

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

Representations of the Management Board

The Management Board represents that, to the best of its knowledge, the annual financial statements for the period
from 01/01/2020 to 31/12/2020
and the financial data have been prepared in accordance with the applicable accounting principles and that they give a true, fair and clear view of the Company's financial position. The Management Board's report on business activities presents a comprehensive view of the development, achievements and the financial and asset situation, including a detailed description of fundamental threats and risk. The Management Board's report on activities is a development of the data contained in these statements and is published together with them.

The entity entitled to audit financial statements which carried out the annual audit of the financial statements, was selected in accordance with the provisions of law. This entity and the expert auditors who carried out the audit met the requirements allowing them to issue an unbiased and independent opinion, in accordance with the applicable provisions and professional standards.

Business continuity

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

Functional currency

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

IV. Statement of total income.

Profit and loss account	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Continued activities			
Sales revenue	17	853,182	551,429
Own cost of sales	18	-785,316	-509,784
Gross profit from sales		**67,866**	**41,645**
Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	19		
Other operating and investment activity revenue	20	11,857	7,201
Other costs of operating and investment activities	20	-45,465	-29,863
EBIT		**34,258**	**18,983**
Financial costs	21	-9,671	-9,399
Pre-tax activity profit (loss)		**24,587**	**9,584**
Income tax attributable to continuing activities	22	-5,162	-2,198
Profit (loss) on continuing activities		**19,425**	**7,386**
Discontinued activities	-		
Revenue from discontinued operations			
Costs of discontinued operations			
Pre-tax profit (loss) on discontinued operations			
Income tax attributable to discontinued operations			
Profit (loss) on discontinued activities			
NET PROFIT (LOSS)		**19,425**	**7,386**
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	**19,425**	**7,386**

Other total income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Components which will not be subsequently reclassified to the profit and loss account			
Components which will be reclassified into profit or loss when certain conditions are met			
Other total net income	**23**		
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	-	-

Total comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Total comprehensive income		19,425	7,386
Assigned to non-controlling shares			

Assigned to the owners of the parent	-	19,425	7,386

V. Statement of financial situation.

Assets	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2020	31/12/2019
Fixed assets		**504,164**	**429,787**
Tangible fixed assets	1	58,297	43,368
Investment property	2		
Intangible assets	3	1,082	1,492
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	429,943	380,892
Investments measured using the equity method.	5		
Long-term trading and other receivables	6		
Biological assets	7		
Deferred income tax assets	22	14,567	3,936
Other fixed assets not elsewhere classified (including prepayments and accruals)	8	275	97
Current assets		**416,583**	**251,967**
Inventories	9	7,820	8,445
Receivables on account of the income tax	22		
Trading receivables and other receivables	6	193,880	153,894
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4		
Cash and cash equivalents	10	213,924	89,001
Other current assets not elsewhere classified (including prepayments and accruals)	8	959	627
Fixed assets held for sale	11		
Total assets	-	**920,747**	**681,754**

Capitals and liabilities	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2020	31/12/2019
Equity	**12**	**292,473**	**274,883**
Issued share capital		9,174	9,174
Profits (losses) attributable to owners of the entity		19,425	7,386
Other capitals		263,873	258,323
Capital attributable to non-controlling shares			
Long-term liabilities and provisions for liabilities		**292,453**	**200,304**
Provisions under deferred income tax	22	7,880	9,108
Other provisions for long-term liabilities	13	103	125
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	55,687	78,996
Long-term trading and other liabilities	15	228,782	112,075
Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments)	16		
Short-term liabilities and provisions for liabilities		**335,821**	**206,567**
Provisions for short-term liabilities	13	1,814	1,627
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	62,561	51,308
Trading and other liabilities	15	256,538	150,329
Liabilities under deferred income tax	22	14,873	1,822
Other current liabilities and provisions not elsewhere classified (including accruals and prepayments)	16	36	1,482
Liabilities directly related to fixed assets classified as held for sale	11		
Total capitals and liabilities	-	**920,747**	**681,754**

VI. Statement of cash flows.

Statement of cash flows	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Pre-tax profit		**24,587**	**9,584**
Amortisation		5,693	4,537
Profit / loss under exchange rate differences			
Profit/loss on sale of fixed assets and intangible assets		-829	-798
Borrowing costs		5,631	6,686
Change in liabilities with the exclusion of financial liabilities		222,917	17,289
Change in receivables		-39,986	49,247
Change in inventories		625	-610
Change in provisions		166	182
Profit / loss on other financial instruments		-2,480	-163
Other changes in working capital		-1,957	-1,696
Cash from operating activity		**214,368**	**84,257**
Income tax paid		-3,970	-2,046
Net cash from operating activities		**210,398**	**82,211**
Sale of tangible fixed assets and intangible assets		1,120	990
Purchase of tangible fixed assets and intangible assets		-492	-59
Sale of investment property			
Purchase of investment property			
Repayment of loans granted			
Granting of loans			
Sale of other investments			
Purchase of other investments		-49,050	-45,829
Dividends and interest received		2,480	163
Other inflows from investment activities			
Other expenses related to investment activity			
Net cash from investment activity		**-45,943**	**-44,735**
Inflows from shareholders			9,908
Payments to owners		-1,835	
Commitment of liabilities under loans and credits		19,978	16,426
Repayment of liabilities under loans and credits		-45,462	-14,520
Repayment of liabilities under leasing		-6,582	-3,489
Repayment of other financial liabilities			

Interest paid and other debt service expenditure		-5,631	-6,686
Other financial inflows			478
Other financial outflows			
Cash from financial activity		**-39,532**	**2,117**
Opening balance of cash and cash equivalents		89,001	49,408
Net increases (decreases) in cash and cash equivalents	-	**124,923**	**39,593**
Effect of changes in foreign exchange rates on cash denominated in foreign currencies			
Closing balance of cash		**213,924**	**89,001**
including cash and cash equivalents of limited disposability		121,381	67,449

VII. Statement of changes in equity.

Changes in equity	Share capital	Retained earnings attributable to the shareholders of the parent	Write-downs from net profit during the financial year concerning the shareholders of the parent	Accumulated other total income attributable to the shareholders of the parent	Other capitals attributable to the shareholders of the parent	Net profit (loss) attributable to the shareholders of the parent	Foreign exchange differences on translation	Capital attributable to non-controlling shares	**TOTAL**
As at 01/01/2019	**8,249**	**143,219**			**106,121**				**257,589**
Impact of retrospective application of changes in accounting policies									
Impact of retrospective restatement									-
Total profits (losses) for the period						7,386			7,386
Total other comprehensive income (issue of shares)	925				8,983				9,908
Owner contributions									
Payments to owners									-
Changes in ownership interests in subsidiaries not resulting in a loss of control									
Other changes in equity									-
As at 31/12/2019	**9,174**	**143,219**			**115,104**	**7,386**			**274,883**
Settlement of unpaid financial result		7,386				-7,386			-

Changes in equity	Share capital	Retained earnings attributable to the shareholders of the parent	Write-downs from net profit during the financial year concerning the shareholders of the parent	Accumulated other total income attributable to the shareholders of the parent	Other capitals attributable to the shareholders of the parent	Net profit (loss) attributable to the shareholders of the parent	Foreign exchange differences on translation	Capital attributable to non-controlling shares	**TOTAL**
As at 01/01/2020	**9,174**	**150,604**			**115,104**				**274,883**
Impact of retrospective application of changes in accounting policies									-
Impact of retrospective restatement									
Total profits (losses) for the period						19,425			19,425
Total other comprehensive income (issue of shares)									
Owner contributions									-
Payments to owners		-1,835							-1,835
Changes in ownership interests in subsidiaries not resulting in a loss of control									-
Other changes in equity									
As at 31/12/2020	**9,174**	**148,769**			**115,104**	**19,425**			**292,473**

VIII. Accounting principles applied by the Group.

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of research and development works

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

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

Goodwill

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

Tangible fixed assets

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

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

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

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

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

Item	Annual amortisation rate
Land (right of perpetual usufruct)	is not depreciated
Buildings and structures	1.5% – 2.5%
Machines and technical equipment	7% – 30%
Means of transport	10-20%
Investments in third-party fixed assets	in proportion to the useful life of the main asset

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

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

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

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

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

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

The right of perpetual usufruct of land

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

The excess of the fair value determined in this manner over the costs incurred to acquire the right of perpetual usufruct of land by way of an administrative decision is disclosed correspondingly in the "profit brought forward".

The right of perpetual usufruct of land acquired on the secondary market is measured at acquisition price and is not subject to revaluation.
The right of perpetual usufruct of land is amortised proportionally to the period for which it was granted.

Leasing

Financial lease contracts under which the carry-over takes place of substantially the entire risk and practically all benefits arising from the ownership of the subject of lease onto the lessee, are activated as at the date of the inception of lease according to the lower of the following two values: the fair value of the subject of lease, or the current value of minimum lease charges. The minimum lease charges are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.
Fixed assets used under finance lease agreements are depreciated according to the same rules as those applied to own assets. However, if it is not reasonably certain that the entity will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from the ownership of the subject of lease are classified as operating lease contracts. Lease rents under operating lease are recognised as the costs in the profit and loss account with the straight-line method throughout the term of lease.

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

Non-renewable natural resources

Non-renewable natural resources are initially recognised at cost.

The purchase price is increased by all costs directly related to the purchase or adaptation of the asset for use.
Costs incurred after the date of including non-renewable natural resources in the records (use) are recognised in the profit and loss account at the time they are incurred.

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

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

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

Fixed assets and groups of assets held for sale

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

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

Simplifications applied to non-investment fixed assets

Depreciation (amortisation) of fixed assets and intangible assets with a low initial value (not exceeding

PLN 10,000) is carried out in a simplified manner by making one-off write-downs of the entire initial value of such fixed assets.
The Company applies a simplification, according to which the moment of acceptance of a fixed asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the fixed asset for use took place.
The Company applies simplification, according to which the moment of acceptance of an intangible asset for use, determined for the purpose of amortisation commencement, is assumed to be the first day of the month following the month in which the actual moment of acceptance of the intangible asset for use took place.
The verification of amortisation rates is considered to have been carried out when all fixed asset components with a net value exceeding PLN 50 thousand are included in the verification.

Investment property

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

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

Inventories

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

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

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

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

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

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

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

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

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

Revaluation write-downs of tangible current asset components, related to impairment or measurement as at the balance-sheet date are charged to other operating expenses. If the reason for making a revaluation write-down ceases to exist, the value of tangible current assets is credited to other operating income. Circumstances indicating the need to make a revaluation write-down on inventories include in particular:

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

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

Receivables

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

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

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

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

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

Accruals and prepayments

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

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

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

Income accruals and prepayments

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

Financial instruments

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

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

<u>financial asset components or financial liabilities measured at fair value through profit and loss account</u> - assets and liabilities acquired or incurred mainly for the purpose of selling or repurchasing them in the near term or being part of a portfolio of specific financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

<u>held-to-maturity investments</u> - non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Capital Group has the positive intention and ability to hold to maturity.

<u>loans and receivables</u> - non-derivative financial assets with fixed or determinable payments that are not traded on an active market.

<u>financial assets available for sale</u> - non-derivative financial assets which have been designated as available for sale or which are not loans and receivables, held-to-maturity investments or financial assets measured at fair value through financial result.

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

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

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

Measurement of financial instruments as at the day of their creation

As at the date of acquisition, financial assets and liabilities are measured by the Capital Group at fair value, i.e. most often at the fair value of the payment made in the case of an asset component or the amount received in the case of a liability.
The Capital Group includes the transaction costs in the initial value of measurement of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through profit and loss account.

Measurement of financial instruments as at the balance-sheet date

The valuation of financial instruments as at the balance-sheet date is carried out as follows:
- at amortised cost, taking into account the effective interest rate: held-to-maturity investments, loans and receivables and other financial liabilities; measurement may also be performed at the value requiring payment if the discount effects are not significant;
- at fair value: financial assets and liabilities of the category measured at fair value through profit and loss account and the category of financial assets available for sale.

The effects of measurement of financial assets available for sale are recognised in equity.
The effects of measurement of financial assets and liabilities classified into other categories are recognised in the profit and loss account.

Hedge accounting

Derivative instruments hedging cash flows with a highly probable planned transaction are recognised at fair value taking into account changes in such value:
- in the part deemed to be an effective hedge - directly in the equity,
- in the part deemed ineffective - in the profit and loss account.

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

Discontinuation of hedge accounting

The person preparing financial statements ceases to apply hedge accounting to cash flows if:
- the hedging instrument expires, is sold, terminated or exercised. In such a case, the cumulative profit or loss on the hedging instrument which is recognised directly in equity shall remain separately recognised in equity until the planned transaction occurs;
- the hedge no longer meets the criteria for hedge accounting. In such a case, the cumulative gain or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated gain or loss related to the hedging instrument, recognised directly in equity, is recognised in the profit and loss account.

Equity

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

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

the issue of shares above the nominal value of the surplus of the issue value over the nominal value of shares.
Undistributed financial result includes: amounts resulting from profit distribution, undistributed result from previous years, effects of errors from previous periods.
Minority capitals are a separate item of equity.

Bank credits and loans

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

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

Liabilities

After initial recognition, all liabilities, except those measured at fair value, are measured, as a rule, at adjusted acquisition price using the effective interest rate method.
However, liabilities with a maturity of no more than 12 months after the balance-sheet date are not discounted.
Liabilities are presented in the financial statements divided into long-term and short-term liabilities. Moreover, liabilities towards related entities and liabilities towards other entities are separated.
Advances received from contractors for the provision of services are presented in the financial statements under the balance sheet item - short-term liabilities as advances received for deliveries.
The commitments also include amounts relating to the settlement of construction and other long-term services.
Amounts retained by suppliers are disclosed separately in the financial statements.

Contingent liabilities

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

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

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

Provisions

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

If the reporting entity expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset component, but only if there is a sufficient assurance that the reimbursement will actually be made.
Costs related to a given provision are disclosed in the profit and loss account, less all reimbursements.

The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.
If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money and the possible risks specific to the liability. If the discounting method is applied, an increase in the provision due to the passage of time is recognised as borrowing costs.
Reversal of unused provisions takes place on the day on which they turned out to be unnecessary. The liability for which the provision was created previously shall result in the use of the provision.
The entity creates provisions for losses under construction contracts or similar contracts at the time of estimation of loss.

Provisions for employee benefits

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

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

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

Revenue

The amount of revenue is determined by the Entity according to the fair value of the payment received or due. The fair value of the consideration is determined by discounting all future cash inflows using the imputed interest rate. The imputed interest rate is most simply set at the interest rate for a similar financial instrument issued by an issuer of similar creditworthiness, or at the rate that discounts the nominal value of the financial instrument to the current cash selling price of the goods or service.
The difference between the nominal and fair value of receivables (discount) is recognised as costs of the activity to which the receivables relate.
The amount of revenue arising from a transaction is usually determined by contract between the Entity and the buyer or user of the asset component. It is measured at the fair value of the consideration paid, taking into account the amount of trade discounts and wholesale rebates granted by the Entity.
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the transaction is recognised based on the stage of completion of the transaction at the balance-sheet date. The result of a transaction can be reliably estimated if all of the following conditions are met:

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

The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the periods in which the services are rendered. Revenue recognition based on this method provides useful information about the extent of service activities and their results for a given period. Revenue is

recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. When there is uncertainty about the recoverability of an amount already included in revenue, the entity recognises the unrecoverable amount or the amount for which recovery has ceased to be probable as an expense, rather than as an adjustment of the amount of revenue originally recognised.
The person preparing the financial statements applies the completion method based on the ratio of costs incurred to total costs expected for the performance of a given service.
When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses incurred that are expected to be recoverable. If the outcome of the transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and expenditure incurred is recognised as an expense. When the uncertainty which prevented the outcome of the contract from being estimated reliably has been removed, revenue from transactions shall be recognised on the basis of the stage of completion of the transaction at the balance-sheet date.

Interest income arising from an entity transferring an asset to another entity for use (e.g. a loan, financial lease) is recognised taking into account the effective interest rate.
Royalties (e.g. under licences or similar entitlements) are recognised on an accrual basis in accordance with the substance of the contracts entered into.
Dividends are recognised at the moment the entity's right to obtain them is established. Revenue from barter transactions is recognised only if it has an economic substance.

Costs

The entity preparing the financial statements recognises costs in accordance with the principle of matching revenue and costs and the precautionary principle.
Own cost of sales as at the balance-sheet date is adjusted by the change in the fair value of financial instruments which hedge cash flows when the transaction is no longer effective and when the hedged item is realised.
Costs are accounted for by cost centres and by nature, with the basic cost reporting format used in the profit and loss account being the cost accounting format.

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

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

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

Transactions in foreign currencies

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

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

The exchange rate applicable on the transaction date shall be the average exchange rate of the National Bank of Poland (NBP) announced on the day preceding the transaction date.
Immediate realisation rate as at the balance sheet date shall be the average exchange rate of the NBP announced as at the balance-sheet date.

Income tax

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

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

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

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

Earnings per share (EPS)

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

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

Mergers and consolidation

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

The Compiler of financial statements recognises business mergers using the purchase method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed from former owners of the acquiree and the capital interests issued by the group. The consideration transferred shall include the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business merger are initially measured at their acquisition-date fair values. As at the acquisition date, the Compiler of financial statements shall recognise all non-controlling interests in the acquiree, either at fair value or at the proportional share value (corresponding to the non-controlling share) in the acquiree’s identifiable net assets. In the case of a business merger achieved in stages, the acquirer shall remeasure the balance sheet value of its previously held capital share in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss. A contingent consideration that is classified as part of equity is not subject to a revaluation and its subsequent settlement is accounted for within equity. Intragroup transactions and settlements and unrealised profits arising from intragroup transactions shall be eliminated.

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

Upon loss of control by the Group, any retained interest in the entity is measured at fair value as at the date of loss of control, with a change in the balance sheet value recognised in the financial result. Fair value constitutes the initial balance sheet value for the purpose of subsequent recognition of a retained interest as an associate, joint venture or financial asset component. In addition, any amounts previously recognised in other comprehensive income in respect of the entity are recognised as if the group had directly sold the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the financial result.
Associates are all entities on which the Compiler of financial statements has significant influence, but which it does not control, which is usually the case when holding between 20% and 50% of the voting rights. Investments in associates measured are recognised using the equity method. Under this method, the investment in the associate is initially recognised at cost and the balance sheet value is increased or decreased to recognise the investor's share in the associate's results after the date of acquisition. The Group’s investment in associates includes goodwill as at the acquisition date. If the ownership share in an associate is reduced but significant influence is retained, only the proportionate share of the amounts previously recognised in other comprehensive income is appropriately reclassified to the result. The share of the Compiler of financial statements in the financial result after the acquisition is recognised in the result report and its share in other comprehensive income after the acquisition is recognised in other comprehensive income together with an appropriate adjustment to the balance sheet value of the investment. When the Compiler of financial statements share in losses of an associate becomes equal to or greater than its share in that associate, including any other

unsecured receivables, the reporting Compiler of financial statements shall de-recognise further losses unless it has assumed legal obligations or constructive obligations or made payments on behalf of the associate.

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

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

Principle of no-offsetting

This principle applies to the prohibition of offsetting assets and liabilities, unless IFRS requires or permits offsetting.
Income and expense items may be offset only when:
- offset is required by IFRS,
- profits, losses and related costs arising from the same or similar transactions or events are not material.

The following transactions, presented by way of offsetting, are accepted by the Capital Group:
- profits and losses on the sale of fixed assets, including investments and assets used in operating activities, are recognised in the amount of the difference between the revenue earned on the sale and the balance sheet value of a given asset component plus selling expenses;
- expenditure related to the provision which is contractually reimbursed by a third party (e.g. supplier’s guarantee) is offset against the corresponding amount of reimbursement;

deferred income tax assets and liabilities are disclosed as surplus assets or provisions;
- advance payments received for the performance of work under construction contracts are offset against the value of revenue due under those contracts, provided that compensation is possible under the terms of the contract;
- profits and losses arising from a group of similar transactions are recognised in the net amount, e.g. foreign exchange difference profits and losses or profits and losses arising from the measurement of financial instruments held for trading and hedging recognised in the financial result, profits or losses arising from the discounting of long-term settlements;
- and liabilities under settlement of input VAT and due VAT, concerning future settlement periods.

Cash flow statement

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

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

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

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

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

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

Exceptional items

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

Business segments

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

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

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

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

Items based on estimates and professional judgment

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

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

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

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

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

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

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

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

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

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

IX. Changes in accounting principles and presentation of financial statements.

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

In order to present the financial and property situation better in the financial statements, the Compiler of financial statements changed the presentations:

- statement of asset situation;
- statement of total income;
- statement of cash flows;
- statement of changes in capital.

As part of the changes introduced, the Company presents the results of the settlement of construction contracts in receivables and liabilities previously disclosed in prepayments and accruals.

			Old qualification	New qualification
	I		**Intangible assets**	Intangible assets
	II		**Tangible fixed assets**	
		1.	Fixed assets	Tangible fixed assets
		2.	Fixed assets under construction	Tangible fixed assets
		3.	Advance payments on fixed assets under construction	Trading receivables and other receivables
	III		**Long-term receivables**	
		1.	From related entities	Trading receivables and other receivables
		2.	From other entities	Trading receivables and other receivables
	IV		**Long-term investments**	
		1.	Real property	Investment property
		2.	Intangible assets	Intangible assets
		3.	Long-term financial assets	Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)
		4.	Other long-term investments	Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)
	V		**Long-term prepayments and accruals**	
		1.	Deferred income tax assets	Deferred income tax assets
		2.	Other accruals and prepayments	Other fixed assets not elsewhere classified (including prepayments and accruals)
B			**Current assets**	
	I		**Inventories**	Inventories
	II		**Short-term receivables**	
		1.	Receivables from related entities a) trade receivables with a maturity of: b) other	Trading receivables and other receivables
		2.	Amounts due from other entities a) trade receivables with a maturity of:	Trading receivables and other receivables

	- up to 12 months	
	- over 12 months	
	b) receivables under taxes, subsidies, customs duties, social and health insurance, and other benefits	Trading receivables and other receivables; Current income tax receivables
	c) other	Trading receivables and other receivables
	d) receivables claimed in court	Trading receivables and other receivables
III	**Short-term investments**	
1.	Short-term financial assets	
	a) in related entities	Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)
	b) in other entities	Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)
	c) cash and other monetary assets	Cash and cash equivalents
2.	Other short-term investments	Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)
IV	**Short-term accruals**	Other current assets not elsewhere classified (including prepayments and accruals)
	TOTAL ASSETS	
	LIABILITIES	
A.	**Equity**	
I	**Share capital**	Issued share capital
II	**Called-up share capital**	Issued share capital
III	**Own shares (stocks)**	Issued share capital
IV	**Supplementary capital**	Other capitals
V	**Revaluation capital**	Other capitals
VI	**Other reserve capitals**	Other capitals
VII	**Retained profit (loss)**	
VIII	**Net profit (loss)**	Profits (losses) attributable to owners of the entity
IX	**Write-offs on net profit during the financial year**	Other capitals
B.	**Liabilities and provisions for liabilities**	
I	**Provisions for liabilities**	
1.	Provisions under deferred income tax	Provisions under deferred income tax
2.	Provisions for pensions and similar benefits	
	- long-term	Other provisions for long-term liabilities
	- short-term	Provisions for short-term liabilities
3.	Other provisions	
	- long-term	Other provisions for long-term liabilities
	- short-term	Provisions for short-term liabilities
II	**Long-term liabilities**	
1.	To related entities	Long-term trading and other liabilities; Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
2.	To other entities	
	a) credits and loans	Long-term financial liabilities, except for

	provisions, trading liabilities and other liabilities
b) under issue of debt securities	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
c) other financial liabilities	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
d) other	Long-term financial liabilities, except for provisions, trading liabilities and other liabilities
III Short-term liabilities	
1. To related entities	
A) under trade liabilities with a maturity of:	Trading and other liabilities
b) other	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
2. To other entities	
a) credits and loans	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
b) under issue of debt securities	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
c) other financial liabilities	Short-term financial liabilities, except for provisions, trading liabilities and other liabilities
d) trade liabilities with a maturity of:	Trading and other liabilities
e) advance payments received on supplies	Trading and other liabilities
g) under taxes, customs duties, insurance and other benefits to be paid	Trading and other liabilities; Income tax liabilities
h) under remuneration	Trading and other liabilities
i) other	Trading and other liabilities
IV Accruals and prepayments	
1. Negative goodwill	Liabilities directly related to fixed assets classified as held for sale
2. Other accruals and prepayments	Liabilities directly related to fixed assets classified as held for sale
TOTAL LIABILITIES	
A. Net revenues from sales of products, goods and materials, including:	Sales revenue
B. Costs of sold products, goods and materials, including:	Own cost of sales
C. Gross profit (loss) on sales (A-B)	**Gross profit from sales**
D. Costs of sales	Other costs of operating and investment activities
E. General administrative expenses	Other costs of operating and investment activities
F. Profit (loss) on sales (C - D - E)	
G. Other operating revenue	Other operating and investment activity revenue
H. Other operating costs	Other costs of operating and investment activities
I. Operating activity profit (loss) (F + G - H)	
J. Financial income	Other operating and investment activity revenue
K. Financial costs	Financial costs
L. Profit (loss) on the sale of all or part of shares	Other operating and investment activity revenue
O. Pre-tax profit (loss)	**Pre-tax activity profit (loss)**

P. Income tax	Income tax attributable to continuing activities
S. Net profit (loss) (N - O - P)	**Profit (loss) on continuing activities**
T. Other total income under:	
I. Financial assets available for sale	
II. Cash-flow hedges	net amount, broken down into components which will not be reclassified to profit and loss account and subsequently reclassified to profit and loss account
III. Other total income	
IV. Income tax related to income from other comprehensive income	
V. Total comprehensive income (S+T)	

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

The following new standards and amendments to standards were issued by the IASB and approved for application in the EU and came into force on 1 January 2018	Impact on financial statements / reference
IFRS 9 "Financial Instruments" - approved by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective Date of IFRS 15" - approved by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 2 "Financial Instruments" - Share-based payment classification and measurement (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Instruments" (effective for annual periods beginning on or after 1 January 2018 or at the moment of first application of IFRS 9 "Financial Instruments")	had no significant impact on the financial statements
Amendments to IFRS 15 "Revenue from Contracts with Customers" - Explanations to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IAS 7 "Statement of Cash Flows" - Initiative with respect to disclosures (effective for annual periods beginning on or after 1 January 2017)	had no significant impact on the financial statements
Amendments to IFRS 12 "Income Tax" - Recognition of deferred income tax assets from unrealised losses (effective for annual periods beginning on or after 01 January 2017)	had no significant impact on the financial statements
Amendments to IFRS 40 "Investment Real Property" - Carry-over of investment real property (effective for annual reporting periods commencing on or after 01 January 2018)	had no significant impact on the financial statements

Amendments to various standards “Improvements to IFRSs (2014-2016 cycle)” - changes made within the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mainly at resolving inconsistencies and clarifying vocabulary (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
IFRIC 22 Interpretation “Foreign Currency Transactions and Advance Payments” (applicable to annual periods beginning on or after 1 January 2018)	had no significant impact on the financial statements
Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the effective date of the changes was postponed until the completion of research on the equity method)	will not have any significant impact on the financial statements

The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2019	Impact on financial statements / reference
IFRS 16 “Leasing” (effective for annual reporting periods commencing on or after 1 January 2019)	will not have any significant impact on the financial statements
Amendments to IAS 28: “Investments in Associates” - measurement of long-term investments	will not have any significant impact on the financial statements
Annual amendment programme 2015 - 2017:	will not have any significant impact on the financial statements
- Amendments to IFRS 3 “Entity Mergers” - measurement of interests in joint operations at the time of obtaining control	will not have any significant impact on the financial statements
- Amendments to IFRS 11 “Joint Arrangements” - measurement of interests in joint operations at the time of obtaining joint control	will not have any significant impact on the financial statements
- Amendments to IAS 12 “Income Taxes” - recognition of tax consequences of dividend payments	will not have any significant impact on the financial statements
- Amendments to IAS 23: “Borrowing Costs” - classification of liabilities incurred specifically to obtain a qualifying asset when the activities necessary to prepare the asset for use or sale are completed	will not have any significant impact on the financial statements
Amendments to IAS 19 “Employee Benefits” - amendments to a defined benefit plan	will not have any significant impact on the financial statements
IFRIC 23 “Uncertainty Relating to the Recognition of Income Taxes”	will not have any significant impact on the financial statements

The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2020	Impact on financial statements / reference
Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - reform of the reference interest rate	will not have any significant impact on the financial statements
Amendments to IFRS 16 “Leasing” in connection with COVID-19	will not have any significant impact on the financial statements
Amendments to the scope of references to Conceptual Assumptions in IFRS	will not have any significant impact on the financial statements
Amendments to IFRS 3: “Business combinations” - definition of the project	will not have any significant impact on the financial statements
Amendments to IAS 1 and IAS 8 - the definition of “significant”	will not have any significant impact on the financial statements

The following new standards, amendments to standards and new interpretations have been issued by the IASB, not yet approved by the EU	Impact on financial statements / reference
IFRS 17 “Insurance Contracts”	will not have any significant impact on the financial statements
IFRS 14 “Regulatory Prepayments and Accruals”	will not have any significant impact on the financial statements
Changes to IAS 1 “Presentation of Financial Statements” – classification of liabilities as short-term or long-term - effective date postponement (effective for annual periods beginning on or after 1 January 2023);	will not have any significant impact on the financial statements
Amendments to IFRS 3 “Business Combinations”, IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions Contingent Liabilities and Contingent Assets” - effective for annual periods beginning on or after 1 January 2022	will not have any significant impact on the financial statements
2018 - 2020 change cycle - effective for annual reporting periods commencing on or after 1 January 2021	will not have any significant impact on the financial statements

XI. Notes to the consolidated financial statements.

Note 1 Tangible fixed assets

Ownership structure of fixed assets	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Own tangible fixed assets	25,968	26,498
Tangible fixed assets used under operating lease, rent, hire or similar	32,329	16,870
Total	**58,297**	**43,368**

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

There were no borrowing costs activated in tangible fixed assets.

Fixed assets used under a finance lease agreement	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Costs	50,014	33,111
Depreciation	-17,685	-16,241
Total	**32,329**	**16,870**

Fixed assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Fixed assets held for sale	TOTAL
As at 01/01/2019								
Costs	2,163	30,428	29,012	14,041	1,234			76,878
Depreciation and revaluation write-downs		-7,450	-16,534	-7,991	-1,162			-33,137
Net book value	**2,163**	**22,978**	**12,478**	**6,050**	**72**	-	-	**43,741**
Increases		72	1,840	3,314				5,226
including revaluation surplus								
Decreases	167	972	2,495	1,940	25			5,599
including amortisation								
Foreign exchange differences								
As at 31/12/2019								
Net book value	**1,996**	**22,078**	**11,823**	**7,424**	**47**	-	-	**43,368**
As at 01/01/2020								
Costs	**1,996**	**30,253**	**30,264**	**15,758**	**1,234**	**9**		**79,514**
Depreciation		-8,175	-18,441	-8,334	-1,187			-36,137
Revaluation write-downs								
Net book value	1,996	22,078	11,823	7,424	47	9		43,377
As at 31/12/2020								
Costs	1,982	29,943	40,160	23,219	1,150	145		96,599
Increases including:			13,033	7,818		363		21,213
- acquisition			13,033	7,818		363		21,213
-acquisition subsidiaries								
-revaluation surplus								
-carry-over								
- other								
Decreases, including:	-14	-310	-3,137	-358	-84	-226		-4,129
-sale	-14	-310	-3,137	-358	-84	-226		-4,129
-reallocation to the group held for sale								
- other								
Depreciation		**-8,661**	**-18,571**	**-9,951**	**-1,120**			**-38,302**

Increases including:		-796	-2,725	-1,737	-17			-5,274
– amortisation		-796	-2,725	-1,737	-17			-5,274
-acquisition subsidiaries								
- other								
Decreases		310	2,595	120	84			3,109
-sale		-310	2,595	120	-84			2,321
-reallocation to the group held for sale								
-carry-over								
- other								
Revaluation write-downs								
-revaluation write-downs								
-reversals of revaluation write-downs								
Foreign exchange differences								
Net value	**1,982**	**21,283**	**21,589**	**13,268**	**30**	**145**	**_**	**58,297**
assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Fixed assets held for sale	TOTAL

No oversize expenditures on fixed assets are planned for the upcoming reporting periods under the approved investment plans.

Note 2 Investment real property

Neither in the current nor in the previous reporting period, the entity did not have any investments in property.

However, the company has a capital commitment in subsidiaries for which property investment is a significant part of the activities.

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

The Consolidated Financial Statements of the JHM Development S.A. Group provide more detailed information on this item. JHM Development is a company listed on the Warsaw Stock Exchange and the financial statements of the Group are published on the website of the parent:

http://jhmdevelopment.pl/

Note 3 Intangible assets

Intangible asset ownership structure	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Own intangible assets	1,082	1,492
Intangible assets used under operating lease, rent, hire or similar		
Total	**1,082**	**1,492**

Costs of external financing capitalised in the value of intangible assets	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Interest		
Foreign exchange differences		
Other borrowing costs		
Total	-	-

Intangible assets used under a financial lease contract	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Costs		
Depreciation		
Total	-	-

	Costs of research and development	Goodwill	Plans and licenses	Other intangible assets	Advance payments for intangible assets	TOTAL
As at 01/01/2019						
Costs			3,377			3,377
Depreciation and revaluation write-downs			-1,600			-1,600
Net book value			1,777			1,777
Increases			131			131
including revaluation surplus						
Decreases			-416			-416
including amortisation			-416			-416
Foreign exchange differences						
As at 31/12/2019						
Net book value	-	-	**1,492**	-	-	**1,492**
as on 01/01/2020						
Costs			3,500			3,500
Depreciation			-2,017			-2,017
Revaluation write-downs						
Net book value	-	-	**1,484**	-	-	**1,484**
as on 31/12/2020						
Costs			**3,388**			**3,388**
Increases including:			17			17
- acquisition			17			17
-acquisition subsidiaries						
-revaluation surplus						
-carry-over						
- other						
Decreases, including:			-130			-130
-sale			-130			-130
-reallocation to the group held for sale						
- other						
Depreciation			**-2,306**			**-2,306**
Increases including:			-419			-419
– amortisation			-419			-419
-acquisition subsidiaries						
- other						
Decreases			130			130
-sale						
-reallocation to the group held for sale						
-carry-over						
- other						
Revaluation write-downs						
-revaluation write-downs						
-reversals of revaluation write-downs						
Foreign exchange differences						

Net value	-	-	**1,082**	-	-	**1,082**

The main component of intangible assets is the SAP system. The programme has a useful life of 20 years and its residual value is PLN 0.00.

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

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Capital investments in subsidiaries	429,943	380,892
Other		
Total	**429,943**	**380,892**

Capital investments in subsidiaries	JHM Development S.A	Kobylarnia S.A.	Expo Mazury S.A. w likwidacji	Marywilska 44 sp. z o.o.	Mirbud Ukraina Sp. z o.o.	**TOTAL**
As at 01/01/2019	**196,365**	**49,554**	**89,025**		**120**	**335,064**
Increases	15,404	24,800	5,480		145	**45,829**
Decreases						
Foreign exchange differences						
As at 31/12/2019	**211,769**	**74,354**	**94,505**		**265**	**380,893**
Increase under increase of shares in share capital						
Subsidies to capitals		4,215			51	**4,266**
Purchase of shares			43,357			**43,357**
Reversals of revaluation write-downs						
Re-qualification under obtaining control						
Re-qualification from other categories						
Other increases				76,500		**76,500**
Sale of shares in subsidiaries						
Revaluation write-downs						
Re-qualification under loss of control						
Connections with subsidiaries						
Re-qualification to other categories						
Other reductions			-75,073			**-75,073**
as at 31/12/2020	**211,769**	**78,569**	**62,789**	**76,500**	**316**	**429,943**

Basic financial data of the main directly controlled subsidiaries	JHM Development S.A	Kobylarnia S.A.	Expo Mazury S.A. w likwidacji
Total assets	404,556	238,411	97,543
Long-term liabilities	44,830	12,991	15,241
Short-term liabilities	47,855	72,168	31,427
Equity	310,513	50,664	125,947
Direct share in capital	100.00%	100.00%	99.99%
Share in equity (direct and indirect)	100.00%	100.00%	99.99%
Sales revenue	115,075	310,747	4,683
Net profit (loss)	14,568	1,717	20,911
Total income for the net financial year	14,568	1,717	20,911
Total net cash flows	12,182	43,346	19,928

Basic financial data of main, indirectly controlled subsidiaries	Marywilska 44 Sp. z o.o.	JHM 1 Sp. z o.o.	JHM 2 Sp. z o.o.
Total assets	421,194	19,145	14,881
Long-term liabilities	160,490	6,408	3,334
Short-term liabilities	36,159	702	466
Equity	214,631	11,804	10,971
Share in equity (direct and indirect)	100.00%	100.00%	100.00%
Sales revenue	30,558	1,066	777
Net profit (loss)	56	637	585
Total income for the net financial year	56	637	585
Total net cash flows	727	-105	-8

Note 5 Investments measured using the equity method.

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

Note 6 Trading and other receivables.

Trading and other receivables	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Long-term receivables	-	-
trade receivables from related entities		
trade receivables from other entities		
other receivables from related entities		
other receivables from other related entities		
Short-term receivables	**193,880**	**153,894**
trade receivables from related entities	21,708	17,951
trade receivables from other entities	92,652	59,479
retained amounts under execution of contracts from related entities		
retained amounts under execution of contracts from other entities	61,836	18,276
other receivables from related entities		
other receivables from other entities	8	12
amounts transferred for deliveries	13,854	2,396
budget receivables except for corporate income tax settlements		
disputed receivables brought before the court	3,822	15,500
accrual of receivables under settlement of long-term contracts		40,280
Total	**193,880**	**153,894**

Age structure of short-term receivables	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Gross trade receivables	**216,291**	**158,860**
not overdue	180,005	119,827
payable up to 1 month	83,787	46,547
payable from 1 to 3 months	34,381	13,922
payable from 3 to 12 months	61,836	58,556
payable from 1 to 5 years		
past due up to 1 month	1,126	12,784

past due from 1 to 3 months	12,845	4,182
past due from 3 to 6 months	34	1,954
past due from 6 to 12 months	532	147
past due over 12 months	21,750	20,767
receivables in respect of which credit risk has significantly increased	-563	-563
receivables revaluation write-down	-21,848	-4,402
Net trade receivables	**193,880**	**153,894**

MIRBUD S.A made a revaluation write-down on receivables of FABRYKA BIZNESU Sp. z o.o., RADMAX P Sp. z o.o. Sp. Komandytowo Akcyjna, F-Group Sp. z o. o. Sp. Komandytowo Akcyjna in the total amount of PLN 20,740 thousand.

Receivables revaluation write-downs	Trade receivables	Disputed receivables	Other	Total
As at 01/01/2019	-	-	-	-
Increases				
Releases				
Utilisation				
As at 31/12/2019	**-4,402**	-	-	**-4,402**
Increases	-16,338		-1,671	-18,009
Releases				
Utilisation				
as at 31/12/2020	**-20,740**	-	**-1,671**	**-22,411**

Revaluation write-downs in respect of credit losses.

Historical data indicates that the Company incurs credit losses on receivables of approx. 1% of their gross value.

Revaluation write-downs in respect of item whose credit risk has significantly increased

This item includes:
- receivables from contractors at risk of bankruptcy
- receivables overdue more than 12 months unless there are circumstances which indicate a high probability of recovering the receivables

In 2020, the Company made a revaluation write-down on receivables of PLN 20,740 thousand. All trade receivables for which there was little likelihood of recovery at the balance sheet date were included in the write-down.
As a result of a pending inspection by the Tax Inspection Authority as to the correctness of corporate income tax settlement for 2011, MIRBUD S.A. received a decision from the Łódź Tax Authority, in which the amount of tax arrears amounted to PLN 1,108 thousand. and due interest for this period.

MIRBUD S.A. appealed against the decision of the Łódź Tax Authority and due to the uncertainty of the final outcome of the pending appeal proceedings, a revaluation write-down was created for the above amount.

Note 7 Biological assets.

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

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

Other assets	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Other long-term assets	**275**	**97**
Long-term cost prepayments	275	97
Other long-term assets not elsewhere classified		
Other short-term assets	**959**	**627**
Short-term cost prepayments	959	627
Other short-term assets not elsewhere classified		
Total	**1,235**	**724**

Note 9 Inventories.

Inventories	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Materials	30	657
Semi-finished products and work in progress		
Finished products	15	13
Goods	7,775	7,775
Developer contracts		
Total	**7,820**	**8,445**

Inventory revaluation write-downs	Materials	Semi-finished products and work in progress	Finished products	Goods	Developer contracts
As at 01/01/2019	-	-	-	-	-
Increases					
Releases					
Utilisation					

As at 31/12/2019	-	-	-	-	-
Increases					
Releases					
Utilisation					
as at 31/12/2020	-	-	-	-	-

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

Note 10 Cash and cash equivalents.

Cash and cash equivalents	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Cash on hand and with banks	92,543	21,553
including: funds accumulated on the split payment account	22,069	5,264
Term deposits	121,381	67,449
Other monetary assets		
Total	**213,924**	**89,001**

Term deposits in the amount of PLN 96,871 thousand available for the execution of infrastructure contracts - construction of a section of the A1 motorway and construction of a section of the S1 express way (Węgierska Górka bypass).

Term deposits in the amount of PLN 24,510 thousand are interest-bearing funds constituting a construction contract performance security and hedge of repayment of advances received from investors.
As a result, they are limited in their use.

Note 11 Fixed assets held for sale and liabilities related to them.

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

Note 12 Capitals.

Capitals and liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Issued share capital	9,174	9,174
Retained earnings attributable to the shareholders of the parent	148,770	143,219
Write-downs from net profit during the financial year concerning the shareholders of the parent		
Accumulated other income attributable to the shareholders of the parent		
Other capitals attributable to the shareholders of the parent	115,103	115,103
Net profit (loss) attributable to the shareholders of the parent	19,425	7,386
Foreign exchange differences on translation		
Capital attributable to non-controlling shares		
Total	**292,473**	**274,883**

On 11 September 2019, the National Court Register - Register of Entrepreneurs registered the increase in the Company's share capital as a result of acquisition by eligible persons of 2,873,947 series J ordinary bearer shares. The Company informed about the indicated acquisition of shares and increase of the share capital in the current report No. 37/2019 of 12 July 2019. The share capital increase disclosed in the National Court Register took place as part of the conditional share capital increase, on the basis of the authorisation contained in Resolution No. 5/2019 of the Extraordinary General Meeting of 17 May 2019 and § 10A of the Company's Articles of Association. The amount of the share capital after the share capital increase was PLN 8,536,644.70 and is divided into 85,366,447 shares. The share capital disclosed in the National Court Register was divided into shares with a nominal value of PLN 0.10 each. The total number of votes resulting from all issued shares disclosed in the National Court Register was 85,366,447 votes at the General Meeting of Shareholders.

On 30 September 2019, 6,377,753 series K shares were registered by the National Depository for Securities and issued to the person who acquired the series K shares as part of the conditional capital increase by recording them on the securities account. In connection with the issuance of series K shares, the share capital was increased from PLN 8,536,644.70 to PLN 9,174,420, i.e. by PLN 637,775.30.

Following the issuance of series K shares, the Company's share capital is divided into 91,744,200 ordinary bearer shares with a nominal value of PLN 0.10 each, entitling to 200 votes at the General Meeting of Shareholders.

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

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other shareholders
As at 31/12/2019			
Owned ordinary shares	40,937,453	10,281,837	40,524,910
Preference shares held			
Share in capital	44.62%	11.21%	44.17%
Share in gain	44.62%	11.21%	44.17%
Share in voting	44.62%	11.21%	44.17%
As at 31/12/2020			
Owned ordinary shares	41,271,064	10,281,000	40,192,136
Preference shares held			
Share in capital	44.98%	11.21%	43.81%
Share in gain	44.98%	11.21%	43.81%
Share in voting	44.98%	11.21%	43.81%
Balance as at the date of approval of financial statements for publication			
Owned ordinary shares	41,271,064	10,281,000	40,192,136
Preference shares held			
Share in capital	44.98%	11.21%	43.81%
Share in gain	44.98%	11.21%	43.81%
Share in voting	44.98%	11.21%	43.81%

Note 13 Provisions.

Provisions	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Long-term provisions	**103**	**125**
provisions for retirement benefits	103	125
other long-term provisions		
Short-term provisions	**1,814**	**1,627**
provisions for retirement benefits	783	596
provisions for warranty repairs	1,000	1,000
provisions for losses under settlements of long-term contracts		
other short-term provisions	31	31
Total	**1,917**	**1,751**

Note 14 Financial liabilities, except for provisions, trading liabilities and other liabilities.

Bank loans and credits and other debt instruments	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	**55,687**	**78,996**
Financial liabilities due to related entities		
Loans and credits from other entities	38,498	71,641
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	17,189	7,354
Other		
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	**62,561**	**51,308**
Financial liabilities due to related entities		
Loans and credits from other entities	55,678	48,019
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	6,884	3,290
Other		
Total	**118,248**	**130,304**

Debt instruments structure	in thousand PLN					
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	Total
As at 01/01/2019	**117,754**	-	-	**10,122**	-	**127,876**
Accrued interest	6,334			440		6,774
Interest paid	-6,246			-440		-6,686
Drawdown	16,426			4,012		20,438
Repayment	-14,520			-3,490		-18,010
Average liability level	118,707			10,383		129,090
Real interest rate	5.34%			4.24%		5.25%
As at 31/12/2019	**119,660**	-	-	**10,644**	-	**130,304**
minimum payments up to 1 month	880			262		1,142
minimum payments from 1 to 3 months	1,760			515		2,275
minimum payments from 3 to 12 months	45,379			2,327		47,706
minimum payments within 1 year	48,019			3,104		51,123
minimum payments within 1 to 5 years	71,641			7,018		78,659
minimum payments over 5 years						
interest due up to 1 year	6,385			451		6,836
interest due from 1 to 5 years	15,291			1,717		17,008
interest due over 5 years						
Approximate fair value	102,423			6,397		107,940
as on 01/01/2020	**119,660**			**10,644**		**130,304**
Accrued interest	5,000			631		5,631
Interest paid	-5,000			-631		-5,631
Drawdown	19,978			20,010		39,989
Repayment	-45,462			-6,582		-52,044
Average liability level	106,918			17,358		124,276
Real interest rate	4.68%			3.63%		4.53%
As at 31/12/2020	**94,176**			**24,072**		**118,248**
minimum payments up to 1 month	1,995			504		2,499
minimum payments from 1 to 3 months	6,944			1,511		8,455
minimum payments from 3 to 12 months	37,235			4,440		41,675
minimum payments within 1 year	46,175			5,589		51,764
minimum payments within 1 to 5 years	49,938			7,993		57,930
minimum payments over 5 years						
interest due up to 1 year	4,405			875		5,279
interest due from 1 to 5 years	16,319			3,279		19,598
interest due over 5 years						
Approximate fair value	96,754			12,414		107,173

Liabilities under credits and loans of MIRBUD S.A. as at 31/12/2020

Name of the entity	Obliged entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	10,000	PLN			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 mortgage on property
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 Agency	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, mortgage
KUKE Finanse	MIRBUD S.A.	5,000	PLN		5,000			
Total credits and loans				**40,438**	**55,675**	**96,113**		

As at 31/12/2020, credits and loans were measured at amortised cost. As a result of the measurement carried out, the value of the liability for credits and loans was reduced by PLN 1,939 thousand.

Note 15 Trading liabilities and other liabilities.

Trading and other liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Long-term liabilities	**228,782**	**112,075**
Trade liabilities to related entities		
retained amounts to related entities		
Other liabilities due to related entities		
Trade liabilities to other entities		
Retained amounts to other entities	58,209	42,400
advances received	170,574	69,675
Short-term liabilities	**256,538**	**150,329**
Trade liabilities to related entities	128	9,379
retained amounts to related entities		
Other liabilities due to related entities	15,985	
Trade liabilities to other entities	205,784	94,500
Liabilities under settlement of long-term contracts		
Advances received	16,639	5,950
Bills of exchange liabilities		
Budget liabilities except for corporate income tax settlements	2,130	19,894
Remuneration settlements	2,383	1,737
Retained amounts to other entities	13,488	18,868
Other liabilities due to other entities		1
Total	**485,320**	**262,404**

Age structure of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Trade liabilities	**485,320**	**262,404**
not overdue	**482,139**	**236,580**
payable up to 1 month	188,974	79,243
payable from 1 to 3 months	30,620	20,444
payable from 3 to 12 months	30,927	24,818
payable from 1 to 5 years	231,618	112,075
past due, including:	**3,182**	**25,824**
past due up to 1 month	2,678	18,987
past due from 1 to 3 months	504	6,837
past due from 3 to 6 months		
past due from 6 to 12 months		
past due over 12 months		
Total overdue	**3,182**	**25,824**

Note 16 Other current liabilities and reserves not elsewhere classified (including accruals and prepayments)

Other liabilities and non-classified provisions, including accruals and prepayments	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Long-term	-	-
Revenue settled in time		
Cost prepayments		
Other items		
Short-term	**36**	**1,482**
Revenue settled in time		
Cost prepayments	36	1,482
Other items		
Total	**36**	**1,482**

Note 17 Sales revenues

Structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Net revenue from sales of products and services	**848,766**	**548,782**
- to related entities	91,061	107,410
- to other entities	757,706	441,372
Net revenue from sales of goods		
- to related entities		
- to other entities		
Net revenue from sales of materials	**4,416**	**2,647**
- to related entities		
- to other entities	4,416	2,647
Total	**853,182**	**551,429**

Geographical structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Net revenue from sales of products and services	**848,766**	**548,782**
- domestic sales	848,766	548,782
- export sale		
Net revenue from sales of goods		
- domestic sales		
- export sale		
Net revenue from sales of materials	**4,416**	**2,647**
- domestic sales	4,416	2,647
- export sale		
Total	**853,182**	**551,429**

Settlement of profits or losses on long-term services in progress	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Revenue invoiced for services in progress	895,145	349,713
Adjustment of revenue under the settlement of the progress of construction services	-44,150	40,280
Total	850,995	389,993
Costs incurred for services in progress	-771,656	-331,749
Adjustment of costs under the settlement of the progress of construction services		
Total	-771,656	-331,749
Losses on contracts in progress		
Impact on the current financial result	**-44,150**	**40,280**
Impact on the accumulated results of contracts unfinished as at the balance-sheet date	**79,339**	**58,245**

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

Note 18 Own cost of sales

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Production cost of products sold	**-780,951**	**-507,140**
- to related entities	-83,208	-114,256
- to other entities	-697,743	-392,883
Value of goods sold		
- to related entities		
- to other entities		
Value of materials sold	**-4,365**	**-2,644**
- to related entities		
- to other entities	-4,365	-2,644
Total	**-785,316**	**-509,784**

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Production cost of products sold	**-780,951**	**-507,140**
- own costs of domestic sales	-780,951	-507,140
- own costs of export sales		
Value of goods sold		
- own costs of domestic sales		
- own costs of export sales		
Value of materials sold	**-4,365**	**-2,644**
- own costs of domestic sales	-4,365	-2,644
- own costs of export sales		
Total	**-785,316**	**-509,784**

Cost structure by types	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Amortisation	-5,693	-4,537
Consumption of materials and energy	-121,358	-57,904
Outsourcing	-616,171	-404,583
Taxes and fees, including:	-1,328	-982
Remunerations	-36,137	-26,457
Social insurance and other benefits	-6,460	-4,829
Other costs by type	-17,799	-28,525
Value of goods and materials sold	-4,365	-2,644
Manufacturing cost of products for internal purposes	-327	
Total	**-809,638**	**-530,459**

Recognition of costs by type in the financial statements	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
In own costs of sales	-785,316	-509,784
In the change of balance of assets		392
In costs of sales		
In general overheads	-24,322	-21,068
In other items		
Total:	**-809,638**	**-530,459**

Note 19 Shares in profits or losses of associates and joint ventures accounted for in accordance with the equity method

The item did not occur in the current and previous financial year.

Note 20 Other revenue and costs

Other revenue and costs of operating and investment activities	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Costs of sales		
Overheads	-24,322	-21,068
Revaluation write-downs of non-investment assets	-15,073	-4,205
Reversal of revaluation write-downs of non-investment assets		
Restructuring costs		
Court proceedings settlement result	241	
Result of sale of non-investment fixed assets	829	798
Revenue from revaluation of investment property		
Costs under revaluation of investment property		
Result of sale of investment property		
Result of sale of all or part of subordinate entities		
Result of sale of other financial investments		
Dividends		
Interest, sureties	4,595	3,949
Result of revaluation of other financial investments measured at fair value through financial result		
Result of measurement of investments recognised using the equity method		
Revaluation write-downs of other financial assets		
Reversal of write-downs on other financial assets		
Foreign exchange differences of operating and investment activities	3,264	-1,248
Other revenue	2,929	2,453
Other costs	-6,070	-3,342
Total revenue	**11,857**	**7,201**
Total costs	**-45,465**	**-29,863**

Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Revenue from increase in the value of investments measured according to the equity method		
Costs under decrease in the value of investments measured under the equity method		
Total		

The above items did not occur.

Structure of revaluation write-downs of non-investment assets	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Tangible fixed assets		
-revaluation write-down created		
-revaluation write-down reversal		
Intangible assets		
-revaluation write-down created		
-revaluation write-down reversal		
Receivables		
-revaluation write-down created	-22,411	-4,965
-revaluation write-down reversal		
Inventories		
-revaluation write-down created		
-revaluation write-down reversal		
Fixed assets held for sale		
-revaluation write-down created		
-revaluation write-down reversal		
Other		
-revaluation write-down created		
-revaluation write-down reversal		
Total asset revaluation write-offs	**-22,411**	**-4,965**
Total reversal of revaluation write-downs	-	-

The above items did not occur.

Revenue and costs from investment property	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Revenue from sales to related entities		
Revenue from sales to other entities		
Own costs of sales for related entities		
Own costs of sales for other entities		
Increase of fair value of investment real property		
Decrease of fair value of investment property		
Result on investments in property		

The above items did not occur.

Revenue and costs from financial investments	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Dividends to related entities		
Dividends to other entities		
Interest to related entities	2,115	3,786
Interest to other entities	2,480	163
Revenue from the sale of all or part of subordinate entities		
Own cost of sales of all or part of subordinate entities		
Revenue from increase in the value of derivative instruments		
Costs under decrease of value of derivative instruments		
Revenue from ineffective hedging instruments		
Costs from ineffective hedging instruments		
Reversal of write-downs on other financial assets		
Revaluation write-downs of other financial assets		
Revenue from increase in investments measured at fair value through profit or loss		
Costs under decrease of investments measured at fair value through financial result		
Foreign exchange profits		
Foreign exchange losses		
Results of financial investment activities	**4,595**	**3,949**

Other revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Subsidies received	46	172
Other revenue from other entities - re-invoices	1,418	1,546
Other revenue from other entities	1,465	735
Total	**2,929**	**2,453**

Other costs	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Other costs from related entities		
Other costs from other entities - re-invoices	-1,418	-1,546
Other costs from other entities	-4,652	-1,796
Total	**-6,070**	**-3,342**

Note 21 Financial costs.

Financial costs	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Interest on credits		-4,667	-5,855
Interest on loans from related entities			
Interest on loans from other entities			
Interest on bonds for related entities			
Interest on bonds for other entities			
Interest on liabilities under finance lease agreements from related entities			
Interest on liabilities under finance lease agreements from other entities		-631	-440
Other interest for related entities		-2,659	-1,663
Other interest for other entities		-588	-351
Valuation of equity instruments			
Interest under factoring contracts		-333	-479
Foreign exchange differences on financial liabilities			
Other financial costs for related entities			
Other financial costs for other entities		-793	-611
Total financial costs		**-9,671**	**-9,399**

Note 22 Income tax.

Income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Income tax current part	-17,021	-3,377
Income tax deferred part	11,859	1,179
Other tax burdens on the financial result		
Adjustments relating to previous years		
Total income tax	**-5,162**	**-2,198**

Reconciliation of the effective tax rate	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Pre-tax profit (loss)	24,587	9,584
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-4,672	-1,821
Tax effect of the received dividend		
Tax exemptions		
Assets under tax loss for the reporting period not recognised in deferred tax		
Tax effect of other revenue and costs permanently not constituting revenue and tax costs	-490	-377
Other		
Income tax in the profit and loss account	**-5,162**	**-2,198**

Deferred tax	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Deferred tax asset	**14,567**	**3,936**
- for provisions for employee benefits	168	113
- for other provisions	196	2,452
- on account of accrued interest		
- for write-downs on current assets	947	787
- on account of investment valuation		
- for settlement of construction contracts	8,389	
- for losses from previous years		
- under tax and balance sheet differences in the value of fixed assets and lease contracts	4,574	
- under foreign exchange differences		
- other	293	584
Deferred tax liability	**7,880**	**9,108**
- on account of accrued interest	211	703
- on account of investment valuation		
- for settlement of construction contracts		4,472
- under tax and balance sheet differences in the value of fixed assets and lease contracts	6,642	3,848
- under foreign exchange differences	440	
- for goodwill		
- other	588	85
Net deferred income tax assets (Provision)	**6,687**	**-5,172**

Net deferred income tax assets (Provision)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Deferred net income tax assets (provisions) at the beginning of the period	**-5,172**	**-6,351**
Reference to financial result	11,860	1,179
Reference to other total income		
Other reference to equity		
Subsidiaries		
Deferred net income tax assets (provisions) at the end of the period	**6,687**	**-5,172**

Receivables (income tax liabilities)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Opening balance of receivables (income tax liabilities)	**-1,822**	**-492**
Payment (refund) of income tax	3,970	2,047
Current income tax accrual	-17,021	-3,377
Receivables (liabilities under deferred income tax) at the end of the period	**-14,873**	**-1,822**

Note 23 Other comprehensive income.

Other total income	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Components which will not be subsequently reclassified to the profit and loss account		
Exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on items not be carried forward in later periods		
Components which will be reclassified into profit or loss when certain conditions are met		
Effects of valuation of financial instruments by other total income		
Effective part of hedge accounting		
Effects of revaluation of fixed assets		
Carry-over to the report on profit and loss account		
Income tax related to the items presented in other comprehensive income		
Other total net income	-	-
Assigned to non-controlling shares		
Assigned to the owners of the parent	-	-

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

Note 24 Earnings per share (EPS).

Earnings per share	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Profit (loss) on continued operations attributable to owners of the parent	19,425	7,386
Profit (loss) on discontinued operations attributable to owners of the parent		
Total	**19,425**	**7,386**
Weighted average number of ordinary shares in thousands of pieces	**91,744**	**91,744**
Basic gain per share	**0.21**	**0.08**
Costs of interest on convertible bonds (net of tax)		
Gain (loss) to determine diluted earnings per share	**19,425**	**7,386**
Share options issued in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces	**91,744**	**91,744**
Diluted earnings per share	**0.21**	**0.08**

Note 25 Operating segments

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. The Issuer's activity focuses on the provision of construction and assembly services, therefore, for the purposes of these financial statements, operating segments are not presented. In the Capital Group, where the Issuer is a parent, operating segments are distinguished. Within this division, the Issuer's activity is assigned to the construction and assembly services segment.

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

Selected items of the profit and loss account for segments in PLN thousand in the reporting period	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020
Continued activities	-	-	-	-	-	-	-	-
Sales revenue	**845,542**				**7,640**	**853,182**		**853,182**
Own cost of sales	-775,721				-9,596	-785,316		-785,316
Gross profit from sales	**69,821**				**-1,956**	**67,866**		**67,866**
EBIT	36,214				-1,956	34,258		34,258
Pre-tax activity profit (loss)	**26,543**				**-1,956**	**24,587**		**24,587**
Income tax attributable to continuing activities	-5,534				372	-5,162		-5,162
Profit (loss) on continuing activities	**21,009**				**-1,584**	**19,425**		**19,425**
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**21,009**	-	-	-	**-1,584**	**19,425**	-	**19,425**
Assigned to the owners of the parent	**21,009**	-	-	-	**-1,584**	**19,425**	-	**19,425**

Concentration of recipients by business activity segments	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020
Recipient 1	**335,859**					**335,859**		**335,859**
Recipient 2	83,084					83,084		83,084
Recipient 3	**70,067**					**70,067**		**70,067**
TOTAL	**489,010**					**489,010**		**489,010**

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Fixed assets	504,164					**504,164**		**504,164**
Current assets	416,583					**416,583**		**416,583**
Total assets	**920,747**	-	-	-	-	**920,747**	-	**920,747**
Equity	**292,473**					**292,473**		**292,473**
Long-term liabilities and provisions for liabilities	292,453					**292,453**		**292,453**
Short-term liabilities and provisions for liabilities	**335,821**					**335,821**		**335,821**
Total capitals and liabilities	**920,747**	-	-	-	-	**920,747**	-	**920,747**

Selected items of the profit and loss account for segments in PLN thousand in the comparative period	Construction and assembly activity	Real estate development activity	Activities connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019
Continued activities	-	-	-	-	-	-	-	-
Sales revenue	**549,419**				**2,010**			**551,429**
Own cost of sales	-507,226				-2,557			-509,784
Gross profit from sales	**42,193**				**-548**			**41,645**
EBIT	19,530				-548			18,983
Pre-tax activity profit (loss)	**10,131**				**-548**			**9,584**
Income tax attributable to continuing activities	-2,302				104			-2,198
Profit (loss) on continuing activities	**7,829**				**-444**			**7,386**
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**7,829**	-	-	-	**-444**	-	-	**7,386**
Assigned to the owners of the parent	**7,829**	-	-	-	**-444**	-	-	**7,386**

Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period	Construction and assembly activity	Real estate development activity	Activities connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019	31/12/2019
Fixed assets	429,787					429,787		429,787
Current assets	**251,967**					**251,967**		**251,967**
Total assets	**681,754**	-	-	-	-	**681,754**	-	**681,754**
Equity	**274,883**					**274,883**		**274,883**
Long-term liabilities and provisions for liabilities	200,304					200,304		200,304
Short-term liabilities and provisions for liabilities	**206,567**					**206,567**		**206,567**
Total capitals and liabilities	**681,754**	-	-	-	-	**681,754**	-	**681,754**

Concentration of recipients by business activity segments	Construction and assembly activity	Real estate development activity	Activity connected with lease of investment property	Exhibition and trade fair activity	Other	Total	Exclusions	Total after interlinking
	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:	For the period:
	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019	from 01/01/2019 to 31/12/2019
Recipient 1	**94,165**					**94,165**		**94,165**
Recipient 2	**49,882**					**49,882**		**49,882**
Recipient 3	**46,117**					**46,117**		**46,117**
TOTAL	**190,164**					**190,164**		**190,164**

Note 24 Transactions with related entities.

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital connections		Members of the Management Board and Supervisory Board and key personnel	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sales revenue	91,061	107,410						
Revenue from the sale of fixed assets	1							
Revenue from interest	2,115	3,786						
Other revenue								
Acquisition of inventories and other costs capitalised at the value of current assets								
Acquisition of services and other operating costs	-3,960	-840						
Acquisition of fixed assets								
Cost of interest	-2,659	-1,663						
Other costs								
Loans received								
Loans granted								
Costs of remuneration							-4,685	-3,946
Loan receivables								
Trading and other receivables	21,708	17,951						
Liabilities on account of loans								
Trading and other liabilities	-16,113	-9,379						

Remuneration of key personnel	Entity	Position	Remunerations		Loans granted to key personnel	
			in PLN thousand		in PLN thousand	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019
Jerzy Mirgos	MIRBUD S.A.	President of the Management Board	1,278	1,122		
Sławomir Nowak	MIRBUD S.A.	Vice-President of the Management Board	1,139	990		
Paweł Korzeniowski	MIRBUD S.A.	Member of the Management Board	846	660		
Tomasz Sałata	MIRBUD S.A.	Member of the Management Board	839	647		
Ewa Przybył	MIRBUD S.A.	Proxy	358	313		
Wiesław Kosonóg	MIRBUD S.A.	Chairman of the Supervisory Board	37	21		
Waldemar Borzykowski	MIRBUD S.A.	Deputy Chairman of the Supervisory Board	36	36		
Agnieszka Maria Bujnowska	MIRBUD S.A.	Secretary of the Supervisory Board	36	36		
Hubert Bojdo	MIRBUD S.A.	Member of the Supervisory Board	30	30		
Andrzej Zakrzewski	MIRBUD S.A.	Member of the Supervisory Board	30	30		
Wiktoria Braun	MIRBUD S.A.	Member of the Supervisory Board	31	16		
Artur Sociński	MIRBUD S.A.	Member of the Supervisory Board	24			
Krystyna Lachowicz	MIRBUD S.A.	Member of the Supervisory Board		17		
Dariusz Jankowski	MIRBUD S.A.	Chairman of the Supervisory Board		28		
Total			**4,685**	**3,946**		

Note 26 The auditor's remuneration.

Statutory Auditor's remuneration	in PLN thousand	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Remuneration for the audit of the individual and consolidated financial statements	31	31
Remuneration for the interim review of the separate and consolidated financial statements	21	19
Other services		
Total	**52**	**50**

Note 27 Financial instruments.

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 31/12/2019
Loans granted	-	-	-	-			-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other receivables					193,880	153,894		
Cash and cash equivalents					213,924	89,001		
Other financial assets								
Total financial assets	-	-	-	-	**407,804**	**242,896**	-	-
Revenue from dividends								
Revenue from interest	-	-	-	-	4,595	3,949	-	-
Foreign exchange profits (losses)					3,264	-1,248		
Reversal (creation) of write-downs	-	-	-	-			-	-
Profits (losses) on measurement and implementation								
Profits (losses) on derivative instruments	-	-	-	-			-	-
Total impact of financial assets on the profit and loss account	-	-	-	-	**7,859**	**2,701**	-	-

Financial liabilities according to IAS 39	Equity instruments		Measured at fair value by financial result		Measured at amortised cost		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Credits	-	-	-	-	118,248	130,304	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other liabilities					485,320	262,404		
Other financial liabilities								
Total financial liabilities	-	-	-	-	**603,568**	**392,708**	-	-
Interest	-	-	-	-	-5,000	-6,334	-	-
Foreign exchange profits (losses)								
Profits (losses) on measurement and implementation	-	-	-	-	-	-	-	-
Profits (losses) on derivative instruments								
Total impact of financial liabilities on the profit or loss account	-	-	-	-	**-5,000**	**-6,334**	-	-

Financial instruments according to the fair value hierarchy	Level I		Level II		Level III	
	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Assets	-	-	-	-	-	-
Derivative financial instruments in assets	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial assets	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial liabilities	-	-	-	-	-	-

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

Note 28 Errors related to previous reporting periods.

No material errors were found in the previous reporting period.

Note 29 Transactions with non-controlling shareholders.

This item does not exist

Note 30 Business mergers.

There were no business mergers in the current period.

Note 31: Significant planned capital expenditures.

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

Note 32 Material events after the balance-sheet date.

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

Note 33 Employment structure.

Employment structure	full-time equivalent	
	For the period: from 01/01/2020 to 31/12/2020	For the period: from 01/01/2019 to 31/12/2019
Non-production employees	212	163
Production employees	165	137
Employees under contractual agreements	124	90
Total	**501**	**390**

Note 34 Dividends declared and paid.

Shares of all series are ordinary shares, one share entitles to one vote at the General Meeting of Shareholders. Shares of all series carry the same right to dividend and return on capital. As at the balance-sheet date, there were no dividend restrictions.
The Issuer did not declare or pay any dividends in the current or comparative period.

Note 35 Effects of de-mergers, restructuring and discontinued activities

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

Note 36 Limitations on disposition and collaterals established on assets.

Title of collateral	Type of collateral	Value of debt	Value of collateral in PLN thousand		Balance sheet value of the object of collateral in PLN thousand		expiry date
		As at:	As at:	As at:	As at:	As at:	
		31/12/2020	31/12/2020	31/12/2019	31/12/2020	31/12/2019	dd/mm/yyyy
Hedge for credit 202-129/3/II/2/2008	mortgage	3,294	26,700	26,700	21,283	22,078	01/03/2023
Total	-	**3,294**	**26,700**	**26,700**	**21,283**	**22,078**	-

Assets as security of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Tangible fixed assets	21,283	22,078
Investment property		
Financial assets		
Intangible assets		
Other assets		
Total	**21,283**	**22,078**

Note 37 Judicial cases.

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

Note 38 Contingent liabilities.

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		surety expiry date
		As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 31/12/2019	
To related entities	-	-	-	-	-	-
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.	Collateral for the Santander Bank Polska 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. w likwidacji	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
To other entities	-	-	-	-	-	-
Total	- -	**237,533**	**338,147**	**56,993**	**92,527**	-

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 advance return guarantee	177,130	92,377
Total	**586,422**	**456,289**

Note 39 Objectives and principles of risk management.

Risk of significant changes in interest rates

The Company to a large extent uses bank credits to finance its 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 considers the possibility of concluding interest rate hedging transactions (interest rate swaps - IRS strategy, CIRS).

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				
Total	**118,248**	**130,304**	-	-

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		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at:	increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
	31/12/2020				
Liabilities under credits and loans	118,248	-958	958	1,182	-1,182
Loans granted					
Other financial assets					
Other financial liabilities					
Total	**118,248**	**-958**	**958**	**1,182**	**-1,182**

Risk of changes in foreign exchange rates

In 2020, MIRBUD S.A. generated approx. 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 revenues and profits. In order to minimise the exchange rate risk, in previous years the Company hedged the exchange rate level by entering into FORWARD-type transactions. At present, the

Management Boards of the Companies assess the currency risk as low and do not hedge the currency exchange rate.

Items exposed to change in foreign exchange rates	EUR		USD		Other	
	As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 31/12/2019	As at: 31/12/2020	As at: 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						
Total	**9,375**	**4,801**	**-**	**-**	**-**	**-**

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

In order to carry out the analysis of sensitivity to changes in exchange rates, based on historical changes in value and on the Company's knowledge and experience of financial markets, the changes in exchange rates which are “realistically possible” were estimated at the level of -10%/+10% as at 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)		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at: 31/12/2020	increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
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	313	-313
Other financial assets					
Total	**9,375**	**759**	**-759**	**938**	**-938**

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

Revenues of MIRBUD S.A. are earned in full on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an impact on the financial results achieved by the Company and the entire development sector: GDP growth rate, unemployment rate, inflation rate, real wage growth rate, level of investments, level of changes in household income, level of reference interest rates and the development of exchange rates and budget deficit.
Possible negative changes in the stability of the macroeconomic situation and general economic situation of Poland may have a negative impact on the activity, financial situation or development prospects of the Company.

Risk related to the economic situation 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 Company.
The Management Board observed a gradual increase in the number of investments in the segment of industrial and commercial buildings, as well as the road construction segment.

Risk related to competition in the construction industry

Stagnation and slowdown of economic growth in many European Union countries cause an increase in the number of competing entities on the Polish market, which, with the slowdown of Polish economic growth and the number of investments carried out in the country, translates into an increase in competition and pressure to reduce margins on construction contracts.
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 Board of the Company, based on its many years of experience, tries to build a portfolio of contracts that would enable it to achieve an appropriate financial result.

Risk related to changes in provisions of the law, in particular in 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 Company's operations, financial situation or its development prospects.

Risk related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the real 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 Company's activities, financial position or its development prospects.

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 Company's 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 Company's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Company'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 in the areas where the Company operates.

and a number of factors of a specific nature, such as:

- reduced availability of bank financing for development and commercial projects,
- other operational risks described in these statements.

The Company makes every effort to ensure that the assumed strategy is implemented and tries to analyse all market and industry factors on an ongoing basis which have and may have an effect on the implementation of the strategy. The factors described above may result in the Company being unable to implement the assumed development strategy, including the planned development projects, and thus these factors may have a significant negative impact on the Company's operations, financial position, results or its development prospects.

Risk 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 Company's activities, financial situation or its development prospects.

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, have tightened their credit policy

towards companies operating in the development sector, commercial space lease sector, as well as towards people applying for mortgage credits.
The Company's policy regarding the use of bank credits is conservative and the Company tries to be prepared for situations when restrictions occur towards the availability of credits to investors on the Polish market. The introduction of any restrictions towards the availability of credits may have a material and adverse effect on the Company's activities, financial situation and its development prospects.

Risk 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 Company carries out technical analyses of future projects in terms of the risk related to liability for breach of environmental regulations. Until the date of preparing the report, the Company was 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 Company 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 Company's activities, financial position or its development prospects.

Risk of penalties for non-performance or untimely performance of orders

An entity acts as a general contractor in contracts with investors. The signed and executed contracts impose a number of obligations on the Company 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 Company 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 Company's profit or loss. It should be noted, however, that in the years 2005-2015, the Company did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

Risk 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 Company's contracts with subcontractors require subcontractors to secure proper performance of the contract in the form of an insurance guarantee, bank guarantee or cash deposit and contain contractual penalties for exceeding the contractual deadlines.

Note 40 Capital 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
Total credits	118,248	130,304
Cash and cash equivalents	-213,924	-89,001
Net debt		**41,303**
Equity	292,473	274,883
Total capital	**920,747**	**681,754**
Debt ratio	**0%**	**6%**

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Net debt		41,303
EBITA	39,951	23,520
Equity	292,473	274,883
Total assets	920,747	681,754
net debt/EBITDA	**0.0**	**1.8**
equity/total assets	**0.3**	**0.4**

XII. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 26/04/2021

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

Anna Zuchora
Person entrusted with bookkeeping