



# MIRBUD CAPITAL GROUP

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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**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	1,242,903	949,104	277,796	220,632
Profit (loss) on operating activities	84,409	52,218	18,866	12,139
Pre-tax profit (loss)	70,273	36,995	15,706	8,600
Net profit (loss)	58,193	28,124	13,007	6,538
Total income for the net financial year	58,193	28,124	13,007	6,538
Net cash flows from operating activities	247,862	28,247	55,399	6,566
Net cash flows from investment activities	41	-19,797	9	-4,602
Net cash flows from financial activities	-67,058	35,556	-14,988	8,265
Total net cash flows	180,846	44,006	40,420	10,230
net profit (loss) per share in PLN/EUR	0.63	0.31	0.14	0.07
net diluted profit (loss) per share in PLN/EUR	0.63	0.31	0.14	0.07

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	1,539,129	1,146,431	333,520	269,210
Liabilities and provisions for liabilities	1,077,520	741,181	233,492	174,047
Long-term liabilities	605,818	347,178	131,277	81,526
Short-term liabilities	471,701	394,003	102,215	92,522
Equity	461,610	405,250	100,028	95,163
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	5.03	4.42	1.09	1.04
Diluted book value per share in PLN/EUR	5.03	4.42	1.09	1.04

## 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.pl
Website:	www.mirbud.pl

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

### Core activities

The 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

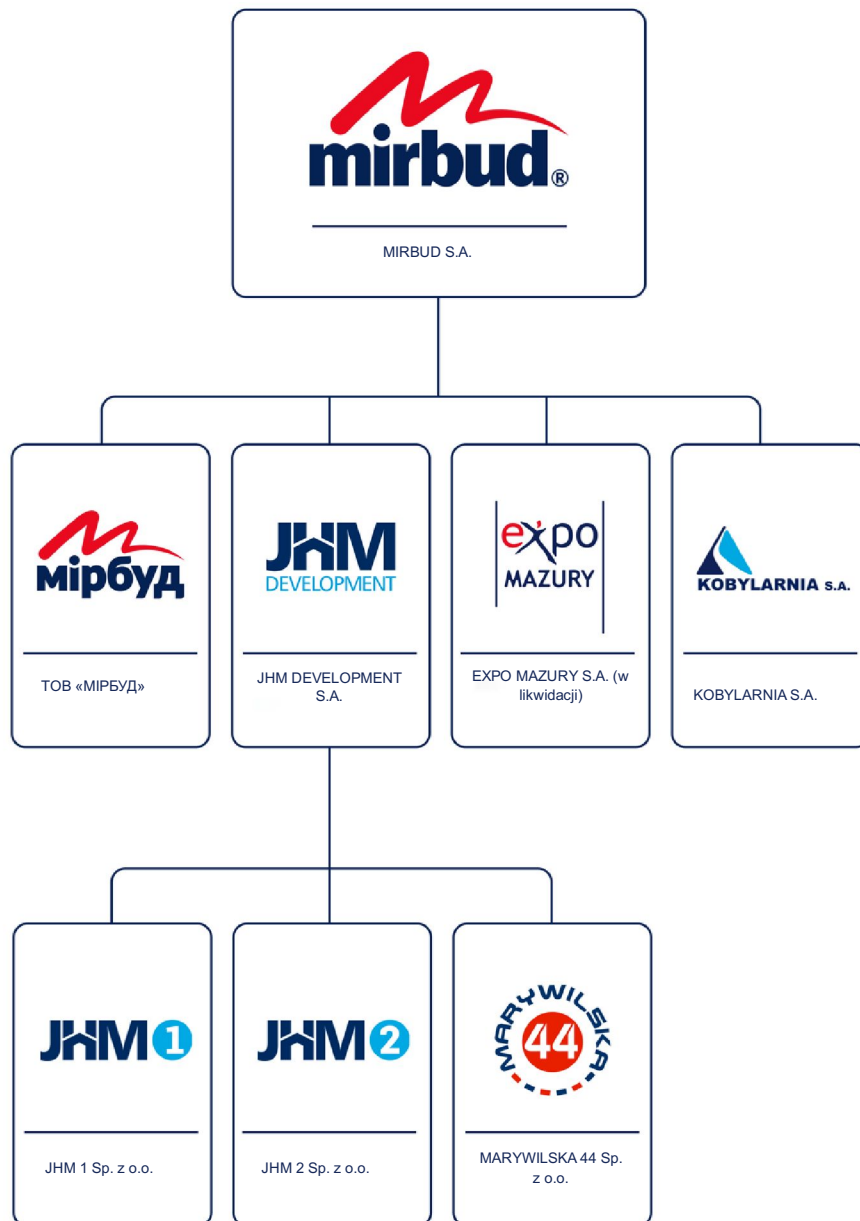
Management Board	
Jerzy Mirgos	President of the Management Board
Sławomir Nowak	Vice-President of the Management Board
Paweł Korzeniowski	Member of the Management Board
Tomasz Sałata	Member of the Management Board

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



Structure of the capital group



## Subsidiaries and consolidation method

Name of the entity	JHM DEVELOPMENT S.A.
Registered office	Skierniewice
Legal form	joint-stock company
Country of registered office:	Poland
NIP (tax identification number)	836-181-24-27
REGON	100522155
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+48 (46) 833-61-28
Fax:	+48 (46) 833-61-28
E-mail	<a href="mailto:sekretariat@jhmdevelopment.pl">sekretariat@jhmdevelopment.pl</a>
Website:	<a href="http://www.jhmdevelopment.pl">www.jhmdevelopment.pl</a>

Consolidated using the full method

Operates in the segment of development service activities and investment property

Name of the entity	KOBYLARNIA S.A.
Registered office	Kobylarnia Kobylarnia
Legal form	joint-stock company
Country of registered office:	Poland
NIP (tax identification number)	953-22-34-789
REGON	091631706
Address details	Kobylarnia 8; 86-051 Brzoza
Telephone	+48(52) 381-06-10
Fax:	+48(52) 381-06-10
E-mail	<a href="mailto:pbdim@kobylarnia.pl">pbdim@kobylarnia.pl</a>
Website:	<a href="http://www.kobylarnia.pl">www.kobylarnia.pl</a>

Consolidated using the full method

Operates in the construction and assembly activities segment

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

Consolidated using the full method

Operates in the segment of trade fairs and exhibitions activities

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

Consolidated using the full method

Operates in the investment property segment

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

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

Consolidated using the full method

Operates in the investment property segment

<b>Name of the entity:</b>	<b>ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «МІРБУД» (MIRBUD sp. z o.o.)</b>
Entity's registered office:	Kiev
Legal form:	limited liability company
NIP (tax identification number):	418873426552
REGON (ЄДРПОУ Code):	41887344
Address details:	13-15 Bolsuniwska Street, floor 8, room 812
<b>Country of registered office:</b>	Ukraine

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

The Company conducts business activities in Ukraine.

The core activity of the subsidiary is:

- the construction of residential and non-residential buildings, construction of roads and railways, performance of specialist construction works, finishing and architectural works.

The share capital of TOB «МІРБУД» is UAH 2,377,752.81 (according to the average exchange rate of the National Bank of Poland as at 31/12/2020, PLN 315,290.02). The sole partner of the company is MIRBUD S.A. As at 31/12/2020, the value of the contributed capital amounted to PLN 315,877.09. The entity is not consolidated due to its immaterial character.

### **III. BASIC INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Basis of preparation**

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

#### **Representations of the Management Board**

The Management Board represents that, to the best of its knowledge, the annual consolidated financial statements for the period from 01/01/2020 to 31/12/2020 and comparatives have been prepared in accordance with the applicable accounting policies, which give a true, fair and clear view of the Company's financial and asset 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 consolidated 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 (excluding Expo Mazury S.A. w likwidacji) 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. CONSOLIDATED STATEMENTS OF COMPREHENSIVE 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
<b>Continued activities</b>			
Sales revenue	17	1,242,903	949,104
Own cost of sales	18	-1,105,597	-848,532
<b>Gross profit from sales</b>		<b>137,306</b>	<b>100,572</b>
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	45,993	31,188
Other costs of operating and investment activities	20	-98,890	-79,542
<b>EBIT</b>		<b>84,409</b>	<b>52,218</b>
Financial costs	21	-14,136	-15,223
<b>Pre-tax activity profit (loss)</b>		<b>70,273</b>	<b>36,995</b>
Income tax attributable to continuing activities	22	-12,079	-8,871
<b>Profit (loss) on continuing activities</b>		<b>58,193</b>	<b>28,124</b>
<b>Discontinued activities</b>			
Revenue from discontinued operations			
Costs of discontinued operations			
<b>Pre-tax profit (loss) on discontinued operations</b>			
Income tax attributable to discontinued operations			
<b>Profit (loss) on discontinued activities</b>			
<b>NET PROFIT (LOSS)</b>		<b>58,193</b>	<b>28,124</b>
Assigned to non-controlling shares			
<b>Assigned to the owners of the parent</b>	-	<b>58,193</b>	<b>28,124</b>
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			
<b>Other total net income</b>	<b>23</b>		
Assigned to non-controlling shares			
<b>Assigned to the owners of the parent</b>	-	-	-
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		58,193	28,124
Assigned to non-controlling shares			
<b>Assigned to the owners of the parent</b>	-	<b>58,193</b>	<b>28,124</b>

**V. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Assets	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2020	31/12/2019
<b>Fixed assets</b>		<b>677,902</b>	<b>518,632</b>
Tangible fixed assets	1	216,996	217,546
Investment property	2	422,346	249,649
Intangible assets	3	6,303	15,496
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	548	482
Investments measured using the equity method.	5		
Long-term trading and other receivables	6	9,589	12,276
Biological assets	7		
Deferred income tax assets	22	21,829	23,061
Other fixed assets not elsewhere classified (including prepayments and accruals)	8	291	122
<b>Current assets</b>		<b>861,227</b>	<b>627,799</b>
Inventories	9	282,823	260,958
Receivables on account of the income tax	22		
Trading receivables and other receivables	6	287,503	256,792
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4		
Cash and cash equivalents	10	288,997	108,151
Other current assets not elsewhere classified (including prepayments and accruals)	8	1,905	1,898
Fixed assets held for sale	11		
<b>Total assets</b>	-	<b>1,539,129</b>	<b>1,146,431</b>



Capitals and liabilities	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2020	31/12/2019
<b>Equity</b>	<b>12</b>	<b>461,610</b>	<b>405,250</b>
Issued share capital		9,174	9,174
Profits (losses) attributable to owners of the entity		58,193	28,124
Other capitals		394,242	367,952
Capital attributable to non-controlling shares			
<b>Long-term liabilities and provisions for liabilities</b>		<b>605,818</b>	<b>347,178</b>
Provisions under deferred income tax	22	24,307	34,180
Other provisions for long-term liabilities	13	4,384	3,221
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	293,551	164,322
Long-term trading and other liabilities	15	283,577	122,115
Other liabilities and long-term provisions not elsewhere classified (including accruals and prepayments)	16		23,340
<b>Short-term liabilities and provisions for liabilities</b>		<b>471,701</b>	<b>394,003</b>
Provisions for short-term liabilities	13	7,390	3,147
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	79,244	98,219
Trading and other liabilities	15	359,071	263,366
Liabilities under deferred income tax	22	16,142	2,410
Other current liabilities and provisions not elsewhere classified (including accruals and prepayments)	16	9,855	26,861
Liabilities directly related to fixed assets classified as held for sale	11		
<b>Total capitals and liabilities</b>	-	<b>1,539,129</b>	<b>1,146,431</b>

## VI. CONSOLIDATED STATEMENTS 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
<b>Pre-tax profit</b>		<b>70,273</b>	<b>36,995</b>
Amortisation		13,997	11,682
Profit / loss under exchange rate differences			
Profit / loss on investment activities		-13,195	1,459
Borrowing costs		11,706	-13,633
Change in liabilities with the exclusion of financial liabilities		257,166	14,922
Change in receivables		-28,024	24,717
Change in inventories		-21,865	-44,019
Change in provisions		5,405	575
Profit / loss on other financial instruments		-91	-399
Other changes in working capital		-40,522	2,565
<b>Cash from operating activity</b>		<b>254,850</b>	<b>34,864</b>
Income tax paid		-6,988	-6,617
<b>Net cash from operating activities</b>		<b>247,862</b>	<b>28,247</b>
Sale of tangible fixed assets and intangible assets		4,912	2,339
Purchase of tangible fixed assets and intangible assets		-9,676	-20,509
Sale of investment property		4,780	3,613
Purchase of investment property			
Repayment of loans granted			
Granting of loans			
Sale of other investments			
Purchase of other investments		-66	-5,639
Dividends and interest received		91	399
Other inflows from investment activities			
Other expenses related to investment activity			
<b>Net cash from investment activity</b>		<b>41</b>	<b>-19,797</b>
Inflows from shareholders			
Payments to owners		-1,835	
Commitment of liabilities under loans and credits		66,384	127,906
Repayment of liabilities under loans and credits		-115,047	-93,631
Repayment of liabilities under leasing		-11,299	-8,872
Repayment of other financial liabilities			

Interest paid and other debt service expenditure	-11,706	13,633
Other financial inflows	12,070	
Other financial expenditure - bond redemption	-5,625	-3,480
<b>Cash from financial activity</b>	<b>-67,058</b>	<b>35,556</b>
Opening balance of cash and cash equivalents	108,151	64,145
<b><u>Net increases (decreases) in cash and cash equivalents</u></b>	<b><u>180,846</u></b>	<b><u>44,006</u></b>
Effect of changes in foreign exchange rates on cash denominated in foreign currencies		
<b>Closing balance of cash</b>	<b>288,997</b>	<b>108,151</b>
including cash and cash equivalents of limited disposability	126,848	77,149

## VII. CONSOLIDATED STATEMENTS 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
<b>As at 01/01/2019</b>	<b>8,249</b>	<b>147,454</b>			<b>170,264</b>			<b>56,656</b>	<b><u>382,622</u></b>
Impact of retrospective application of changes in accounting policies									
Impact of retrospective restatement									-
Total profits (losses) for the period						28,124			<u>28,124</u>
Total other comprehensive income (issue of shares)	925				8,983				<u>9,908</u>
Owner contributions									
Payments to owners									-
Changes in ownership interests in subsidiaries not resulting in a loss of control									
Other changes in equity					41,252			-56,656	<u>-15,404</u>
<b>As at 31/12/2019</b>	<b>9,174</b>	<b>147,454</b>			<b>220,499</b>	<b>28,124</b>			<b><u>405,250</u></b>
Settlement of unpaid financial result	925	28,124				-28,124			<u>925</u>

Changes in equity	Share capital	Retained earnings attributable to the shareholders of the parent	Write-downs from net profit during the financial year concerning the shareholders of the parent	Accumulated other 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
<b>As at 01/01/2020</b>	<b>9,174</b>	<b>175,578</b>			<b>220,499</b>				<b><u>405,250</u></b>
Impact of retrospective application of changes in accounting policies									-
Impact of retrospective restatement									
Total profits (losses) for the period						58,193			<u>58,193</u>
Total other comprehensive income (issue of shares)									
Owner contributions									-
Payments to owners		-1,834							<u>-1,834</u>
Changes in ownership interests in subsidiaries not resulting in a loss of control									-
Other changes in equity									
<b>As at 31/12/2020</b>	<b>9,174</b>	<b>173,744</b>			<b>220,499</b>	<b>58,193</b>			<b><u>461,610</u></b>

## 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:

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

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

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

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

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

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

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

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

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

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

### **Accruals and prepayments**

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

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

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

### **Income accruals and prepayments**

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

## Financial instruments

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

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

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

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

### Measurement of financial instruments as at the day of their creation

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

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

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 Group 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.

Adjustments 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 Group 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
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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, other than those required by law (significant changes, if any, described in a separate part of the statements), mainly resulting from changes in IFRS approved for use by the European Union.

## 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	161,132	183,466
Tangible fixed assets used under operating lease, rent, hire or similar	55,864	34,080
<b>Total</b>	<b>216,996</b>	<b>217,546</b>

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		
<b>Total</b>		

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	80,927	55,605
Depreciation	-25,063	-21,525
<b>Total</b>	<b>55,864</b>	<b>34,080</b>

Fixed assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Advance payments on fixed assets under construction	Fixed assets held for sale	TOTAL
<b>As at 01/01/2019</b>									
Costs	21,462	123,433	94,740	24,362	8,312	3,645			275,954
Depreciation and revaluation write-downs	-1	-12,628	-40,372	-11,325	-4,587				-68,913
<b>Net book value</b>	<b>21,461</b>	<b>110,805</b>	<b>54,368</b>	<b>13,037</b>	<b>3,725</b>	<b>3,645</b>	-	-	<b>207,041</b>
Increases	3	885	2,093	2,527	114	19,315			24,937
including revaluation surplus									
Decreases	-1	-1,884	-6,406	-2,196	-549	-3,397			-14,433
including changes in the accumulated amortisation	-1	-1,782	-6,405	-2,068	-542				-10,798
Foreign exchange differences									
<b>As at 31/12/2019</b>									
<b>Net book value</b>	<b>21,464</b>	<b>109,806</b>	<b>50,055</b>	<b>13,368</b>	<b>3,290</b>	<b>19,563</b>	-	-	<b>217,546</b>
<b>As at 01/01/2020</b>									
<b>Costs</b>	<b>21,466</b>	<b>124,216</b>	<b>96,832</b>	<b>26,761</b>	<b>8,419</b>	<b>19,563</b>			297,257
Depreciation	-2	-14,410	-46,777	-13,393	-5,129				-79,711
Revaluation write-downs									
Net book value	21,464	109,806	50,055	13,368	3,290	19,563			217,546
<b>As at 31/12/2020</b>									
Costs	23,122	131,401	106,652	36,018	8,410	<b>1,134</b>			<b>306,737</b>
Increases including:	3,921	29,694	21,113	10,404	552	951			66,635
- acquisition	3,921	3,024	21,113	10,404	5	621			39,088
-acquisition subsidiaries									
-revaluation surplus									
-carry-over		26,645			547	330			27,522
- other		25							25
Decreases, including:	-2,263	-22,509	-11,293	-1,147	-561	-19,380			-57,153

-sale	-2,263	-22,500	-10,874	-1,147	-545	-760			-38,089
-reallocation to the group held for sale									
- other		-9	-419		-16	-18,620			-19,064
<b>Depreciation</b>		<b>-16,043</b>	<b>-51,688</b>	<b>-15,404</b>	<b>-5,935</b>	<b>-671</b>			<b>-89,741</b>
Increases including:		-1,946	-5,539	-2,788	-1,173	-671			-12,117
- amortisation		-1,946	-5,539	-2,788	-1,173	-671			-12,117
-acquisition subsidiaries									
- other									
Decreases		313	628	777	367				2,085
-sale		310	219	777	351				1,657
-reallocation to the group held for sale									
-carry-over									
- other		3	409		16				428
Revaluation write-downs									
-revaluation write-downs									
-reversals of revaluation write-downs									
Foreign exchange differences									
<b>Net value</b>	<b>23,122</b>	<b>115,358</b>	<b>54,964</b>	<b>20,614</b>	<b>2,475</b>	<b>463</b>	-	-	<b>216,996</b>
Assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets under construction	Advance payments on fixed assets under construction	Fixed assets held for sale	TOTAL

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

**Note 2 Investment property**

Investment real property measured according to the fair value model	undeveloped land	buildings and structures	TOTAL
<b>As at 01/01/2019</b>	<b>15,138</b>	<b>238,926</b>	<b>254,064</b>
New property acquisitions			
Increases resulting from subsequent expenditure capitalisation			
Increases resulting from acquisition as a result of entity merger			
Net amount of profits or losses resulting from fair value measurement adjustments		-1,516	-1,516
Carry-over to investments for lease			
Carry-overs to and from inventories		-3,613	-3,613
Sales			
Carry-overs to and from owner-occupied property			
Other changes		714	714
<b>As at 31/12/2019</b>	<b>15,138</b>	<b>234,511</b>	<b>249,649</b>
New property acquisitions		79,973	79,973
Increases resulting from subsequent expenditure capitalisation			
Increases resulting from acquisition as a result of entity merger			
Net amount of profits or losses resulting from fair value measurement adjustments		-3,809	-3,809
Carry-overs to investments for lease			
Carry-overs to and from inventories		-4,780	-4,780
Sales	-272	-36,637	-36,909
Carry-overs to and from owner-occupied property			
Other changes		138,222	138,222
<b>As at 31/12/2020</b>	<b>14,866</b>	<b>407,480</b>	<b>422,346</b>

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

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

The increase in the value of investment real properties as at 31/12/2020 was determined by the following factors:

- a) purchase by Marywilka 44 sp. z o.o. from Expo Mazury S.A. w likwidacji of real property situated in Ostróda at ul. Grunwaldzka 55 covering halls of a total area of 29,625 sq. m intended for storage and logistics operations. The property included halls which were previously investment real properties (with a value of PLN 36,637 thousand) and fixed assets (with a value of PLN 32,497 thousand). The transaction resulted in an increase in the value of the investment real properties by PLN 43,336 thousand.
- b) recognition of an asset for the right to use land property located in Warsaw at ul. Marywilka 44 used on the basis of long-term lease agreements - recognition according to IFRS 16 "Leasing" - measurement, PLN 138,330 thousand.

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

In addition, the value of investment real properties also consists of:

- a) Shopping Centre building with a value of PLN 125 million,
- b) Wodny Park Handlowy building completed on 31/12/2017, with a value of PLN 28 million,
- c) apartments in Hel with a value of 9 million,
- d) Shopping Centre building in Rumia with a value of PLN 11 million,
- e) commercial building in Starachowice with a value of PLN 18 million,

Ownership structure of investment real property value	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Own	284,016	249,649
Used under operating lease, rent, hire and similar	138,330	
<b>Total</b>	<b>422,346</b>	<b>249,649</b>

Investment real property used under financial lease contracts	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Capitalised leasing costs		
Fair value changes		
<b>Total</b>		

Data on investment real property measured at fair value carried out by the entity	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
Book value	422,346	249,649
Revenue from rent	32,877	46,646
Direct operating costs for investment property yielding rental income	-27,322	-27,690
Direct operating costs for investment real property not yielding rental income		
<b>Total:</b>	<b>5,555</b>	<b>18,956</b>

Amounts of restrictions on the realisation of economic benefits

Contractual purchase, construction or adaptation amounts

Investment real property according to the fair value hierarchy	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
I		
II	422,346	249,649
III		
<b>Total</b>	<b>422,346</b>	<b>249,649</b>

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

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

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

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



### Note 3 Intangible assets

Ownership structure of intangible assets	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Own intangible assets	6,302	15,496
Intangible assets used under operating lease, rent, hire or similar		
<b>Total</b>	<b>6,302</b>	<b>15,496</b>

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		
<b>Total</b>	-	-

Data does not exist.

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

Data does not exist.

	Costs of research and development	Goodwill	Plans and licenses	Other intangible assets	Advance payments for intangible assets	TOTAL
<b>As at 01/01/2019</b>						
Costs		13,026	6,361			19,387
Depreciation and revaluation write-downs			-3,228			-3,228
Net book value		13,026	3,133			16,159
Increases			-663			-663
including revaluation surplus						
Decreases						
including changes in the accumulated amortisation						
Foreign exchange differences						
<b>As at 31/12/2019</b>						
<b>Net book value</b>	-	<b>13,026</b>	<b>2,470</b>	-	-	<b>15,496</b>
<b>as on 01/01/2020</b>						
Costs		13,026	5,698			18,724
Depreciation			-3,228			-3,228
Revaluation write-downs						
<b>Net book value</b>	-	<b>13,026</b>	<b>2,470</b>	-	-	<b>15,496</b>
<b>as on 31/12/2020</b>						
<b>Costs</b>		<b>13,026</b>	<b>5,816</b>		<b>34</b>	<b>18,876</b>
Increases including:			118		34	152
- acquisition			118		34	152
-acquisition subsidiaries						
-revaluation surplus						
-carry-over						
- other						
Decreases, including:						
-sale			-130			-130
-reallocation to the group held for sale						
- other						
<b>Depreciation</b>			<b>-3,228</b>			<b>-3,228</b>
Increases including:			-913			-913
- amortisation			-913			-913
-acquisition subsidiaries						
- other						
Decreases						
-sale						
-reallocation to the group held for sale						
-carry-over						
- other						
<b>Revaluation write-downs</b>		<b>-8,517</b>				<b>-8,517</b>

-revaluation write-downs		-8,517				-8,517
-reversals of revaluation write-downs						
Foreign exchange differences						
<b>Net value</b>	-	<b>4,509</b>	<b>1,793</b>	-	<b>34</b>	<b>6,302</b>

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.

Due to the ongoing process of phasing out the operations of Expo Mazury sp. z o.o. w likwidacji in 2020, a revaluation write-down for the goodwill in the amount of PLN 8,517 thousand was made. Other goodwill has been allocated to the relevant activity segments as cash-generating units. The impairment tests carried out for these units, based on discounted cash flows, indicated that the recoverable value of these assets was higher than their book value.

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

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

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

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

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

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Capital investments in subsidiaries	316	265
Other		217
<b>Total</b>	<b>316</b>	<b>482</b>

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

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	Marywilka 44 Sp. z o.o.	JHM 1 Sp. z o.o.	JHM 2 Sp. z o.o.	Mirbud Ukraina Sp. z o.o.
Total assets	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%	100.00%
Sales revenue	30,558	1,066	777	100.00%
Net profit (loss)	56	637	585	
Total income for the net financial year	56	637	585	
Total net cash flows	727	-105	-8	

On 19 April 2019, MIRBUD S.A., holding 86.28% of shares in JHM DEVELOPMENT S.A., published in current report No. 10/2019 information on the assumption of the transaction aimed at obtaining full control over JHM DEVELOPMENT S.A. and withdrawal of its shares from trading on the Warsaw Stock Exchange.

As at 31/12/2019, MIRBUD S.A. held 100% of shares in JHM Development S.A.

Shares of JHM Development S.A., held by the President of the Management Board of MIRBUD S.A., Jerzy Mirgos, were sold in the amount of 4,304,984 as a result of the conclusion and settlement of the transaction of purchase of JHM Development S.A.'s shares.

On 29 July 2020, MIRBUD S.A. purchased shares in Expo Mazury Sp. z o. o. w likwidacji from Kobylarnia S.A. with a total value of PLN 39,427,900.00, and on 2 November 2020 MIRBUD S.A. purchased shares in Expo Mazury Sp. z o. o. w likwidacji from Marywilka 44 Sp. z o. o. for the total amount of PLN 3,500,000.00.

As at the date of the report, MIRBUD S.A. held 99.99% of shares in Expo Mazury sp. z o.o. w likwidacji.

Pursuant to the Resolution of 02/12/2020 (notarial deed Repository A No. 11976/2020) of the Extraordinary General Meeting of Shareholders of Marywilka 44 sp. z o. o., the share capital of Marywilka 44 sp. z o. o. was increased through a contribution made by the Parent, MIRBUD S.A. Pursuant to the above Resolution, the capital of Marywilka 44 sp. z o.o. shall be increased by PLN 78,250 thousand, increasing the number of shares by 1,565,000. The shares in the increased share capital will be fully covered by a cash contribution in the amount of PLN 156,500,000.00. The surplus over the total nominal value of shares in the amount of PLN 78,250 thousand will be transferred to the supplementary capital of Marywilka 44 Sp. z o.o.

#### 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
<b><u>Long-term receivables</u></b>	<b><u>9,589</u></b>	<b><u>12,276</u></b>
trade receivables from related entities		
trade receivables from other entities		
other receivables from related entities		
other receivables from other entities	9,589	12,276
<b><u>Short-term receivables</u></b>	<b><u>287,503</u></b>	<b><u>256,792</u></b>
trade receivables from related entities		
trade receivables from other entities	142,481	66,546
retained amounts under execution of contracts from related entities		
retained amounts under execution of contracts from other entities	62,016	19,599
other receivables from related entities		
other receivables from other entities	18,670	1,716
amounts transferred for deliveries	15,270	5,008
budget receivables except for corporate income tax settlements	1,127	933
disputed receivables brought before the court	3,822	19,902
accrual of receivables under settlement of long-term contracts	44,116	143,088
<b><u>Total</u></b>	<b><u>297,092</u></b>	<b><u>269,068</u></b>

Age structure of receivables	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b>Gross trade receivables</b>	<b>321,879</b>	<b>275,905</b>
<b>not past due, including:</b>	<b>271,407</b>	<b>230,405</b>
payable up to 1 month	164,715	172,269
payable from 1 to 3 months	35,086	26,261
payable from 3 to 12 months	62,016	19,599
payable from 1 to 5 years	9,589	12,276
<b>past due, including:</b>	<b>50,472</b>	<b>45,500</b>
past due up to 1 month	3,693	13,421
past due from 1 month to 3 months	19,559	4,667
past due from 3 to 6 months	617	5,361
past due from 6 to 12 months	533	442
past due over 12 months	26,071	21,609
receivables in respect of which credit risk has significantly increased	-1,487	-1,007
receivables revaluation write-down	-23,300	-5,830
<b>Net trade receivables</b>	<b>297,092</b>	<b>269,068</b>

For 2020, 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
<b>As at 01/01/2019</b>	<b>-2,968</b>	-	<b>-2,160</b>	<b>-5,128</b>
Increases	-6,500		-55	-6,555
Releases	1,553		472	2,025
Utilisation	1,078			1,078
<b>As at 31/12/2019</b>	<b>-6,837</b>	-	<b>-1,743</b>	<b>-8,580</b>
Increases	-16,565		-1,837	-18,402
Releases	444		1,743	2,187
Utilisation	8			8
<b>as at 31/12/2020</b>	<b>-22,950</b>	-	<b>-1,837</b>	<b>-24,787</b>

### Revaluation write-downs in respect of credit losses.

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

The liability default rate was established on the basis of historical data from 2018 to 2020.

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



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

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

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

While the liability default rate established as at 31/12/2020 is:

- for non-matured receivables - 0.01%
- for receivables past due up to 1 month - 0.02%
- for receivables past due from 1 month to 3 months - 0.04%
- for receivables past due from 3 to 6 months - 0.07%
- for receivables past due from 6 to 12 months - 0.23%
- for receivables past due over 12 months - 0.47%

#### Note 7 Biological assets

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

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

Other assets	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b>Other long-term assets</b>	<b>291</b>	<b>122</b>
Long-term cost prepayments	291	122
Other long-term assets not elsewhere classified		
<b>Other short-term assets</b>	<b>1,905</b>	<b>1,898</b>
Short-term cost prepayments	1,905	1,898
Other short-term assets not elsewhere classified		
<b>Total</b>	<b>2,196</b>	<b>2,020</b>

## Note 9 Inventories

Inventories	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Materials	6,977	9,409
Semi-finished products and work in progress	157,817	112,683
Finished products		13
Goods	57,144	57,928
Completed developer contracts	60,885	80,925
<b>Total</b>	<b>282,823</b>	<b>260,958</b>

Inventory revaluation write-downs	Materials	Semi-finished products and work in progress	Finished products	Goods	Completed developer contracts
<b>As at 01/01/2019</b>	-	-	-	-	-
Increases					
Releases					
Utilisation					
<b>As at 31/12/2019</b>	-	-	-	-	-
Increases					
Releases					
Utilisation					
<b>as at 31/12/2020</b>	-	-	-	-	-

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	145,526	31,002
Term deposits	126,848	77,149
Other monetary assets	16,623	
<b>Total</b>	<b>288,997</b>	<b>108,151</b>

The term deposit in the amount of PLN 1,800 thousand constitutes interest-bearing funds used as hedging for the Marywilka 44 company's credit contract.

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

The amount of PLN 138 thousand stands for the credit hedging of the JHM Development SA registered

office.

Term deposit in the amount of PLN 95 thousand constitutes interest-bearing funds securing the credit contract of the JHM 2 Sp. z o.o. company.

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 cash constituting a construction contract performance security collected with advances from investors of MIRBUD S.A.

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

As a result, they are limited in their use.

write-downs for impairment of cash and cash equivalents have been determined individually for each balance relating to a given financial institution. External rankings of banks and publicly available information on the default rates for individual rankings were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date. The Company used the simplification allowed by the standard and the impairment write-down determined on the basis of 12-months' credit losses.

#### 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	173,744	147,453
Write-downs from net profit during the financial year concerning the shareholders of the parent		
Accumulated other income attributable to the shareholders of the parent		
Other capitals attributable to the shareholders of the parent	220,499	220,499
Net profit (loss) attributable to the shareholders of the parent	58,193	28,124
Foreign exchange differences on translation		
Capital attributable to non-controlling shares		
<b>Total</b>	<b>461,610</b>	<b>405,250</b>

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 was 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 91,744,200 votes at the General Meeting of Shareholders.

Pursuant to the Resolution of 02/12/2020 (notarial deed Repository A No. 11976/2020) of the Extraordinary General Meeting of Shareholders of Marywilska 44 sp. z o. o., the share capital of Marywilska 44 sp. z o. o. was increased through a contribution made by the Parent, MIRBUD S.A.

Pursuant to the above Resolution, the capital of Marywilska 44 sp. z o.o. shall be increased by PLN 78,250 thousand, increasing the number of shares by 1,565,000. The shares in the increased share capital will be fully covered by a cash contribution in the amount of PLN 156,500,000.00. The surplus over the total nominal value of shares in the amount of PLN 78,250 thousand will be transferred to the supplementary capital of Marywilska 44 Sp. z o.o.

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
<b><u>Total at the beginning of the period</u></b>	<b><u>91,744</u></b>	<b><u>9,174</u></b>	-	-	-

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other shareholders
<b>As at 31/12/2019</b>			
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%
<b>As at 31/12/2020</b>			
Owned ordinary shares	41,271,064	10,281,000	40,192,136
Preference shares held			
Share in capital	44.99%	11.21%	43.81%
Share in gain	44.99%	11.21%	43.81%
Share in voting	44.99%	11.21%	43.81%

## Note 13 Provisions

Provisions	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b>Long-term provisions</b>	<b>4,384</b>	<b>3,221</b>
provisions for retirement benefits	4,384	3,221
other long-term provisions		
<b>Short-term provisions</b>	<b>7,390</b>	<b>3,147</b>
provisions for retirement benefits	922	696
provisions for warranty repairs	1,000	1,000
provisions for losses under settlements of long-term contracts		
other short-term provisions	5,467	1,451
<b>Total</b>	<b>11,773</b>	<b>6,368</b>

## 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
<b>Long-term financial liabilities, except for provisions, trading liabilities and other liabilities</b>	<b>293,551</b>	<b>164,322</b>
Financial liabilities due to related entities		
Loans and credits from other entities	117,935	144,799
Liabilities under derivative instruments		
Issued debt securities	12,070	7,020
Liabilities under financial lease	25,215	12,503
Other	138,330	
<b>Short-term financial liabilities, except for provisions, trading liabilities and other liabilities</b>	<b>79,244</b>	<b>98,219</b>
Financial liabilities due to related entities		
Loans and credits from other entities	65,658	90,445
Liabilities under derivative instruments		
Issued debt securities	1,449	54
Liabilities under financial lease	12,137	7,720
Other		
<b>Total</b>	<b>372,795</b>	<b>262,541</b>

Debt instruments structure	in PLN thousand					Total
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	
<b>as on 01/01/2019</b>	<b>201,420</b>	-	<b>10,581</b>	<b>25,084</b>	-	<b>237,085</b>
Accrued interest	12,167		554	912		13,633
Interest paid	-11,793		-581	-912		-13,286
Drawdown	127,906		54	4,011		131,971
Repayment	-93,631		-3,534	-8,872		-106,037
Average liability level	218,332		8,828	22,654		249,813
Real interest rate	5.57%		6.28%	4.03%		5.46%
<b>as on 31/12/2019</b>	<b>235,244</b>		<b>7,074</b>	<b>20,223</b>		<b>262,541</b>
minimum payments up to 1 month	1,844		54	764		2,662
minimum payments from 1 to 3 months	3,480			1,714		5,194
minimum payments from 3 to 12 months	85,120			5,355		90,475
minimum payments within 1 year	90,444		54	7,833		98,331
minimum payments within 1 to 5 years	122,722		7,020	12,390		142,132
minimum payments over 5 years	22,078					22,078
interest due up to 1 year	13,109		444	814		14,368
interest due from 1 to 5 years	52,438		1,776	3,257		57,470
interest due over 5 years	6,271		3			6,274
Approximate fair value	257,802		7,267	20,685		285,753
<b>as on 01/01/2020</b>	<b>235,244</b>		<b>7,074</b>	<b>20,223</b>		<b>262,541</b>
Accrued interest	10,018		773	915		11,706
Interest paid	-10,018		-765	-915		-11,698
Drawdown	66,384		12,070	28,428	138,330	245,213



Repayment	-115,047		-5,633	-11,299		-131,979
Average liability level	209,419		10,297	28,788	69,165	317,668
Real interest rate	4.78%		7.51%	3.18%	0.00%	3.68%
<b>as on 31/12/2020</b>	<b>183,594</b>	<b>-</b>	<b>13,519</b>	<b>37,352</b>	<b>138,330</b>	<b>372,795</b>
minimum payments up to 1 month	2,668			939		3,607
minimum payments from 1 to 3 months	9,096		8	2,818		11,921
minimum payments from 3 to 12 months	44,710		1,441	7,926		54,077
minimum payments within 1 year	56,474			13,616		70,090
minimum payments within 1 to 5 years	112,175		12,070	23,736	71,696	219,677
minimum payments over 5 years	17,218				66,634	83,852
interest due up to 1 year	8,783		760	1,187		10,730
interest due from 1 to 5 years	35,131		1,530	4,747		41,408
interest due over 5 years	3,417					3,416
Approximate fair value	121,731		12,807	25,547	138,330	341,684

## **B series bonds**

On 14/08/2018, following the reduction of the subscriptions, the Management Board of JHM DEVELOPMENT S.A., by virtue of Resolution No. XVI/2018, allotted 10,500 series B ordinary bearer Bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 10.5 million. The issue price of the Bonds was equal to the nominal value. The Issue Day was 14/08/2018.

The Bonds were issued pursuant to the procedure specified in Article 33(2) of the Bond Act of 15 January 2015 and were addressed to no more than 149 individually designated addressees in a manner which does not constitute a public offering of bonds or a public bond offering referred to in Article 3 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Therefore, there was no requirement to draw up or make available to the public a prospectus or an information memorandum.

In order to hedge the Bonds, on 14/08/2018 the Issuer submitted a statement on the establishment of a hedge for the receivables under the Bonds in the form of a mortgage on the constructed units, and the joint mortgage was registered by the court in the land and mortgage registers of the properties constituting the hedge of the Bonds.

The interest rate on the Bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. The Bonds redemption date was set at 14/08/2021. The transferability of Bonds is not subject to any restrictions.

On 08/11/2018, the Issuer introduced series B Bonds to trading in the alternative trading system on the Catalyst market organised by the Warsaw Stock Exchange and BondSpot S.A.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and the Issuer's planned development projects, including financing of land purchase for new development projects of the Issuer.

PLN 9.0 million was allocated for the implementation of a development investment in Łódź at ul. Jugosłowiańska, for the purchase of a building plot in Żyrardów at ul. Ks. J. Popiełuszki: PLN 914 thousand, and for payment for construction works in Katowice at ul. Pułaskiego: PLN 282 thousand

As at 31/12/2020, the Issuer made an early partial redemption of 9,059 series B bonds as part of the Bond Periodic Amortisation.

## **C series bonds**

On 30 June 2020, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice, by virtue of Resolution No. X/2020 on allocation of 7,000 series C unpledged bearer coupon Bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 7.0 million. The issue price of the Bonds is equal to the nominal value. The Issue Day was 30/06/2020.

The Bonds were issued by means of a tender conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public tender for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which no prospectus is required to be published.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation

and execution of the issue of Bonds, have been allocated for financing of conducted and the Issuer's planned development projects, including financing of land purchase for new development projects of the Issuer.

The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling on the 11th, 12th and 13th interest periods, the Issuer will be required to unconditionally partially redeem 25% of the total number of issued Bonds.

The final redemption date was set on 30/12/2023. The transferability of the bonds is not subject to any restrictions.

#### **D series bonds**

On 14 October 2020, the Management Board of JHM DEVELOPMENT S.A. with its registered office in Skierniewice, by virtue of Resolution No. XIV/2020 on allocation of 5,070 series D unpledged bearer coupon Bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 5.07 million. The issue price of the Bonds is equal to the nominal value. The Issue Day was 16/10/2020.

The Bonds were issued by means of a tender conducted pursuant to Article 1(4)(a) and (b) of Regulation 2017/1129 by addressing the Purchase Proposal to qualified investors and not more than 149 designated addressees who are natural or legal persons other than qualified investors within the meaning of Article 2(e) of Regulation 2017/1129, i.e. in a manner which constitutes a public tender for securities within the meaning of Article 2(d) of Regulation 2017/1129, for which no prospectus is required to be published.

The funds obtained by the Issuer from the issue of Bonds, minus costs and fees related to preparation and execution of the issue of Bonds, have been allocated for financing of conducted and the Issuer's planned development projects, including financing of land purchase for new development projects of the Issuer.

The interest rate on the bonds is variable, based on WIBOR 3M plus margin. Interest will be paid on a quarterly basis. On the interest payment dates falling on the 10th, 11th and 12th interest periods, the Issuer will be required to unconditionally partially redeem 25% of the total number of issued Bonds in each case.

The final redemption date was set on 30/12/2023. The transferability of the bonds is not subject to any restrictions.

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

Name of the entity	Obligated entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
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			
<b>Total credits and loans</b>				<b>40,438</b>	<b>55,675</b>	<b>96,113</b>		

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.

**Liabilities under credits and loans of Companies from the MIRBUD S.A. Group as at 31/12/2020**

Name of the entity	Obligated entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
Bank Spółdzielczy	JHM Development S.A.	2,700	PLN		525	reference rate + margin	30/07/2021	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	8,823	PLN	7,685	490	WIBOR 3M + margin	31/12/2034	mortgage on property
Bank Spółdzielczy	JHM Development S.A.	5,300	PLN	1,355		WIBOR 3M + margin	30/06/2022	mortgage on property
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	12,729	PLN			WIBOR 3M + margin	31/12/2021	mortgage on property
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	15,950	PLN	7,170		WIBOR 3M + margin	31/12/2022	mortgage on property
Bank Polskiej Spółdzielczości S.A.	JHM Development S.A.	380	PLN		125	WIBOR 3M + margin	31/12/2021	blank promissory note
Bank Ochrony Środowiska S.A.	JHM Development S.A.	32,157	PLN		617	WIBOR 3M + margin	22/12/2022	mortgages on property
Warszawski Bank Spółdzielczy	JHM Development S.A.	15,543	PLN	11,906		WIBOR 3M + margin	31/12/2022	mortgage on property
BNP Paribas Polska S.A.	JHM 2 sp. z o.o.	4,200	PLN	3,205	437	WIBOR 3M + margin	10/08/2024	mortgage on real property, registered pledge on shares
SANTANDERBANK POLSKA S.A.	MARYWILSKA 44 sp. z o. o.	33,000	PLN	22,079	3,486	WIBOR 3M + margin	02/05/2028	cash deposit, assignment of receivables, registered pledge on bank account, surety, mortgage

<b>SANTANDERBANK POLSKA S.A.</b>	MARYWILSKA 44 sp. z o. o.	3,000	PLN			WIBOR 1M + margin	30/12/2022	assignment of receivables, registered pledge on bank account
<b>SANTANDERBANK POLSKA S.A.</b>	JHM 1 Sp. z o.o.	2,350	EUR	6,406	647	EURIBOR + margin	31/10/2030	mortgage, sureties of MIRBUD
<b>ALIOR BANK</b>	Expo Mazury S.A.	37,500	PLN	14,350	3,344	WIBOR 3M + margin	27/03/2026	Capped mortgage on property
<b>BGK</b>	Kobylarnia S.A.	6,212	PLN	4,900	690	WIBOR 1M + margin	31/12/2029	mortgage, surety of MIRBUD
<b>BGK</b>	Kobylarnia S.A.	10,000	PLN			WIBOR 3M + margin	30/11/2021	mortgage, surety of MIRBUD
<b>Total credits and loans</b>				<b>79,056</b>	<b>10,361</b>	<b>89,418</b>		

**Note 15 Trading and other liabilities**

Trading and other liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b><u>Long-term liabilities</u></b>	<b><u>283,577</u></b>	<b><u>122,115</u></b>
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	85,310	52,440
Other liabilities due to other entities	198,266	69,675
<b><u>Short-term liabilities</u></b>	<b><u>359,071</u></b>	<b><u>263,366</u></b>
Trade liabilities to related entities		
retained amounts to related entities		
Other liabilities due to related entities		
Trade liabilities to other entities	255,637	191,682
Liabilities under settlement of long-term contracts		
Advances received	45,523	10,889
Bills of exchange liabilities		
Budget liabilities except for corporate income tax settlements	27,841	26,480
Remuneration settlements	4,419	3,394
Retained amounts to other entities	23,866	29,217
Other liabilities due to other entities	1,785	1,704
<b><u>Total</u></b>	<b><u>642,647</u></b>	<b><u>385,481</u></b>

Age structure of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b><u>Trade liabilities</u></b>	<b><u>642,647</u></b>	<b><u>385,481</u></b>
<b>not overdue</b>	<b>633,179</b>	<b>335,758</b>
payable up to 1 month	243,181	142,916
payable from 1 to 3 months	37,032	30,621
payable from 3 to 12 months	69,389	40,106
payable from 1 to 5 years	283,577	122,115

past due up to 1 month	7,412	30,353
past due from 1 to 3 months	2,057	16,432
past due from 3 to 6 months		2,938
past due from 6 to 12 months		
past due over 12 months		
<b>Total overdue</b>	<b>9,469</b>	<b>49,723</b>

**Note 16 Other current liabilities and provisions 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
<b>Long-term</b>	-	<b>23,340</b>
Revenue settled in time		23,340
Cost prepayments		
Other items		
<b>Short-term</b>	<b>9,855</b>	<b>26,861</b>
Revenue settled in time	9,409	25,379
Cost prepayments	446	1,482
Other items		
<b>Total</b>	<b>9,855</b>	<b>50,201</b>



**Note 17 Sales revenue**

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
<b>Net revenue from sales of products and services</b>	<b>1,226,169</b>	<b>938,852</b>
- to related entities		107,410
- to other entities	1,226,169	831,442
<b>Net revenue from sales of goods</b>	<b>11,406</b>	<b>7,356</b>
- to related entities		
- to other entities	11,406	7,356
<b>Net revenue from sales of materials</b>	<b>5,328</b>	<b>2,896</b>
- to related entities		
- to other entities	5,328	2,896
<b>Total</b>	<b>1,242,903</b>	<b>949,104</b>

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
<b>Net revenue from sales of products and services</b>	<b>1,226,169</b>	<b>938,852</b>
- domestic sales	1,226,169	938,852
- export sale		
<b>Net revenue from sales of goods</b>	<b>11,406</b>	<b>7,356</b>
- domestic sales	11,406	7,356
- export sale		
<b>Net revenue from sales of materials</b>	<b>5,328</b>	<b>2,896</b>
- domestic sales	5,328	2,896
- export sale		
<b>Total</b>	<b>1,242,903</b>	<b>949,104</b>

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	1,055,521	577,557
Adjustment of revenue under the settlement of the progress of construction services	-34	143,088
<b>Total</b>	<b>1,055,487</b>	<b>720,645</b>
Costs incurred for services in progress	-628,918	-331,749
Adjustment of costs under the settlement of the progress of construction services		
<b>Total</b>	<b>-628,918</b>	<b>-331,749</b>
Losses on contracts in progress		
<b>Impact on the current financial result</b>	<b>-34</b>	<b>143,088</b>
<b>Impact on the accumulated results of contracts unfinished as at the balance-sheet date</b>	<b>426,569</b>	<b>388,896</b>

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
<b>Production cost of products sold</b>	<b>-1,089,923</b>	<b>-838,743</b>
- to related entities		
- to other entities	-1,089,923	-838,743
<b>Value of goods sold</b>	<b>-10,927</b>	<b>-7,223</b>
- to related entities		
- to other entities	-10,927	-7,223
<b>Value of materials sold</b>	<b>-4,746</b>	<b>-2,566</b>
- to related entities		
- to other entities	-4,746	-2,566
<b>Total</b>	<b>-1,105,597</b>	<b>-848,532</b>

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
<b>Production cost of products sold</b>	<b>-1,089,923</b>	<b>-838,743</b>
- own costs of domestic sales	-1,089,923	-838,743
- own costs of export sales		
<b>Value of goods sold</b>	<b>-10,927</b>	<b>-7,223</b>
- own costs of domestic sales	-10,927	-7,223
- own costs of export sales		
<b>Value of materials sold</b>	<b>-4,746</b>	<b>-2,566</b>
- own costs of domestic sales	-4,746	-2,566
- own costs of export sales		
<b>Total</b>	<b>-1,105,597</b>	<b>-848,532</b>

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	-13,997	-11,682
Consumption of materials and energy	-221,344	-201,362
Outsourcing	-790,466	-598,240
Taxes and fees, including:	-7,653	-7,124
Remunerations	-68,756	-59,450
Social insurance and other benefits	-12,365	-11,396
Other costs by type	-35,077	-43,592
Value of goods and materials sold	-15,173	-9,789
Manufacturing cost of products for internal purposes		
<b>Total</b>	<b>-1,164,832</b>	<b>-942,635</b>

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	-1,105,597	-848,532
In the change of balance of assets		-40,037
In costs of sales	-4,656	-6,182
In general overheads	-54,580	-47,884
In other items		
<b>Total:</b>	<b>-1,164,832</b>	<b>-942,635</b>

**Note 19 Share 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	-4,656	-6,182
Overheads	-54,580	-47,884
Write-downs on non-investment assets	-16,234	-5,740
Reversal of revaluation write-downs of non-investment assets	2,404	1,553
Restructuring costs		
Court proceedings settlement result	241	
Result of sale of non-investment fixed assets	12,805	57
Revenue from revaluation of investment property	555	12,368
Costs under revaluation of investment property		-13,884
Result of sale of investment property	-165	
Result of sale of all or part of subordinate entities		
Result of sale of other financial investments		
Dividends		
Interest	91	399
Result of revaluation of other financial investments measured at fair value through financial result	-8,517	
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		
Other revenue	29,897	16,811
Other costs	-14,739	-5,852
<b>Total revenue</b>	<b>45,993</b>	<b>31,188</b>
<b>Total costs</b>	<b>-98,890</b>	<b>-79,542</b>

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		
<b>Total</b>		

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
<b>Tangible fixed assets</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Intangible assets</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Receivables</b>	<b>-13,830</b>	<b>-4,187</b>
-revaluation write-down created	-16,234	-5,740
-revaluation write-down reversal	2,404	1,553
<b>Inventories</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Fixed assets held for sale</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Other</b>		
-revaluation write-down created		
-revaluation write-down reversal		
<b>Total asset revaluation write-offs</b>	<b>-16,234</b>	<b>-5,740</b>
<b>Total reversal of revaluation write-downs</b>	<b>2,404</b>	<b>1,553</b>

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	-165	
Increase of fair value of investment real property	555	12,368
Decrease of fair value of investment property		-13,884
<b>Result on investments in property</b>	<b>390</b>	<b>-1,516</b>

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		
Interest to other entities	91	399
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		
<b>Results of financial investment activities</b>	<b>91</b>	<b>399</b>

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	17,974	9,220
Other revenue from other entities - re-invoices	1,418	1,546
Other revenue from other entities	10,505	6,045
<b>Total</b>	<b>29,897</b>	<b>16,811</b>

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
Donations		
Other costs from other entities - re-invoices	-1,418	-1,546
Other costs from other entities	-13,321	-4,306
<b>Total</b>	<b>-14,739</b>	<b>-5,852</b>

### 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		-9,685	-12,242
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		-915	-912
Other interest for related entities			-575
Other interest for other entities		-588	-351
Valuation of equity instruments			

Interest under factoring contracts		-333	-479
Foreign exchange differences on financial liabilities		-571	
Other financial costs for related entities			
Other financial costs for other entities		-2,044	-664
<b>Total financial costs</b>		<b>-14,136</b>	<b>-15,223</b>

## 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	-20,720	-6,318
Income tax deferred part	8,641	-2,553
Other tax burdens on the financial result		
Adjustments relating to previous years		
<b>Total income tax</b>	<b>-12,079</b>	<b>-8,871</b>

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)	70,273	36,995
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-13,352	-7,029
Tax effect of the received dividend		
Tax exemptions		
Assets under tax loss for the reporting period not recognised in deferred tax		
Tax effect of other revenue and costs permanently not constituting revenue and tax costs	1,273	-1,842
Other		
<b>Income tax in the profit and loss account</b>	<b>-12,079</b>	<b>-8,871</b>



Deferred tax	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
<b>Deferred tax asset</b>	<b>21,829</b>	<b>23,061</b>
- for provisions for employee benefits	638	541
- for other provisions	780	2,902
- on account of accrued interest	1	16
- for write-downs on current assets	1,221	1,203
- on account of investment valuation	113	147
- for settlement of construction contracts	8,389	323
- for losses from previous years	5,202	14,331
- under tax and balance sheet differences in the value of fixed assets and lease contracts	4,608	36
- under foreign exchange differences	44	33
- other	833	3,562
<b>Deferred tax liability</b>	<b>24,307</b>	<b>34,180</b>
- on account of accrued interest	212	704
- on account of investment valuation	3,407	3,423
- for settlement of construction contracts	4,266	10,057
- under tax and balance sheet differences in the value of fixed assets and lease contracts	16,133	19,711
- under foreign exchange differences	2	6
- for goodwill		
- other	288	279
<b>Net deferred income tax assets (Provision)</b>	<b>-2,478</b>	<b>-11,119</b>

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
<b>Deferred net income tax assets (provisions) at the beginning of the period</b>	<b>-11,119</b>	<b>-8,566</b>
Reference to financial result	8,641	-2,553
Reference to other total income		
Other reference to equity		
Subsidiaries		
<b>Deferred net income tax assets (provisions) at the end of the period</b>	<b>-2,478</b>	<b>-11,119</b>

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
<b>Opening balance of receivables (income tax liabilities)</b>	<b>-2,410</b>	<b>-2,709</b>
Payment (refund) of income tax	6,988	6,617
Current income tax accrual	-20,720	-6,318
<b>Receivables (liabilities under deferred income tax) at the end of the period</b>	<b>-16,142</b>	<b>-2,410</b>

### Note 23 Other total 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
<b>Components which will not be subsequently reclassified to the profit and loss account</b>		
Exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on items not be carried forward in later periods		
<b>Components which will be reclassified into profit or loss when certain conditions are met</b>		
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		
<b>Other total net income</b>	<b>-</b>	<b>-</b>
Assigned to non-controlling shares		
<b>Assigned to the owners of the parent</b>	<b>-</b>	<b>-</b>

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

## Note 24 Earnings per share

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	58,193	28,124
Profit (loss) on discontinued operations attributable to owners of the parent		
<b>Total</b>	<b>58,193</b>	<b>28,124</b>
<b>Weighted average number of ordinary shares in thousands of pieces</b>	<b>91,744</b>	<b>91,744</b>
<b>Basic gain per share</b>	<b>0.63</b>	<b>0.31</b>
Costs of interest on convertible bonds (net of tax)		
<b>Gain (loss) to determine diluted earnings per share</b>	<b>58,193</b>	<b>28,124</b>
Share options issued in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
<b>Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces</b>	<b>91,744</b>	<b>91,744</b>
<b>Diluted earnings per share</b>	<b>0.63</b>	<b>0.31</b>

## 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. 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
<b>Continued activities</b>	-	-	-	-	-	-	-	-
Sales revenue	<b>1,153,163</b>	<b>114,584</b>	<b>32,877</b>	<b>4,683</b>	<b>10,766</b>	<b>1,316,073</b>	<b>-73,170</b>	<b>1,242,903</b>
Own cost of sales	-1,065,022	-86,862	-27,322	-2,206	-12,061	-1,193,473	<b>87,876</b>	-1,105,597
Gross profit from sales	<b>88,141</b>	<b>27,722</b>	<b>5,555</b>	<b>2,477</b>	<b>-1,295</b>	<b>122,600</b>	<b>14,706</b>	<b>137,306</b>
EBIT	40,802	17,884	5,999	23,200	-1,295	86,590	<b>-2,181</b>	84,409
Pre-tax activity profit (loss)	<b>26,545</b>	<b>17,660</b>	<b>1,955</b>	<b>21,723</b>	<b>-1,295</b>	<b>66,588</b>	<b>3,685</b>	<b>70,273</b>
Income tax attributable to continuing activities	-6,028	-3,337	-431	-812	-372	-10,980	<b>-1,099</b>	-12,079
Profit (loss) on continuing activities	<b>20,517</b>	<b>14,323</b>	<b>1,524</b>	<b>20,911</b>	<b>-1,667</b>	<b>55,608</b>	<b>2,585</b>	<b>58,193</b>
<b>Discontinued activities</b>	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b><u>20,517</u></b>	<b><u>14,323</u></b>	<b><u>1,524</u></b>	<b><u>20,911</u></b>	<b><u>-1,667</u></b>	<b><u>55,608</u></b>	<b><u>2,585</u></b>	<b><u>58,193</u></b>
<b>Assigned to the owners of the parent</b>	<b><u>20,517</u></b>	<b><u>14,323</u></b>	<b><u>1,524</u></b>	<b><u>20,911</u></b>	<b><u>-1,667</u></b>	<b><u>55,608</u></b>	<b><u>2,585</u></b>	<b><u>58,193</u></b>

Due to the COVID-19 pandemic in 2020, the exhibition and trade fair business segment in which Expo Mazury S.A. w likwidacji operates did not contribute to or generate a result. This item presented the economic volumes resulting from renting commercial warehouse space to IKEA Industry. Revenue on that account in the comparative period was also reported in this segment. Starting from 01/01/2021, the Group will not operate in this segment.

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	<b>626,571</b>					<b>626,571</b>		<b>626,571</b>
Recipient 2	83,084					83,084		83,084
Recipient 3	<b>49,306</b>					<b>49,306</b>		<b>49,306</b>
TOTAL	758,961					758,961		758,961

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	569,389	108,987	445,929	77,341		1,201,646	-523,744	677,902
Current assets	589,769	277,536	27,324	95,275		989,904	-128,676	861,227
<b>Total assets</b>	<b>1,159,158</b>	<b>386,523</b>	<b>473,253</b>	<b>172,615</b>	-	<b>2,191,549</b>	<b>-652,420</b>	<b>1,539,129</b>
Equity	<b>380,923</b>	<b>292,481</b>	<b>255,439</b>	<b>125,947</b>		<b>1,054,790</b>	<b>-593,181</b>	<b>461,610</b>
Long-term liabilities and provisions for liabilities	368,848	45,012	180,483	24,121		618,464	-12,646	605,818
Short-term liabilities and provisions for liabilities	<b>409,387</b>	<b>49,030</b>	<b>37,331</b>	<b>22,547</b>		<b>518,295</b>	<b>-46,594</b>	<b>471,701</b>
<b>Total capitals and liabilities</b>	<b>1,159,158</b>	<b>386,523</b>	<b>473,253</b>	<b>172,615</b>	-	<b>2,191,549</b>	<b>-652,420</b>	<b>1,539,129</b>

Other data on operating segments 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
Goodwill allocated to a segment	<b>4,509</b>							<b>4,509</b>
Risk-free rate	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%		
General risk acc. to Damodoran	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%		
beta coefficient for the industry acc. to Damodoran	0.72	0.58	0.36	0.86	0.37	0.58		
Individual risks	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		
<b>Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method</b>	<b>9.20%</b>	<b>7.80%</b>	<b>5.60%</b>	<b>10.60%</b>	<b>5.70%</b>	<b>7.78%</b>		<b>7.78%</b>

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
<b>Continued activities</b>	-	-	-	-	-	-	-	-
Sales revenue	<b>908,442</b>	<b>92,716</b>	<b>46,646</b>	<b>8,032</b>	<b>1,800</b>	<b>1,057,636</b>	<b>-108,532</b>	<b>949,104</b>
Own cost of sales	-849,841	-74,091	-27,690	-5,625	-2,544	-959,791	111,259	-848,532
Gross profit from sales	<b>58,601</b>	<b>18,625</b>	<b>18,956</b>	<b>2,407</b>	<b>-744</b>	<b>97,845</b>	<b>2,727</b>	<b>100,572</b>
EBIT	25,635	10,773	15,224	4,428	-744	55,316	-3,098	52,218
Pre-tax activity profit (loss)	<b>11,723</b>	<b>10,791</b>	<b>11,135</b>	<b>2,576</b>	<b>-744</b>	<b>35,481</b>	<b>1,514</b>	<b>36,995</b>
Income tax attributable to continuing activities	-2,543	-2,052	-1,958	-2,115	36	-8,632	-239	-8,871
Profit (loss) on continuing activities	<b>9,180</b>	<b>8,739</b>	<b>9,177</b>	<b>461</b>	<b>-708</b>	<b>26,849</b>	<b>1,275</b>	<b>28,124</b>
<b>Discontinued activities</b>	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
<b>NET PROFIT (LOSS)</b>	<b>9,180</b>	<b>8,739</b>	<b>9,177</b>	<b>461</b>	<b>-708</b>	<b>26,849</b>	<b>1,275</b>	<b>28,124</b>
<b>Assigned to the owners of the parent</b>	<b>9,180</b>	<b>8,739</b>	<b>9,177</b>	<b>461</b>	<b>-708</b>	<b>26,849</b>	<b>1,275</b>	<b>28,124</b>

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	527,417	22,024	235,025	155,499	-	939,965	-421,333	518,632
Current assets	<b>404,853</b>	<b>245,615</b>	<b>7,980</b>	<b>2,213</b>	-	<b>660,661</b>	<b>-32,862</b>	627,799
<b>Total assets</b>	<b>932,270</b>	<b>267,639</b>	<b>243,005</b>	<b>157,712</b>	-	<b>1,600,626</b>	<b>-454,195</b>	<b>1,146,431</b>
Equity	<b>357,416</b>	<b>185,052</b>	<b>182,016</b>	<b>105,036</b>	-	<b>829,520</b>	<b>-424,270</b>	<b>405,250</b>
Long-term liabilities and provisions for liabilities	231,264	26,723	44,196	46,946	-	349,129	-1,951	347,178
Short-term liabilities and provisions for liabilities	<b>343,590</b>	<b>55,864</b>	<b>16,793</b>	<b>5,730</b>	-	<b>421,977</b>	<b>-27,974</b>	<b>394,003</b>
<b>Total capitals and liabilities</b>	<b>932,270</b>	<b>267,639</b>	<b>243,005</b>	<b>157,712</b>	-	<b>1,600,626</b>	<b>-454,195</b>	<b>1,146,431</b>



Other segment data 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
Goodwill allocated to a segment	<b>4,509</b>				<b>8,517</b>			<b>13,026</b>
Risk-free rate	3.00%	3.00%	3.00%	3.00%	3.00%			
General risk acc. to Damodoran	6.06%	6.06%	6.06%	6.06%	6.06%			
beta coefficient for the industry acc. to Damodoran	0.75	0.85	0.63	0.75	0.93			
Individual risks	2.00%	2.00%	2.00%	2.00%	2.00%			
<b>Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method</b>	<b>8.80%</b>	<b>9.70%</b>	<b>7.71%</b>	<b>8.80%</b>	<b>10.43%</b>			<b>10.43%</b>

**Note 26 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		Additional information
			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			The remuneration comprises the remuneration under the employment contract, performance of the function of the President of the Management Board and revenue under sureties granted to the entity.
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		
<b>Total</b>			<b>4,685</b>	<b>3,946</b>		

Remuneration of key personnel of subsidiaries	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
Management Board	Kobylarnia S.A.		1,757	1,150		
Supervisory Board	Kobylarnia S.A.		55	43		
Management Board	JHM Development S.A.		1,378	1,133		
Supervisory Board	JHM Development S.A.		88	98		
Management Board	Marywilaska 44 Sp. z o. o.		921	850		
Supervisory Board	Marywilaska 44 Sp. z o. o.		81	81		
Management Board	Expo Mazury S.A. w likwidacji		111	183		
Supervisory Board	Expo Mazury S.A. w likwidacji		39	60		
<b>Total</b>			<b>4,430</b>	<b>3,598</b>		

**Note 27 Statutory 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	111	111
Remuneration for the interim review of the separate and consolidated financial statements	59	64
Other services	7	
<b><u>Total</u></b>	<b><u>177</u></b>	<b><u>175</u></b>

**Note 28 Financial instruments**

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at:	As at:	As at:	As at:	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans granted	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other financial instruments measured at fair value								
Trade and other receivables					297,092	269,068		
Cash and cash equivalents					288,997	108,151		
Other financial assets								
<b>Total financial assets</b>	-	-	-	-	<b>586,089</b>	<b>377,219</b>	-	-
Revenue from dividends								
Revenue from interest	-	-	-	-	91	399	-	-
Foreign exchange profits (losses)								
Reversal (creation) of write-downs	-	-	-	-	-13,830	-4,187	-	-
Profits (losses) on measurement and implementation								
Profits (losses) on derivative instruments	-	-	-	-			-	-
<b>Total impact of financial assets on the profit and loss account</b>	-	-	-	-	<b>-13,739</b>	<b>-3,788</b>	-	-

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	-	-	-	-	372,795	262,541	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other liabilities					642,647	385,481		
Other financial liabilities								
<b>Total financial liabilities</b>	-	-	-	-	<b>1,015,442</b>	<b>648,022</b>	-	-
Interest	-	-	-	-	-10,933	-14,208	-	-
Foreign exchange profits (losses)					<b>-571</b>			
Profits (losses) on measurement and implementation	-	-	-	-	-	-	-	-
Profits (losses) on derivative instruments								
<b>Total impact of financial liabilities on the profit or loss account</b>	-	-	-	-	<b>-11,504</b>	<b>-14,208</b>	-	-

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
<b>Assets</b>	-	-	-	-	-	-
Derivative financial instruments in assets	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial assets	-	-	-	-	-	-
<b>Liabilities</b>	-	-	-	-	-	-
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 29 Errors related to previous reporting periods

No material errors were found in the previous reporting period.

#### Note 30 Transactions with non-controlling shareholders

This item does not exist.

#### Note 31 Business combinations

There were no business mergers in the current period.

#### Note 32 Significant planned capital expenditures

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

#### Note 33 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 34 Employment structure

Employment structure	full-time equivalent	
	For the period:	For the period:
	from 01/01/2020 to 31/12/2020	from 01/01/2019 to 31/12/2019
Non-production employees	394	354
Production employees	274	282
Employees under contractual agreements	184	156
<b>Total</b>	<b>852</b>	<b>792</b>

#### Note 35 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 36 Effects of division, restructuring and discontinued activities

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

**Note 37 Limitations on disposition and collaterals established on assets**

Title of collateral	Type of collateral	Value of debt	Value of collateral in PLN of PLN			Balance sheet value of the object of collateral in PLN of PLN		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	
Hedge for the ARP loan	mortgage	37,000	60,000	60,000	67,856	67,856	31/12/2020	
Hedge for credit S/64/11/2018/1245/K/KON BOŚ BANK	mortgage			44,235		34,371	31/05/2020	
Hedge for credit S/65/11/2018/1245/K/KOO BOŚ BANK	mortgage			44,235		34,371	31/05/2020	
Hedge for the KIN 173850 credit	cash deposit, assignment of receivables, registered pledge on bank account, surety	25,565	57,030	56,213	7,530	6,713	02/05/2028	
Hedge for the KRB 13313177 credit	assignment of receivables, registered pledge on bank account		7,530	6,713	7,530	6,713	29/12/2022	
Hedge for a working capital, developer credit 3472510/34/K/OB/19, granted by Bank Polskiej Spółdzielczości S.A.	mortgage			30,260		13,407	31/12/2021	
Hedge for a revolving credit 3472510/33/K/RE/19, granted by Bank Polskiej Spółdzielczości S.A.	mortgage			510		13,407	31/12/2021	
Hedge for a working capital credit 3472510/162/K/OB/18, granted by Bank Polskiej Spółdzielczości S.A.	mortgage			21,640		14,949	31/12/2021	
Hedge for the KIN/1718350 credit	mortgage	30,545	49,500	49,500	81,495	81,718	02/05/2028	

Hedge for a working capital credit, pursuant to contract 30/KG010/18, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice	mortgage	525	5,400	5,400	1,574	2,552	31/07/2021
Hedge for an investment credit, pursuant to contract 22/KG110/19, granted by Bank Spółdzielczy	mortgage	8,175	17,645	17,645	11,624	10,124	31/12/2034
Hedge for a working capital credit, pursuant to contract 3472510/248/K/OB/19, granted by Bank Polskiej Spółdzielczości S.A.	mortgage	7,166	27,115		13,376		31/12/2022
Hedge for a working capital credit, pursuant to contract 3472510/249/K/RE/19, granted by Bank Polskiej Spółdzielczości S.A.	blank promissory note	125					31/12/2021
Collateral for B series bonds	mortgage	1,441	15,015	15,015	1,289	6,290	14/08/2021
Collateral for an investment credit, pursuant to contract U0001659946897, granted by ALIOR BANK S.A.	mortgage	18,784	56,250	56,250	81,495	81,718	27/03/2026
Hedge for the WK14-000016 credit	mortgage		15,000	15,000	4,588	5,161	30/11/2021
Hedge for a working capital, developer credit, pursuant to contract 21/KG110/20, granted by the Bank Spółdzielczy (Cooperative Bank) in Skierniewice	mortgage	1,355	10,600		4,335		30/06/2022
Hedge for a working capital, developer credit, pursuant to contract S/71/09/2020/1245/K/KON, granted by Bank Ochrony Środowiska S.A.	mortgage	617	48,235		47,000		22/12/2022
Hedge for a working capital, developer credit, pursuant to contract 050/20/23, granted by Warszawski Bank Spółdzielczy	mortgage	11,906	23,315		22,155		31/12/2022

Hedge for IRS treasury transaction pursuant to credit agreement No. U0002350765350	mortgage		6,000	6,000	81,495	81,718	27/07/2018
Hedge for a non-revolving credit, pursuant to contract WAR/6570/19/682/RB granted by BNP Paribas Bank Polska S.A.	mortgage	3,642	6,465	6,465	14,296	14,190	10/08/2024
Hedge for the 19/5066 credit	mortgage	5,591	9,317	9,317	292	292	31/12/2029
<b>Total</b>		<b>155,731</b>	<b>441,117</b>	<b>471,098</b>	<b>469,213</b>	<b>497,628</b>	-

Assets as security of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Tangible fixed assets	181,989	185,850
Investment property	36,318	39,741
Financial assets		
Intangible assets		
Other assets	93,815	72,512
<b>Total</b>	<b>312,122</b>	<b>298,103</b>

### **Note 38 Litigation**

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

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

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

As at 31/12/2019, there was litigation pending concerning receivables brought by the Issuer of the statements, for the total value of the object of dispute of PLN 3,822 thousand.

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

On 25/02/2020, KOBYLARNIA S.A. as the leader of the consortium filed a lawsuit against the GDDKiA for the value of the object of dispute of PLN 67.422 thousand, including a claim for indexation of the Consortium's remuneration in connection with the performance of investment development tasks: the Inowrocław bypass (connector), the Bolków bypass, construction of a section of the S-5 expressway. The total value of KOBYLARNIA S.A.'s disputes with GDDKiA as at 31/12/2020 amounted to PLN 71,820 thousand.

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

**Note 39 Contingent liabilities**

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN of PLN		Value of the liability in PLN of PLN		surety expiry date
		As at:	As at:	As at:	As at:	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019	
<b>To related entities</b>	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	49,500	49,500	25,565	27,273	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Collateral for the DEUTSCHE BANK S.A. credit	4,500	10,000			30/09/2022
JHM Development S.A.	Collateral for the ALIOR BANK S.A. credit		89,912			31/05/2023
JHM 1 Sp. z o.o.	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
<b>To other entities</b>	-	-	-	-	-	-
<b>Total</b>	-	<b>237,533</b>	<b>338,147</b>	<b>56,993</b>	<b>92,527</b>	-

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Under proper performance guarantee	332,537	313,141
Under rectifying faults and defects	177,919	139,973
Under advance return	201,210	92,377
<b>Total</b>	<b>711,665</b>	<b>545,491</b>

#### Note 40 Objectives and principles of risk management

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on profit or loss	Effect of risk on equity
Risk related to the coronavirus pandemic	Administrative restrictions on carrying out construction and assembly activities	low	high	high	high
	Manpower availability and supply chain disruption	average	average	average	average
External financial risks	changes in interest rates	low	average	average	average
	changes in exchange rates	high	high	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
Downturn risk	change in the macroeconomic situation and economic downturn in Poland	high	high	high	average
	in the construction industry	high	high	high	average
Risks related to competition	in the construction industry	high	high	high	high
External legal risks	changes in provisions of law, in particular tax law	average	average	average	average
	related to non-compliance with legal requirements envisaged for the commencement of the investment and with the legal status of the property	low	high	high	average
Risks related to the current activities	related to the implementation of the development strategy	average	high	average	average

related to financing development with bank credits	high	high	average	high
related to the building infrastructure	low	average	low	low
related to liability for breach of environmental regulations	low	average	average	low
related to penalties for non-performance or untimely performance of orders	low	average	average	low
related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works	low	average	average	low
related to the production process	low	high	average	low

### Risk related to the coronavirus pandemic

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

In the short-term perspective, it is possible that the further spread of the coronavirus epidemic will have a negative impact on the financial results of the Issuer and the Group due to the following circumstances:

- In the area of construction and assembly services, there are no delays in the execution of construction contracts due to the state of epidemic threat. However, it cannot be ruled out that, if this state continues, delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:
  - lack of continuity in the supply chains for construction sites,
  - disruptions to the continuity of projects' financing,
  - absence of employees,
  - subcontractors' delays,
  - restrictions on the functioning of public authorities,
  - decisions of the Contracting Authority or state administration to suspend the works,
  - other events which are difficult to predict.

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

- In the area of development activity, there are neither delays in the execution of contracts nor a significant decrease in the dynamics of sales of units. However, if the state of epidemic threat continues, there may be negative financial consequences caused by:
  - the drop in demand for premises,
  - disruptions to projects' financing,
  - general contractors' and subcontractors' delays.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the profit or loss - a decrease by approx. 10%, no effect predicted on the Issuer's



equity.

In the area of commercial space lease, there is significant, unfavourable impact of the state of epidemic threat, which affects the financial results of MARYWILSKA 44 Sp. z o.o.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible effect of this risk on the profit or loss - a decrease by approx. 30%, no effect predicted on the Issuer's equity.

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

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

### **Financial risk management**

#### **Financial risk management**

The management of the Group's financial resources assumes basing the Group's financing structure on long-term sources of financing. The Group Companies finance their operations in 70% based on foreign capital through:

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

The Companies make efforts to diversify their third-party financing, both in terms of the financing institution and the financial products used. The Group's strategy provides for a further gradual exchange of short-term debt financing individual construction contracts for long-term debt financing in the coming years, and for a gradual reduction of debt in the long-term perspective.

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

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**Debt ratio = *Total liabilities* / *Assets***

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

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

**Debt to equity ratio = *Liabilities* / *Equity***

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

#### **Credit risk management**

Credit risk results from the balances of trade receivables of loans and cash and cash equivalents. The

customers of the Company's services are domestic entities. The customers of products and services provided by MIRBUD S.A. can be divided into two groups:

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

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

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

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

### **Liquidity risk management**

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

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

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

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

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

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

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**Current liquidity ratio = Current assets / Short-term liabilities**

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

**Cash liquidity ratio = Cash / Short-term liabilities**

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### **Risk of significant changes in interest rates**

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

As at 31/12/2020, JHM2 sp. z o.o. and Kobylnia S.A. entered into interest rate hedging transactions for long-term credits in PLN within the MIRBUD Capital Group. The hedged level of the WIBOR rate is between 1.80 p.p. and 2.05 p.p.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at:	As at:	As at:	As at:
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Liabilities under credits and loans	372,795	262,541		
Loans granted				
Other financial assets				
Other financial liabilities				
<b>Total</b>	<b>372,795</b>	<b>262,541</b>	-	-

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

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

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

Sensitivity analysis for items exposed to change in interest rates	As at: 31/12/2020	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
		Liabilities under credits and loans	372,795	-3,020	3,020
Loans granted					
Other financial assets					
Other financial liabilities					
<b>Total</b>	<b>372,795</b>	<b>-3,020</b>	<b>3,020</b>	<b>3,728</b>	<b>-3,728</b>

### Risk of changes in foreign exchange rates

Only MIRBUD S.A. generates revenue in foreign currency within the MIRBUD Group. In 2020, MIRBUD S.A. generated over 12% of revenue in EUR and was exposed to the exchange rate risk, which could reduce the effectiveness of construction contracts and may affect the amount of revenue and profits. In order to minimise the exchange rate risk, the Company hedges the exchange rate level by entering into FORWARD-type transactions. In 2020, on average the Issuer hedged approximately 70% of its foreign currency revenue with forward currency sales transactions.

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

### Risk of changes in 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)	As at: 31/12/2020	Effect on net profit/(loss)		Effect on the balance sheet total	
		increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
		Liabilities under credits and loans			
Loans granted					
Trading and other receivables	6,248	506	-506	625	-625
Trading and other liabilities					
Cash	3,127	253	-253	313	-313
Other financial assets					
<b>Total</b>	<b>9,375</b>	<b>759</b>	<b>-759</b>	<b>938</b>	<b>-938</b>

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

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

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

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

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

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

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

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

Revenue of the MIRBUD Group Companies are earned entirely on account of conducting business activity on the Polish market. Therefore, the financial results achieved depend on factors such as the stability of the macroeconomic situation in Poland and the general economic situation in the country in a given period. In particular, the development of the following macroeconomic and economic indicators has or may have an effect on the financial results achieved by the Group Companies and the entire development industry: the level of GDP growth rate, unemployment rate, inflation rate, real remuneration growth rate, investment level, household income level, reference interest rates, exchange rates and budget deficit.

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

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

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

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

#### **- in the development industry**

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

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

The occurrence in the future of financial and economic crises, recessions or periods of economic

slowdown or other factors adversely affecting the development industry may have a material and adverse impact on the Group's activities, results, financial situation or development prospects.

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

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

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

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

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

**- sudden changes in housing prices**

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

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

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

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

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

**Risks related to competition:**

**- in the construction industry**

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

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

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

**- in the development industry**

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

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

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

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

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

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

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

The basic assortment offered to customers in shopping halls at ul. Marywilka 44 consists of clothes, footwear, leather goods and toys in the popular segment. Traders specialising in the sale of the above articles in the popular segment can choose from a wide range of entities offering lease of commercial space in Warsaw and its vicinity, including large shopping halls located in the vicinity of Nadarzyn and in Wólka Kosowska. Additionally, it cannot be excluded that in the future other entities will not build large shopping hall complexes, which will compete directly with the halls at ul. Marywilka 44 within the Capital City of Warsaw.

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



The risk of commercial space rental activity in the field of warehouse and logistics halls located in Ostróda managed by Marywilska 44 depends on the stability of the macroeconomic situation and the general economic situation in Poland as well as competition in the industry.

The intensification of competition in the markets where the Group operates may have a material and adverse effect on the Group's activities, results, financial situation and future development outlook.

### **External legal risks**

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

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

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

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

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

### **Risks related to the current activities**

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

The Polish market and the situation on local markets where the Company operates are subject to constant changes, the direction and intensity of which depend on a number of factors. Therefore, the



Companies' future financial performance, development and market position depend on its ability to develop and implement a long-term strategy in an uncertain and changing market environment.

In particular, the implementation of the Group's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Group's governing bodies, and which cannot always be predicted.

Such factors also include those of a general nature, such as:

- unpredictable market events, such as the occurrence of an economic crisis or recession in Poland or other European Union countries,
- radical and sudden changes in legal regulations or the methods of their interpretation (e.g. influencing the issuance of development conditions),
- natural disasters, epidemics in the areas where the Company operates, as well as a number of specific factors, such as:
  - restrictions on the possibility of JHM DEVELOPMENT acquiring plots of land in attractive locations for housing development,
  - reduced availability of bank financing for development and commercial projects,
  - failure to implement development projects and commercial and service projects in accordance with the assumed schedule and cost estimate,
  - changes in government programmes supporting the purchase of residential units by persons with average and below-average income
- other operational risks described in these statements.

The Group Companies make every effort to ensure that the assumed strategy is implemented and try to analyse on an ongoing basis all market and industry factors which have and may have an impact on the implementation of the strategy,

The factors described above may cause that the Group will not be able to implement the assumed development strategy, including the planned development projects, and therefore these factors may have a significant negative impact on the Company's activities, financial position, results or its development prospects.

#### **- related to financing development with bank credits**

The Group Companies finance their development and current activities with the use of bank credits and leasing. In the future, the Companies intend to use bank credits to finance the demand for working capital related to the increase in the scale of activities. However, there is a risk that in the future, in the event of adverse changes in the Companies activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, they will have difficult access to financing using credits, their cost will be higher than the current one, or they will be forced to repay or refinance their existing debt on worse terms. This may contribute to a slower than planned growth rate and deterioration of the financial results obtained.

The Management Board considers the current level of debt to be safe and does not see any threats to its timely service. Despite the good financial standing of most of the Group's companies, it cannot be ruled out that in the future, as a result of unfavourable market processes, they will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company of the Group is not able to settle its debts under credit contracts and loans on an ongoing basis, repayments may become due and payable immediately. As a result, in order to satisfy its creditors, the Company will be forced to sell a part of its assets. The strategies of the Companies provide for a gradual exchange of short-term debt for long-term financing and that the newly acquired credit financing will be appropriate for the implementation of specific construction contracts and

development investments.

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

**- related to the building infrastructure**

The completion of the project depends on the provision of the infrastructure required by the regulations, such as access to public roads, access to utilities, designation of appropriate internal roads, etc. There may be situations where the provision of the necessary infrastructure depends on factors beyond the Company's control. Often the provision of access to the right road or utilities depends on the decision of the appropriate municipal or local authority. In some cases, the status of the roads needed for the investment may be unregulated or unforeseen complications may arise during project implementation, resulting in delays and additional costs. It may also happen that the relevant administrative bodies require the Company to perform additional infrastructure works as part of the investment project. The authorities may also expect or even demand that the investor performs infrastructure works which are not necessary from the perspective of the project implementation, but which may be expected by the authorities as an investor's contribution to the development of the local community in connection with the investment.

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

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

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

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

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

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

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

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

- a) general construction, civil engineering, road and motorway construction,
- b) industrial facilities construction,
- c) installation works.

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

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Companies' financial results. It should be noted, however, that in the years 2005-2020, the Companies did not incur any significant charges due to the risk related to penalties for non-performance, improper performance or untimely performance of the order.

**- related to claims against the Companies on account of construction of flats and commercial and service facilities, sale of flats, and granting a guarantee of payment for construction works**

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

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

**- related to the production process**

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

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

which in turn may lead to a decrease in the Company's profitability or financial liquidity.

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

#### Note 41 Management of capital

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

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

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

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

Calculation of the debt ratio	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Total credits	372,795	262,541
Cash and cash equivalents	-288,997	-108,151
<b>Net debt</b>	<b>83,798</b>	<b>154,390</b>
Equity	461,610	405,250
<b>Total capital</b>	<b>545,407</b>	<b>559,640</b>
<b>Debt ratio</b>	<b>15%</b>	<b>28%</b>

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	31/12/2020	31/12/2019
Net debt	83,798	154,390
EBITA	98,406	63,900
Equity	461,610	405,250
Total assets	1,539,129	1,146,431
<b>net debt/EBITDA</b>	<b>0.9</b>	<b>2.4</b>
<b>equity/total assets</b>	<b>0.3</b>	<b>0.4</b>

## 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