Financial Statements

for the period from 01/01/2021 to 31/12/2021

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

I. Basic financial data.

Selected financial data	in PLN thousand		in EUR thousand	
	For the period:	For the period:	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Items of the statement of comprehensive income and the statement of cash flows according to the exchange rate being the arithmetic mean of the average daily exchange rates determined by the National Bank of Poland in the reporting year, respectively: EUR 1 =			4.5775	4.4742
Sales revenue	1,747,862	853,182	381,838	190,691
Profit (loss) on operating activities	104,466	28,339	22,822	6,334
Pre-tax profit (loss)	99,210	24,587	21,673	5,495
Net profit (loss)	80,354	19,425	17,554	4,342
Comprehensive income for the net financial year	80,354	19,425	17,554	4,342
Net cash flows from operating activities	48,260	210,396	10,543	47,025
Net cash flows from investing activity	-40,440	-45,942	-8,835	-10,268
Net cash flows from financial activities	2,438	-39,531	533	-8,835
Total net cash flows	10,258	124,923	2,241	27,921
Net profit (loss) per share in PLN/EUR	0.88	0.21	0.19	0.05
Net profit (loss) diluted per share in PLN/EUR	0.88	0.21	0.19	0.05

Selected financial data	in PLN thousand		in EUR thousand	
	As at:	As at:	As at:	As at:
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
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 =			4.5994	4.6148
Total assets	1,221,892	920,747	265,663	199,521
Liabilities and provisions for liabilities	856,404	628,274	186,199	136,143
Long-term liabilities	304,488	292,453	66,202	63,373
Short-term liabilities	551,917	335,821	119,998	72,771
Equity	365,488	292,473	79,464	63,377
Share capital	9,174	9,174	1,995	1,988
Number of shares (in pieces)	91,744,200	91,744,200	91,744,200	91,744,200
Book value per share in PLN/EUR	3.98	3.19	0.87	0.69
Diluted book value per share in PLN/EUR	3.98	3.19	0.87	0.69

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	836-170-22-07
REGON	750772302
Address details	ul. Unii Europejskiej 18; 96-100 Skierniewice
Telephone	+ 48 (46) 833 98 65
Fax	+ 48 (46) 833 97 32
E-mail	sekretariat@mirbud.com.pl
Website	www.mirbud.com.pl

MIRBUD S.A. was established as a result of transformation of a limited liability company under the name of MIRBUD Spółka z o.o. into a joint-stock company, pursuant to art. 551 et seq. of the Commercial Companies Code. 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
- Lease of construction and demolition equipment with operator service
- Advertising and publishing activities
- Lease 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
Radosław Niewiadomski	Deputy Chairman of the Supervisory Board
Agnieszka Maria Bujnowska	Secretary of the Supervisory Board
Hubert Bojdo	Member of the Supervisory Board
Andrzej Zakrzewski	Member of the Supervisory Board
Wiktoria Braun	Member of the Supervisory Board
Artur Sociński	Member of the Supervisory Board

On 17 February 2020, the Extraordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 4/2020 on appointing Mr. Artur Sociński to the Supervisory Board of MIRBUD S.A.
On 25 May 2021, the Issuer received a statement on the resignation of Mr. Waldemar Borzykowski from his position as a Member of the Supervisory Board of MIRBUD S.A. as of 23 June 2021.
On 24 June 2021, the Ordinary General Meeting of Shareholders of MIRBUD S.A. adopted Resolution No. 23/2021 on appointing Mr. Radosław Niewiadomski to the Supervisory Board of MIRBUD S.A.

III. Basic information on the financial statements

Basis of preparation

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

Representations of the Management Board

The Management Board represents that, to the best of its knowledge, the annual financial statements for the period from 01/01/2021 to 31/12/2021 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.

Going concern

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

Functional currency

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

IV. Statement of comprehensive income.

Profit and loss account	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Continued activities			
Sales revenue	17	1,747,862	853,182
Own cost of sales	18	-1,613,743	-785,316
Gross profit from sales		**134,119**	**67,866**
Share in profits or losses of associates and joint ventures accounted for in accordance with the equity method	19		
Other operating and investment activity revenue	20	11,644	5,938
Other costs of operating and investment activities	20	-41,298	-45,465
EBIT		**104,466**	**28,339**
Financial revenue		7,029	5,919
Financial costs	21	-12,285	-9,671
Pre-tax activity profit (loss)		**99,210**	**24,587**
Income tax attributable to continuing activities	22	-18,856	-5,162
Profit (loss) on continuing activities		**80,354**	**19,425**
Discontinued activities	23		
Revenue from discontinued operations			
Costs of discontinued operations			
Pre-tax profit (loss) on discontinued activities			
Income tax attributable to discontinued activities			
Profit (loss) on discontinued activities			
NET PROFIT (LOSS)		**80,354**	**19,425**
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	**80,354**	**19,425**

Other comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Components which will not be subsequently reclassified to the profit and loss account			
Components which will be reclassified into profit or loss when certain conditions are met			
Other total net income	24		
Assigned to non-controlling shares			

Assigned to the owners of the parent	-	-	-

Total comprehensive income	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Total comprehensive income		80,354	19,425
Assigned to non-controlling shares			
Assigned to the owners of the parent	-	**80,354**	**19,425**

V. Statement of financial situation.

Assets	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2021	31/12/2020
Fixed assets		**557,475**	**504,164**
Property, plant and equipment	1	65,465	58,297
Investment property	2		
Intangible assets	3	733	1,082
Long-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4	472,108	429,943
Investments measured using the equity method.	5		
Long-term trading and other receivables, including:	6	47	275
prepayments and accruals		47	275
Biological assets	7		
Deferred income tax assets	22	19,122	14,567
Current assets		**664,417**	**416,583**
Inventories	9	1,075	7,820
Receivables on account of the income tax	22		
Trading and other receivables, including:	6	439,160	194,839
prepayments and accruals		2,714	959
Short-term financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	4		
Cash and cash equivalents	10	224,182	213,924
Fixed assets held for sale	11		
Total assets	-	**1,221,892**	**920,747**

Capitals and liabilities	Note No.	in PLN thousand	
		As at:	As at:
		31/12/2021	31/12/2020
Equity	**12**	**365,488**	**292,473**
Issued share capital		9,174	9,174
Issue price surplus over nominal value of shares			
Other reserve capitals		115,103	115,103
Net profit/loss attributable to the owners of the parent		160,856	148,770
Profit/loss in the reporting period		80,354	19,425
Equity attributable to shareholders of the parent			
Equity attributable to non-controlling shares			
Long-term liabilities and provisions for liabilities		**304,488**	**292,453**
Provisions under deferred income tax	22	8,705	7,880
Other provisions for long-term liabilities	13	95	103
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	68,765	55,687
Long-term trading and other liabilities, including:	15	226,923	228,782
prepayments and accruals			
Short-term liabilities and provisions for liabilities		**551,917**	**335,821**
Provisions for short-term liabilities	13	3,680	1,814
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	14	79,836	62,561
Trading and other liabilities, including:	15	450,876	256,574
prepayments and accruals		593	36
Liabilities under deferred income tax	22	17,524	14,873
Liabilities directly related to fixed assets classified as held for sale	11		
Total capitals and liabilities	-	**1,221,892**	**920,747**

VI. Statement of cash flows.

Statement of cash flows	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Pre-tax profit		**99,210**	**24,587**
Total adjustments		**-31,016**	189,779
Amortisation		6,698	5,693
Profit / loss under exchange rate differences			
Profit / loss on investment activities		-1,028	-829
Borrowing costs		5,461	5,631
Change in liabilities with the exclusion of financial liabilities		191,886	222,916
Change in receivables		-242,566	-39,986
Change in inventories		6,745	625
Change in provisions		1,858	166
Profit / loss on other financial instruments		900	-2,480
Other changes in working capital		-969	-1,957
Cash from operating activity		**68,194**	**214,366**
Income tax paid		-19,935	-3,970
Net cash from operating activities		**48,260**	**210,396**
Sale of property, plant and equipment		1,205	1,120
Purchase of property, plant and equipment		-1,197	-492
Sale of intangible assets			
Purchase of intangible assets			
Sale of investment property			
Purchase of investment property			
Repayment of loans granted to related parties			
Granting loans to related parties			
Repayment of loans granted to other parties			
Granting loans to other parties			
Sale of other investments		62,165	
Purchase of other investments		-104,330	-49,050
Received dividends		1,717	2,480
Received interest			
Other inflows from investment activities			
Other expenses related to investment activity			
Net cash from investment activity		**-40,440**	**-45,942**
Inflows from shareholders			
Payments to owners		-7,340	-1,834
Commitment of liabilities under loans and credits		32,713	19,978
Repayment of liabilities under loans and credits		-10,165	-45,462
Repayment of liabilities under leasing		-7,310	-6,582
Receipt under issue of debt instruments			
Expenditure on redemption of debt instruments			

Repayment of other financial liabilities			
Interest paid and other debt service expenditure		-5,461	-5,631
Other financial receipts/expenditures			
Cash from financial activity		**2,438**	**-39,531**
Opening balance of cash and cash equivalents		213,924	89,001
Net increases (decreases) in cash and cash equivalents	-	**10,258**	**124,923**
Effect of changes in foreign exchange rates on cash denominated in foreign currencies			
Change in cash and cash equivalents, net of foreign exchange differences			
Closing balance of cash		**224,182**	**213,924**
including cash and cash equivalents of limited disposability		110,166	121,381

VII. Statement of changes in equity.

Changes in equity	Share capital	Issue price surplus over nominal value of shares	Other reserve capitals	Retained earnings attributable to the shareholders of the parent/ supplementary capital	Equity attributable to shareholders of the parent	Equity attributable to non-controlling shares	TOTAL
As at 01-01-2021	**9,174**		**115,103**	**168,195**	**292,473**		**292,473**
Total profits (losses) for the period				80,354	80,354		80,354
Other comprehensive income							
Comprehensive income for the period				**80,354**	**80,354**		**80,354**
Owner contributions							
Payments to owners							-
Changes in ownership interests in subsidiaries not resulting in a loss of control				-7,340	-7,340		-7,340
Other changes in equity							-
Changes in equity during the period				**73,015**	**73,015**		**73,015**
As at 31-12-2021	**9,174**		**115,103**	**241,210**	**365,488**		**365,488**

Changes in equity	Share capital	Issue price surplus over nominal value of shares	Other reserve capitals	Retained earnings attributable to the shareholders of the parent/ supplementary capital	Equity attributable to shareholders of the parent	Equity attributable to non-controlling shares	TOTAL
As at 01-01-2020	**9,174**		**115,103**	**150,605**	**274,883**		**274,883**
Total profits (losses) for the period				19,425	19,425		19,425
Other comprehensive income							
Comprehensive income for the period				**19,425**	**19,425**		**19,425**
Owner contributions							
Payments to owners				-1,835	-1,835		-1,835
Changes in ownership interests in subsidiaries not resulting in a loss of control							
Other changes in equity							-
Changes in equity during the period				**17,590**	**17,590**		**17,590**
As at 31-12-2020	**9,174**		**115,103**	**168,195**	**292,473**		**292,473**

VIII. Accounting principles applied by the Group.

Intangible assets

The Company 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 which 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 amount equals the initial amount or in which the intangible and legal asset component is to be liquidated, sold or found to be in short supply.
Amortisation write-downs of intangible assets components are done on a straight-line basis at the following rates:

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

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

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 works) 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 revaluation write-downs on 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.

Property, plant and equipment

Property, plant and equipment is 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, property, plant and equipment is disclosed at acquisition cost or production price less depreciation and any revaluation write-downs under impairment losses.

In accordance with IAS 23, borrowing costs which 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 property, plant and equipment are as follows:

Item	Annual amortisation rate
Land (right of perpetual usufruct)	is not amortised
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 property, plant and equipment 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 property, plant and equipment 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.

Advances paid for the purchase of property, plant and equipment 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 in the "profit from previous years".

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

Leasing

Financial lease contracts under which the carry-over takes place of substantially the entire risk and practically all benefits arising from the ownership of the subject of lease onto the lessee, are activated as at the date of the inception of lease according to the lower of the following two values: the fair value of the subject of lease, or the current value of minimum lease charges. The minimum lease charges are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.
Fixed assets used under finance lease agreements are amortised 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 amortised 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. Financial revenue 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 depreciation and any revaluation write-downs under impairment losses. Amortisation is calculated naturally.

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

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

Fixed assets and groups of assets held for sale

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

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

Simplifications applied to non-investment fixed assets

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

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

Investment property

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

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

Inventories

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

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

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

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

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

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

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

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

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

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

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

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

Receivables

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

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

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

- receivables not transferred to full factoring: in the amount of amortised 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 financial result, 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.

Prepayments and accruals

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.

Revenue accruals and prepayments

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

Financial instruments

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

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

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

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

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

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

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

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

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

Measurement of financial instruments as at the day of their creation

As at the date of acquisition, financial assets and liabilities are measured by the Company 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 Company includes the transaction costs in the initial measurement value 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 measurement 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 profit or loss on the hedging instrument is recognised directly in equity until the planned transaction occurs;
- the planned transaction is no longer expected to be executed, therefore all accumulated profit or loss related to the hedging instrument, recognised directly in equity, is recognised in the profit and loss account.

Equity

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

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

Undistributed financial result includes: amounts resulting from profit distribution, undistributed result from previous years, effects of errors from previous periods.
Minority capitals are a separate item of equity.

Bank credits and loans

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

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

Liabilities

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

Contingent liabilities

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

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

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

Provisions

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

If the reporting entity expects that the costs covered by the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset component, but only if there is a sufficient assurance that the reimbursement will actually be made.
Costs related to a given provision are disclosed in the profit and loss account, less all reimbursements.
The Company creates provisions for future warranty repairs by way of estimations based on past events related to expenses incurred on this account.

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

Provisions for employee benefits

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

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

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

Revenue

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

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

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

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

Interest revenue 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;
- Sales costs;
- Loss on sale of property, plant and equipment 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 zloty 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 revenue 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 profit (loss) differs from the net book profit (loss) due to exemption of taxable revenue and costs constituting costs of obtaining revenue in subsequent years and cost and revenue items which will never be subject to taxation. Tax encumbrances are calculated using tax rates applicable for a given financial year.

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

Profit per share

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

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

Mergers and consolidation

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

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

- 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;

- advances 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;
- gains and losses arising from a group of similar transactions are recognised in the net amount, e.g. foreign exchange difference gains and losses or gains and losses arising from the measurement of financial instruments held for trading and hedging recognised in the financial result, gains 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 gain/loss brought forward. In order to ensure comparability of data, the financial statements (comparable data) for previous years should be amended accordingly, so that the statements also reflect the changes made to accounting policies.

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

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

Exceptional items

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

Business segments

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

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

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

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

Items based on estimates and professional judgment

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

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

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

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

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

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

The Compiler of financial statements recognises a deferred tax asset component on the basis of the assumption that taxable income 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 property, plant and equipment components and intangible assets. The useful economic lives are reviewed annually by the Entity based on current estimates.

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

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

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

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

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

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

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

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

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

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

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

The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2020	Impact on financial statements / charge
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 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 and approved for application after 1 June 2020	**Impact on financial statements / charge**
Amendments to IFRS 16 "Leasing" - simplifications related to changes resulting from lease agreements in connection with COVID - 19	will not have any significant impact on the financial statements
The following new standards, amendments to standards and new interpretations have been issued by the IASB and approved for application after 1 January 2021	**Impact on financial statements / charge**
Amendments to IFRS 4 "Insurance Contracts" - postponed application of IFRS 9 "Financial Instruments" until 2021.	will not have any significant impact on the financial statements
Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leasing" - reform of the reference interest rate	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 2022	**Impact on financial statements / charge**
Amendments to IFRS 3 "Business Combinations" - updated references to the Framework	will not have any significant impact on the financial statements
IAS 16 "Property, Plant and Equipment" - revenue from products manufactured during the period of preparing property, plant and equipment to be put into operation	will not have any significant impact on the financial statements
IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - clarification on the costs recognised in the analysis of whether a contract is an onerous contract	will not have any significant impact on the financial statements
The 2018 - 2020 annual amendment programme - amendments contain clarifications and define the guidelines for standards on recognition and measurement: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to the illustrative examples for IFRS 16 "Leases".	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 2023	**Impact on financial statements / charge**
IFRS 17 "Insurance Contracts" and amendments to IFRS 17	will not have any significant impact on the financial statements
Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities as short- or long-term liabilities	will not have any significant impact on the financial statements

XI. Notes to the separate financial statements

Note 1 Property, plant and equipment

Ownership structure of fixed assets	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Own property, plant and equipment	25,914	25,968
Property, plant and equipment used under operating lease, rent, hire or similar	39,550	32,329
Total	**65,464**	**58,297**

Costs of external financing capitalised in the value of fixed assets	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Interest		
Foreign exchange differences		
Other borrowing costs		
Total		

There were no borrowing costs activated in tangible fixed assets.

Fixed assets used under a finance lease agreement	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Costs	60,152	50,014
Depreciation	-20,602	-17,685
Total	**39,550**	**32,329**

Fixed assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Fixed assets held for sale	TOTAL
As at 01-01-2020									
Costs	1,996	30,253	30,264	15,758	1,234	9			79,514
Depreciation and revaluation write-downs		-8,175	-18,441	-8,334	-1,187				-36,137
Net book value	**1,996**	**22,078**	**11,823**	**7,424**	**47**	**9**	-	-	**43,377**
Increases			13,033	7,818		363			21,214
including revaluation surplus									
Decreases	-14	-796	-3,267	-1,974	-17	-226			-6,294
including changes in the accumulated amortisation									
Foreign exchange differences									
As at 31-12-2020									
Net book value	**1,982**	**21,283**	**21,589**	**13,268**	**30**	**146**	-	-	**58,297**
As at 01-01-2021									
Costs	1,982	29,458	49,969	24,832	1,257	359			107,857
Depreciation		-796	-25,079	-12,379	-1,222	-226			-39,702
Revaluation write-downs									
Net book value	**1,982**	**28,662**	**24,890**	**12,454**	**35**	**133**	-	-	**68,156**
As at 31-12-2021									
Costs	**1,982**	**29,458**	**49,969**	**24,832**	**1,257**	**359**	-	-	**107,857**
Increases including:			10,095	3,251	40	213			13,600
- acquisition			10,095	3,251	40	213			13,600
-acquisition subsidiaries									
-revaluation surplus									
-carry-over									
- other									
Decreases, including:			-156	-21					-177
-sale			-156	-21					-176
-reallocation to the group held for sale									
- other									
Depreciation	-	**-796**	**-25,079**	**-12,379**	**-1,222**	**-226**	-	-	**-39,702**
Increases including:		-796	-3,371	-2,071	-18				-6,256
- amortisation		-796	-3,371	-2,071	-18				-6,256
-acquisition subsidiaries									
- other									
Decreases									
-sale									

-reallocation to the group held for sale									
-carry-over									
- other									
Revaluation write-downs									
-revaluation write-downs									
-reversals of revaluation write-downs									
Foreign exchange differences									
Net value	**1,982**	**20,487**	**28,157**	**14,428**	**52**	**359**	**-**	**-**	**65,464**
Fixed assets by types	land	buildings and structures	technical equipment and machinery	means of transport	other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Fixed assets held for sale	TOTAL

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

Note 2 Investment real property

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

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

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

The Consolidated Financial Statements of the MIRBUD Group provide more detailed information on this item.

Note 3 Intangible assets

Intangible asset ownership structure	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Own intangible assets	733	1,083
Intangible assets used under operating lease, rent, hire or similar		
Total	**733**	**1,083**
Intangible assets pledged as hedging for liabilities		

Costs of external financing capitalised in the value of intangible assets	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Interest		
Foreign exchange differences		
Other borrowing costs		
Total	-	-

Intangible assets used under financial lease contracts	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Costs		
Depreciation		
Total	-	-

Intangible and legal assets	Costs of research and development	Goodwill	Plans and licenses	Other intangible assets	Advances for intangible assets	TOTAL
As at 01-01-2020						
Costs			3,501			3,501
Depreciation and revaluation write-downs			-2,017			-2,017
Net book value			1,484			1,484
Increases			17			17
including revaluation surplus						
Decreases			-419			-419
including changes in the accumulated amortisation			-419			-419
Foreign exchange differences						
As at 31-12-2020						
Net book value	-	-	**1,082**	-	-	**1,083**
as at 01/01/2021						
Costs			3,151			3,151
Depreciation			-2,418			-2,418
Revaluation write-downs						
Net book value	-	-	**733**	-	-	**733**
as at 31/12/2021						
Costs			**3,151**			**3,151**
Increases including:			53			53
- acquisition			53			53
-acquisition subsidiaries						
-revaluation surplus						
-carry-over						
- other						
Decreases, including:						
-sale						
-reallocation to the group held for sale						
- other						
Depreciation			**-2,418**			**-2,418**
Increases including:			-401			-401
- amortisation			-401			-401
-acquisition subsidiaries						
- other						
Decreases						
-sale						
-reallocation to the group held for sale						
-carry-over						
- other						
Revaluation write-downs						
-revaluation write-downs						

-reversals of revaluation write-downs						
Foreign exchange differences						
Net value	-	-	733	-	-	733

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

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

Financial assets (excluding trading receivables, assets measured according to equity method and cash and cash equivalents)	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Capital investments in subsidiaries	472,108	429,943
Other		
Total	**472,108**	**429,943**

The following events contributed to the increase in capital investments in subsidiaries:

a) Payment to increase the share capital in Marywilska 44 Sp. z o.o. made on 28/02/2021 in the amount of PLN 80,000 thousand;
b) Payment to increase the share capital in Marywilska 44 Sp. z o.o. made on 17/11/2021 in the amount of PLN 24,520 thousand. As of 31/12/2021 the capital increase has not been registered by the National Court Register;
c) Reimbursement of advance on account of bankruptcy estate in Expo Mazury S.A. in the amount of PLN 62,355 thousand. On 19 November 2021 by a decision of the District Court in Olsztyn, 8th Commercial Division of the National Court Register, Expo Mazury S.A. was deleted from the Register of Entrepreneurs.

Basic financial data of the main directly controlled subsidiaries	JHM Development S.A	Kobylarnia S.A.	Marywilska 44 Sp. z o.o.	Expo Mazury S.A. w likwidacji
Total assets	647,126	325,576	521,042	135,928
Long-term liabilities	125,170	69,524	172,993	
Short-term liabilities	122,902	148,157	28,237	
Equity	399,054	107,895	319,812	135,928
Direct share in capital	100.00%	100.00%	53.88%	100.00%
Share in equity (direct and indirect)	100.00%	100.00%	53.88%	100.00%
Sales revenue	164,601	667,955	39,884	189
Net profit (loss)	17,053	21,162	661	11,168
Comprehensive income for the net financial year	17,053	21,162	661	11,168
Total net cash flows	59,635	107,949	-326	1,143

Basic financial data of main, indirectly controlled subsidiaries	JHM 1 Sp. z o.o.	JHM 2 Sp. z o.o.	Mirbud Ukraina Sp. z o.o.
Total assets	16,561	15,077	
Long-term liabilities	5,782	149	
Short-term liabilities	636	2,742	
Equity	10,139	12,019	
Share in equity (direct and indirect)	100.00%	100.00%	100.00%
Sales revenue	1,047	813	
Net profit (loss)	-1,665	1,048	
Comprehensive income for the net financial year	-1,665	1,048	
Total net cash flows	-854	11,305	

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:
	31/12/2021	31/12/2020
Long-term receivables	-	-
trade receivables from related entities		
trade receivables from other entities		
other receivables from related entities		
other receivables from other entities		
Short-term receivables	**436,446**	**193,880**
trade receivables from related entities	17,788	21,708
trade receivables from other entities	337,541	92,652
retained amounts under execution of contracts from related entities		
retained amounts under execution of contracts from other entities	47,127	61,836
other receivables from related entities		
other receivables from other entities	4	8
amounts transferred for deliveries	29,104	13,854
budget receivables except for corporate income tax settlements		
disputed receivables brought before the court	4,883	3,822
accrual of receivables under settlement of long-term contracts		
Total	**436,446**	**193,880**

Age structure of receivables	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Gross trade receivables	**458,566**	**216,291**
not past due, including:	**310,015**	**180,003**
payable up to 1 month	176,718	83,786
payable from 1 to 3 months	86,171	34,381
payable from 3 to 12 months	47,127	61,836
payable from 1 year to 5 years		
past due, including:	**148,551**	**36,288**
past due up to 1 month	56,408	1,126
past due from 1 to 3 months	45,790	12,845
past due from 3 to 6 months	22,164	34
past due from 6 to 12 months	2,761	533
past due over 12 months	21,428	21,750
receivables in respect of which credit risk has significantly increased	-563	-563
receivables revaluation write-down	-21,557	-21,848
Net trade receivables	**436,446**	**193,880**

As at 31/12/2020, MIRBUD S.A. charged a receivable write-down for receivables of FABRYKI BIZNESU Sp. z o.o., RADMAX P Sp. z o.o. Sp. Komandytowo Akcyjna, F-Group Sp. z o.o. Sp. Komandytowo Akcyjna in the total amount of PLN 20,740 thousand.

Receivables revaluation write-downs	Trade receivables	Disputed receivables	Other	Total
As at 01-01-2020	**-4,402**	-	-	**-8,580**
Increases	-16,338		-1,671	-18,009
Releases				
Utilisation				
As at 31-12-2020	**-20,740**	-	**-1,671**	**-22,411**
Increases				
Releases			291	291
Utilisation				
as at 31-12-2021	**-20,740**	-	**-1,380**	**-22,120**

Revaluation write-downs in respect of credit losses.

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

Revaluation write-downs in respect of items to which the credit risk has significantly increased.
The following are qualified for this item:

- receivables from counterparties at risk of bankruptcy;
- receivables overdue more than 12 months, unless there are circumstances indicating high probability of recovery.

In 2020, the Company made a revaluation write-down for receivables of PLN 20,740 thousand. All trade

receivables which were unlikely to be recovered as at the balance sheet date were included in the write-down.
As a result of a pending inspection by the Tax Inspection Office regarding the correctness of corporate income tax settlement for 2011, MIRBUD S.A. received a decision from the Łódź Tax Office, in which the amount of tax arrears amounted to PLN 1,108 thousand, together with interest due for that period. MIRBUD S.A. appealed against the decision of the Łódź Tax Office, and due to the uncertainty of the final outcome of the appeal proceedings, a revaluation write-down was created for the above amount. On 15/04/2021 the Company received a refund of PLN 291,841.00, partially settling the write-down, however the proceedings are still pending.

Note 7 Biological assets.

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

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

Other assets	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Other long-term assets	**47**	**275**
Long-term cost prepayments	47	275
Other long-term assets not elsewhere classified		
Other short-term assets	**2,714**	**959**
Short-term cost prepayments	2,714	959
Other short-term assets not elsewhere classified		
Total	**2,761**	**1,235**

Note 9 Inventories.

Inventories	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Materials	360	30
Semi-finished products and work in progress		
Finished products	15	15
Goods	700	7,775
Completed property development contracts		
Total	**1,075**	**7,820**

On 15/12/2021, by way of a notarial deed No. 13668/2021, MIRBUD S.A. sold the land in Jastrzębia Góra to JHM Development S.A.

Inventory revaluation write-downs	Materials	Semi-finished products and work in progress	Finished products	Goods	Completed property development contracts

As at 01-01-2020	-	-	-	-	-
Increases					
Releases					
Utilisation					
As at 31-12-2020	-	-	-	-	-
Increases					
Releases					
Utilisation					
as at 31-12-2021	-	-	-	-	-

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:
	31/12/2021	31/12/2020
Cash on hand and with banks	114,016	92,543
Term deposits	110,166	121,381
Other monetary assets		
Total	**224,182**	**213,924**

Term deposits in the amount of PLN 72,117 thousand available for the execution of infrastructural contracts - construction of a fragment of the A1 motorway and construction of a fragment of the S1 expressway (Węgierska Górka bypass).

Term deposits in the amount of PLN 35,646 thousand represent interest-bearing funds used as construction contract performance security and as security for the repayment of advances received from investors.

As a result, they are limited in their use.

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

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

Note 12 Capitals.

Capitals and liabilities		in PLN thousand
	As at:	As at:
	31/12/2021	31/12/2020
Share capital	9,174	9,174
Issue price surplus over nominal value of shares		
Other reserve capitals	115,103	115,103
Retained earnings attributable to the shareholders of the parent/ supplementary capital	241,210	168,195
Profit/loss in the reporting period	*80,354*	*19,425*
Equity attributable to shareholders of the parent	**365,488**	**292,473**
Equity attributable to non-controlling shares		
Total	**365,488**	**292,473**

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

Share capital structure	Jerzy Mirgos	Nationale-Nederlanden OFE	Other shareholders
As at 31-12-2020			
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 profit	44.99%	11.21%	43.81%
Share in voting	44.99%	11.21%	43.81%
As at 31-12-2021			
Owned ordinary shares	41,371,064	9,171,837	41,201,299
Preference shares held			
Share in capital	45.10%	9.99%	44.91%
Share in profit	45.10%	9.99%	44.91%
Share in voting	45.10%	9.99%	44.91%
Balance as at the date of approval of financial statements for publication			
Owned ordinary shares	41,371,064	9,171,837	41,201,299
Preference shares held			
Share in capital	45.10%	9.99%	44.91%
Share in profit	45.10%	9.99%	44.91%
Share in voting	45.10%	9.99%	44.91%

Note 13 Provisions.

Provisions	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Long-term provisions	**95**	**103**
provisions for retirement benefits	95	103
other long-term provisions		
Short-term provisions	**3,680**	**1,814**
provisions for retirement benefits	1,185	783
provisions for warranty repairs	1,000	1,000
provisions for losses under settlements of long-term contracts		
other short-term provisions	1,495	31
Total	**3,775**	**1,917**

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:
	31/12/2021	31/12/2020
Long-term financial liabilities, except for provisions, trading liabilities and other liabilities	**68,765**	**55,687**
Financial liabilities due to related entities		
Loans and credits from other entities	49,110	38,498
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	19,654	17,189
Other		
Short-term financial liabilities, except for provisions, trading liabilities and other liabilities	**79,836**	**62,561**
Financial liabilities due to related entities		
Loans and credits from other entities	71,122	55,678
Liabilities under derivative instruments		
Issued debt securities		
Liabilities under financial lease	8,714	6,884
Other		
Total	**148,601**	**118,248**

Debt instruments structure	in PLN thousand					
	loans and credits	Liabilities under derivative instruments	Issued debt securities	Liabilities under financial lease	Other	Total
as at 01/01/2020	**119,660**	-	-	**10,122**	-	**129,782**
Accrued interest	5,000			631		5,631
Interest paid	-5,000			-631		-5,631
Drawdown	19,978			20,010		39,988
Repayment	-45,462			-6,582		-52,044
Average liability level	106,918			17,358		124,276
Real interest rate	4.68%			3.64%		4.53%
as at 31/12/2020	**94,176**			**24,072**		**118,248**
minimum payments up to 1 month	1,995			504		2,499
minimum payments from 1 to 3 months	6,944			1,511		8,455
minimum payments from 3 to 12 months	37,235			4,440		41,675
minimum payments within 1 year	46,175			5,589		51,764
minimum payments within 1 to 5 years	49,938			7,993		57,931
minimum payments over 5 years						
interest due up to 1 year	4,404			875		5,279
interest due from 1 to 5 years	16,319			3,279		19,598
interest due over 5 years						
Approximate fair value	96,754			12,414		116,689
as at 01/01/2021	**94,176**			**24,072**		**118,248**
Accrued interest	4,703			758		5,461
Interest paid	-4,703			-758		-5,461
Drawdown	32,713			12,149		44,863
Repayment	-10,165			-7,310		-17,474
Average liability level	107,204			26,220		133,424
Real interest rate	4.39%			2.89%		4.09%
as at 31/12/2021	120,233	-	-	28,368	-	**148,601**
minimum payments up to 1 month	1,422			794		2,216
minimum payments from 1 to 3 months	4,266			2,350		6,616
minimum payments from 3 to 12 months	10,776			6,058		16,834
minimum payments within 1 year	16,464			9,201		25,665
minimum payments within 1 to 5 years	103,769			19,166		122,935
minimum payments over 5 years						
interest due up to 1 year	5,275			820		6,095
interest due from 1 to 5 years	21,099			3,280		24,378
interest due over 5 years	722					722
Approximate fair value	120,233			28,368		145,591

Liabilities under credits and loans of MIRBUD S.A. as at 31/12/2021

Name of the entity	Obliged entity	Amount of credit, loan acc. to the contract	Currency	Outstanding amount - long-term part	Outstanding amount - short-term part	Interest rate conditions	Repayment date	Security
PKO BP S.A.	MIRBUD S.A.	10,000	thousand		6,395	WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	5,000	thousand		5,000	WIBOR 1M + margin	22/06/2022	capped mortgage on property
PKO BP S.A.	MIRBUD S.A.	21,000	thousand	366	1,464	WIBOR 1M + margin	01/03/2023	ordinary mortgage and capped mortgage on property
MBANK S.A.	MIRBUD S.A.	20,000	thousand		15,200	WIBOR 1M + margin	30/06/2022	assignment of a business receivable
PEKAO S.A.	MIRBUD S.A.	10,000	thousand		9,291	WIBOR 1M + margin	31/10/2022	assignment of a business receivable
Agencja Rozwoju Przemysłu S.A.	MIRBUD S.A.	40,000	thousand	13,800	14,400	WIBOR 1M + margin	29/12/2023	mortgages on property
BOŚ S.A.	MIRBUD S.A.	20,000	thousand		17,801	WIBOR 1M + margin	25/08/2022	BGK guarantee, registered pledge
BOŚ S.A.	MIRBUD S.A.	35,000	thousand	34,944		WIBOR 1M + margin	17/10/2023	assignment of a business receivable, mortgage
KUKE Finanse	MIRBUD S.A.	5,000	thousand					
Total credits and loans				**49,110**	**69,551**	**118,661**		

As at 31/12/2021, the value of credits and loans has been measured at amortised cost. As a result of the measurement, the value of liabilities under credits and loans was increased by PLN 1,530 thousand.

Note 15 Trading liabilities and other liabilities.

Trading and other liabilities	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Long-term liabilities	**226,923**	**228,782**
Trade liabilities to related entities		
retained amounts to related entities		
Other liabilities due to related entities		
Trade liabilities to other entities		
Retained amounts to other entities	58,921	58,209
Advances received	168,002	170,574
Other liabilities due to other entities		
Short-term liabilities	**450,283**	**256,538**
Trade liabilities to related entities	7,454	128
retained amounts to related entities		
Other liabilities due to related entities	13,635	15,985
Trade liabilities to other entities	274,888	161,634
Liabilities under settlement of long-term contracts	62,511	44,150
Advances received	31,414	16,639
Bills of exchange liabilities		
Budget liabilities except for corporate income tax settlements	6,990	2,130
Remuneration settlements	2,703	2,383
Retained amounts to other entities	50,688	13,488
Other liabilities due to other entities		
Total	**677,207**	**485,320**

Age structure of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Trade liabilities	**677,207**	**485,320**
not overdue	**668,726**	**482,138**
payable up to 1 month	291,909	192,609
payable from 1 to 3 months	67,792	30,620
payable from 3 to 12 months	82,102	30,127
payable from 1 year to 5 years	226,923	228,782
past due up to 1 month	8,132	2,678
past due from 1 to 3 months	349	504
past due from 3 to 6 months		
past due from 6 to 12 months		
past due over 12 months		
Total overdue	**8,480**	**3,182**

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

Other liabilities and provisions not classified, including accruals and prepayments	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Long-term	-	-
Revenue settled in time		
Cost prepayments		
Other items		
Short-term	**593**	**36**
Revenue settled in time		
Cost prepayments	593	36
Other items		
Total	**593**	**36**

Note 17 Sales revenue

Structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Net revenue from sales of products and services	**1,711,824**	**848,766**
- to related entities	92,005	91,061
- to other entities	1,619,819	757,706
Net revenue from sales of goods	**8,000**	
- to related entities		
- to other entities	8,000	
Net revenue from sales of materials	**28,037**	**4,416**
- to related entities		
- to other entities	28,037	4,416
Total	**1,747,862**	**853,182**

Geographical structure of sales revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Net revenue from sales of products and services	**1,711,824**	**848,766**
- domestic sales	1,711,824	848,766
- export sale		
Net revenue from sales of goods	**8,000**	
- domestic sales	8,000	
- export sale		
Net revenue from sales of materials	**28,037**	**4,416**
- domestic sales	28,037	4,416
- export sale		
Total	**1,747,862**	**853,182**

Settlement of profits or losses on long-term services in progress	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Revenue invoiced for services in progress	1,774,335	892,916
Adjustment of revenue under the settlement of the progress of construction services	-62,511	-44,150
Total	**1,711,824**	**848,766**
Costs incurred for services in progress	-1,578,628	-780,951
Adjustment of costs under the settlement of the progress of construction services		
Total	**-1,578,628**	**-780,951**
Losses on contracts in progress		
Impact on the current financial result	**-62,511**	**-44,150**
Impact on the accumulated results of contracts unfinished as at the balance-sheet date	**133,196**	**67,815**

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 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Production cost of products sold	**-1,578,628**	**-780,951**
- to related entities	-90,722	-83,208
- to other entities	-1,487,906	-697,743
Value of goods sold	**-7,075**	
- to related entities		
- to other entities	-7,075	
Value of materials sold	**-28,040**	**-4,365**
- to related entities		
- to other entities	-28,040	-4,365
Total	**-1,613,743**	**-785,316**

Own costs of sales	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Production cost of products sold	**-1,578,628**	**-780,951**
- own costs of domestic sales	-1,578,628	-780,951
- own costs of export sales		
Value of goods sold	**-7,075**	
- own costs of domestic sales	-7,075	
- own costs of export sales		
Value of materials sold	**-28,040**	**-4,365**
- own costs of domestic sales	-28,040	-4,365
- own costs of export sales		
Total	**-1,613,743**	**-785,316**

Cost structure by types	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Amortisation	-6,698	-5,693
Consumption of materials and energy	-211,751	-121,358
Outsourced services	-1,316,616	-616,171
Taxes and fees, including:	-839	-1,328
Remunerations	-46,876	-36,137
Social insurance and other benefits	-9,282	-6,460
Other costs by type	-17,550	-17,799
Value of goods and materials sold	-35,399	-4,692
Manufacturing cost of products for internal purposes		
Total	**-1,645,012**	**-809,638**

Recognition of costs by type in the financial statements	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
In own costs of sales	-1,613,743	-785,316
In the change of balance of assets		
In costs of sales		
In general overheads	-31,269	-24,322
In other items		
Total:	**-1,645,012**	**-809,638**

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

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

Note 20 Other revenue and costs

Other revenue and costs of operating and investment activities	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Cost of sales		
Overheads	-31,269	-24,322
Revaluation write-downs of non-investment assets		-15,073
Reversal of revaluation write-downs of non-investment assets	291	
Restructuring costs		
Court proceedings settlement result	-234	241
Result of sale of non-investment fixed assets	1,028	829
Revenue from revaluation of investment property		
Costs under revaluation of investment property		
Result of sale of investment property		
Result of sale of all or part of subordinate entities		
Result of sale of other financial investments		
Dividends	1,717	
Interest	1,325	2,656
Result of revaluation of other financial investments measured at fair value through financial result		
Result of measurement of investments recognised using the equity method		
Revaluation write-downs of other financial assets		
Reversal of write-downs on other financial assets		
Foreign exchange differences of operating and investment activities	3,987	3,264
Other revenue	10,325	4,868
Other costs	-9,794	-6,070
Total revenue	**18,674**	**11,857**
Total costs	**-41,298**	**-45,465**

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 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Revenue from increase in the value of investments measured according to the equity method		
Costs under decrease in the value of investments measured under the equity method		
Total		

The above items did not occur.

Structure of revaluation write-downs of non-investment assets	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Property, plant and equipment		
-revaluation write-down created		
-revaluation write-down reversal		
Intangible assets		
-revaluation write-down created		
-revaluation write-down reversal		
Receivables	**291**	**-15,073**
-revaluation write-down created		-15,073
-revaluation write-down reversal	291	
Inventories		
-revaluation write-down created		
-revaluation write-down reversal		
Fixed assets held for sale		
-revaluation write-down created		
-revaluation write-down reversal		
Other		
-revaluation write-down created		
-revaluation write-down reversal		
Total asset revaluation write-downs	**-**	**-15,073**
Total reversal of revaluation write-downs	**291**	**-**

Revenue and costs from investment property	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Revenue from sales to related entities		
Revenue from sales to other entities		
Own costs of sales for related entities		
Own costs of sales for other entities		
Increase of fair value of investment property		
Decrease of fair value of investment property		
Result on investments in property		

The above items did not occur.

Revenue and costs from financial investments	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Dividends to related entities	1,717	
Dividends to other entities		
Interest to related entities	1,135	2,115
Interest to other entities	191	540
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 financial result		
Costs under decrease of investments measured at fair value through financial result		
Foreign exchange profits	3,483	5,033
Foreign exchange losses		
Results of financial investment activities	**6,526**	**7,689**

Other revenue	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Subsidies received	37	46
Other revenue from other entities - re-invoices	6,450	1,418
Other revenue from other entities	3,838	3,404
Total	**10,325**	**4,868**

Other costs	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Donations	-450	-87
Other costs from other entities - re-invoices	-6,450	-1,418
Other costs from other entities	-2,894	-4,564
Total	**-9,794**	**-6,070**

Note 21 Financial costs.

Financial costs	Note No.	in PLN thousand	
		For the period:	For the period:
		from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Interest on credits		-4,684	-4,667
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		-758	-631
Other interest for related entities		-2,648	-2,659
Other interest for other entities		-145	-588
Valuation of equity instruments			
Interest under factoring contracts		-19	-333
Foreign exchange differences on financial liabilities			
Other financial costs for related entities			
Other financial costs for other entities		-4,032	-793
Total financial costs		**-12,285**	**-9,671**

Note 22 Income tax.

Income tax	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Income tax current part	-22,586	-17,021
Income tax deferred part	3,730	11,859
Other tax burdens on the financial result		
Adjustments relating to previous years		
Total income tax	**-18,856**	**-5,162**

Reconciliation of the effective tax rate	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Pre-tax profit (loss)	99,210	24,587
Statutory rate of tax in %	19%	19%
Tax at the statutory rate (normative)	-18,850	-4,672
Tax effect of the received dividend	326	
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	-332	-490
Other		
Income tax in the profit and loss account	**-18,856**	**-5,162**

Deferred tax	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Deferred tax asset	**19,122**	**14,567**
- for provisions for employee benefits	243	168
- for other provisions	196	196
- on account of accrued interest	37	
- for write-downs on current assets	107	947
- on account of investment measurement	291	
- for settlement of construction contracts	11,877	8,389
- for losses brought forward		
- under tax and balance sheet differences in the value of fixed assets and lease contracts	5,390	4,574
- under foreign exchange differences		
- other	982	293
Deferred tax liability	**8,705**	**7,880**
- on account of accrued interest	159	211
- on account of investment measurement	402	
- for settlement of construction contracts	260	
- under tax and balance sheet differences in the value of fixed assets and lease contracts	7,867	6,642
- under foreign exchange differences		440
- for goodwill		
- other	16	588
Net deferred income tax assets (provision)	**10,417**	**6,687**

Net deferred income tax assets (provision)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Deferred net income tax assets (provision) at the beginning of the period	**6,687**	**-5,173**
Charge to financial result	3,730	11,860
Charge to other comprehensive income		
Other charge to equity		
Subsidiaries		
Deferred net income tax assets (provision) at the end of the period	**10,417**	**6,687**

Receivables (income tax liabilities)	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Opening balance of receivables (income tax liabilities)	**-14,873**	**-1,822**
Payment (repayment) of income tax	14,346	3,970
Current income tax accrual	-22,586	-17,021
Receivables (liabilities under deferred income tax) at the end of the period	**-23,113**	**-14,873**

Note 23 Other comprehensive income.

Other comprehensive income	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Components which will not be subsequently reclassified to the profit and loss account		
Exchange differences on translation of foreign entities		
Actuarial profits and losses		
Income tax on items not be carried forward in later periods		
Components which will be reclassified into profit or loss when certain conditions are met		
Effects of measurement of financial instruments by other comprehensive income		
Effective part of hedge accounting		
Effects of revaluation of fixed assets		
Carry-over to the report on profit and loss account		
Income tax related to the items presented in other comprehensive income		
Other total net income	-	-
Assigned to non-controlling shares		
Assigned to the owners of the parent	-	-

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

Note 24 Profit per share

Profit per share	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Profit (loss) on continued activities attributable to owners of the parent	80,354	19,425
Profit (loss) on discontinued activities attributable to owners of the parent		
Total	**80,354**	**19,425**
Weighted average number of ordinary shares in thousands of pieces	**91,744**	**91,744**
Basic profit per share	**0.88**	**0.21**
Costs of interest on convertible bonds (net of tax)		
Profit (loss) to determine diluted profit per share	**80,354**	**19,425**
Share options issued in thousands of pieces		
Theoretical conversion of convertible bonds in thousands of pieces		
Weighted average number of ordinary shares for diluted earnings per share in thousands of pieces	**91,744**	**91,744**
Diluted earnings per share	**0.88**	**0.21**

Note 25 Operating segments

The activity of the Compiler of the financial statements relates entirely to the territory of the country, therefore, no geographical segments are presented. The Issuer's activity focuses on the provision of construction and assembly services, therefore, for the purposes of these financial statements, operating segments are not presented. In the 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	Property 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 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021
Continued activities	-	-	-	-	-	-	-	-
Sales revenue	**1,708,523**				**39,338**	**1,747,862**		**1,747,862**
Own cost of sales	-1,573,644				-40,099	-1,613,743		-1,613,743
Gross profit from sales	**134,879**				**-760**	**134,119**		**134,119**
EBIT	105,226				-760	104,466		104,466
Pre-tax activity profit (loss)	**99,970**				**-760**	**99,210**		**99,210**
Income tax attributable to continuing activities	-18,856					-18,856		-18,856
Profit (loss) on continuing activities	**81,114**				**-760**	**80,354**		**80,354**
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**81,114**	-	-	-	**-760**	**80,354**	-	**80,354**
Assigned to the owners of the parent	**81,114**	-	-	-	**-760**	**80,354**	-	**80,354**

Concentration of customers by business activity segments	Construction and assembly activity	Property 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 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021	from 01/01/2021 to 31/12/2021
Customer 1	**728,441**					**728,441**		**728,441**
Customer 2	329,652					329,652		329,652
Customer 3	**140,376**					**140,376**		**140,376**
TOTAL	**1,198,469**					**1,198,469**		**1,198,469**

Selected items concerning the statement of financial position for segments in PLN thousand in the reporting period	Construction and assembly activity	Property 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:
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Fixed assets	557,475					557,475		557,475
Current assets	664,417					664,417		664,417
Total assets	**1,221,892**	-	-	-	-	**1,221,892**	-	**1,221,892**
Equity	**365,488**					**365,488**		**365,488**
Long-term liabilities and provisions for liabilities	304,488					304,488		304,488
Short-term liabilities and provisions for liabilities	**551,917**					**551,917**		**551,917**
Total capitals and liabilities	**1,221,892**	-	-	-	-	**1,221,892**	-	**1,221,892**

Other data on operating segments in the reporting period	Construction and assembly activity	Property 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:
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Goodwill allocated to a segment								
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%		
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	**9.20%**	**7.80%**	**5.60%**	**10.60%**	**5.70%**	**7.78%**		**7.78%**

Selected items of the profit and loss account for segments in PLN thousand in the comparative period	Construction and assembly activity	Property 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 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020	from 01/01/2020 to 31/12/2020
Continued activities	-	-	-	-	-	-	-	-
Sales revenue	**845,542**				**7,640**	**853,182**		**853,182**
Own cost of sales	-775,721				-9,596	-785,317		-785,316
Gross profit from sales	**69,821**				**-1,956**	**67,865**		**67,866**
EBIT	30,295				-1,956	28,339		28,339
Pre-tax activity profit (loss)	**26,543**				**-1,956**	**24,587**		**24,587**
Income tax attributable to continuing activities	-5,534				372	-5,162		-5,162
Profit (loss) on continuing activities	**21,009**				**-1,584**	**19,425**		**19,425**
Discontinued activities	-	-	-	-	-	-	-	-
Profit (loss) on discontinued activities								
NET PROFIT (LOSS)	**21,009**	-	-	-	**-1,584**	**19,425**	-	**19,425**
Assigned to the owners of the parent	**21,009**	-	-	-	**-1,584**	**19,425**	-	**19,425**

Selected items concerning the statement of financial position for segments in PLN thousand in the comparative period	Construction and assembly activity	Property 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:
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Fixed assets	504,164					504,164		504,164
Current assets	416,583					416,583		416,583
Total assets	**920,747**	-	-	-	-	**920,747**	-	**920,747**
Equity	292,473					292,473		292,473
Long-term liabilities and provisions for liabilities	292,453					292,453		292,453
Short-term liabilities and provisions for liabilities	335,821					335,821		335,821
Total capitals and liabilities	**920,747**	-	-	-	-	**920,747**	-	**920,747**

Other segment data in PLN thousand in the comparative period	Construction and assembly activity	Property 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:
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Goodwill allocated to a segment								
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%			
Rate used for discounting (IAS 36) and determining fair value using the discounted cash flow method	**8.80%**	**9.70%**	**7.71%**	**8.80%**	**10.43%**			**10.43%**

Note 24 Transactions with related entities.

Transactions with related entities	in PLN thousand							
	Subsidiaries		Jointly controlled entities and associates		Other related entities without capital connections		Members of the Management Board and Supervisory Board and key personnel	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Sales revenue	84,005	91,061						
Revenue from the sale of fixed assets		1						
Revenue from interest	1,135	2,115						
Other revenue	8,000							
Acquisition of inventories and other costs capitalised at the value of current assets								
Acquisition of services and other operating costs		-3,960						
Acquisition of fixed assets								
Cost of interest	-2,648	-2,659						
Other costs								
Loans received								
Loans granted								
Costs of remuneration							6,147	4,684
Loan receivables								
Trading and other receivables	17,788	21,780						
Liabilities on account of loans								
Trading and other liabilities	-21,090	-16,113						

Remuneration of key personnel	Entity	Position	Remunerations		Loans granted to key personnel		Additional information
			in PLN thousand		in PLN thousand		
			from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020	
Jerzy Mirgos	MIRBUD S.A.	President of the Management Board	1,438	1,278			
Sławomir Nowak	MIRBUD S.A.	Vice-President of the Management Board	1,300	1,139			
Paweł Korzeniowski	MIRBUD S.A.	Member of the Management Board	1,087	846			
Tomasz Sałata	MIRBUD S.A.	Member of the Management Board	1,060	839			
Ewa Przybył	MIRBUD S.A.	Proxy	401	358			
Anna Więzowska	MIRBUD S.A.	Proxy	505				
Wiesław Kosonóg	MIRBUD S.A.	Chairman of the Supervisory Board	59	37			
Radosław Niewiadomski	MIRBUD S.A.	Deputy Chairman of the Supervisory Board	21				Member of the Supervisory Board since 24/06/2021
Waldemar Borzykowski	MIRBUD S.A.	Deputy Chairman of the Supervisory Board	33	36			Member of the Supervisory Board until 24/06/2021
Agnieszka Maria Bujnowska	MIRBUD S.A.	Secretary of the Supervisory Board	53	36			
Artur Sociński	MIRBUD S.A.	Member of the Supervisory Board	49	24			
Hubert Bojdo	MIRBUD S.A.	Member of the Supervisory Board	47	30			
Andrzej Zakrzewski	MIRBUD S.A.	Member of the Supervisory Board	47	30			
Wiktoria Braun	MIRBUD S.A.	Member of the Supervisory Board	47	31			
Total			**6,147**	**4,684**			

Note 26 The auditor's remuneration.

Statutory Auditor's remuneration	in PLN thousand	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Remuneration for the audit of the individual and consolidated financial statements	31	31
Remuneration for the interim review of the separate and consolidated financial statements	26	21
Other services		
Total	**57**	**52**

Note 27 Financial instruments.

Financial assets according to IAS 39	Available for sale		Measured at fair value by financial result		Loans and receivables		Hedging instruments	
	As at: 31/12/2021	As at: 31/12/2020	As at: 31/12/2021	As at: 31/12/2020	As at: 31/12/2021	As at: 31/12/2020	As at: 31/12/2021	As at: 31/12/2020
Loans granted	-	-	-	-			-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other receivables					436,446	193,880		
Cash and cash equivalents					224,182	213,924		
Other financial assets								
Total financial assets	-	-	-	-	**660,628**	**407,804**	-	-
Revenue from dividends								
Revenue from interest	-	-	-	-	1,325	2,656	-	-
Foreign exchange profits (losses)					3,987	3,264		
Reversal (creation) of write-downs	-	-	-	-	291	-15,073	-	-
Profits (losses) on measurement and implementation								
Profits (losses) on derivative instruments	-	-	-	-			-	-
Total impact of financial assets on the profit and loss account	-	-	-	-	**5,603**	**-9,154**	-	-

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:
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Credits	-	-	-	-	148,601	118,248	-	-
Derivative financial instruments								
Other financial instruments measured at fair value								
Trade and other liabilities					677,207	485,320		
Other financial liabilities								
Total financial liabilities	-	-	-	-	**825,807**	**603,568**	-	-
Interest	-	-	-	-	-8,109	-8,290	-	-
Foreign exchange profits (losses)								
Profits (losses) on measurement and implementation	-	-	-	-	-	-	-	-
Profits (losses) on derivative instruments								
Total impact of financial liabilities on the profit or loss account	-	-	-	-	**-8,109**	**-8,290**	-	-

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:
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Assets	-	-	-	-	-	-
Derivative financial instruments in assets	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial assets	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other financial instruments measured at fair value						
Other financial liabilities	-	-	-	-	-	-

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

Note 28 Errors related to previous reporting periods.

No material errors were found in the previous reporting period.

Note 29 Transactions with non-controlling shareholders.

This item does not exist

Note 30 Business mergers.

There were no business mergers in the current period.

Note 31: Significant planned capital expenditures.

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

Note 32 Material events after the balance-sheet date.

In the period between the date of the end of the reporting period and the date of approval of these financial statements for publication, there were no significant events which have not been included in these financial statements, except for the military conflict in Ukraine, the impact of which on the Company's operations and future financial results is described in Note 39.

Note 33 Employment structure.

Employment structure	full-time equivalent	
	For the period:	For the period:
	from 01/01/2021 to 31/12/2021	from 01/01/2020 to 31/12/2020
Non-production employees	263	212
Production employees	164	165
Employees under contractual agreements	137	124
Total	**564**	**501**

Note 34 Dividends declared and paid.

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

Pursuant to the adopted resolution, the General Meeting resolved to allocate a part of the profit for the financial year 2020 in the amount of PLN 7,339,536.00 to the payment of dividend to the Issuer's shareholders, i.e. PLN 0.08 per share.

The dividend day was set to be 01/07/2021, whereas the dividend payment was made on 16/08/2021.

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

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

Note 36 Limitations on disposition and collaterals established on assets.

Hedge title	Hedge type	Value of debt	Hedge value in PLN thousand		Balance sheet value of the hedge object in PLN thousand		expiry date
		As at:	As at:	As at:	As at:	As at:	
		31/12/2021	31/12/2021	31/12/2020	31/12/2021	31/12/2020	dd/mm/yyyy
Hedge for credit 202-129/3/II/2/2008	mortgage	1,830	26,700	26,700	20,487	21,283	01/03/2023
Total	-	**1,830**	**26,700**	**26,700**	**20,487**	**21,283**	-

Assets as security of liabilities	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Property, plant and equipment	20,487	21,283
Investment property		
Financial assets		
Intangible assets		
Other assets		
Total	**20,487**	**21,283**

Note 37 Judicial cases.

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

As at 31/12/2021, there was litigation pending concerning liabilities against the Issuer, for the total value of the object of dispute of PLN 3,210 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 31/12/2021, there was litigation pending concerning receivables brought by the Issuer for the total value of the object of dispute of PLN 4,883 thousand.

Note 38 Contingent liabilities.

List of sureties granted to other entities by entity type	Claim of the surety	Value of the surety in PLN thousand		Value of the liability in PLN thousand		surety expiry date
		As at:	As at:	As at:	As at:	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020	
To related entities	-	-	-	-	-	-
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK S.A. credit	49,500	49,500	22,079	25,565	02/05/2028
MARYWILSKA 44 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	4,500	4,500			30/09/2022
JHM 1 Sp. z o.o.	Hedge for the SANTANDER BANK POLSKA S.A. credit	10,809	10,595	6,384	7,053	30/09/2031
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	15,000	15,000			30/11/2022
KOBYLARNIA S.A.	Hedge for bank guarantee of BGK S.A	24,150	24,150	16,100		15/02/2022
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit	9,318	9,318	4,969	5,591	31/12/2029
KOBYLARNIA S.A.	Hedge for the BGK S.A. credit		22,500			31/12/2020
JHM Development S.A.	Hedge for the issue of E series bonds	55,000		50,000		17/12/2025
To other entities	-	-	-	-	-	-
Total	- -	**168,277**	**135,562**	**99,532**	**38,209**	-

Other contingent liabilities	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Under proper performance guarantee	401,996	260,251
Under rectifying faults and defects	298,071	149,042
Under advance return	110,764	177,130
Total	**810,831**	**586,423**

Note 39 Objectives and principles of risk management.

Risk group	Risk	Possibility of occurrence	Relevance to the Group's activities	Effect of risk on financial result	Effect of risk on equity
Risks related to military conflict in Ukraine	**Administrative restrictions on carrying out construction and assembly activities**	average	high	high	high
	Manpower availability and supply chain disruption	high	high	high	average
Epidemiological risk	**Administrative restrictions on carrying out construction and assembly activities**	average	high	high	high
	Manpower availability and supply chain disruption	average	average	high	average
External financial risks	**changes in interest rates**	high	average	average	average
	changes in exchange rates	high	average	high	high
	related to restrictions in the banks' credit policy, in particular with respect to granting investment and mortgage credits	high	high	average	average
Economic situation risk	**change in the macroeconomic situation and economic situation 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	average	average	average	low
related to claims against the Companies on account of construction of flats and retail 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

Risks related to military conflict in Ukraine

As of the date of this report, to the best knowledge of the Management Board, it is not possible to precisely determine the effect of the military conflict in Ukraine on the Company's operations in the medium and long term.

In the short term, it is possible that the conflict will continue or spread, which could affect the Company’s financial results.

Currently, there are no delays in the execution of construction contracts in the construction and assembly services area due to conflict. However, it cannot be ruled out that, if this state continues, the financial result of the contracts under execution may worsen and delays in the execution of contracts may occur due to so-called force majeure events, including delays connected with:

- reduced availability and increased prices of building materials, fuels, services, equipment;
- disruption of supply chains;
- dynamic growth of prices of key energy sources, i.e. crude oil, natural gas;
- delays on the part of subcontractors employing workers from Ukraine and Belarus;
- extraordinary drop of PLN value - increase of material prices in foreign currencies.

With regard to the current settlement period, the Management Board of the Issuer predicts a possible impact of this risk on the financial result - a decrease by approx. 30% to 40%, while no impact is predicted on the Issuer’s equity.

The Issuer reports that operations 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 Company 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 group of the Issuer.

Epidemiological risk

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 or other epidemics on the activity of the Issuer and the group of the Issuer in the medium- and long-term perspective.

As of the date of this report, the majority of COVID restrictions, as well as mandatory quarantine, have been lifted in Poland. The level of population immunisation, the low number of disease cases, and the low number of disease cases ending in hospitalisation suggest that pandemic restrictions and economic disruptions will not recur in the foreseeable short-term future. However, should the coronavirus or other epidemic return and continue to spread, it is possible that the financial results of the Issuer and the Group could be adversely affected by 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.

The Issuer reports that operations 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 group of the Issuer.

External financial risks

Financial risk management

The management of financial resources of MIRBUD S.A. assumes basing the Group's financing structure on long-term sources of financing. The Company finances its operations in 70% based on foreign capital through:

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

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

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

Debt ratio = *Total liabilities/ Assets*

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

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

Debt to equity ratio = Liabilities / *Equity*

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

Credit risk management

Credit risk results from the balances of trade receivables of loans and cash and cash equivalents. The customers of the Company's services are domestic entities. The customers of products and services provided by MIRBUD S.A. can be divided into two groups:

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

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

With respect to entities subject to the provisions of the Public Procurement Law (e.g. the General Directorate for National Roads and Motorways, local 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 Management Board is responsible for managing the Company's financial liquidity. The main objectives of financial resources and liquidity management are as follows:

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

The Company manages the liquidity risk by maintaining sufficient cash, the possibility of financing with bank credits and maintaining sufficient credit lines to repay liabilities as they become due.
The Company's liquidity management includes projecting cash flows for all currencies and analysing what level of liquid assets is needed to repay liabilities.

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

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

Current liquidity ratio = Current assets / Short-term liabilities

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

Cash liquidity ratio = Cash / Short-term liabilities

Risk of significant changes in interest rates

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

As at 31/12/2021, MIRBUD S.A. has not entered into interest rate hedging transactions for long-term borrowings.

Items exposed to change in interest rates	Cash flow risk		Fair value risk	
	As at: 31/12/2021	As at: 31/12/2020	As at: 31/12/2021	As at: 31/12/2020
Liabilities under credits and loans	148,601	118,248		
Loans granted				
Other financial assets				
Other financial liabilities	11,941	13,519		
Total	**160,542**	**131,767**	-	-

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 2021 and 31 December 2020 at the level of -1.0/+1.0 percentage point (as at 31 December 2019 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 30 December 2021 and 31 December 2020 is presented below.

Sensitivity analysis for items exposed to change in interest rates		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at: 31/12/2021	increase by 1%	decrease by 1%	increase by 1%	decrease by 1%
Liabilities under credits and loans	148,601	-1,204	1,204	1,486	-1,486
Loans granted					
Other financial assets					
Other financial liabilities					
Total	**148,601**	**-1,204**	**1,204**	**1,486**	**-1,486**

		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at:	increase by 1%		increase by 1%	

Sensitivity analysis for items exposed to change in interest rates	31/12/2020		decrease by 1%		decrease by 1%
Liabilities under credits and loans	118,248	-958	958	1,182	-1,182
Loans granted					
Other financial assets					
Other financial liabilities	13,519	-110	110	135	-135
Total	**131,767**	**-1,067**	**1,067**	**1,318**	**-1,318**

Risk of changes in foreign exchange rates

MIRBUD S.A. generates revenue in foreign currencies. In 2021, the Company generated over 19% 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 2021, the Issuer hedged on average approx. 50% 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:
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Liabilities under credits and loans						
Loans granted						
Trading and other receivables	48,109	6,248				
Trading and other liabilities						
Cash	5,538	3,127				
Other financial assets						
Total	**53,647**	**9,375**	-	-	-	-

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 2021 and as at 31 December 2020.

The table below shows the sensitivity of the net financial result to reasonably possible changes in exchange rates, assuming that other factors remain unchanged.

Sensitivity analysis for items exposed to exchange rate changes (Euro)		Effect on net profit/(loss)		Effect on the balance sheet total	
	As at: 31/12/2021	increase by 10%	decrease by 10%	increase by 10%	decrease by 10%
Liabilities under credits and loans					
Loans granted					
Trading and other receivables	48,109	3,897	-3,897	4,811	-4,811
Trading and other liabilities					
Cash	5,538	449	-449	554	-554
Other financial assets					
Total	**53,647**	**4,345**	**-4,345**	**5,365**	**-5,365**

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					
Total	**9,375**	**759**	**-759**	**938**	**-938**

The Issuer's Management Board estimates that in 2022 the share of revenue in EUR will increase by approx. 50%. As at 31/12/2021, the Issuer had approximately 15% of its estimated foreign currency revenue hedged against exchange risk.

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

Currently, banks in Poland maintain a tight credit policy both for companies operating in the construction sector and for individuals seeking to obtain mortgage loans.

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

When planning subsequent projects, the Company tries to take into account the market situation by adapting its 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 Company's activities, its financial situation and development prospects.

Economic situation risk:

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

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

Risk related to the economic situation in the construction industry

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

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 to 3 years.

Risks related to competition in the construction industry

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

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

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

External legal risks

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

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

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

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

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 Company's strategy depends on the occurrence of a number of factors, the occurrence of which is often independent of the decisions of the Companies' 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:
- reduced availability of bank financing for development and commercial projects;
- failure of building construction and road projects to be completed according to schedule and cost estimates;
- other operational risks described in these statements.

The Company makes every effort to ensure that the assumed strategy is implemented and tries to analyse on an ongoing basis all market and industry factors which have and may have an effect on the implementation of the strategy.

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

Risk related to financing development with bank credits

The Company finances its development and current activities with the use of bank credits and leasing. In the future, the Company intends 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 Company's activity markets or financial markets, or as a result of a change in the banks' approach to credit risk assessment, it will have difficult access to financing using credits, their cost will be higher than the current one, or it will be forced to repay or refinance its 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 Company's good financial standing, it cannot be ruled out that in the future, as a result of unfavourable market processes, it will be unable to meet all their obligations resulting from credit contracts and loans. In the event of a situation where the Company 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 Company 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 increasing financing using advances from the Contracting Authority.

The occurrence of the aforementioned factors may have an adverse effect on the Company'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.

Risk related to the building infrastructure

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

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

Risk related to 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 Company will be obliged to bear the costs of land reclamation, pay a fine for breach of environmental protection regulations, or pay damages.

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

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

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

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

- provision of insurance coverage for contracts, including activities of the subcontractors,
- implementation and application of the Management System according to EN ISO 9001:2015 in the scope of:

a) general construction, civil engineering, road and motorway construction,

b) industrial facilities construction,

c) installation works.

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

Irrespective of the above, the payment of unforeseen contractual penalties or indemnities may have a negative impact on the Company's financial result. It should be noted, however, that in the years 2005-2021, 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.

Risk related to claims against the Company on account of construction of flats and retail and service facilities, and granting a guarantee of payment for construction works

In order to implement numerous investments, the Company has concluded and will continue to conclude construction contracts with subcontractors for construction and finishing works. It should be noted that the obligations incurred by the subcontractors in connection with the execution of the investment (e.g. in relation to further 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 Company, 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 Company 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 Company, 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 apartments under the statutory warranty for physical and legal defects of buildings. The period covered by these claims is 5 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 Company, may have an adverse effect on the Company's activities, financial position or its development prospects.

Risk related to the production process

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

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

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

Capital risk management

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

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

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

Calculation of the debt ratio	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Total credits	148,601	118,248
Cash and cash equivalents	-224,182	-213,924
Net debt		
Equity	730,975	584,946
Total capital	**730,975**	**584,946**
Debt ratio	**0%**	**0%**

Financial liquidity hedging ratios	in PLN thousand	
	As at:	As at:
	31/12/2021	31/12/2020
Net debt		
EBITDA	118,194	39,951
Equity	730,975	584,946
Total assets	1,221,892	920,747
net debt/EBITDA	**0.0**	**0.0**
equity/total assets	**0.6**	**0.6**

XII. Approval for publication

The financial statements were approved for publication and signed by the Management Board on 26/04/2022

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